

Dumfries and Galloway Housing Partnership

31 March 2017

This Regulation Plan sets out the engagement we will have with Dumfries and Galloway Housing Partnership (DGHP) during the financial year 2017/18. 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 10,355 homes. It also provides a factoring service for 631 owners. It employs around 220 people and has two unregistered subsidiaries, Novantie Ltd and DGHP3 Ltd which carry out the group's commercial activities and deliver development services respectively.

As at the 31 March 2016 its turnover for the year was £44 million and its debt per unit was £14,475

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 how they manage the risks they face and the impact these may have. So we seek some additional assurance through our regulation plans. Given the combination of DGHP's size, turnover, level of debt and geographic importance, we consider it to be systemically important.

Engagement

During 2016/17 we reviewed DGHP's annual business plan and 30 year financial projections as well as its current asset management strategy. We met with the Executive Team and the Chair to discuss and provide feedback on this information to allow us to maintain assurance on its financial health.

This information included a review of the work DGHP has undertaken to demonstrate affordability to its tenants. This provided us with assurance with DGHP's approach but we will look to see this developed further during 2017/18.

In addition we reviewed DGHP's treasury management in March 2017. This gave us assurance about DGHP's approach and highlighted the strengths of its treasury functions in respect of the Regulatory Standards of Governance and Financial Management. It also proposed recommendations that would support DGHP through a period of significant growth.

DGHP has been one of the largest developers of new affordable housing in Scotland and has received significant amounts of public funding to help achieve this. DGHP will complete its existing programme of new homes for social rent, mid-market rent and shared equity by the end of 2018. DGHP is developing a strategy to support its plans for future development.

During 2017/18 we will continue to review the financial information provided by DGHP as well as monitoring how it is developing its asset management strategy and its on-going work

on affordability. We will also engage with DGHP as it considers its future strategy to allow it to extend its development programme.

Our engagement with Dumfries and Galloway Housing Partnership in 2017/18 – Medium

We will engage with DGHP given it is systemically important and continues its development programme.

1. DGHP will send us by 30 June 2017:
 - its approved business plan;
 - 30 year financial projections consisting of statements of comprehensive income, financial position and cash flow complete with assumptions and explanatory narrative;
 - a comparison of projected financial loan covenants against current covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies ;
 - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; 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 2017;
 - board and audit committee minutes as they become available; 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 discuss the financial information submitted by September 2017 when we meet senior staff and the Board to discuss its business model, strategy and the challenges facing the organisation; and
 - review the minutes of the board and audit committee meetings.
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;
 - Annual Return on the Charter; and
 - the return on the Energy Efficiency Standard for Social Housing.

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.

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.