

## Grampian Housing Association Ltd

### 31 March 2017

This Regulation Plan sets out the engagement we will have with Grampian Housing Association Ltd (Grampian) during the financial year 2017/18. 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 3,625 homes including 565 part ownership homes and delivers factoring services to 1,180 owners across 3 local authority areas in the north east of Scotland. It employs 95 people and has four unregistered subsidiaries - Kirkgate Developments Ltd, which develops property for outright sale, mid market rent, and for the NHS, and three dormant subsidiaries.

As at 31 March 2016, Grampian's turnover was just over £18 million and its debt per unit was £20,504.

### 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, how they manage the risks they face and the impact these risks may have. 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.

### Engagement

Grampian is one of the largest 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.

During 2016/17 we reviewed and discussed Grampian and its subsidiary Kirkgate's 30 year financial projections and returns to gain assurance about its financial health. We reviewed its asset management strategy to get assurance about its approach to this. We engaged with the Board and senior management team to discuss the risks and challenges Grampian and its subsidiary Kirkgate faces. We will continue to engage with it to understand how it plans to manage the key risks it faces, about its plans to fund its increased development programme and about Kirkgate's financial position.

Grampian also gave us information about how it demonstrates affordability for its tenants and we discussed its plans to expand its approach to this. We discussed Grampian's approach to value for money when we met and it advised it will be developing this further in 2017/18.

Grampian has plans to activate one of its dormant subsidiaries to form an in-house maintenance subsidiary that will be called TLC Housing Maintenance. Grampian notified us about this and gave us details of the business case and financial plans for the subsidiary.

In 2016/17 we also engaged with Grampian about its disposal strategy for some of its shared ownership properties. We will continue to liaise with Grampian about its proposals for this.

Grampian identified weaknesses in its previous stock condition survey information and in 2016 it completed a new survey. This identified 376 properties homes that fail to meet the Scottish Housing Quality Standard (SHQS). Grampian has plans in place to ensure all properties meet SHQS by the end of 2017.

### **Our engagement with Grampian Housing Association Ltd in 2017/18 – Medium**

We will engage with Grampian because it is systemically important and about its development and subsidiary activity.

1. As it is of systemic importance Grampian will send us the minutes of its governing body and audit committee meetings as these become available.
2. Grampian will send us by 30 June 2017:
  - its approved business plan;
  - 30 year financial projections consisting of statements of comprehensive income, financial position and cash flow with assumptions and explanatory narrative;
  - a comparison of projected loan covenants against covenant requirements;
  - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies;
  - its reports to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
  - evidence of how it demonstrates affordability for its tenants.
3. For Kirkgate Developments Ltd Grampian will send us by 30 June 2017:
  - the approved business plan;
  - the financial projections consisting of a statements of comprehensive income, financial position and cash flow complete with details of assumptions and explanatory narrative;
  - financial sensitivity analysis which considers the key risks including risk mitigation strategies; and
  - reports to the Board of Grampian in respect of the approved financial projections and sensitivity analysis.
4. Grampian will also send us by 31 October 2017:
  - an update on its development programme, including funding plans, timescales, completions and any material delay or changes; and
  - an update on progress with its SHQS fails.
5. We will:
  - review the minutes of the governing body and audit committee meetings;
  - discuss the business plans and financial information for Grampian and Kirkgate when we meet senior staff and the Chair in quarter three of 2017/18. We will also discuss any risks to the organisation; and
  - monitor Grampian's progress with SHQS when we receive its update.
6. 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;
- 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 Grampian Housing Association Ltd is:

Name: Kirsty Anderson, Regulation Manager  
Address: Buchanan House, 58 Port Dundas Road, Glasgow G4 0HF  
Telephone: 0141 242 5547

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.