

Southside Housing Association Ltd

28 March 2013

This Regulation Plan sets out the engagement we will have with Southside Housing Association Ltd (Southside) during the financial year 2013/14. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Southside registered as a social landlord in 1975. It has charitable status and employs 68 people. It operates in the south west of Glasgow and owns 2,137 general needs houses. It provides a factoring service to 880 owner occupiers through its non-registered subsidiary, Southside Factoring and Related Services Ltd. This includes 309 homes where Southside took over the factoring services from GHA. Southside's turnover for the year ended 31 March 2012 was just over £8.7 million.

At the end of March 2011, Southside acquired 534 homes in Cardonald and 506 in Pollokshields from Glasgow Housing Association (GHA) through second stage transfer (SST). It acquired a further 442 homes from GHA in Halfway on 27 June 2011. Southside therefore is significantly larger, has more complex investment needs and has a new organisational structure. Our engagement with Southside in 2012/13 has provided us with assurance that it is managing the challenges posed by this significant growth.

Southside plans to continue to grow through its development activities using public subsidy including housing for social rent, shared equity and housing for mid-market rents through its subsidiary.

Southside has a significant investment programme in its stock and achieving the Scottish Housing Quality Standard (SHQS) is a key area of work for it in the next two years. It reported a high failure rate for SHQS in its 2012 return based on a small survey sample. However Southside's failure rate included properties that it plans to demolish. Also during 2012 it commissioned survey work to expand its survey data and will continue its detailed survey work of SST stock. It has plans to meet the standard by the end of 2015 and we will ask Southside to keep us informed about its progress with delivering SHQS.

We have assessed Southside's performance against key service quality measures. Southside's reported performance for current tenants owing more than 13 weeks rent is poor and deteriorating. Its performance for tenancies sustained is in the bottom quartile. The stock transfer and scale of regeneration work Southside is undertaking has had an impact on its arrears and tenancy sustainment and it is working to return its performance to pre-transfer levels.

In 2012/13 we reviewed Southside's business plan and financial projections and received assurance about its financial management. Given the scope of its business and the extent of its investment activities we will continue to need updated financial projections. We will also engage with Southside to get an update on its subsidiary activity and its progress with auto enrolment (39% of its staff were not enrolled at 31 March 2012). We have discussed with Southside its plans to manage the impact of welfare reform changes with it and received assurance about its approach. We will ask Southside for an update during the year on its progress with this.

Our engagement with Southside – Medium

We will have medium engagement with Southside to continue have assurance about its management of the risks associated with its recent growth and to monitor its progress with SHQS and service quality issues.

1. By 30 September 2013 Southside will send us:
 - for it and its subsidiary scenario planning and sensitivity analysis of its key business planning assumptions, 30 year projections, consisting of income and expenditure statement, balance sheet and cash flows, plus sensitivity analysis and covenant calculations and results;
 - an update on auto enrollment; and
 - an update on the impact of welfare reform including the impact on income, costs and assumptions for arrears and bad debts.
2. In January 2014 Southside will send us an update on its progress with SHQS up to 31 December 2013.
3. We will review Southside's performance for service quality when we receive the APSR in June 2013. Depending on performance we may ask for further information to get assurance about progress.
4. We will:
 - provide feedback to Southside in quarter three following receipt of the business planning information for it and its subsidiary; and
 - meet senior staff in quarter four to discuss overall progress against the business plan strategy.
5. Southside 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.

Our lead officer for Southside is:

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We have decided what type of engagement we need to have with the association based on information it provided to us. We rely on the information given to us by the association 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 Regulatory Assessment or Regulation Plan.