

## Home in Scotland Ltd

### 31 March 2017

This Regulation Plan sets out the engagement we will have with Home in Scotland Ltd (Home) during the financial year 2017/18. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

Home was registered as a social landlord in 1998. It owns and manages 3,581 homes and provides a factoring service for 717 home owners. It operates across five different local authority areas and is a charitable subsidiary of Home Group Ltd. It employs 50 people.

As at 31 March 2016 Home's turnover for the year was just over £18.15 million and its debt per unit was £23,063.

### 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 how they manage the risks they face and the impact these may have. So we seek some additional assurance through our regulation plans. Given the combination of Home's size, turnover and level of debt, we consider it to be systemically important.

### Engagement

During 2016/17, we reviewed Home's annual business plan and 30 year financial projections. We met with the Executive Team and the Board to discuss and provide feedback on this information to maintain assurance on its financial health.

During 2016/17 we also reviewed the work Home has undertaken to demonstrate affordability to its tenants. Home will provide us with updates on progress as its work in relation to this develops during the year.

Home Group Ltd has completed a major review of its group strategy which is the basis for the Home business plan and future strategy. We will continue to engage with Home to understand the ongoing impact this review may have on its business plan.

To assess the risk to social landlord services we have reviewed and compared the 2015/16 performance of all Scottish social landlords to identify the weakest performing landlords. We found that Home is in the bottom quartile for all social landlords in relation to overall tenant satisfaction, tenants satisfied with the quality of home, time to complete emergency repairs, repairs completed right first time, tenants satisfied with the repairs service, and time to re-let properties.

We will engage with Home about the service quality areas we have highlighted.

Home is one of the largest developers of new affordable housing in Scotland and receives significant public subsidy and borrowing to help achieve this. Home plans to continue to

grow through a considerable programme of new homes for social rent, shared equity, mid-market rent in addition to exploring new tenure types.

## **Our engagement with Home in Scotland Ltd in 2017/18 – Medium**

We will engage with Home as we consider it to be of systemic importance, a large developer and to understand the impact on Home of the Group's strategic plans .

1. Home will send us by 30 September 2017:
  - its latest approved business plan;
  - 30 year financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flow, complete with details of assumptions and explanatory narrative;
  - a comparison of the projected financial loan covenants against covenant requirements;
  - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies;
  - its reports to its Boards in respect of the approved business plan, 30 year projections, sensitivity analysis and covenant compliance; and
  - evidence of how it demonstrates affordability for its tenants.
2. Home will also send us:
  - copies of Board and Audit Committee minutes as they become available; and
  - an update on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2017.
3. We will meet senior staff and the Chair in quarter three to provide feedback on the business plan, discuss the financial information we receive and to discuss the risks and challenges facing the organisation.
4. We will:
  - engage with Home about the service quality areas we have highlighted; and
  - review the minutes of the Board and Audit Committee meetings.
5. 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 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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Home in Scotland Ltd is:

Name: Peter Freer, Regulation Manager  
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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.