

## Wellhouse Housing Association Ltd

**14 September 2015**

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

### Regulatory profile

Wellhouse was registered as a social landlord in 1994. It owns and manages 829 houses and provides factoring services to 51 owners in Easterhouse, Glasgow. It has charitable status and employs 15 people. Its turnover for the year ended 31 March 2014 was £2.7 million. Wellhouse has been a major developer of rented housing and received high levels of public subsidy to achieve this. It has plans to deliver more new homes for social rent.

We are engaging with Wellhouse to address serious weaknesses in its governance and financial management. In 2014, Wellhouse commissioned an independent investigation and the findings highlighted a number of areas of serious concern such as breaches of financial covenants, potential tax liabilities, inappropriate receipt of payments and benefits, poor handling of conflicts of interest and potential breaches of charity law.

We considered Wellhouse's poor governance and financial management an immediate risk to tenants' interests and to the reputation of registered social landlords and in December 2014 we used our statutory powers to appoint a manager to Wellhouse under section 58 of the Housing (Scotland) Act 2010. We continued the appointment in June 2015 and said we would review the appointment again in September 2015.

Wellhouse has co-opted two additional committee members with appropriate skills and expertise to support it in dealing with these issues.

Wellhouse has completed a governance review and an independent financial review. Both reviews found there are failures and significant weaknesses in Wellhouse's compliance with our Regulatory Standards of Governance and Financial Management. Wellhouse has developed a substantial improvement plan to address these governance and financial management issues. It has already delivered a number of these improvements and has plans in place to complete the remainder by early 2016.

We consider that there still remain significant weaknesses in Wellhouse's governance and financial management which are a risk to tenants' interests and to the reputation of registered social landlords and we will continue the appointment of a manager to Wellhouse under section 58 of the Housing (Scotland) Act 2010.

The purpose of this appointment is to:

- address the serious risks to Wellhouse's governance and financial management position arising from the issues in the governance and financial review and assist the governing body to ensure that these issues are resolved; and
- assist and support the governing body to ensure that Wellhouse's affairs are managed to an appropriate standard.

The manager has the following remit:

- to put in place the necessary policies, internal controls and safeguards to ensure financial transparency and probity; and
- implement any necessary improvements to ensure that Wellhouse meets our Regulatory Standards of Governance and Financial Management.

The governing body recognises the serious nature of all of these issues and the risk they present to tenants' interests. It has accepted the conclusions of the governance and financial reviews and has agreed a governance improvement plan. It is working openly and constructively with us as it continues to address these serious governance and financial management weaknesses. It has also appointed an interim Director.

Wellhouse recently identified serious weaknesses in its approach to allocations and rechargeable repairs. It has drafted a customer service improvement plan and is engaging with service users to address these issues.

## **Our engagement with Wellhouse – High**

We will have high engagement with Wellhouse in light of the serious governance and financial issues it is dealing with.

1. The manager is accountable to the Regulator and will report to us on progress. We will continue the appointment until the end of January 2016 when we will review Wellhouse's progress with making the required improvements and may extend the appointment if we consider this necessary.
2. We expect Wellhouse to continue to engage with us to assure us it is making the necessary improvements to meet our Regulatory Standards of Governance and Financial Management. We may review our engagement activity and information requirements depending on the outcome.
3. We expect Wellhouse to continue to engage with us to assure us it is making the necessary improvements in its allocations and rechargeable repairs.
4. Wellhouse 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](http://www.scottishhousingregulator.gov.uk)

Our lead officer for Wellhouse 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.