

Hebridean Housing Partnership Ltd

28 March 2013

This Regulation Plan sets out the engagement we will have with Hebridean Housing Partnership Ltd (HHP) during the financial year 2013/2014. Our regulatory framework explains more about our assessments and the purpose of this regulation plan.

Regulatory profile

HHP is a charitable registered social landlord operating in the Western Isles. It was created as part of a whole stock transfer from Comhairle nan Eilean Siar and registered in September 2006. HHP owns and manages in the region of 2,246 homes and employs around 42 full time equivalent staff. It acquired 300 houses when five smaller RSLs in the area transferred to it during 2007. It has one un-registered subsidiary, HHP Community Housing Ltd which is currently dormant. Turnover for the year ended 31 March 2012 was just over £9.7 million.

During the year we reviewed the financial and risk information we received from HHP. This gave us reasonable assurance that the organisation is being carefully monitored and managed. HHP should see significant improvements in its financial position in the longer term but in the short to medium term will require continued careful management. HHP has still to resolve the position with right to buy receipts in discussion with Scottish Government (SG).

HHP has also completed a rent structure review but this will not be implemented until it completes further testing to assess the impact on its business plan.

Given HHP's size, turnover, debt, the scale of its investment activity and its key role as the main landlord in the Western Isles, we consider it to be of systemic importance. During the year we met HHP's Chair and former Chair and gained additional assurance about the organisation's governance. HHP has now filled all the vacancies on its Board and has one co-opted member.

We also saw that HHP was making progress towards meeting the Scottish Housing Quality Standard (SHQS) by the target timescale of 2015 despite an insulation contractor going into administration. During 2011/12 it upgraded more homes than planned and was on track to meet its target for 2012/13. Energy efficiency remains the key issue for HHP as many of its properties are not on the gas grid. HHP currently anticipates obtaining abeyances for 39% of its stock on the grounds of disproportionate cost. All of these relate to energy efficiency and have central heating systems which will not have reached the end of their lifespan by 2015.

HHP has commissioned additional SHQS survey work and a report on thermal efficiency in its properties. It will provide us with an update on findings and a copy of the thermal efficiency report in April.

HHP has small number of development projects which will deliver mainly homes for social rent with a small number for shared equity. One development was delayed because of the contractor UBC going into administration but HHP has successfully managed to complete this with minimal impact on the organisation. Other projects are now largely complete. HHP

hopes to continue to develop and is working closely with the Council to see how it can contribute to meeting housing need in the area. It is discussing a small number of potential projects.

We have discussed with HHP the potential impact of welfare reform changes on its tenants and its business plan. Welfare reform will present a number of challenges as there is a significant mismatch between the size of properties it owns and the size of households waiting to be housed. HHP also reports that only 30% of its tenants have internet access. HHP still has work to do to engage with tenants about welfare changes.

Our engagement with HHP - Medium

We consider HHP to be of systemic importance because of its turnover, debt, the scale of its investment activities and its role as the majority landlord in its area of operation. So we will have medium engagement with it in 2013/14.

1. HHP will send us:
 - in April, the internal audit reports on business planning, budgets and governance;
 - in April a copy of the thermal efficiency report;
 - in May a copy of its plans for managing the impact of welfare reform;
 - its 30 year projections including an income and expenditure account, balance sheet and cashflow statement, sensitivity analysis; covenant calculations and results by the end of quarter three;
 - updates as available on discussions with Scottish Government about Right to Buy receipts;
 - by the end of quarter two an update on the rent structure review;
 - its governing body and audit committee minutes;
 - an update on SHQS costs and compliance rates in October; and
 - an update on its subsidiary activity should proposed projects progress.
2. We will:
 - meet the Chief Executive in April to discuss the risks and challenges facing the business and progress against the business plan;
 - provide feedback in October on the financial and other information;
 - meet the Chair and senior staff in quarter three to discuss our findings, the challenges and risks facing the organisation; the RSL's investment plans and progress with SHQS and welfare reform; and
 - review the minutes of the governing body and audit committee meetings.
3. HHP 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 performance and statistical return.

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.

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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.