

## Dumfries and Galloway Housing Partnership

### 31 March 2016

This Regulation Plan sets out the engagement we will have with Dumfries and Galloway Housing Partnership (DGHP) during the financial year 2016/17. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

DGHP was registered in April 2003. It is the second largest Registered Social Landlord (RSL) in Scotland and owns and manages around 10,345 houses and provides a factoring service for 628 owners. It employs around 223 people and has two unregistered subsidiaries, Novantie Ltd and DGHP3 Ltd which carry out the group's commercial activities and deliver development services respectively. Turnover in the year ended 31 March 2015 was £37.9 million.

### Systemic importance

We refer to a small number of RSLs as 'systemically important' because of their stock size, turnover or level of debt or because of their significance within their area of operation. We need to maintain a comprehensive understanding of how their business models operate and the risks they face, so we seek some additional assurance through our regulation plans.

Given the combination of DGHP's size, turnover, level of debt and other activities, we consider it to be systemically important. We need to understand how it plans to manage the key risks it faces and the impact these may have.

During 2015/16 we reviewed DGHP's business plan and 30 year financial projections to gain assurance about its financial health. DGHP has undertaken a detailed asset management review along with an operational review which will inform its future strategic direction.

DGHP has been one of the largest developers of new affordable housing in Scotland and continues to receive significant amounts of public funding to help achieve this. DGHP is in the process of completing its existing programme of new homes for social rent, mid-market rent and shared equity by the end of 2018.

### Our engagement with Dumfries and Galloway Housing Partnership– Medium

Given DGHP's size, turnover and level of debt, we consider it to be systemically important and need to understand how it plans to manage the key risks facing it and the impact these will have. Because of this and DGHP's plans to review its strategic direction, we will continue to have medium engagement in 2016/17.

1. DGHP will send us by 30 June 2016:
  - its approved business plan for it and its subsidiaries including commentary on the results of its sensitivity tests and risk mitigation strategies;
  - 30 year financial projections for it and its subsidiaries consisting of statement of comprehensive income, statement of financial position and

- statement of cash flows, including a comparison of projected loan covenants against covenant requirements;
- sensitivity analysis for it and its subsidiaries which considers the key risks including covenant compliance;
  - its reports to the Board of DGHP and its subsidiaries in respect of the 30 year projections and sensitivity analysis; and
  - evidence of how it demonstrates affordability for its tenants.
2. DGHP will also send us:
- an update on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2016;
  - quarterly copies of its governing body and audit committee minutes; and
  - any updates relating to activity in its subsidiaries which may present a material risk to the parent;
3. We will:
- provide feedback on the business plan and financial projections in September 2016 when we meet senior staff and the Chair to discuss its business model, strategy and the challenges facing the organisation; and
  - provide written feedback on the asset management strategy by the end of May 2016.
4. DGHP should alert us to notifiable events and seek our consent as appropriate. It should provide us with the annual regulatory returns we review for all RSLs:
- audited financial statements and external auditor's management letter;
  - loan portfolio return;
  - five year financial projections; and
  - Annual Return on the Charter.

This plan will be kept under review and may be changed to reflect particular or new events. The engagement strategy set out in this plan does not restrict us from using any other form of regulatory engagement to seek additional assurance should the need arise. Our regulatory framework and other relevant statistical and performance information can be found on our website at [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Dumfries and Galloway Housing Partnership is:

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We have decided what type of engagement we need to have with this organisation based on information it provided to us. We rely on the information given to us to be accurate and complete, but we do not accept liability if it is not. And we do not accept liability for actions arising from a third party's use of the information or views contained in the Regulation Plan.