

Hanover (Scotland) Housing Association Ltd

31 March 2016

This Regulation Plan sets out the engagement we will have with Hanover (Scotland) Housing Association Ltd (Hanover) during the financial year 2016/17. 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 4,005 houses across 22 local authority areas in Scotland. It also provides factoring services to 1,183 owners. It has charitable status and employs around 515 people, mainly housing management and support staff. Its turnover for the year ended 31 March 2015 was just over £30 million. It has a small development programme which will deliver homes for social rent.

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 Hanover's turnover, 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.

In 2014, Hanover initiated an organisational review and implementation of this is now nearing completion. The key objectives of the review were to improve customer focus and ensure continued viability. Improved ICT and development of a customer service centre are key elements in delivering this. Hanover is also finalising an asset management strategy.

As part of this process, Hanover has reviewed its sheltered housing service in response to a changing funding environment and has moved away from housing support in some areas to an enhanced housing management service.

Hanover has an on-going development programme of new housing for social rent. It has received significant public subsidy to help fund this and has secured additional private finance.

Our engagement with Hanover (Scotland) Housing Association Ltd – Medium

In light of its systemic importance and ongoing investment activities we will have medium engagement with Hanover.

1. Hanover will send us by the 31 May 2016:
 - its approved business plan including commentary on the results of its sensitivity tests and risk mitigation strategies;
 - its 30 year financial projections consisting of statements of comprehensive

- income, of financial position and cash flow, including a comparison of projected loan covenants against covenant requirements;
- its sensitivity analysis which looks at key risks such as arrears levels and covenant compliance;
 - its reports to the Board in respect of the 30 year projections and sensitivity analysis;
 - evidence of how it demonstrates affordability for its tenants; and
 - its asset management strategy.
2. Hanover will also send us:
- quarterly from April 2016 its board and audit committee minutes; and
 - an update on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2016.
3. We will:
- meet senior staff and the Chair by the end of July to provide feedback on the business plan, financial information and asset management strategy and to discuss the risks and challenges facing the business; and
 - review board and audit minutes and liaise as necessary;
4. 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; 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 Hanover (Scotland) 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.