

Grampian Housing Association Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Grampian Housing Association Ltd (Grampian) during the financial year 2018/19. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Grampian was registered as a social landlord in 1978 and has charitable status. It owns and manages 3,639 homes including 533 shared ownership homes and provides factoring services to 1,173 owners across three local authority areas in north east Scotland. Grampian employs around 102 people.

Grampian has four unregistered subsidiaries. Kirkgate Developments Ltd develops property for outright sale, mid-market rent and market rent. In 2017/18 Grampian set up TLC Housing Maintenance Ltd to provide cyclical maintenance services to Grampian. It also has two other subsidiaries that are currently dormant.

As at 31 March 2017 Grampian's turnover for the year was £17.98 million and its debt per unit was £21,650.

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. Given a combination of Grampian's size, turnover and level of debt, we consider it to be systemically important.

Engagement

During 2017/18 we reviewed Grampian's business plan and 30 year projections and returns to get assurance about its financial health and we provided feedback. We engaged with the Chair and the senior management team to discuss the risks and challenges Grampian faces. When we met, Grampian told us it has begun to look at opportunities for business transformation across the organisation. We also reviewed Grampian's asset management strategy and gained assurance about this. Grampian has plans to further develop its approach to demonstrating value for money and affordability for tenants.

Grampian is one of the larger developers of social housing in Scotland and receives significant public subsidy to help achieve this. It plans to continue to grow through a considerable programme of new homes for social and mid-market rent.

During 2018/19 we will continue to engage with Grampian about its financial health, the risks it faces and about its new subsidiary as this becomes established.

Our engagement with Grampian Housing Association Ltd in 2018/19 – Medium

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

1. Grampian will send us by 31 May 2018:
 - its approved business plan;
 - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resultant covenant calculations with the actual current covenant requirements; and
 - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance.
2. For Kirkgate Developments Ltd and for TLC Housing Maintenance Ltd, Grampian will send us by 31 May 2018:
 - the approved business plan;
 - the financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks including risk mitigation strategies; and
 - reports to the governing body of Grampian in respect of the approved financial projections and sensitivity analysis.
3. Grampian will send us:
 - copies of its Board and audit committee minutes as they become available; and
 - an update on its development programme by 31 October 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme.
4. We will:
 - review the minutes of the Board and audit committee meetings;
 - review the business plan and financial projections for Grampian and its subsidiaries in quarter two of 2018/19;
 - meet with the senior management team in quarter two of 2018/19 to discuss the business plan, the financial information and any risks to the organisation;
 - meet with the governing body during the year; and
 - review Grampian's development update in quarter three of 2018/19.
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;
 - 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.

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.