

Home in Scotland Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Home in Scotland Ltd (Home) during the financial year 2018/19. 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 1978. Home currently owns and manages 3,686 homes and provides factoring services to 718 owners across five local authority areas. It is a charitable subsidiary of Home Group Ltd and employs around 45 people.

As at 31 March 2017 Home's turnover for the year was £19.12m million and its debt per unit was £21,456.

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 a combination of Homes's size, turnover and level of debt, we consider it to be systemically important.

Engagement

During 2017/18, we reviewed Home's annual business plan and 30 year financial projections. We met with the Executive Team and the Chair to discuss and provide feedback on this information and understand the risk and challenges facing Home as it undertakes its strategic objectives.

We also reviewed Home's approach to demonstrating affordability to its tenants and will continue to engage with Home during 2018/19 as it develops its approach to this.

During 2017/18 we engaged with Home about a range of service quality performance indicators and it is showing improvements across a number of these indicators.

Home is one of the largest developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. Home plans to continue to grow through a considerable programme of new homes for social rent, shared equity and mid-market rent.

Home continues to explore development opportunities that could include new tenure types and private sale.

It has also told us that it plans to review its asset management strategy, including the strategic options for some of its stock in certain areas. We have seen some weaknesses in its approach to this review, including its approach to consultation with its tenants. Home is

carrying out an investigation into this. We will seek assurance from Home that it is managing this review properly and will discuss the process, including its plans to consult with any affected tenants and any necessary consent requirements, with it.

We will continue to engage with Home as it delivers its strategy to support its on-going and diverse development programme.

Our engagement with Home in Scotland Ltd in 2018/19 – Medium

We will engage with Home because it is systemically important and has an on-going significant development programme.

1. Home will send us by 30 September 2018:
 - its approved business plan;
 - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resulting covenant calculations with the actual current covenant requirements;
 - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
 - evidence of how it demonstrates affordability for its tenants.
2. Home will send us copies of its Board and audit committee minutes as they become available.
3. Home will send us an update on its development programme by 31 October 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme. This will include a copy of the most recent development update to the Board.
4. Home will provide us:
 - with details of its investigation into its approach to its asset management strategy and consultation with its tenants by the 16 April; and
 - with an update on the development of its asset management strategy including any strategic review of the future of any of these assets by 30 June 2018.
5. We will:
 - review the minutes of the Board and audit committee meetings;
 - review Home's development update in quarter three of 2018/19;
 - meet with Home's senior staff to discuss the business plan, financial information, and affordability information provided;
 - discuss its planned approach to its review of its asset management strategy; and
 - meet with Home's Board to discuss the information provided and understand the risk and challenges facing Home.
6. 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.

Our lead officer for Home in Scotland Ltd is:

Name: Helen Shaw, Assistant Director
Address: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF
Telephone: 0141 242 5551

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.