

## Wheatley Housing Group Ltd

### 31 March 2016

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

### Regulatory profile

WHG is a non-asset owning Registered Social Landlord (RSL) which was registered in 2012. It provides strategic direction and business services to its subsidiaries and the group turnover was just over £252 million in 2014/15.

WHG is the parent of six charitable RSLs including Glasgow Housing Association Ltd (GHA), Dunedin Canmore Housing Ltd (Dunedin Canmore), Cube Housing Association Ltd (Cube), West Lothian Housing Partnership Ltd (WLHP), Loretto Housing Association Ltd (Loretto) and, from 1 April 2016, Barony Housing Association Ltd (Barony). WHG is the largest RSL in Scotland, with the Group owning and managing over 50,000 social rented houses representing around one in five RSL homes across 17 local authority areas.

WHG also has a number of unregistered subsidiaries including Lowther Homes, YourPlace, Loretto Care, Dunedin Canmore Enterprise and the Wheatley Foundation. Together they provide a range of services including market and mid-market rent, factoring (to around 26,000 owners), care and support, and a range of other initiatives which benefit customers and communities across the group. Wheatley Solutions also delivers corporate, back office and other shared services to partners in the group.

WHG recently approved 'Investing in our Futures', which sets out its vision and strategies for the next five years. Key strands include asset growth and diversification.

WHG is the largest developer of new affordable housing in Scotland and plans to continue to grow by building or acquiring around 7,500 affordable homes over the five year plan period. This includes homes for social rent, mid-market rent and full market rent. Lowther Homes also plans to build 125 units for outright sale. The group's development programme will continue to be funded by significant public subsidy, WHG's bond finance and other forms of affordable housing finance. WHG is developing plans to attract the additional investment it needs.

WHG will also consider opportunities for new strategic partnerships where these contribute to the group's vision and strategies.

WHG also seeks to diversify and expand its group activities. It plans to re-shape its repairs service model and in Glasgow is developing a Joint Venture (JV) vehicle with Glasgow City Council. The JV will deliver WHG's significant repairs and improvement programmes across the city. WHG will also investigate low cost district heating and renewable energy schemes. It will continue to review its governance arrangements to ensure that it is best placed to deliver these strategies.

## **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 the group’s size, turnover and level of debt and WHG’s role as the group parent, we consider WHG to be systemically important.

We have assessed that we need to have a high level of engagement with WHG to understand how it plans to manage the key risks it faces and the impact these may have. We want to understand its future strategic direction, its plans for further growth and diversification, the impact of this on group governance and the arrangements it is putting in place to fund its strategies.

As part of our annual risk assessment we have also considered the subsidiary RSLs within the group. We have not published separate regulation plans for the subsidiaries, even where we have identified the need for engagement. Instead our engagement with them is included as part of our regulatory engagement with WHG, and is set out in this regulation plan.

### **Glasgow Housing Association**

GHA was registered in 2003 and is the largest single social landlord in Scotland, owning and managing around 40,000 homes across Glasgow. Given GHA’s size, turnover and debt, we consider it to be of systemic importance in its own right. As a result, we have assessed that we need to have a medium level of engagement with GHA.

### **Dunedin Canmore Housing**

Dunedin Canmore was registered in 1975 and owns and manages around 5,700 houses in Edinburgh, the Lothians and Fife. Given Dunedin Canmore’s size, turnover and debt, we also consider it to be of systemic importance in its own right.

Prior to joining the WHG in June 2015, Dunedin Canmore commissioned a governance review which found a number of weaknesses in its governance and management. With the support of WHG, Dunedin Canmore developed a transformation plan which is addressing the issues it faced and is integrating Dunedin Canmore into WHG. We will continue to engage with WHG around the implementation of the transformation plan.

As a result, we have assessed that we need to have a medium level of engagement with Dunedin Canmore.

### **Cube Housing Association**

Cube was registered in 1990 and owns and manages around 3,300 homes across the west of Scotland. Cube has significantly improved its stock over the last six years and made considerable progress towards achieving the Scottish Housing Quality Standard (SHQS). Cube has recently progressed work on over-cladding and community heating systems in three multi storey schemes. This will bring these properties up to the SHQS and also ensure they meet the Energy Efficiency Standard for Social Housing (ESSH) in advance of the 2020 deadline. Two schemes were completed in March 2016 and the final scheme is scheduled for completion in summer 2016.

As a result, we have assessed that we need to have medium engagement with Cube.

### **West Lothian Housing Partnership**

WLHP was registered in 2001 and owns and manages 381 homes across West Lothian. WLHP has a significant development programme and its stock numbers will almost double in the next five years with the assistance of its parent. We have assessed that we need to have low engagement with WLHP.

### **Loretto Housing Association**

Loretto was registered in 1978 and is a specialist housing and care provider. It owns and manages around 1,240 homes across west and central Scotland. Loretto has a large unregistered subsidiary, Loretto Care, which operates care homes and provides specialist support to the other parts of WHG. We have assessed that we need to have low engagement with Loretto.

### **Barony Housing Association**

Barony was registered in 1971 and owns and manages around 300 houses across Edinburgh and the east of Scotland. Barony will join WHG on 1 April 2016 and has developed a comprehensive group integration plan. We will continue to engage with WHG about the implementation of the plan. As a result, we have assessed that we need to have low engagement with Barony.

## **Our engagement with Wheatley Housing Group – High**

Given the group's size, turnover and debt, we consider WHG to be of systemic importance. It has plans for further significant growth and diversification over the next five years. As a result we will have a high level of engagement with WHG in 2016/17 to understand its future strategic direction, the impact of this on group governance and the arrangements it is putting in place to fund its strategies.

1. Because we consider WHG, GHA and Dunedin Canmore to be of systemic importance, WHG will send us the minutes of the governing body meetings for WHG, GHA and Dunedin Canmore and for the group audit committee meetings each quarter.
2. WHG will keep us informed of any proposals for future partnerships, and will require to seek our consent to the business case for any proposals.
3. WHG will send us by 30 April 2016 or earlier if available:
  - the approved business plans for the group and its registered and unregistered subsidiaries. This should include commentaries on the results of sensitivity analyses and risk mitigation strategies;
  - 30 year financial projections for the group and its registered and unregistered subsidiaries. This should consist of statements of comprehensive income, financial position and cash flows, including a comparison of projected loan covenants against covenant requirements;
  - sensitivity analyses for the group and its registered and unregistered subsidiaries which looks at key risks including covenant compliance. We would expect this to include analysis of a range of options for rent increases



- and inflation rates;
  - the reports to the governing bodies in respect of the 30 year projections and sensitivity analyses; and
  - evidence of how it demonstrates affordability for its tenants.
4. WHG will send us quarterly updates, prior to our quarterly meetings, on:
- progress with integrating Dunedin Canmore into the group and ensuring that its governance and management weaknesses are addressed;
  - progress with integrating Barony into the group;
  - details of its plans to attract further investment, the timescales for this and the necessary applications for our consent;
  - any updates to its development programme, including details of individual RSL programmes and the programmes which will be delivered by Lowther Homes;
  - progress with Cube's over-cladding and community heating project; and
  - progress with developing its repairs service in Glasgow.
5. We will:
- review the minutes of the governing body and audit committee meetings;
  - meet with WHG's senior staff on a quarterly basis to discuss the group's business and any risks to the group;
  - review and give feedback during the quarterly meetings on the business plan and financial projections and other information WHG supplies; and
  - meet with WHG's Board in quarter four.
6. WHG and its registered subsidiaries 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 WHG is:

Name: Helen Shaw, Assistant Director Finance and Risk Division  
Address: Europa Building, 450 Argyle Street, Glasgow, G2 8LG  
Telephone: 0141 242 5551

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.