

## Wellhouse Housing Association Ltd

**31 March 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.

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 investigation report and assist the governing body to ensure that these issues are resolved;
- to consider whether the current governance and financial management processes and procedures are fit for purpose; 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
- to carry out a strategic review and implement any necessary improvements to ensure that Wellhouse meets our Regulatory Standards of Governance and Financial Management.

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

At our request, Wellhouse recently commissioned an independent financial assessment and the findings of this also highlighted a number of further weaknesses in its governance and financial management which represents a serious departure from our standards of governance and financial management.

The governing body has recognised the serious nature of all of these issues and the risk they present to tenants' interests. It has responded well and is working openly and constructively with us as it addresses these serious governance and financial management weaknesses and it has also appointed an interim Director.

### **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. The appointment is until June 2015. At this time we will review Wellhouse's progress with making the improvements necessary to address the issues identified 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 delivering the necessary improvements to ensure that it meets our Regulatory Standards of Governance and Financial Management. We may review our engagement activity and information requirements depending on the outcome.
3. 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.