



Wheatley Housing Group Ltd

31 March 2015

This Regulation Plan sets out the engagement we will have with Wheatley Housing Group Ltd (WHG) during the financial year 2015/16. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

WHG is a charitable, non-asset owning Registered Social Landlord (RSL) which was registered in 2012. It provides group services to its subsidiaries and the group turnover was just over £195.4 million in 2013/14.

WHG is the parent of Glasgow Housing Association Ltd (GHA), Cube Housing Association Ltd (Cube), West Lothian Housing Partnership Ltd (WLHP) and Loretto Housing Association Ltd (Loretto) which are all charitable registered subsidiaries. WHG is the largest RSL in Scotland, with the Group owning and managing just under 46,000 houses (representing almost one in five RSL homes) across 11 local authority areas.

The group also includes a number of unregistered subsidiaries, including Lowther Homes, YourPlace, Loretto Care and the Wheatley Foundation. Together they provide a range of services including market and mid-market rent, factoring (to around 25,000 owners), care and support, and initiatives which benefit customers and communities across the group.

WHG is the largest developer of new affordable housing in Scotland and the RSLs in the group have received significant public subsidy to help achieve this. WHG is also seeking to diversify and expand its group activities. It plans to develop a significant programme of new housing for social rent, owned and managed by all of the RSLs in the group (2,650 homes over five years, plus some individual acquisitions). Its plans also include a considerable programme of 1,252 homes for mid-market rent which will be managed by Lowther Homes and 450 market rent homes which will be provided directly by Lowther Homes.

WHG has recently issued the first own-named bond by an RSL in Scotland, and has plans to attract further investment to support its development plans. Its Chair will retire at the end of March 2015 and a new Chair has been appointed.

Dunedin Canmore Housing Association Ltd (Dunedin Canmore) recently balloted its tenants on a proposal for it and its unregistered subsidiary, Dunedin Canmore Enterprises Ltd, to join WHG in 2015/16. The majority of tenants who voted supported this proposal and this would increase WHG's total housing stock to over 50,000 homes. Dunedin Canmore is developing an implementation plan and needs to apply to us for formal consent to join the group.

Systemic importance

Our regulatory framework highlights that a small number of RSLs have a profile in terms of stock size, turnover, scale of debt or geographic importance that means we need to ensure we have developed a comprehensive understanding of their business model and how it is being operated. We refer to these organisations as systemically important and seek some additional assurances through our published regulation plans. Given the group's size, turnover and debt, and WHG's role as the group parent, we consider WHG to be of systemic importance.



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 will have. We want to understand its future strategic direction, its plans for further growth and the arrangements it is putting in place to fund these.

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 these registered subsidiaries, even where we have identified the need for engagement. Instead our engagement with them is included as part of our regulatory engagement with the WHG.

Glasgow Housing Association

GHA was registered in 2003 and is the largest single social landlord in Scotland, owning and managing over 41,000 homes across Glasgow. It has invested over £1.2 billion in its stock since it took ownership of the properties from Glasgow City Council in 2003 and the majority now meet the Scottish Housing Quality Standard (SHQS).

Given GHA's size, turnover and debt, we consider it to be of systemic importance in its own right. We have assessed that we need to have a medium level of engagement with GHA.

Cube Housing Association

Cube was registered in 1990 and owns and manages around 3,200 homes across eight local authority areas in the west of Scotland. Cube has significantly improved its stock over the last six years and made considerable progress towards achieving SHQS.

However, a number of properties will not meet the standard at 31 March 2015. Cube has provided us with assurance that 637 of its properties over 11 multi storey blocks will have district heating installed by December 2015 and meet SHQS then. We will monitor progress with this. 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. The majority of its homes were built in the last ten years and meet SHQS. WLHP has a significant development programme and will grow by over a quarter 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 just over 1,000 homes across seven local authority areas in west and central Scotland. The majority of Loretto's homes were built in the last ten years and meet SHQS.

Loretto has a large unregistered subsidiary, Loretto Care, which operates care homes and provides specialist support to the other parts of WHG. Loretto Care's main income source is via grants from care and support purchasers, including local authorities. The levels of grants available have reduced over the past year and are projected to continue to reduce. Loretto Care is currently carrying out a review of its services and cost savings have already been built in to its financial projections. We have assessed that we need to have low engagement with Loretto.



Our engagement with WHG – High

Given the group's size, turnover and debt, we consider WHG to be of systemic importance. It is also seeking to diversify and expand its group activities. As a result we will have a high level of engagement with WHG in 2015/16, to understand its future strategic direction, plans for growth, partnership plans and the arrangements it is putting in place to fund these.

1. Because we consider WHG and GHA to be of systemic importance, WHG will send us the minutes of the governing bodies for WHG and GHA and the group audit committee meetings each quarter.
2. WHG should keep us informed of:
 - progress with proposals for Dunedin Cammore to join the group; and
 - 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 2015:
 - the approved business plans for the group and its registered and unregistered subsidiaries. This should include commentaries on the results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for the group and its registered and unregistered subsidiaries. This should consist of income and expenditure statements, balance sheets and cashflows, including calculation of the loan covenants and covenant requirements;
 - sensitivity analyses which look at key risks such as arrears levels and covenant compliance at the Group and RSL Group level. We would also expect these to include analysis of a range of options for rent increases and inflation rates which demonstrate continuing affordability for tenants; and
 - the reports to the governing bodies in respect of the 30 year projections.
4. WHG will send us by 30 September 2015:
 - details of its plans to attract further investment, the timescales for this and the necessary applications for our consent;
 - an update on its development programme, including details of individual RSL programmes and the programmes which will be delivered by Lowther Homes; and
 - an update on the service review and cost saving exercise being carried out by Loretto Care.
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;
 - meet with the Chair of WHG in quarter 1; and
 - review and give feedback during the quarterly meetings on the business plan and financial projections and other information WHG supplies.



6. WHG 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 annual accounts 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.

Our lead officer for WHG is:

Name: Helen Shaw, Assistant Director Finance and Risk Division
Address: Highlander House, 58 Waterloo Street, Glasgow, G2 7DA
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.