

Hanover (Scotland) Housing Association Ltd

29 March 2018

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

Regulatory profile

Hanover was registered as a social landlord in 1979. Hanover currently owns and manages 4,050 homes and provides factoring services to 1,159 owners across 22 local authority areas. It has charitable status and employs around 458 people.

As at 31 March 2017 Hanover's turnover for the year was just under £35.3 million and its debt per unit was £6,812.

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 may have. So we seek some additional assurance through our regulation plans. Given Hanover's turnover we consider it to be systemically important.

Engagement

During 2017 we engaged with Hanover about progress against its business plan and the supporting financial information we received. We gained assurance about its strategic direction, financial health and about progress with its business change programme. We met with the senior team and the Chair to discuss the risks and challenges with Hanover's plans and we provided feedback on this.

During the year, Hanover has recruited four new Board members to replace members who resigned. As part of its on-going commitment to achieving efficiencies and value for money, Hanover is progressing its plans to decommission all housing support services at sheltered developments by 2020 and developing the next stages of its customer service centre.

Hanover has an on-going development programme of new housing for social rent and receives significant public subsidy to help achieve this. Hanover plans to continue to grow through a considerable programme which includes new amenity, extra care and dementia housing.

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

We will engage with Hanover because it is systemically important and to gain on-going assurance about its business change programme and the impact of its development programme on its financial position.

1. Hanover will send us by 31 May 2018:
 - its refreshed 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 resulting 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. Hanover will also send us:
 - copies of its Board and audit committee minutes as they become available; and
 - by 31 March 2019 the final report to Board on the research and pilot project it is undertaking to support tenants further in their connections with their communities.
3. Hanover will send us details of its development programme by 31 October 2018. This will include an update on progress with delivering the 2018/19 programme, details of any material delays or changes to the programme, details of the planned programme from 2018/19 onwards and a copy of the most recent development update to the Board.
4. We will:
 - review the minutes of the Board and audit committee meetings and liaise as necessary;
 - meet the senior staff team, the Chair and the Board in quarter two of 2018/19 to discuss the business plan and supporting financial information, progress with the business change programme and any risks to the organisation; and
 - review Hanover's development update in quarter three of 2018/19.
5. Hanover 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 Hanover 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.