

Grampian Housing Association Ltd

31 March 2016

This Regulation Plan sets out the engagement we will have with Grampian Housing Association Ltd (Grampian) during the financial year 2016/17. 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 3,991 homes including 1,065 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 94 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 2015 was over £15.3 million.

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 Grampian's size, turnover and level of debt, we consider it to be systemically important. We need to understand how it plans to manage the key risks it faces and the impact these may have.

Grampian is one of the larger developers of social housing in Scotland and continues to receive significant public subsidy to help achieve this. It plans to continue to grow through the provision of new homes for social and mid-market rent. It plans to finalise its asset management strategy in quarter two of 2016/17.

During 2015/16 we reviewed Grampian's business plan and financial projections and will continue to engage with Grampian to gain further assurance about its financial health.

Our engagement with Grampian Housing Association Ltd – Medium

Due to Grampian's size, turnover and debt, we consider it to be of systemic importance and as a result we will have medium engagement with it in 2016/17.

1. As it is of systemic importance Grampian will send us the minutes of its governing body and audit committee meetings each quarter.
2. Grampian will send us by 30 June 2016:
 - its approved business plan for it and its subsidiary including commentary on the results of its sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for it and its subsidiary consisting of statement

- of comprehensive Income, statement of financial position and statement of cash flows, including a comparison of projected loan covenants against covenant requirements;
 - sensitivity analysis for it and its subsidiary which considers the key risks including covenant compliance;
 - its reports to the Board of Grampian and its subsidiary in respect of the 30 year projections and sensitivity analysis; and
 - evidence of how it demonstrates affordability for its tenants.
3. Grampian will also send us by 31 October 2016:
- an update on its development projects, including funding plans, timescales, completions and any material delay or changes; and
 - its revised asset management strategy.
4. We will:
- review the minutes of the governing body and audit committee meetings;
 - provide feedback on the business plans and projections for Grampian and its subsidiaries when we meet senior staff and the Board in quarter two of 2016/17. We will also discuss any risks to the organisation; and
 - give feedback on Grampian's asset management strategy in quarter three.
5. Grampian 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.

Our lead officer for Grampian Housing Association Ltd 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.