



Regulatory Standard 7 Policy

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COMPLIANCE WITH SCOTTISH HOUSING REGULATORY STANDARD 7, GOVERNANCE AND FINANCIAL MANAGEMENT– OUR APPROACH

INTRODUCTION

This document sets out *our* approach to securing, maintaining and demonstrating our compliance with Scottish Housing Regulatory Standard 7.

This document will be used alongside the Social Landlord Self Assurance Toolkit of 2019.¹a slightly amended version of which, relating to Standard 7 is attached, for completeness, as Appendix 1.

This document has been developed collaboratively with the following organisations:

- Ardenglen Housing Association Ltd
- Cassiltoun Housing Association
- Clydebank Housing Association
- Elderpark Housing Association
- Hawthorn Housing Co-operative
- Maryhill Housing Association
- Molendinar Park Housing Association
- Rural Stirling Housing Association
- Wellhouse Housing Association,

¹ Social Landlord Self Assurance Toolkit: A toolkit for maintaining strong governance and meeting regulatory requirements, July 2019, developed by Linda Ewart on behalf of SFHA in association with the SHR, GWSF and ALACHO.

AIM

This document is integral to our commitment to effective governance and provides a framework against which our performance, in relation to Scottish Housing Regulatory Standard 7, can be assessed, decisions taken, recorded, communicated, actioned and verified, with appropriate consultation mechanisms in place where required.

EQUALITIES

As part of our commitment to equal opportunities, this document can be made available in large print or audio tape or translated into another language. We also ensure that we meet the equalities requirements of the Scottish Social Housing Charter as set out below.

LEGISLATION

Previously, Payments and Benefits and Schedule 7 policies were based on Part 1 of Schedule 7 of the Housing (Scotland) Act 2001. Schedule 7 of this Act outlined principles of good governance covering the types of entitlements, payments and benefits that Registered Social Landlords (RSLs) could make to employees, governing body members and their families. This specific part of the 2001 Act was repealed by the Housing (Scotland) Act 2010 and this document, therefore, takes account of subsequent publications notably 'A Self Assurance Toolkit' of 2019 (see footnote) which was endorsed by the Scottish Housing Regulator (SHR).

Account is also taken of the Housing (Amendment) (Scotland) Act 2018 Sections 3 and 4 of which have the effect of removing any requirement for the Regulator's consent to a disposal of land or another asset by an RSL, while retaining various existing duties to give the Regulator notice of disposals, to carry out consultation with tenants and, in cases where the disposal would result in a tenant under a Scottish secure tenancy ceasing to be a tenant of the RSL making the disposal, requiring the RSL to seek the agreement of tenants affected by the disposal. The RSL can proceed with the disposal only where the affected tenants agree.

OUR RELATED DOCUMENTS

This document needs to be considered alongside our:

- Rules
- Business Plan,
- Treasury Management Policy,
- Risk Management Strategy
- Asset Management Strategy
- Value for Money Statement
- Notifiable Events Policy
- and our Annual Assurance Statement

THE SCOTTISH SOCIAL HOUSING CHARTER APRIL 2017

The Charter, as required by the Housing (Scotland) Act 2010 section 31 sets the standards and outcomes which all social landlords should aim to achieve when performing their housing activities. The following Charter outcomes and standards are particularly relevant to this document: -

Equalities: *every tenant and other customer has their individual needs recognised, is treated fairly and with respect and receives fair access to housing and housing services*

Communication: *social landlords must manage their businesses so that: tenants and other customers find it easy to communicate with their landlord and get the information they need about their landlord, how and why it makes decisions and the services it provides.*

Participation: *social landlords must manage their businesses so that:*

tenants and other customers find it easy to participate in and influence their landlord's decisions at a level they feel comfortable with

Value for money: *social landlords must manage their businesses so that:*

tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.

OUR APPROACH

We will use, as appropriate, the full range of resources available to us – including the skills, knowledge, expertise and experience of our governing body and our staff team; internal audit, external audit, Regulatory bodies; stakeholders and any agreed independent expertise, including that deemed necessary to assist options appraisals and any required consultation.

Our approach to the Regulatory Framework, Section 7 is as follows:

Section 7.1 The governing body discusses and scrutinises any proposal for organisational change and ensures that the proposal will benefit current and future tenants.

Our Approach

- The over-riding objective of proposals requiring to benefit current and future tenants, is integral to our overall ethos and approach.
- Any proposals, for organisational change, which will be in line with our charitable objects, will be developed and discussed with the governing body as a whole.
- The governing body can access independent advice where the scale of proposed change is such that a new or changed organisation is proposed. By way of illustration, but not as definitive examples, this would cover any proposals for merger, group structure, constituted partnerships, creation of a new subsidiary, or a proposed move into a new, or out of an existing business stream, or a significant

reduction/increase in activity requiring additional borrowing or possible changes to staff and governance structures.

- We will research and demonstrate the rationale for proposals, their costs and benefits; short and long term; their relationship to our business plan and, depending on the nature and scale of any proposals, may seek authorisation to engage independent assistance and advice.
- Proposals will be fully risk assessed, as will the option of taking no action/making no changes.
- Independent assistance, advice and specialist knowledge is likely, but not necessarily limited, to involve governance, legal, finance, and consultation with customers and staff, key stakeholders, depending on the scale of any proposals, which may include options appraisals.
- We will liaise with the Scottish Housing Regulator and OSCR in line with prevailing SHR Statutory Guidance. <https://www.housingregulator.gov.scot/for-landlords/statutory-guidance/group-structures-and-constitutional-partnerships>

Section 7.2 The RSL ensures that its governance structures are as simple as possible, clear and allow it to meet the Standards of Governance and Financial Management, Constitutional Requirements, and Group Structures guidance.

Our Approach

- Our governing body will be supported by an Audit and Risk Sub Committee, with their respective Chairs.
- A need for other sub committees, short life working groups, will be determined by on-going business requirements and taking account of sectoral best practice guidance.

Section 7.3 The RSL ensures adequate consultation with, and support from, key stakeholders including tenants, members, funders (who may need to give specific approval) and local authorities as well as other regulators.

Our Approach

- A bespoke consultation and engagement plan will be developed suitable for the activity and in line with legal and regulatory requirements for the organisational change, meeting the established requirements and timelines for consultation, through a range of formats.
- Alongside this we will report to the governing body on the outcomes of such consultation to enable informed decision-making.
- Where consent from a lender, local authority or Regulatory body is required, the governing body will be provided with specific details to enable informed decision-making.

7.4 The governing body is satisfied that the new (or changed) organisation will be financially viable, efficient and will provide good outcomes for tenants.

Our Approach

- Revised Business Plans will be submitted to the governing body for approval; these will include as a minimum five- and ten-year financial projections along with modelling of the impact on key service delivery areas.
- Independent financial advice will be obtained.

7.5 The RSL establishes robust monitoring systems to ensure that delivery of the objective of the change and of commitments made to tenants are achieved (for example in relation to service standards, operating costs and investment levels).

Our Approach

- Regular progress and monitoring reports will be submitted to the governing body showing Key Performance in relation to previously agreed Indicators and targets of service; costs and investment, rent and affordability levels.
- Internal audit reports will also be submitted to the governing body with the governing body having direct access to the auditor.
- The governing body will also be provided with benchmarking information; the comparator organisations being agreed by the governing body.
- The governing body will consider the Annual Assurance Statement and Annual Return on the Charter information as part of its trend analysis.
- Independent satisfaction surveys will also contribute to the understanding and assessment of change and progress.
- Tenant scrutiny outcomes and customer feedback will also be reported to the governing body for information and approval of any required actions arising from this.

7.6 Charitable RSLs seek consent/notify OSCR of changes to their constitution and other changes as appropriate.

Our Approach

- We will maintain open and constructive dialogue with OSCR and other regulatory bodies, including the SHR and where appropriate the Care Inspectorate.
- We will seek consent/notify OSCR of proposed changes to our constitution and other changes in line with the requirements of OSCR and the SHR; submitting reports on this to the governing body for approval.

7.7 The governing body ensures that disposals, acquisitions and investments fit with the RSL's objectives and business plan, and that its strategy is sustainable. It considers these taking account of appropriate professional advice and value for money - whether as part of a broader strategy or on a case-by-case basis.

Our Approach

- Our Asset Management Strategy identifies any Cause for Concern stock and this is factored into our Business Plan and Financial projections.

- A Disposal Policy will be developed and implemented when appropriate, will be in line with Regulatory Guidance, and will be subject to full governing body approval.
- Any proposed acquisition will be subject to a risk assessment, taking full account of demand, as evidenced by our housing list; a stock condition survey and to a full financial appraisal, including value for money.
- Proposed investments will be fully appraised to ensure they align with our objectives and have a neutral or overall positive impact on our Business Plan.

7.8 The RSL complies with regulatory guidance on tenant consultation, ballots and authorisation.

Our Approach

- We will comply with our approach to customer consultation and engagement as set out in the relevant strategy.
- We will comply with Regulatory guidance on tenant consultation, ballots and authorisation, <https://www.housingregulator.gov.scot/for-landlords/statutory-guidance/tenant-consultation-and-approval>, with independent advice and guidance available to tenants.

7.9 The RSL notifies the Regulator of disposals in accordance with regulatory guidance.

Our Approach

- A Disposal Policy will be developed and implemented when appropriate.
- Our approach to disposals will be informed by our Housing list to assess the current and likely future demand, our voids performance, Customer feedback, repairs and maintenance costs and major repairs projections. The disposal of properties will occur in circumstances where either there is no viable or economic basis for retaining the property, or where after due consideration the property is not considered an asset which will benefit either the organisation or our tenants in the longer term. We will consider the property condition, including the condition of common areas, where it compromises the integrity of the building:
 - the remaining anticipated lifetime of key components or elements within the property and the imminent costs involved in replacement.
 - the status of asbestos within the premises
 - the provision and integrity of communal services (water, gas, electricity and telecommunications) serving the property.
 - the energy rating of the property – in particular the efficiency of existing or replacement heating systems, insulation standards and glazing which would contribute to fuel economy issues.

- whether there are likely to be, in the foreseeable future, extensive, disruptive or expensive common works to meet a mandatory regulatory requirement such as the Scottish Housing Quality Standard (SHQS), EESH.
- We will comply with Regulatory guidance on disposals and Notifiable Events <https://www.housingregulator.gov.scot/for-landlords/statutory-guidance/notifiable-events>

7.10 The RSL only agrees fixed or floating charges where the assets are used to support core activities. This should exclude providing security in relation to staff pensions.

Our Approach

- As evidenced by minutes of the governing body; audit & risk sub committee; our treasury management policy; our accounts and external audit fixed, or floating charges will only be agreed where the assets are used to support core activities.
- As evidenced above, we will not provide security in relation to staff pensions.

DOCUMENT REVIEW

This Document will be reviewed every three years, or as required by changes to the Regulatory Framework, or by other changes in legislation.

APPENDIX 1

COMPLIANCE WITH SCOTTISH HOUSING REGULATORY STANDARD 7

(An expanded version of Self Assurance Toolkit, on Standard 7)

SHR Regulatory Requirement/Standard	Suggested Evidence	Self-Assurance Factors
<p>7.1 The governing body discusses and scrutinises any proposal for organisational change and ensures that the proposal will benefit current and future tenants.</p>	<p>Business Plan Business case Records of planning events/ away day discussions Records of GB/ committee/working group discussions. Risk strategy and risk assessment Risk register Specialist advice, including but not limited to OSCR, financial, legal, tax advice and possibly HR. Key Performance Indicators</p>	<p>Is the GB clear about the objectives of the proposal? What is the impetus for the proposal? What are the implications for current and future tenants? How will the proposed changes deliver improvement? What risks will the proposal mitigate? Has the GB been involved in developing the proposals? Has there been consultation with tenants? Has there been consultation with staff if appropriate? How will the proposal contribute to value for money?</p> <p>Was the SHR notified in accordance with regulatory requirements? Links to other Regulatory Requirements/Standards Requirements: SG1 Standards:1,2 and 3</p>

<p>7.2 The RSL ensures that its governance structures are as simple as possible, clear and allow it to meet the Standards of Governance and Financial Management, Constitutional Requirements, and Group Structures guidance.</p>	<p>Proposed Governance structures Specialist advice</p>	<p>Has the GB considered how the proposed organisational change will affect the strength and effectiveness of its governance? What is the impetus for the change? Is the GB satisfied that the proposed governance structure will deliver effective governance? Are remits and reporting and delegation arrangements clear? Does the proposed change have implications for shareholding members? Links to other Regulatory Requirements/Standards Requirements: SG2 and OC3 Standards: 1, 4, 5 and 6</p>
<p>7.3 The RSL ensure adequate consultation with and support from, key stakeholders including tenants, members, funders (who may need to give specific approval) and local authorities as well as other Regulators.</p>	<p>Minutes and reports from GB/Cttee Working Group Meetings Records of and outcomes of consultation Feedback reports from independent advisers Records of discussions with lenders Approvals from lenders Records of discussions with SHR Minutes of general meetings of shareholders (where required) Approvals from other regulators (e.g., OSCR, FCA, Care Inspectorate) where required.</p>	<p>Is there a schedule or implementation plan that identifies key milestones; engagement with stakeholders and provides a framework for monitoring? How has the RSL engaged with funders? Are the conditions proposed by funders consistent with the objectives of the proposal? What is the impact of the lender's conditions on the proposal? What is the impact of the lender's conditions on the Business Plan? Has independent advice been procured to support tenants? Were tenants involved in the selection of the adviser? How will/were all necessary approvals secured?</p>

		How will/was the approval of members be obtained? Links to Other Regulatory Requirements/Standards Requirements: SG3
7.4 The governing body is satisfied that the new (or changed) organisation will be financially viable, efficient and will provide good outcomes for tenants.	Financial projections Business Plan Business case Budget Specialist advice Minutes and reports from GB/committee/working group discussions. Tenant consultation feedback	How has the GB gained assurance that the new/changed organisation will be financially viable? Is the GB satisfied that the assumptions used in the financial planning are realistic and robust? How has this assurance been gained? What will be the benefits for tenants- Current and future? Links to Other Regulatory Standards 12 3 4
7.5 The RSL establishes robust monitoring systems to ensure that delivery of the objective of the change and of commitments made to tenants are achieved (for example in relation to service standards, operating costs and investment	Delivery Plan (or equivalent) Promises to tenants. Newsletters and tenant communication Key Performance Indicators Rent Policy and rent charges	Is the GB clear about the outcomes the change is intended to deliver? Are there effective systems and processes to monitor implementation? How is progress reported to the GB? Is information provided to tenants on the achievement of key goals?
7.6 Charitable RSLs seek consent/notify OSCR of changes to their constitution and other changes as appropriate.	Records of OSCR discussions/ engagement/ notifications Application to OSCR OSCR consent GB/Cttee Reports and Minutes	Has the governing body considered proposed disposals/acquisitions/investments in the context of the business plan and financial projections? Has specialist advice been considered/obtained? Is the GB satisfied that it has the legal capacity to make the disposal/investment? Links to other Regulatory Requirements/Standards Requirements: SG1 Standards: 3

<p>7.7 The governing body ensures that disposals, acquisitions and investments fit with the RSL's objectives and business plan, and that its strategy is sustainable. It considers these taking account of appropriate professional advice and value for money - whether as part of a broader strategy or on a case-by-case basis</p>	<p>Business Plan Business case Rules / Articles Treasury Management Policy Budget and financial projections GB reports and minutes Specialist advice Asset Management Strategy Disposals Strategy</p>	<p>Has the governing body considered proposed disposals/acquisitions/investments in the context of the business plan and financial projections? Has specialist advice been considered/obtained? Is the GB satisfied that it has the legal capacity to make the disposal/investment? Links to other Regulatory Requirements/Standards Requirements: SG1 Standards: 3</p>
<p>7.8 The RSL complies with regulatory guidance on tenant consultation, ballots and authorisation.</p>	<p>Consultation/ engagement strategy Records of tenant consultation Notices to tenants Correspondence with SHR; SHR approvals Feedback reports from independent adviser Ballot Documentation Notifiable Events Register</p>	<p>How has the GB overseen the process of engaging and consulting with tenants? Has the GB considered and approved the proposals that are/were made to tenants? How has the GB gained assurance that all regulatory requirements are observed?</p>
<p>7.9 The RSL notifies the Regulator of disposals in accordance with regulatory guidance.</p>	<p>GB reports Minutes of GB meetings Notifications to SHR Notifiable Events Register</p>	<p>Has the GB been notified that the disposal has been completed? How has the GB been advised that the organisation is compliant? Links to other Regulatory Requirements/Standards Requirements SG1</p>
<p>7.10 The RSL only agrees fixed or floating charges where the assets are used to support core activities. This should exclude providing security in relation to staff pensions.</p>	<p>Reports to GB Business Plan Loan agreements Loan register Asset register Loan Portfolio Return to SHR Five Year Financial Projections Return</p>	<p>How is the GB informed about the terms of loans being negotiated? Do reports consider regulatory and constitutional implications to support informed decision-making</p>

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