

Wheatley Housing Group Ltd

28 March 2014

This Regulation Plan sets out the engagement we will have with Wheatley Housing Group Ltd (WHG) during the financial year 2014/15. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

WHG is the largest Registered Social Landlord in Scotland with a group turnover of around £193m in 2012/13, and over 46,000 houses across eleven local authority areas. WHG is a non-asset owning parent which was registered in August 2012.

Glasgow Housing Association Ltd (GHA), Cube Housing Association Ltd, West Lothian Housing Partnership and Loretto Housing Association are all registered subsidiaries of WHG. The group also includes a number of unregistered subsidiaries, including Lowther Homes, YourPlace, Loretto Care and the Wheatley Foundation.

WHG has developed a corporate strategy which assumes asset growth and diversification. It is planning to grow its asset base by almost 10,000 houses across a range of different tenures over the next five years. It is considering new funding models, including generating up to £370m of additional private investment and over £100m of public funding. This will enable WHG to build or acquire over 5,600 new homes across Central Scotland and pursue an additional 4,000 units through partnerships.

WHG is of systemic importance because of its size, its turnover, the level of its debt and the scale of its investment activities and as a result we will continue to require assurances. We will want to understand its future strategic direction, its plans for further growth and the arrangements it is putting in place to fund these.

As part of our annual risk assessment we have also considered the other registered social landlords within WHG.

Glasgow Housing Association

Glasgow Housing Association (GHA) is the largest single social landlord in Scotland and owns over 43,000 homes in Glasgow. It has invested over £1.2 billion in its stock since it took ownership of the properties from Glasgow City Council in 2003, and has plans to invest a further £120m over the next two years to deliver on all of the original commitments made to tenants at the point of transfer. It is of systemic importance in its own right and we have assessed that we need to have a medium level of engagement with GHA.

Cube Housing Association

Cube owns 3,300 homes across seven local authority areas in the west of Scotland. Originally set up in 1990 as a result of a stock transfer from Scottish Homes, it has significantly improved its houses over the last five years. A major emphasis has been on the £27m regeneration of the homes of 1500 tenants and 360 home-owners on the Wyndford estate in Maryhill. Since joining the WHG, Cube has made savings and efficiencies which has allowed it to develop plans to deliver increased investment in the remainder of its homes and meet the Scottish Housing Quality Standard by 2015 – two years earlier than previously programmed. We have been engaging with Cube in recent years about its service quality performance and its progress towards achieving the Scottish Housing Quality Standard

(SHQS). Cube has improved its service quality and has made significant progress towards SHQS and we no longer need to engage with Cube on these issues. As a result, we have assessed Cube as low engagement.

West Lothian Housing Partnership

West Lothian Housing Partnership (WLHP) was registered in 2001. It owns and manages 381 houses across West Lothian. It is a charitable company limited by guarantee, and employs 6 people. Its turnover for the year ended 31 March 2013 was just over £1.5 million. It joined the WHG during 2013 and we have assessed it as requiring low engagement.

Loretto Housing Association

Loretto is a specialist provider with most of its activities focussed on the provision of care. It owns and manages just over 1,000 homes across seven local authority areas on Scotland and joined the WHG during 2013. It has a large unregistered subsidiary involved in operating care homes and provides specialist support to the other parts of WHG. As a result we have assessed Loretto as requiring medium engagement.

This year we have not published separate regulation plans for each of these registered subsidiaries, even where we have identified the need for engagement. Instead our engagement with them is included as part of our regulatory engagement with the WHG.

Our engagement with WHG - High

Just less than one in five houses in RSL ownership belongs to WHG. And WHG is a systemically important registered social landlord because of the scale of its stock, turnover and size of debt. It is also seeking to diversify and expand its group's activities and the Board of WHG recently approved a Group business plan which sets out its plans for this.

We will have a high level of engagement with WHG as we seek assurance about the financial health, governance and performance of WHG over the period of the business plan to ensure that the interests of tenants are protected.

1. WHG should keep us informed of any proposals for future partnerships and will require to seek our consent to the business case for any proposals.
2. WHG will provide us with details of its plans to raise bond finance, the timescales for this and the necessary applications for our consent by April 2014.
3. We will meet with WHG's senior staff on a quarterly basis to discuss the group's business and any risks to the group.
4. WHG will send us by January 2015:
 - The approved business plan for the group and its registered and unregistered subsidiaries. This should include commentary on the results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for the group and its registered and unregistered subsidiaries. This should consist of income and expenditure statement, balance sheet and cashflow, including calculation of the loan covenants and covenant requirements;

- Sensitivity analysis which looks at key risks such as arrears levels and covenant compliance at the Group and RSL Group level. We would also expect this to include analysis of a range of options for rent increases which demonstrate continuing affordability for tenants;
 - The report to the governing body in respect of the 30 year projections.
5. Because we consider WHG and GHA to be of systemic importance, we will also:
- review the minutes of the governing bodies for WHG and GHA and the group audit committee meetings; and
 - meet with the Chair of WHG in quarter 4.
6. WHG 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 WHG 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.