

## Hanover (Scotland) Housing Association Ltd

31 March 2015

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

### Regulatory profile

Hanover was registered as a social landlord (RSL) in 1979. It owns and manages 4,026 houses across 22 local authority areas in Scotland. It provides factoring services to 1,133 owners and has 119 non-housing units. It has charitable status and employs around 494 people, mainly housing management and support staff. Its turnover for the year ended 31 March 2015 was just over £29 million. It has a small development programme which will deliver homes for social rent.

### Systemic importance

Our regulatory framework highlights that a small number of RSLs have a profile in terms of stock size, turnover, size 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 Hanover's level of turnover, we consider it to be of systemic importance.

During 2014/15 we reviewed Hanover's financial returns to gain assurance about its financial health. Hanover carried out an organisational review in 2013 and is working to embed this. It has recently rebranded and launched its new website to support this and improve access for tenants and other users.

Hanover had plans in place to complete work on the properties which failed the Scottish Housing Quality Standard (SHQS) by the end of February 2015. It also has a small number of properties which are exempt on the grounds of disproportionate cost and is examining potential solutions for these. Where they are unlikely to meet Energy Efficiency Standard for Social Housing (EESH) modelling of compliance measures will take place during 2015/16.

Hanover continues to have a small development programme of new housing for social rent and has received public subsidy to help fund this.

### Our engagement with Hanover - Medium

We consider Hanover to be of systemic importance due to the scale of its turnover. Because of this, we need to understand how Hanover plans to manage the key risks facing it and the impact these will have. We will therefore have medium engagement with Hanover in 2015/16.

1. Hanover will send us:
  - by the 31 May 2015, its approved business plan including commentary on results of sensitivity tests and risk mitigation strategies;
  - 30 year financial projections 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; and
  - its reports to the Board in respect of the 30 year projections and sensitivity analysis. its governing body and audit committee minutes;
  - quarterly from April, its Board and audit committee minutes; and
  - by the 31 May 2015, an update on its development activities, including future funding plans.
2. We will:
- provide feedback on the business plans and projections in June 2015 when we meet the Chair and senior staff to discuss progress with its organisational review and the risks and challenges facing Hanover; and
  - review the minutes of the governing body and audit committee meetings.
3. 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 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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Hanover 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