



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government and Communities Committee

**Wednesday 25 November 2020**

**Session 5**



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Pàrlamaid na h-Alba

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**LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**

**30<sup>th</sup> Meeting 2020, Session 5**

**CONVENER**

\*James Dornan (Glasgow Cathcart) (SNP)

**DEPUTY CONVENER**

\*Sarah Boyack (Lothian) (Lab)

**COMMITTEE MEMBERS**

\*Keith Brown (Clackmannanshire and Dunblane) (SNP)

Gail Ross (Caithness, Sutherland and Ross) (SNP)

\*Alexander Stewart (Mid Scotland and Fife) (Con)

\*Annie Wells (Glasgow) (Con)

\*Andy Wightman (Lothian) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Michael Cameron (Scottish Housing Regulator)

Gordon MacDonald (Edinburgh Pentlands) (SNP) (Committee Substitute)

George Walker (Scottish Housing Regulator)

**CLERK TO THE COMMITTEE**

Peter McGrath

**LOCATION**

Virtual Meeting



## Scottish Parliament

### Local Government and Communities Committee

Wednesday 25 November 2020

*[The Convener opened the meeting at 09:30]*

### Decision on Taking Business in Private

**The Convener (James Dornan):** Good morning. I welcome everyone to the 30th meeting in 2020 of the Local Government and Communities Committee. Please ensure all mobile phones are on silent. I remind members and witnesses that broadcasting will operate your camera and microphone as usual. Please allow a short pause before being called on to speak to allow them to do so.

I have received apologies from Gail Ross and I welcome Gordon MacDonald as a substitute to the committee. I invite Gordon MacDonald to declare any relevant interests.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** Thank you, convener. I have no relevant interests to report.

**The Convener:** Today's main business is oral evidence from the Scottish Housing Regulator. First, at item 1, the committee is to decide whether to take item 3, consideration of that evidence, in private. As we are meeting remotely, rather than asking whether everyone agrees, I will instead ask if anyone objects. If there is silence I will assume you are content.

Does anyone object? I hear no objections. That is agreed. Item 3 will be taken in private.

## Scottish Housing Regulator ("Annual Report and Accounts 2019-20")

**The Convener:** At item 2, the committee will take evidence on the Scottish Housing Regulator's annual report and accounts 2019-20. The report was published on 28 October and this morning we will focus on the key themes and challenges it identifies. I expect we may also have some questions about Covid-19 and the social rented sector.

I welcome George Walker, the chair, and Michael Cameron, chief executive of the Scottish Housing Regulator. Thank you for being here today. I invite George Walker to make a short opening statement.

**George Walker (Scottish Housing Regulator):** Thank you, convener, for inviting us today to present the regulator's annual report and accounts. My opening statement will take about five minutes and then we will be ready for any questions you have for us. I hope that you are all well in these unprecedented times.

First, I want to recognise the hard work being done by the social landlords and tenant bodies who have worked tirelessly and gone the extra mile during the pandemic, and also the volunteers who work hard on registered social landlords committees.

I will highlight some of the work that SHR has done since we completed the period of this annual report back in March, just as the pandemic hit. I do not suppose that it will surprise the committee to learn that we acted quickly to respond to the pandemic. We moved our team to work from home, effectively, on 17 March. We immediately changed our regulatory approach from 18 March, and postponed the publication of engagement plans and all but the most critical engagements.

We extended the timescales for regulatory returns. We worked collaboratively and effectively with our sector colleagues to establish the social housing resilience group. We focused on monitoring the impact of the pandemic on social landlords and we have now published seven monthly dashboards that highlight the emerging trends. We have been using that data to inform the Scottish Government and the social housing resilience group. We have also provided advice and guidance to landlords on the impact of Covid-19 on their businesses, cybersecurity, fraud and governance.

During the summer, we consulted stakeholders and took account of their feedback as we made further temporary adjustments to our regulatory approach, including extending two deadlines for

landlords. The deadline to complete their annual assurance statements was moved from October to November, and the deadline to report to their tenants and service users on their charter performance went from October to December. We also published new advice for social landlords on completing annual assurance statements, and on their business planning. Today we are publishing the next coronavirus guidance for governing body members; that will go live any minute.

We also reviewed our corporate plan, as you might expect, to reflect the impact of the pandemic on our work. However, our priorities are still the safety of tenants and residents, homelessness, affordable rents, value for money, governance, and the financial health of RSLs.

We have also published three key reports: a statutory inquiry report into Glasgow City Council's homelessness service, with important recommendations for Glasgow City Council; our national report on the Scottish social housing charter where almost nine out of 10 tenants said that they were satisfied with their landlord's overall levels of services; and the findings from a national panel of tenants and service users that highlighted that some are definitely struggling with housing costs and their wider finances. We are asking landlords to be aware of their tenants' concerns about affordability and to vigorously pursue cost efficiency and value for money wherever they can.

In the coming year, we will publish more information on the indicators and risks that we will consider during the next few days. I am happy to say that we commenced no new statutory interventions during the year. We have on-going interventions in just two cases, both of which are coming to a conclusion. We are very grateful to all those involved, especially the eight voluntary statutory appointees on the management committee. They all come from the social housing sector, as you will know.

Finally, convener, I want to highlight the potential challenges ahead for the sustainability of SHR's future funding. I make no bones about the fact that this has been a challenging year financially for SHR. We are in constructive talks with the minister and Scottish Government about that and, more importantly, about our funding for next year. It is vital that our funding is sustainable into the future, so I thought it was important that I flag my board's concern about the impact and challenges ahead. We are an efficiently-run regulator, but 90 per cent of our costs are for staff and, of course, it is people who deliver effective regulation. Any cost increases from well-earned pay rises or from any other new costs will disproportionately impact SHR. If cost increases are not met in our future funding settlements, we will be faced with a significant budget deficit next

year and beyond. Our worry about that, of course, is that it could present a major challenge that could impact the type of work we are able to do and, therefore, the protection of tenants through the effective regulation of social housing in Scotland. I thought it was right to highlight my board's concerns on that to the committee today.

Convener, I hand back to you for any questions. Thank you.

**The Convener:** Thank you, Mr Walker. We have allocated just over an hour for this session and we have a number of issues that we want to discuss with you.

I have some brief technical information before we start. I have a pre-arranged questioning order and I will call each member in turn to ask their questions for up to nine minutes. Mr Walker, it might help the smooth running of proceedings if we assume that questions are directed to you, in the first instance, but you should, of course, feel free to pass the question on to Mr Cameron. We might have a short amount of time for supplementary questions at the end. Please give broadcasting staff a second to operate your microphones before you speak.

We will move on to the questions and I will ask the first one. How can you assure the committee that your statutory intervention process is proportionate and transparent? Are social landlords able to raise concerns with the regulator without fear of being targeted? How accessible is your complaints policy? Have you dealt with any recent formal complaints about how the regulator intervenes with social landlords? I accept that there is quite a lot in those questions.

**George Walker:** As I said, we have two statutory interventions taking place. How can I assure the committee that they are appropriate and proportionate? The key thing to say, convener, is that statutory interventions are the end of a process, not the beginning. What I mean by that is that statutory interventions only happen after a long period of engagement and dialogue with an individual landlord about the concerns that are raised. Those concerns could come from their own reporting, from our reporting or, occasionally, through whistleblowing. Statutory interventions only happen when a landlord either does not have the capacity or, on occasion, a willingness to engage with the issues that the regulator is concerned about. It is at that point that a statutory intervention happens, but to give you some reassurance, that is after often months and months of dialogue, engagement and discussion. I want to dispel any myth that there is a rush to a statutory intervention.

One of the key tools that Parliament has given us in statutory interventions, and it is a tool that we

use fairly regularly—we have used it in 12 interventions we have made—is the appointment of statutory appointees to a committee. Importantly, those appointees are all voluntary, so they give up their time at no cost to support the landlord in question and they all come from social housing itself. On occasions, those appointees can be sitting on committees for a significant period of time, giving their time and hard work.

I will pause there and see if there is anything that Michael Cameron would like to add to what I have said.

**Michael Cameron (Scottish Housing Regulator):** Good morning, everyone. I will pick up on the point about complaints. Our complaints policy is fully accessible from our website and it is consistent with the Scottish Public Services Ombudsman's model approach. We are going through the process of updating our complaints policy to ensure that it is consistent with the new model that the SPSO brought out in September and we will make that fully accessible and available through our website.

**The Convener:** I did ask the question, but have you dealt with any recent formal complaints about how the regulator intervenes with social landlords? That question was not answered. Could you pick up on that?

**George Walker:** I will come back on that, convener. I am sorry for not answering that part. I wanted to set the scene first. At the time there was some background noise and you had a complaint to the committee and some questions in the media about the statutory intervention from the sector. I put out a call explaining our complaints process, which is laid out on our website, and asking anyone to come to me if they had any concerns or to go through the complaints process. Two people approached me. One was a member of a committee of an organisation with which we were involved in a statutory intervention and I had a long and fruitful discussion with that person. That lady chose to go through the complaints process and that is in hand now. The second person who came to me was entirely unrelated to interventions. It was about a specific RSL and it was not really a matter that the regulator could deal with, so we explained to that person how it could best be handled.

Those are the two things that have come up in the past two years, particularly since my call for people to come forward or go through our complaints process.

**The Convener:** Finally, on that issue, do you feel that social landlords are able to raise concerns with you without fear of being targeted?

**George Walker:** Obviously I cannot speak for individual social landlords. The assurance I can

give the committee and all social landlords—and I have done this before, in the call that I referred to earlier and when I am speaking on public platforms in many places—is that we would not target individual landlords for making a complaint to us. We are happy to hear feedback and take complaints. I hear various bits of anecdotal feedback when I am out and about doing visits and meetings. As chair of the SHR, I would not allow us to target anyone who made complaints to us. We are a public body. We should be open to scrutiny and certainly we should be open to social landlords coming to us and making complaints, and I believe that we are.

We get complaints from time to time. It is generally a small number and they have been handled. As you know, our complaints process is laid out on our website, as we have explained. It is important for any individual who has concerns to note that the end point of the process rests with the ombudsman and they can raise an issue with that independent body. That is a slightly longer answer. The short answer is that I am comfortable that we welcome complaints and that we do not target individuals in any way.

**The Convener:** If there is a short answer and a longer answer, give me the short one.

**George Walker:** That is a fair point, convener.

**The Convener:** I want to touch on the issue of whistleblowers. How robust is your policy for dealing with whistleblowers? How is evidence from whistleblowers used alongside other regulatory evidence?

09:45

**George Walker:** I will make a quick comment and then hand over to Michael Cameron. I believe that our policy on whistleblowers is robust. We get frequent approaches from them, we take them at face value and we certainly investigate them. Whistleblowing has been the basis of some of the statutory interventions that we have gone through. I will hand over to Michael Cameron because he can talk about how we handle whistleblowing when it arises.

**Michael Cameron:** The SHR is a prescribed person under the Public Interest Disclosure Act 1998, so it is important that whistleblowers can make disclosures to us and that we respond effectively to them. We consider each whistleblowing instance on its own merits. During 2019-20, whistleblowers contacted us on 16 occasions. By way of illustration, we took no further action in seven cases for various reasons, including the fact that there was insufficient information and evidence. We worked with the landlords involved in the remaining nine cases to investigate and establish the facts. During 2019-

20, we did not initiate any statutory interventions, so, of the 16 instances of whistleblowing, none led to statutory intervention, but a number have led to engagements with landlords that have resulted in an appropriate approach to investigating the issues that were raised.

**The Convener:** How effective do you think the social landlords' policies are on whistleblowing? Are there any improvements that need to be made there?

**George Walker:** I will give a high-level response and see what Michael Cameron can add. As part of our new regulatory framework, which we consulted on over a year ago—we are in the second year of it, as you know—we raised the profile of whistleblowing and encouraged landlords to ensure that they had robust procedures in place. Our sense is that those procedures are robust but, in some cases, need a little bit of improvement. Why do I say that? On occasion, when whistleblowers come to us, it is as a result of frustration that they may have felt—and I emphasise the word “felt”—that they have not been heard through the landlord process. Michael Cameron, do you have anything to add?

**Michael Cameron:** Over the past three or four years, we have promoted the place of whistleblowing to individual landlords. It is important to have a way for anyone in an organisation to raise concerns and be confident that they will be taken seriously and dealt with appropriately. Most landlords have whistleblowing policies and I know that such policies have received quite a bit of attention over the past few years among social landlords. As George Walker said, on a small number of occasions when people feel they have to bring matters to us, it has usually been because they have felt that the landlord itself has not had a system that they can use effectively and feel confident and safe in so doing.

**Sarah Boyack (Lothian) (Lab):** First, I draw attention to my entry in the register of interests, which refers to my former employment with the Scottish Federation of Housing Associations.

I welcome the witnesses this morning. How has the new regulatory framework bedded in a year on? Has it had the impact that you were looking for and what kind of lessons have been learned from the first year of operation of assurance statements?

**George Walker:** I believe that the new framework has settled in pretty well. There are two elements to that. One element, annual assurance statements, is up and running beautifully. The second, engagement plans for every landlord in Scotland, has been effective and is in place. We are a little behind with one part, which is the publishing of updated engagement plans and a

regulatory judgment of organisations working towards being compliant, being compliant or being in statutory intervention. That was due from 1 April this year and was postponed due to the Covid pandemic. We will pick that up again and we will be publishing those plans and regulatory judgments from April next year.

The annual assurance statements are working very well. I think that landlords have responded beautifully to them. They were due at the end of October last year and most were on time. To be honest, I forget the number of statements that were a bit late, but it was not many. There was a handful of RSLs and a number of councils whose statements came in a few days or a week or so beyond the deadline. There was one that was quite late in being signed off by its committee, but it was finally signed off. The idea of landlords self-assuring and looking in all the dusty corners—to use some of their words—is a big thing.

What did we learn from that? To see how it had gone, we first engaged with lots of landlords out and about on visits, at conferences and on platforms, and we heard their views. Secondly, we published a report after a series of visits to 10 landlords—large and small, randomly sampled across Scotland—to hear what they thought. Very interestingly, most of them told us that the process had significantly increased the level of self-assurance, especially in areas of tenant and resident safety and rent affordability, which they paid a lot of attention to. We heard that landlords had taken a range of different approaches to reflect their own circumstances and to adopt the process of self-assurance.

The vast majority of landlords were very clear that they wanted to receive feedback from tenants about their performance. Many of the 10 that we visited said that they wanted to consider how they could get more involvement from their tenants and service users in the self-assurance process. The whole framework has embedded very well, albeit with the delay that I referred to due to Covid.

The final thing that I will mention is that part of the new framework was the idea of a landlord toolkit, to give landlords a series of tools and advice, and that is up and running. That is being done through co-production. It is hosted on the website of your old employer, the SFHA, and we have worked with the SFHA and other sector bodies to build it. The piece that is under construction now relates to one of the significant parts of the framework, which is equalities. We have funded a piece of work to develop guidelines on equalities and human rights for the framework, and that will begin quite soon. I will stop there to see whether Michael Cameron has anything to add.



**Michael Cameron:** The only thing to add is a quick update on the position this year. As George Walker mentioned, we extended the timescale for the submission of annual assurance statements to November. As at yesterday, we had received annual assurance statements from 82 landlords. The deadline is this coming Monday, so we are still awaiting annual assurance statements for this year from just over half of all social landlords.

**Sarah Boyack:** In this year's assurance statements, you mentioned the importance of increased tenant involvement and you mentioned issues to do with rent affordability. Do you expect those issues to feed through into this year's assurance statements, given the impact of the pandemic on people's incomes and their capacity to pay rent?

**Michael Cameron:** I suspect that we will get some sense of that coming through from these statements, although I would not be at all surprised if the impacts of the pandemic, in particular on the levels of rent arrears, and some of the wider cost implications for landlords take a bit longer to work their way through. I suspect that it might be into next year that we start to see some of the more fundamental impacts of the pandemic. That will come through in the annual returns on the charter that, as things stand, we are due to get from landlords in May next year and then probably in the annual assurance statements next year.

That said, we have said to landlords that we recognise that there is likely to be an immediate consequence of the pandemic and the impact on social landlords. Therefore, the annual assurance statements provide an opportunity for landlords to identify to us where they feel that they are not able to comply with regulatory requirements, or where they do not have a level of assurance that they comply with regulatory requirements, as a direct consequence of the current situation. It is important that they flag that to us, so that we can take account of it when we are assessing their performance.

**Annie Wells (Glasgow) (Con):** Good morning, panel. I want to move on to homelessness. Why is there still a need for engagement with 23 councils on their homelessness services, given the engagement with a similar number of councils over the previous two years? What needs to be improved? How can the SHR help drive improvements more quickly?

**George Walker:** It is fair to say that there is work to be done, given that level of engagement with local authorities. It is clear that a number of them struggle at times to meet their statutory duties. That is one of the prime drivers for that engagement. There have been a couple of very significant engagements over the past year at the top of that pile. One has been with Glasgow; we

can come on to that and give you any information that you might want on that. We had a statutory inquiry in 2018 in Glasgow. We followed up on that in the past year and have recently published a report on it. The second was with Dumfries and Galloway, where some quite good news was published as a result of work that we did with it; we saw significant improvements there.

I will pause there but, suffice it to say that we recognise that there is more work to be done. I will hand to Michael Cameron for any further detail—meat on the bones—that he would like to add.

**Michael Cameron:** I will reiterate the point that George Walker has just made, which is that this remains a significant priority for us. It will feature very prominently in the risk assessment of all local authorities that we have just initiated. We will continue to monitor and report on performance in this area, including on some of the new developments in the extension of the unsuitable accommodation order. We will provide as much information as we can on how landlords are performing on that. It remains a particularly challenging area for local authorities and the past eight months has increased those challenges. Through the seven monthly dashboards that we have reported on during the course of pandemic, we have focused on performance in homelessness. In particular, that has helped those organisations that are involved in the social housing resilience group to focus on where action is required to deal with the very significant number of people who are now in temporary accommodation.

**Annie Wells:** Mr Walker, you mentioned Glasgow City Council. What are the key messages from the recent report on homelessness in Glasgow? How will the SHR be monitoring the response to the report?

10:00

**George Walker:** I will highlight what we have done in Glasgow and the key messages, and then I will pass you to Michael Cameron on the ongoing monitoring that he and the team will do.

As a tiny bit of background, throughout the whole of 2019 we were engaged with Glasgow City Council about its progress on the improvement work that we had asked for in 2018 in the inquiry that I mentioned earlier. Our second inquiry began in December 2019 and, since March this year, we have been monitoring the impact of the pandemic on the council's homelessness service and we continue to engage with it on that. We found that the council has made some important improvements and put in some important building blocks since our inquiry in 2018,

but the pace of change has been slow. In fairness, the council has acknowledged that.

The council has also ensured that it offers temporary accommodation to almost all people who require it during the coronavirus pandemic. We also found that, before the pandemic began, the council did not ensure that it had enough suitable temporary accommodation available. It did not provide temporary accommodation to significant numbers of people when they needed it. In some cases, the people who were not accommodated were very vulnerable and, more importantly, they had approached the council for accommodation on multiple occasions.

The council has welcomed the findings that we published recently and has indicated to us that it accepts the series of recommendations that we made. I will hand over to Michael Cameron to answer the second part of your question about on-going engagement and how we will move forward with the council.

**Michael Cameron:** We have published a full report, including recommendations for the council. We now expect the council to act on our recommendations and to ensure that its recovery plan addresses the weaknesses in its approach, particularly to temporary accommodation. The council has welcomed our findings and has told us that it accepts our recommendations, so we are currently engaging with the council on how it intends to act on those. That response from the council will then determine what our regulatory strategy is. We will publish an engagement plan for the council that takes account of the response to the key recommendations set out in our report.

**Keith Brown (Clackmannanshire and Dunblane) (SNP):** Inevitably, some of the questions that I was going to ask to have been asked, but one issue that I have noticed is that your national panel, which allows you to consult various tenants and service users, covered the issue of Traveller sites. I am aware of at least one Traveller site where there has been virtually no investment in the standard of the housing for a very long time, yet the people there are paying rent to the local authority and have done so over many years. Because that site does not happen to be on the housing revenue account, the investment is not coming. I know that the regulator has a role in that. Could you say a bit about the role that you have in that and what the issues are?

**George Walker:** Yes, we have a role in that and it is an important role. We published the first report over a year ago, looking at the first line of response to the Scottish standards for Traveller sites, and at that point only about half were in compliance. Some improvement has taken place since that time and our team has continued to have engagement. That has included a pincer

movement involving a visit to one of the poorer sites by me and the minister to press home those messages. It is fair to say that we have seen more sites come into compliance since our original report was published, but it would also be fair to say that there were a number of sites—from memory, I think that it was four in the end—where some of the challenges were quite significant. I recall that, in one case in particular, the local authority was looking at potentially having to move the site because the costs of meeting the standards there were so significant. It is an important issue and one that the SHR continues to engage on.

**Michael Cameron:** Twenty-eight sites are provided by local authorities and one is provided by a registered social landlord. Twenty-four comply with de minimis site standards and, as George Walker said, four do not fully comply. They comply across a range of the standards, but there are some aspects on which they do not comply. We are working alongside the Scottish Government and a range of other stakeholders to consider changes to the site standards, as it is widely recognised that the standards that are in place at the moment are minimum standards. It is about looking to see how we can improve standards to approach something that is more equivalent to the standards that tenants of social housing can expect.

**Keith Brown:** It is obviously an important role for the regulator to understand what the standards are and how they are not being met, but the regulator's role is really in relation to the possible route to improving standards. If a council wants to move the Traveller site on to its housing revenue account and the regulator stands in the way of that, it means that the investment that needs to happen does not happen—the idea that people can pay rent for decades but not get the same level of investment in their housing that council tenants get seems very odd to me. It is the regulator's role to help that to happen. Why is not straightforward? What reasons does the regulator have for allowing that not to happen?

**George Walker:** The HRA is a known issue. I talked about a site visit that I did with the minister. The local officials raised that on the day with the minister. The SHR would never stand in the way of the addition to the HRA of Traveller sites, as you indicated. That is not something that we would prevent or seek to prevent. We do not see that as part of our role, but we recognise that there is an issue with them being incorporated into the HRA. My understanding is that some local authorities have done it, and some have not, and that there was some confusion about the possibility of doing that. That certainly was my understanding from the visit with the minister that I have referred to a

couple of times now, where there was a significant discussion about it.

Michael, do you have more detail on that? I must confess that my mind is hazy beyond that on this issue, which I know has been an important one.

**Michael Cameron:** I will emphasise that there is no regulatory barrier to local authority landlords moving the costs of Gypsy Traveller sites on to the HRA. I am aware that there may be dialogue going on with the Scottish Government about some of the guidance that relates to the HRA. As George Walker said, I am aware of at least one local authority that has funded improvements to Gypsy Traveller sites from its HRA.

**Keith Brown:** My last question is on a totally different issue. How does the SHR perform on gender representation on its board and on the gender pay gap?

**George Walker:** I will pick up on the board issue and leave the pay gap issue to Michael Cameron.

We are aware of the requirements for gender balance on boards. We do not stack up particularly well on that at the moment. In part, that is because one of the female members of our board—my deputy chair Anne Jarvie—left us earlier this year. We have two female members on the board, out of eight, and we had three previously. We have not been able to start recruitment processes. Our guidance from the public appointments office is that it will support us in that in the new year, when we will have the one existing vacancy that I have referred to, and the term of another member of the board comes to an end in February next year. That will give us two vacancies, which we will pursue to help address that issue.

The second thing that we did to address that issue was in the last recruitment round, when we were seeking to appoint two board members—a member who had lived experience as a tenant and another from the sector. With flexibility and help from the minister, we were able to recruit three people, and two tenants joined the board at that time. One of those was female, which added to our quotient.

We are aware of the requirement on us to do that. We will move to it as early as we can in the new year when we are able to start the recruitment process again. It is high on my agenda. It is something that I would like to see. There is no debate about the fact that it is a weakness that we have, for reasons that I have explained, and I am keen that we are able to address it.

Michael Cameron can comment on the gender pay issue.

**Michael Cameron:** All the employees of the Scottish Housing Regulator are civil servants and their pay is determined by the pay levels of the civil service. I hope that we do not have any form of discrimination in pay on gender. Our senior management team has a split of five males to four females, so it is more or less balanced. As I said, all of our pay activity is governed by the civil service.

**Andy Wightman (Lothian) (Green):** I will start by asking you, because it is a little bit difficult to ascertain, exactly what your role is with regard to rent levels and the affordability of rents in social housing?

**George Walker:** That is a good question. I will start and, as usual, pass on to Michael Cameron for the detail.

This issue is dear to our hearts. However, we have no specific role. We have no ability to change rents, to apply rent controls or to direct any individual social landlord, either an RSL or a local authority, on rents. However, we have access to and influence over social landlords on the issue of rents. We use that in a number of ways—the board talked about this just two board meetings ago. In particular, we encourage landlords to effectively consult the tenants about levels of rent and consultations on rent increases and encourage landlords to give tenants choice where they can. That is not necessarily a straightforward thing to do.

The second area where we have some influence is that we can raise the issue and talk about it. I mentioned in my opening remarks that some of the guidance from our national panel was that there are tenants who are generally struggling with finances and with rents. I should say, by the way, that that research was conducted before the pandemic began, so the situation could be more challenging now. In my opening remarks, I made the point about encouraging landlords to be aware of tenants' needs and to engage with them appropriately.

It is an important subject that is dear to our hearts, but we have limited levers that we can pull. Michael Cameron, do you have anything to add?

**Michael Cameron:** No, nothing specifically about that, other than to say that—as George Walker touched on—rent affordability will be a prominent issue in the upcoming risk assessment that we conduct with all social landlords. On every occasion that is available to us, we have stressed the importance of landlords having an on-going dialogue with their tenants about what is important to them, what they want and what they can afford to pay for. As George Walker has previously said, we will be publishing in the next week or so the issues that we will focus on in the risk

assessment, and rent affordability will be prominent in that.

10:15

**Andy Wightman:** You are a regulator of RSLs. To clarify, does that include wholly owned subsidiaries of RSLs? Am I correct that you would regulate their activities too?

**Michael Cameron:** We do not have any regulatory reach into unregistered subsidiaries. We regulate the RSLs. Some RSLs have registered subsidiaries that are also RSLs. We would absolutely regulate all parts of the group there, but we do not regulate unregistered subsidiaries.

**Andy Wightman:** Thank you, that is useful. I, and other members probably, have had some constituency cases in recent months or over the past year involving tenants of subsidiaries that are not RSLs. Sometimes they are mid-market rents, which seem to be rising very fast, in relation to which there is very little regulatory control at all. Here in Edinburgh, for example—I represent Lothian—the comparator rents are in the private sector and there are serious issues of affordability. I understand what you are saying about the constraints on your ability to operate and to regulate rents, per se, but will you be looking, for example, at the whole question of mid-market rents?

**Michael Cameron:** I will come in on that. We do not have any authority or statutory role in relation to mid-market provision. Our role is exclusively with RSLs and the local authority housing functions.

**Andy Wightman:** But where an RSL is operating mid-market rents, you would have a role?

**Michael Cameron:** RSLs are not able to operate mid-market rents. They could only deliver that through an unregistered subsidiary.

**Andy Wightman:** That is helpful. I will move on.

In your opening remarks, Mr Walker, you talked about cost pressures and budgetary pressures, which we will maybe return to, and said that staffing represents 90 per cent of your costs. Your median salary is £48,372, according to your accountability report. The median salary in Audit Scotland is £45,797. Could you say something about the qualifications and skill levels of your staff that result in a higher median salary than that of Audit Scotland?

**George Walker:** I will let Michael Cameron answer that specific part about skill levels, because I would not want to steal his thunder on that, but you are right, I did say some stuff about

our resources and that I mentioned that 90 per cent of our costs are for staff, because you need staff to do regulation. That creates a challenge. We have very minimal discretionary spend, so that is an issue for us, as I highlighted.

On the difference that you mention, one of the key points I would make is that, compared to Audit Scotland, the Scottish Housing Regulator is a relatively modestly sized organisation. Of course, our numbers of staff are quite different. I know that you know that. Direct median-to-median comparisons are a wee bit hard because our median could change just by the movement of one member of staff, so it is hard to give a hard and fast answer to that.

What I can say is that, of course, all of our staff members are recruited through the Scottish civil service, and, because they are members of the Scottish civil service, they are on the appropriate pay scales and so on. However, regulation is delivered primarily by experienced professionals. In particular, we have a team of qualified accountants, who spend time taking apart the accounts and working with and giving RSLs and so on support with regard to their finances. Of course, a cohort like that comes at a cost.

I will finish by saying that, as I said, that comparison is a hard one to make, although the point that you are drawing is not lost on me.

Michael Cameron can comment on staff expertise and qualifications, if that is the right way to put it.

**Michael Cameron:** To pick up on that point, it is important to flag up that Audit Scotland is a larger organisation than we are. It also has a much wider range of salaries than we have, so those two things result in the arithmetic looking a bit different. We have a range of skills in our organisation and we have drawn those skills from a number of fields. We have people with experience and skills from social housing, as you would expect, but we also draw on the skills of people with legal backgrounds and backgrounds in economics and other regulatory fields to ensure that we have the range of skills that is necessary to enable us to carry out our principal functions.

**Andy Wightman:** Sorry, I did not hear that answer; the Parliament wi-fi keeps dropping out. However, I look forward to reading it in the *Official Report*.

Mr Walker, you are correct. I should state for the record that I think that you have 46 or 47 staff and Audit Scotland has more than 250, so it is about five times the size of you.

**Alexander Stewart (Mid Scotland and Fife) (Con):** Good morning. I will continue to address the funding issues. Mr Walker, you indicated in

your opening statement that you are having discussions with the Scottish Government. Are you adapting your business case for the coming year with regard to what you are attempting to change within the organisation? What kind of response to the business case have you had from the Scottish Government, and how receptive is it to your pleas?

**George Walker:** Again, I will start and then hand to Michael Cameron, who is actively involved in these discussions with Scottish Government officials.

This year is a challenging year. We got some capital this year, which we were very grateful for, but we had a modest cut to revenue. I will not go back over the 90 per cent issue, which we touched on earlier, but the challenge of that, of course, is that there is nowhere to go to make savings. Of course, every organisation can save little bits here and there, but it is challenging for us. I would say that the SHR is disproportionately affected when new costs come to the fore or, for example, if hard-earned salary increases for our staff—which were received last year, and, who knows, might be received again next year—go unfunded. With 90 per cent of our costs being staff, that is challenging.

We have discussed two things with the Scottish Government, including with the minister, who we have had a very open relationship with. The first thing is the fact that, at the moment, we are projecting a modest overspend this year. The Scottish Government is looking at that with us. It had identified the SHR as an organisation with significant financial pressures at the time of the financial settlement last year, when we got the settlement that we did. It was aware of that and had said that, if it could assist us with that as the year went on, it would. There had been talk of some additional money. We are having that discussion with the Scottish Government now, for reasons that I have explained.

The second thing that we are talking about with the Scottish Government is what that would mean going forward into the coming year. At the moment, we are holding six vacancies. As Mr Wightman just pointed out, we have a staff cohort of around 49 or 50—it depends on the day and on whether you are using full-time equivalents or actual numbers of folk, but it is around that number. Six vacancies within that total staff is, obviously, significant. We have no ability to recruit to those vacancies currently. It would be irresponsible if we did, given that we are projecting a modest overspend this year.

We are having those discussions with the Scottish Government as we come into next year. As chair of the housing regulator, I want us to receive a financial settlement that makes us

sustainable into the future because, without people, we cannot regulate. Clearly, if we are not able to fund salary increases and any other cost increases as we move forward into next year, that will make us have to consider what type of work we can do.

Being blunt, my worry is that we would have to change the work that we do. For example, we might have to move to more reactive than proactive work. Ultimately, there is a risk that that could mean that tenants and service users in Scotland are a wee bit less well protected by the work of the regulator.

Michael Cameron is active in those discussions, so I will pause there and let him add how the discussions are going, but my understanding is there is a very open dialogue taking place.

**Michael Cameron:** We are having productive conversations with the Scottish Government. We have been able to set out for it financial projections that demonstrate cost for us as we move into the next financial year and beyond that. We have also been able to set out different scenarios around funding settlements and the impact that they would have on the organisation.

I am conscious that, at the moment, the Scottish Government is working with a level of uncertainty around the global financial settlement. Indeed, we might find out a bit more from the Chancellor of the Exchequer today about some of that. Those discussions have been productive and positive so far, and we will look to continue them on that basis.

**Alexander Stewart:** You have identified a number of financial risks that you might face in the coming year, but the pandemic has highlighted other risks for organisations. Are there any organisational risks that you, as a regulator, have identified? If there are, how are you managing those risks and what are you putting in place to try to mitigate them?

**George Walker:** That is an excellent question. Certainly, risks abound. The financial risk is the largest single risk to the SHR, for reasons that I have explained, which I will not repeat. However, the board, along with the executive and the management team, are aware that regulating remotely is challenging—there is no doubt about that. Normally, we sit alongside those whom we regulate in regular meetings and dialogue, and there are scenarios in which we sit in on governance meetings or committees and boards, such as those of RSLs, for example. However, we cannot do any of that at the moment. There is a risk there. Until we move back to a situation of more normality, the way that we regulate is necessarily somewhat different.

We are doing a number of things to try to mitigate that. We got our staff up and running and working from home very quickly. As I said, we did that from 17 March. We were in a strong position to do that, because we had had to work from home a couple of times before. We had to evacuate or exit our building for a significant period—that was for a host of reasons that I will not bore you with—so staff were working from home. We were in a good position but, as the situation has continued, we have added to that with the kind of technology support for staff that you would expect.

The second thing that we are doing is engaging as best we can with appropriate membership bodies such as the Scottish Federation of Housing Associations, the Glasgow and West of Scotland Forum of Housing Associations, the Association of Local Authority Chief Housing Officers and other key stakeholders, as well as tenant organisations, so that we are as transparent and as sighted on what is going on in the sector as possible.

For me, those are the two most significant risks, and they are on our agenda. We are aware of them and we are certainly trying to mitigate.

10:30

**Michael Cameron:** The only thing that I would add is to pick up on George Walker's point that we were well placed to respond quickly to the onset of the restrictions that came from the pandemic. We are now looking to understand how we can build our organisational resilience further. Our people have been fantastic over the past eight or nine months in responding quickly to the changes that we have had to introduce. They have been working effectively from home. As George Walker said, it is difficult and challenging to deliver effective regulation when the normal approach of engaging directly face to face with landlords is not available to us. There are also all the organisational challenges of enforced remote working. We are doing a lot of work to further strengthen the resilience in the organisation. Our biggest asset is our people, so it is about supporting those people so that they can continue to do the job that we need to do.

**Gordon MacDonald:** As a substitute member on the committee, I want to focus on the issue that Andy Wightman raised about the accounts. I am curious to understand some of the numbers and to compare last year with this year. You suggested that your staff costs are around 90 per cent of costs, but a comparison of your revenue budget with the £3.4 million staff costs suggests that the figure is closer to 78 or 80 per cent. How did you get to the figure of 90 per cent for staff costs?

The figure for basic pay is up 10 per cent. Is that due to headcount or salary increases? What was the reason for the 40 per cent pension cost increase?

**George Walker:** That is an excellent question that takes us to the heart of the challenge that we have.

How did we get to the 90 per cent? Obviously, the accounts that you are looking at are for the end of the previous year, and we are now in a new cycle. As you know, last year, there was an above-inflation salary settlement for civil servants, which I should say was well earned. Certainly for the SHR, that was unfunded, and I think that that was the case across the civil service. That added to the costs.

There were additional pension costs due to a change that happened in 2018-19. Last year, some of that was funded by the Scottish Government. I am sure that Michael Cameron will have the number to hand and can probably give it to you but, from memory, there were £100,000 to £120,000 of additional costs for pensions. We got some extra money from the Scottish Government at the mid-year point to help to cover some of those costs. However, that has not been repeated in the current financial year.

How did the staff figure get to 90 per cent? Salary increases and additional pension costs, which are part of our staff costs, start to add up. We have double-checked that. Of course, board costs are added into that. Board members are all paid something, too, so we are a staff cost as well. That is how we get to 90 per cent.

I hope that I have answered the question about pension costs. It is about the changes to the funding of pensions across Scotland. Michael Cameron might be able to add more detail if I have not covered the questions adequately.

**Michael Cameron:** On the 90 per cent figure, that is the fully costed staff structure if all vacancies were filled, as well as the board cost, which is our remuneration cost to the regulator. Taking all that together results in the figure of 90 per cent. George Walker is right that there was a significant increase in employer contributions to pensions last year. That was funded in part by the Scottish Government, although the funding for this year is entirely falling on the SHR.

**Gordon MacDonald:** The £3.4 million staff cost works out at 81 per cent of the £4.2 million revenue budget. The six vacancies that you highlighted are part of the reason why you rounded up to 90 per cent, but how long have those vacancies existed? You employ temporary staff on a regular basis year on year. How long have those vacancies existed?

**Michael Cameron:** The vacancies in question have been running since the start of this financial year. At different points, they have increased.

You are using the figure of £4.2 million as the basis for your calculations, but that includes roughly £200,000 of non-cash money that is set aside for depreciation, so it is not money that is actually available to the SHR. We used the denominator of £4.085 million in those calculations, which goes some way to explain why you are arriving at slightly different figures. That £200,000 is non-cash provision, which is largely for depreciation of physical assets that we hold.

**Gordon MacDonald:** Okay—thank you.

**The Convener:** It has been a while since I have been on a committee with you, Gordon, so I had forgotten just how forensic you can be.

I have one question to finish up. Does the regulator have any views on the RSL landscape in terms of the numbers of RSLs operating? Has statutory intervention been focused on smaller landlords? Is it the SHR's aim to rationalise the sector through such interventions?

**George Walker:** As the committee will of course know, there are a broad range of landlords across Scotland, from the very large to the tiny. As chair of the SHR, I think that a mixed economy of different types, with community and more corporate-style landlords, is very welcome and helpful. The SHR does not have a view on that mix or on whether the situation should be the same or different. We certainly do not have any kind of agenda on that or wish for it to change in any way.

On whether we have a focus on a particular type or subset of landlords—if I can characterise it that way—I do not believe that that is the case. The case load of landlords that we had been engaging with over the last year encompassed landlords large and small although, as I explained, only the most serious engagement is happening at the moment. We recognise that there has been some consolidation in the sector. We do not wish to drive that and we do not have a particular opinion on it.

As a matter of interest, of the 10 statutory interventions that we have conducted, six of the organisations involved are still alive and kicking and independent, and four of them chose to go down the route of perhaps joining another landlord. Also, either four or five—I am sorry, but my mind has gone blank, although I am sure that Michael Cameron will correct me if I am wrong—mergers are being pursued at the moment, entirely independently of the regulator. That is landlords that are, of their own volition, adopting that stance and considering joining up with another RSL.

In short, we do not press that agenda. I think that the mixed economy across social landlords in Scotland is very healthy.

I ask Michael Cameron whether I got my numbers right on the organisations that are currently looking at joining with others?

**Michael Cameron:** Yes, you did.

**The Convener:** On that positive note, that completes the session. I thank both our witnesses for taking part. It was very useful, as always.

That concludes the public part of the meeting.

10:40

*Meeting continued in private until 10:58.*





This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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