Regulation Plan

This Regulation Plan sets out the engagement we will have with Govan Housing Association Ltd. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Govan registered as a social landlord (RSL) in January 1976. It has around 1,200 tenancies in the south west of Glasgow and provides factoring services to 435 homes. It employs 35 staff, has charitable status, and has one non-registered subsidiary, South Clyde Housing Ltd.

Govan's turnover for the year ended 31 March 2010 was almost £3.4 million. It has one of the largest development programmes in the city and participates in low cost home ownership activity. The RSL has kept us fully informed of progress with sales.

During 2010 we met with Govan's senior management team and gained assurance about its financial position and business strategy and got confirmation that its financial performance is consistent with its lending covenants. We gave feedback on the RSL's business and it is incorporating this into its revised plan.

We inspected Govan in May 2008 and awarded it a "C" grade, indicating a fair performance. Govan has now concluded its improvement plan and we will review performance against key indicators when we receive its 2010 APSR at the beginning of June.

Govan's performance in collecting rents and in letting its empty properties has been amongst the poorest in the sector. However, the RSL's plans to address performance have been effective and collection of current tenants arrears and reletting of properties has improved. Although collection of former tenant arrears remains poor, the plans which are in place to improve this are beginning to show some positive results.

Allocations to homeless applicants during 2009/10 have been very low at 9.9% and the RSL is in discussion with Glasgow City Council to see how it can increase its contribution to meeting the 2012 homelessness target.

Our engagement with Govan Housing Association Ltd - Medium

1. Given the scale and complexity of Govan's development programme we will want to see:

   - in quarter two of 2011 a copy of the revised business plan including 30 year financial projections, scenario planning and sensitivity analysis of key business planning assumptions to demonstrate it continues to be viable and complies with lenders covenants;
   - quarterly updates on progress with new supply shared equity sales

2. We will review the RSL's progress in increasing homelessness allocations and reducing former tenant arrears when we receive its 2010/11 APSR return at the beginning of June.

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3. Govan should continue to 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
- annual performance and statistical return

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 guides to how we regulate, inspect, and intervene and other relevant statistical and performance information, can be found on our website at www.scottishhousingregulator.gov.uk.

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