



Scottish Housing
Regulator

SFHA Finance Conference 2021

*Ian Brennan, Director of
Regulation, Scottish Housing
Regulator*



Agenda

Past Year in Focus

Where are we now?

Future Trends & Risks

Conclusion

Year in Focus

Services for Homeless People

“Prior to COVID-19 local authorities were implementing their Rapid Rehousing Transition Plans to help them meet their legal duties towards people who are threatened with, or experiencing, homelessness.

The pandemic impacted on landlords’ ability to let homes resulting in a significant increase in the number of households in temporary accommodation, pressure on the pool of temporary accommodation required, and demand for settled accommodation.

*During 2021/22 we will discuss with **all local authorities** what the impact of the pandemic has been on outcomes for people who are threatened with, or are experiencing, homelessness in its area, how it is working with its RSL partners to provide accommodation, and then review our engagement with each local authority.”*

SHR, Outcome of Annual Risk Assessment, March 2021

Year in Focus

Statutory Intervention

“In deciding whether or not to intervene we will apply our governing legislation and our Regulatory Framework.

We will always take account of the particular circumstances involved in a case and exercise our statutory powers appropriately.

In all cases we will consider what is the most effective and proportionate action we could take to protect tenants’ interests, and the interests of other recipients of housing services provided by social landlords, in order to address our concerns and the risks or failings we have identified.”

SHR, How we use our statutory powers, October 2021

Year in Focus

Regulatory Status

Compliant – 140

Status Under Review – 2

Working Towards Compliance – 7

Statutory Intervention – 2

Outcome of Risk Assessment, March 2021

Year in Focus

Sector Finances

Turnover - £1.8bn

Surplus - £251.1m

Available Cash - £835.6m

Cash Generated - £524.2m

Interest Paid - £191.2m

Interest Cover – 262%

Net Housing Assets - £13,654.5m

Pensions – 69/149 (46.3%) RSLs provide only Defined Contribution scheme

Outstanding Borrowing - £4.5bn

Year in Focus

Sector Finances

“RSLs require competitively priced funding to continue to develop and invest in housing in Scotland. Our recent discussions with lenders and investors indicate that their appetite to invest in the sector remains strong and this is confirmed by our latest analysis.”

“Last year, total investment continued to increase and reached £6.2 billion. The sector also attracted three new investors - Scottish Widows, Sun Life and the Pension Insurance Corporation. With around £1 billion of undrawn facilities and healthy cash balances the sector is well placed to deal with the immediate financial challenges of COVID-19.”

“Given these challenges it is important that RSLs have an effective approach to Treasury Management, not only to ensure compliance with regulatory requirements but also to deliver best value for their tenants and residents.”

SHR, Loan Portfolio Report, December 2020

Year in Focus

Annual Return on Charter

Rent lost through empty homes: £35.8m (£23.3m)

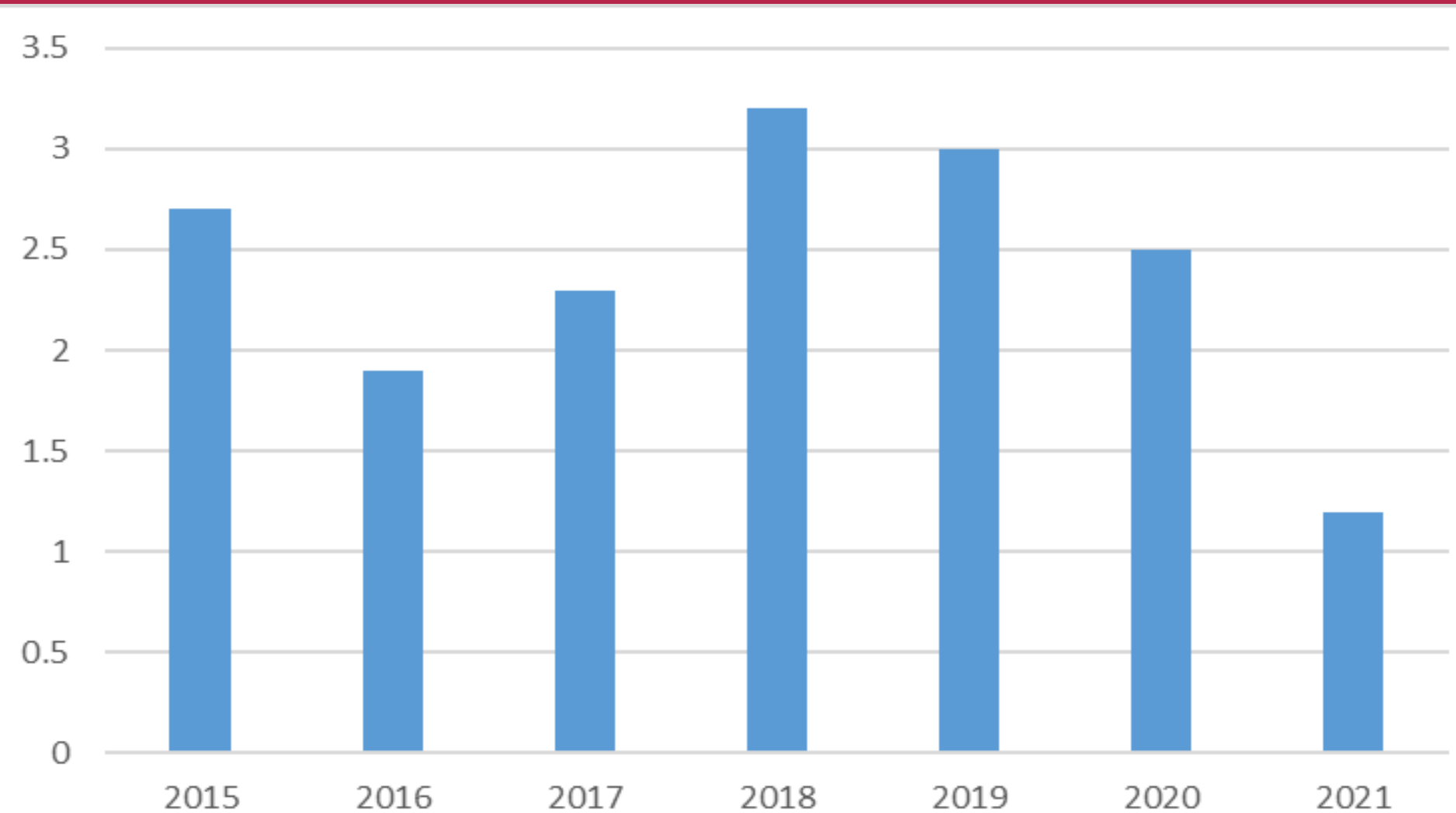
Average Days Empty – 56 (31)

Arrears: £160.5m (£146.8m)

Average weekly rent £83.70 (£81.47)

Average planned rent increases 1.2% (2.5%)

Planned Rent Increases (%)



Where Are We Now?

“Much of providers’ focus over the past year was inevitably dedicated to the COVID-19 pandemic. Providers responded well to the unprecedented challenges they faced, reacting quickly to change operating models and develop new ways of working. However the public health and economic outlook remains unclear, and providers continue to operate in an intensely uncertain environment.”

Regulator of Social Housing, Sector Risk Profile, October 2021

Future Trends & Risks

Financial Forecasts

Rent – Inflation + 0.4%

Operating Costs – Inflation + 0.2%

Interest Cover – increased by 23%

Cash Generated – increased by 59%

Future Trends & Risks

Sector Risks

Net Zero

Tenant Safety

Supply Chain & Access to Expertise

Affordability

Cybersecurity

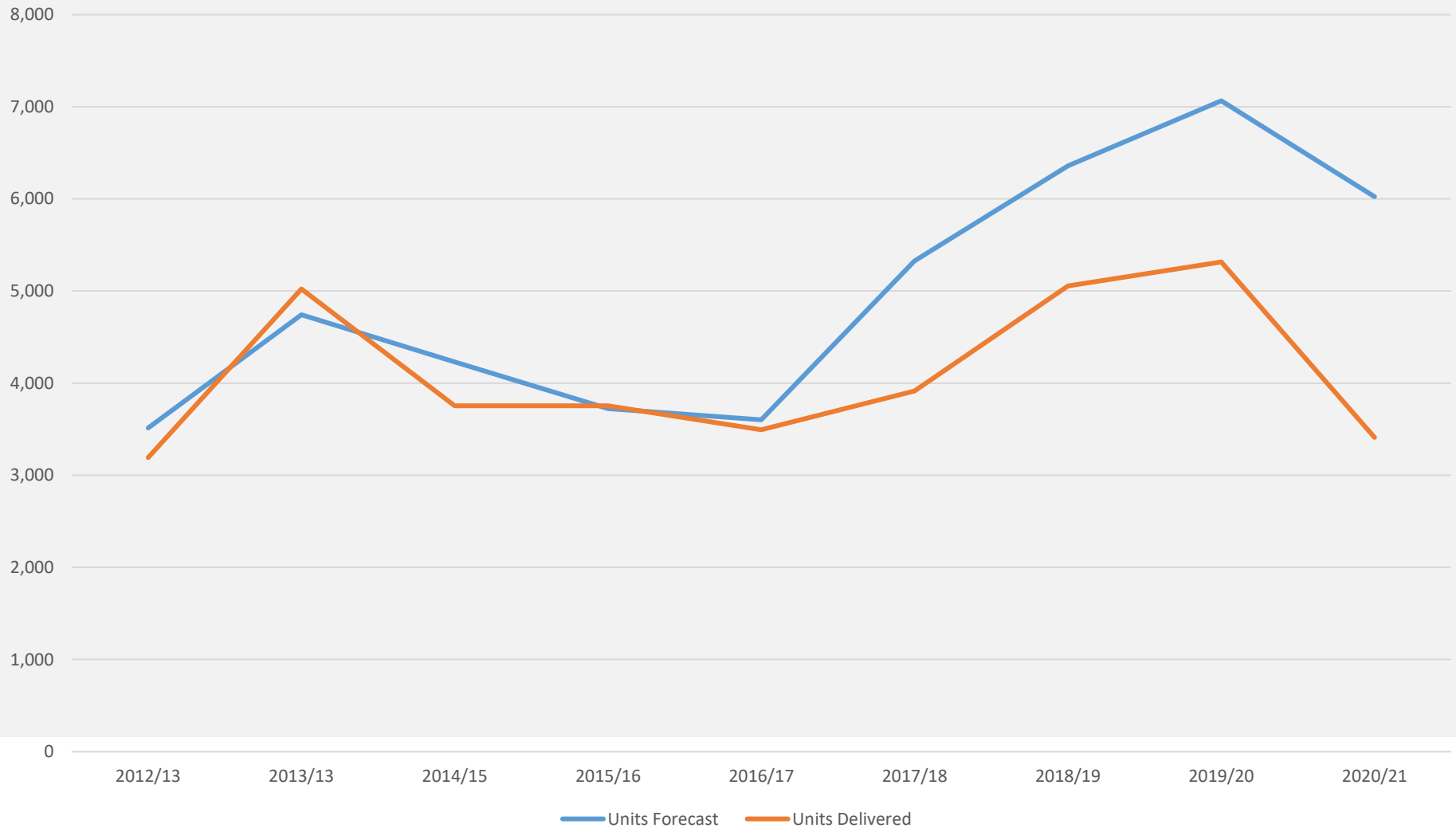
Pensions

Cost Control

Stock Quality - Understanding Existing Stock

Development of New Stock

Development: 2012-2021



Conclusion

Sound Financial Health

Unprecedented Future Challenges

Tough Choices!

Regulatory Framework

“Landlords need to be self-aware, analytical, open and honest about their performance and identify and drive improvement.”

Section 2.3, Regulatory Framework

Questions?

