

Grampian Housing Association

31 March 2015

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

Regulatory profile

Grampian was registered as a social landlord (RSL) in 1978 and has charitable status. It owns and manages around 3,976 homes including 1,076 part ownership properties, delivers factoring services to 3,422 owners and provides 48 non-housing units across 3 local authority areas in the north east of Scotland. It employs 98 people and has one unregistered subsidiary, Kirkgate Developments Ltd, which develops property for outright sale, mid market rent, and for the NHS. Its turnover for the year ended March 2014 was over £17.7 million.

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 Grampian's size, turnover and debt, we consider it to be of systemic importance and need to understand how it plans to manage the key risks it faces and the impact these will have.

Grampian is one of the largest developers of social housing in north east Scotland and has received significant public subsidy to help achieve this. It plans to continue to grow through the provision of new homes for social rent, low cost home ownership and mid-market rent. It is currently considering the scale of its growth strategy alongside the development of its asset management and disposal strategy. Grampian is proposing to use tenure diversification to make better use of its assets in order to boost cross subsidy for the development of social housing. It is also exploring potential energy projects.

During 2014/15 we reviewed Grampian's business plan and financial projections and will continue to engage with Grampian to gain further assurance about its financial position.

Our engagement with Grampian – Medium

Given Grampian's size, turnover and debt we consider it to be of systemic importance. In light of this and its development and subsidiary activities, we will have medium engagement in 2015/16.

1. Grampian will send us the minutes of its Board and audit committee meetings at the end of each quarter.
2. Grampian will send us, by 31 August 2015 its:
 - approved business plan for both it and its subsidiary including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for both it and its subsidiary consisting of

income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;

- sensitivity analysis which looks at key risks such as arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases and inflation rates which demonstrate continuing affordability for tenants;
- reports to the Board for it and its subsidiary in respect of the 30 year projections and sensitivity analysis;
- approved asset management and disposal strategy; and
- an update on its development plans and energy projects.

3. We will:

- review the minutes of the governing body and audit committee meetings and liaise with Grampian as necessary; and
- review the business planning and financial information and provide feedback to the Chair and senior staff by the end of quarter three.

4. Grampian should 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; 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 Grampian 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.