

Home in Scotland Ltd

31 March 2015

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

Regulatory profile

Home became a registered social landlord (RSL) in 1998. It owns and manages 3,410 homes and provides a factoring service for 738 home owners. It operates across five different local authority areas and is a charitable subsidiary of Home Group Ltd. It employs 69 people. Its turnover for the year ended 31 March 2014 was around £17 million.

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 the combination of Home's size, turnover and level of debt, we consider it to be systemically important and need to understand how it plans to manage the key risks it faces and the impact these will have.

During 2014/15, we reviewed Home's financial returns to gain assurance around its financial viability. Home has a free standing derivative with Home Group and we will continue to see treasury reports to let us see the impact of this on the business.

Home is refreshing its business strategy and will complete this in November 2015. As part of this process it is reviewing the structure of its maintenance service. We will engage with Home in 2015/16 as it completes its organisational changes.

Home has achieved the Scottish Housing Quality Standard (SHQS) and reports 199 exempt properties (under 6% of its stock). 83% of these exemptions are for properties which are scheduled for demolition.

We have assessed Home's performance against key service quality measures and reported performance for the percentage of tenants satisfied with the repairs service is poor and the average hours to complete emergency repairs is in the bottom quartile. However during the year significant efforts have been successfully focussed on driving improvements with Home's contractor.

Reported performance for the percentage of tenants satisfied with the overall service is in the bottom quartile but Home has recently completed a further survey to help it understand the different levels of satisfaction achieved from routine feedback and its broader survey. We will review the results from this once these are available.

Its reported performance in relation to complaints was poor and Home is reviewing procedures across the Group. Likewise Home has recognised that tenancy sustainment for homeless applicants is low at 50% and has a dedicated team of two staff in Dundee working with vulnerable tenants on welfare issues and housing options.

Home is one of the largest developers of new affordable housing in Scotland and continues to receive significant amounts of public funding to help achieve this. Home has plans for a considerable programme of new homes for social rent, shared equity and mid-market rent. A key part of Home's development activity is the regeneration of the Mill O' Mains estate in Dundee and East Balornock in Glasgow.

Our engagement with Home in Scotland – Medium

Home is systemically important because of a combination of the size of its stock, turnover and level of debt. We will have medium engagement with Home during 2015/16 because of this, its significant development activities and aspects of its service quality performance.

1. Home in Scotland will send us by the 30 September 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
 - reports to the Board in respect of the 30 year projections and sensitivity analysis.
2. Home will also send us:
 - quarterly from April 2015, minutes of its Board and audit committee meetings;
 - the results from its most recent tenant satisfaction survey when these are available;
 - an update on its plans for development, including funding plans, by the end of June 2015;
 - six monthly, the Board update reports in respect of derivatives;
 - its revised business strategy in November 2015; and
 - an update in quarter three on progress with demolitions.
3. We will:
 - meet senior staff and the Chair in quarter three to provide feedback on the business plan and projections we receive and to discuss the risks and challenges facing the organisation;
 - liaise with senior staff as necessary on the information we receive on treasury management and minutes; and
 - review progress with complaints performance and tenancy sustainment for homeless people housed by Home when we receive the ARC in May 2015 and decide if we need further information.
4. Home 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.

Our lead officer for Home in Scotland 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.