

## Wheatley Housing Group Ltd

### 31 March 2017

This Regulation Plan sets out the engagement we will have with the Wheatley Housing Group Ltd (WHG) during the financial year 2017/18. 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. As at 31 March 2016 the group turnover for the year was just over £281 million.

WHG is the parent of six charitable RSLs:

- Barony Housing Association Ltd (Barony), debt per unit of £12,521.
- Cube Housing Association Ltd (Cube), debt per unit of £14,284.
- Dunedin Canmore Housing Ltd (Dunedin Canmore), debt per unit of £29,705.
- Glasgow Housing Association Ltd (GHA), debt per unit of £16,761.
- Loretto Housing Association Ltd (Loretto), debt per unit of £15,697.
- West Lothian Housing Partnership Ltd (WLHP), debt per unit of £20,790.

WHG also has 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 31,000 owners), care and support, and a range of other initiatives which benefit communities across the group. In addition Wheatley Solutions delivers corporate, back office and other shared services to the group.

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 subsidiary RSLs as our engagement with them is included in this plan.

### 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.

We consider WHG to be systemically important. We also consider GHA, Dunedin Canmore and Cube to be systemically important in their own right, due to a combination of their size, turnover and level of debt.

### Engagement

In 2015 WHG approved 'Investing in our Futures' which sets out its vision and strategies to 2020. This is updated annually and key strands include asset growth and diversification. During 2016/17 we reviewed WHG's updated plan, financial projections and treasury management arrangements to gain assurance about its strategic direction and financial

capacity to deliver on its objectives, development plans and other investment activities. We met with members of its Executive Team on a quarterly basis and also observed a WHG Board meeting.

WHG is the largest developer of new affordable housing in Scotland and plans to continue to grow by building or acquiring around 3,500 affordable homes over the coming five year period. This includes homes for social rent, mid-market rent and full market rent. 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 implementing 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. During 2016/17 we engaged with WHG about the integration of its two most recent partnerships, Dunedin Canmore and Barony. Since joining WHG, Dunedin Canmore has established a new leadership team and is implementing a transformation plan which is addressing the governance and management issues it faced.

WHG also seeks to diversify and expand its group activities. It will establish a new joint venture (JV) arrangement with Glasgow City Council to provide an integrated repairs and maintenance service through joint ownership of City Building (Glasgow). The JV will deliver WHG's significant maintenance service across the city from early in 2017/18.

WHG continues to review its governance arrangements to ensure that it is best placed to deliver its strategies and group activities.

We have therefore assessed that we need to have high engagement with WHG, because it is systemically important. We have assessed that we need to have medium engagement with GHA and Cube because they are also systemically important, and with Dunedin Canmore because it is systemically important and about the governance and management issues it is addressing. We have assessed that we need to have low engagement with Barony, Loretto and WLHP.

## **Our engagement with Wheatley Housing Group in 2017/18 – High**

We will engage with WHG because it is systemically important. We want to understand the group's 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.

1. Because we consider WHG, GHA, Dunedin Canmore and Cube to be of systemic importance, WHG will send us the minutes of the governing body meetings for WHG and these subsidiaries 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 2017:
  - updates to the group's business and management plans, including their



- plans for delivering new social rent and other tenure homes;
  - 30 year financial projections for the group and its subsidiaries consisting of statements of comprehensive income, of financial position and of cashflows;
  - a comparison of projected financial performance against covenant requirements;
  - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with the risk register and risk mitigation strategies;
  - long-term financial projections for the JV consisting of investment plans, statements of comprehensive income, of financial position and of cashflows;
  - reports to the Boards of WHG and its subsidiaries in respect of the above; and
  - evidence of how the group demonstrates affordability for tenants.
4. WHG will send us quarterly updates, prior to our quarterly meetings, on:
- any planned group governance changes, including how these ensure compliance with the Regulatory Standards;
  - progress with addressing Dunedin Canmore's previous governance and management weaknesses;
  - details of its plans to attract further investment, the timescales for this and the necessary applications for our consent;
  - details of its Development and Acquisition Programme, including details of progress with individual RSL programmes against the 2017/18 planned programme, details of any material delays or changes to the programme, details of the programmes which will be delivered by Lowther Homes and copies of the reports to the WHG Board on the Programme; and
  - progress with establishing the repairs JV 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 on the business plan and discuss the financial projections and other information WHG supplies at the quarterly meetings;
  - meet with GHA's Board in quarter three; 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;
  - 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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Wheatley Housing Group Ltd is:

Name: Helen Shaw, Assistant Director Finance and Risk Division  
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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.