

In focus

The future of regulation in Scotland's social housing sector

spring 2008

The Scottish Housing Regulator – which comes into operation from 1 April 2008 – is the successor to Communities Scotland's Regulation & Inspection division.

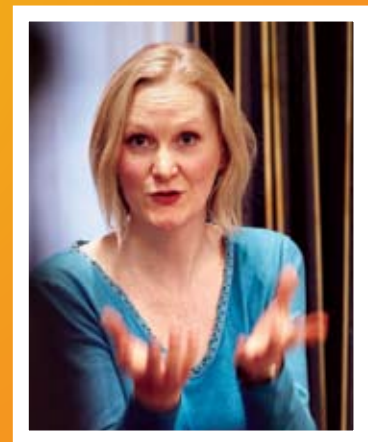
In focus has been produced to give colleagues in partner organisations information about the planned changes. It outlines the future regulation of Scotland's social housing sector, reports on a recent event for stakeholders, and contains an interview with Karen Watt, chief executive designate of the regulation organisation.



The foundations for future regulation



Stakeholder event report



Keeping you up to date: Karen Watt

Protecting and promo

The Scottish Housing Regulator – which comes into operation from 1 April 2008 – is the successor to Communities Scotland’s Regulation & Inspection division and will continue to ensure that the regulatory function puts the interests of tenants, current and future, first.



Protecting tenants' interests

THE Scottish Government's discussion document about the future of social housing in Scotland, *Firm Foundations*, announced that Communities Scotland would be abolished in spring 2008. Most of the agency's housing and regeneration functions will be absorbed into core government. However, the regulator needs to operate independently, at arm's length from Ministers, and this is why it is continuing to operate as a separate body.

Of course, all of Scotland's scrutiny bodies are currently awaiting longer-

term decisions about how they should work, following the findings of the Crerar Review published in 2007. First Minister, Alex Salmond, recently announced that Ministers would work with Parliament and with local government on proposals to reform this complex area. He said that the long-term intention was "to achieve both a radical reform of how scrutiny operates and a substantial reduction in the number of organisations with a scrutiny role." Details are expected later this year.

standards

Firm Foundations acknowledges how current housing regulation has helped to raise standards of practice. It has also allowed for intervention to help improve organisations that were not performing well. And importantly, it has inspired significant confidence in the financial community, allowing housing associations (which rely heavily on private finance to fund new affordable housing in Scotland) to enjoy advantageous rates on borrowing. While expressing a desire to protect this confidence – since high standards of financial viability are vital to the sector – Scottish Ministers have gone further, outlining further reforms they wish to see under the successor regulator. These include:

- Giving even greater prominence to promoting and protecting the interests of current and future tenants.
- Establishing greater independence for the regulator.
- Separating standard setting and measurement. In future, the Scottish Government will set the strategic direction and standards for social housing, while the regulator will hold landlords to account on their performance against these standards.
- Reducing regulation and inspection burdens. Building on changes already in place to create a more risk-based and proportionate approach to regulation.
- Taking account of developments in the relationship with local government. There will be wider changes to performance management and assessment frameworks in local government, which housing regulation will sit within.

In the longer term, *Firm Foundations* suggested it may take primary legislation to achieve all of the Scottish Government's proposals. In the interim, for the regulator, there will be a continued commitment to modernising regulation and ensuring the best service for tenants.

FACT FILE

The Crerar Review

This independent review of scrutiny, led by Professor Lorne Crerar, looked at how regulation, audit, inspection and complaints are functioning in Scotland's public services, such as health, education and housing. The Review made recommendations for a better system of scrutiny with less overlap and duplication and Ministers are currently considering these.

A stake in the f

CHANGE, while a constant, can be unsettling. Which was why senior staff from the housing regulator, and government officials closely involved in the Scottish Government's discussion document, *Firm Foundations*, invited stakeholders to a consultation event in Edinburgh to discuss how the regulation agency will work.

Participants included members of the regulator's own stakeholder advisory groups, and other representatives of key organisations, such as the Scottish Federation of Housing Associations, Tenant Participation Advisory Service, Convention of Scottish Local Authorities, Audit Scotland, Council of

Mortgage Lenders, Scottish Consumer Council, Chartered Institute of Housing, and Scottish Housing Best Value Network.

The session was chaired by Karen Watt, currently director of Regulation & Inspection at Communities Scotland, and chief executive designate of the Scottish Housing Regulator.

Karen offered reassurance about business continuity and building on much of the work of the current regulator. She was keen to talk through early proposals about how the agency would operate and to hear stakeholders' views about its objectives and priorities.

She said it would ensure continued

regulation of Scotland's social housing sector – at arm's length from Ministers – until recommendations from the Crerar scrutiny review could be finalised and implemented (see page 3).

Outlining the policy background, William Fleming, branch head of social housing in the Scottish Government's Housing and Regeneration directorate, said: "The emphasis in *Firm Foundations* is all about improving the quality of Scotland's social housing."

Modernising regulation, he continued, is one of four priorities for the Scottish Government, along with creating more social housing (including new council housing); improving the quality of social housing; and ensuring better value for public expenditure.

Participants at the recent consultation event for stakeholders discussed how the regulation agency will work. William Fleming (below left), of the Scottish Government's Housing and Regeneration directorate, outlined the policy background.

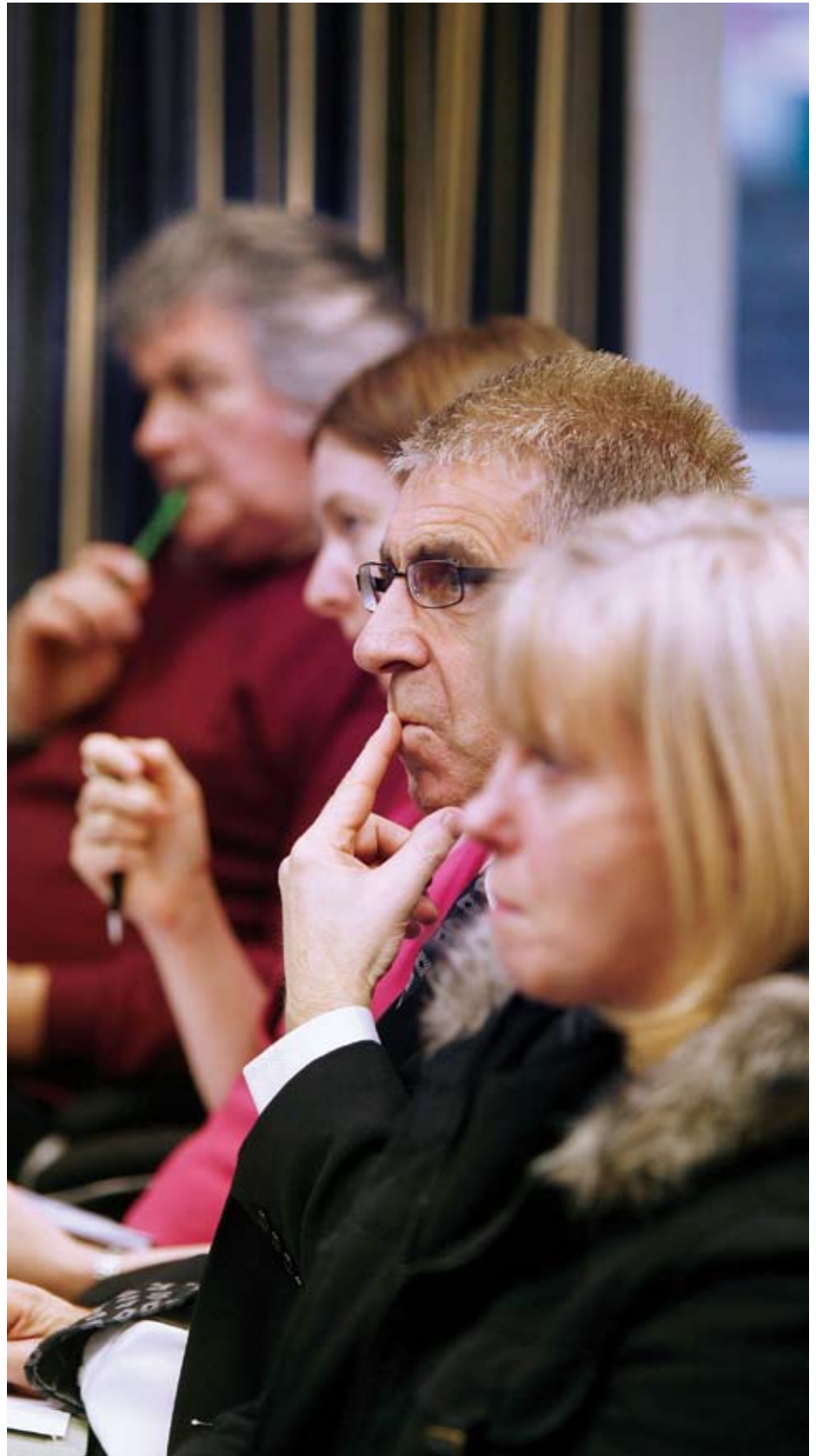


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Senior staff from Regulation & Inspection offered an overview of proposals of how the regulator will be governed. A Regulation Board, including senior members of staff and three non-executive directors, will provide appropriate corporate governance and oversee the work of the agency. A framework document and a Ministerial Code of Practice will set out the organisation's roles, responsibilities and how it will relate to Scottish Ministers. The agency will also publish a corporate plan setting out its purpose, objectives and values, and how the regulator will operate, reflecting wider priorities for the scrutiny landscape in Scotland.

The regulator already works closely with tenants of housing associations and local authorities, and they have welcomed its commitment to putting tenant and consumer interests at the heart of its work. Other stakeholders were also reassured by the regulator's commitment to continue its existing work to be proportionate and focus on risk.

Karen Watt concluded: "It was really important to share our early thinking with our stakeholders and they gave us valuable feedback, which we'll take on board. We'll meet them again in March when we'll have more to discuss with them about our structure and plans."



Keeping you

When Communities Scotland is abolished most of its work and staff will transfer into the core of Scottish Government. But the housing regulation work of Communities Scotland will continue as an executive agency, to be called The Scottish Housing Regulator. Here **Karen Watt**, chief executive designate of the regulation agency, talks about how this will work, and the importance of keeping tenants' and service users' interests at the heart of its work.

“From 1 April The Scottish Housing Regulator will take over the work of Communities Scotland's Regulation and Inspection division. In many respects it is very much business as usual. Our powers and duties remain unchanged, and our staff will enjoy the same terms and conditions of employment. Our current guidance notes and procedures will stay in force, and we will keep doing many of the things we do now. So, for example, we will continue to:

- work with our tenant and other advisory groups and have tenant assessors as part of our inspection teams;
- bring in a more risk-based approach to regulation;
- make sure individual and thematic inspections bring an expert and impartial challenge to registered social landlords and local authorities and act as a catalyst to improvement;
- promote self-assessment;
- intervene in organisations where it is necessary to secure the required improvement; and

- publish information that aims to stimulate debate and improvement activity.

We will also take on responsibility for monitoring landlords' progress towards meeting the Scottish Housing Quality Standard.

Being an agency in our own right means we will have slightly different governance and management arrangements.



THE SCOTTISH
HOUSING
REGULATOR

Firstly, there will be greater transparency and accountability in our work – through a published corporate plan, a specific framework agreement with Scottish Ministers setting out our

management and resource framework, and a new dedicated website.

Secondly, we will recruit non-executive directors to a Regulation Board that will have a broader set of responsibilities than at present and will include senior staff.

focus

The changes offer a real opportunity to focus the regulation agency on the interests of current and future tenants and other service users. For example, we would like to bring a tenant or someone with a strong consumer perspective onto our Regulation Board; and we will be redesigning some of our inspection reports to concentrate on the things that matter most to tenants and people facing homelessness.

Protecting tenants' interests also means making sure investors continue to make funds available to the social housing sector, that organisations are financially viable and well governed, and that landlords keep their houses in good condition and use them to best effect.

The Scottish Housing Regulator ►►

up to date

A woman with blonde hair, wearing a blue top, is speaking and gesturing with her hands. She is looking directly at the camera with a focused expression. The background is dark with vertical light streaks.

“The changes offer a real opportunity to focus the regulation agency on the interests of current and future tenants and other service users”

» Keeping you up to date

will have complete operational independence, but we will remain accountable to Scottish Ministers, and through them to the Scottish Parliament, for the standard of our work. The agency will sit within the Justice and Communities family in the Scottish Government and we will make sure we work within the government's overall purpose and contribute to its strategic objectives. We will have particularly close ties with the Housing and Regeneration and Public Service Reform directorates, and are working with policy and investment colleagues to get the right connections between regulation and the government's wider objectives for social housing, reform and scrutiny.

These connections mean that one of the most important features of the agency will be our ability to respond and adapt to further change. In its recent policy consultation, *Firm Foundations*, the Scottish Government confirmed the importance of regulation in its future plans for housing and set out its agenda for modernising it. This will involve reviewing intervention powers, distinguishing between setting and monitoring standards, and dovetailing with the work on single outcome agreements with local government. And the Scottish Government has set out its intention to achieve both a radical reform of how scrutiny operates and a substantial reduction in the number of organisations with a scrutiny role. We are already part of several of the working groups set up

by the government to explore how all scrutiny bodies can reduce regulation burdens, bring an even greater user focus to our work, and be open and accountable.

So, the continuation of housing regulation within an agency arrangement allows us to manage a smooth transition through a period of change and get on with our business – focusing on improved outcomes for service users and protecting the interests of current and future tenants. And it gives us an opportunity to advise and work with the Scottish Government as it modernises housing regulation and considers the scrutiny system within Scotland. ”

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