

Wellhouse Housing Association Ltd

31 March 2016

This Regulation Plan sets out the engagement we will have with Wellhouse Housing Association Ltd (Wellhouse) during the financial year 2016/17. 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 20 people. Its turnover for the year ended 31 March 2015 was £3.02 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 have been 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. In December 2014 we used our statutory powers to appoint a manager to Wellhouse under section 58 of the Housing (Scotland) Act 2010. At this time, Wellhouse also co-opted two additional committee members with appropriate skills and expertise to support it. It appointed an interim Director in April 2015.

We continued the statutory appointment of a manager in January 2016 and said we would review the appointment again in May 2016.

The purpose of this appointment was 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 had 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.

Wellhouse completed a governance review and an independent financial review in May 2015. Both reviews found further failures and significant weaknesses in Wellhouse's

compliance with our Regulatory Standards of Governance and Financial Management. The governing body accepted the findings of these reviews and Wellhouse developed a substantial improvement plan to address these governance and financial management issues.

Wellhouse has made good progress in delivering the required improvements in its governance and financial management and has plans in place to complete the remainder of the improvement actions by May 2016. The governing body recognises the serious nature of all of these issues and the risk they present to tenants' interests. It continues to work openly and constructively with us.

In December 2015 Wellhouse completed an options appraisal and concluded that its preferred option was to remain an independent organisation. It is carrying out a recruitment exercise for a new Director. It is also recruiting new governing body members. This resulted in the co-option of three additional members.

While we consider that Wellhouse has made good progress, the full remit of the manager has not yet been delivered. There are improvements to be completed in areas of significant weakness in Wellhouse's governance and financial management which are a risk to tenants' interests and to the reputation of registered social landlords. We will therefore continue to support Wellhouse with the appointment of a manager under section 58 of the Housing (Scotland) Act 2010 as it works through its action plan and consolidates its improvements.

Wellhouse recently identified serious weaknesses in its approach to allocations and rechargeable repairs. It has consulted with service users and reviewed its allocations and rechargeable repairs policies to address these issues.

Wellhouse reported that 78 properties failed SHQS at 31st March 2015. To address this, a programme of external wall insulation is on site and the project is expected to complete by the end of June 2016.

Our engagement with Wellhouse Housing Association Ltd – High

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

1. 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.
2. We expect Wellhouse to continue to engage with us to assure us it is making the necessary improvements in its allocations and rechargeable repairs.
3. Wellhouse will update us with progress on SHQS by the end of July 2016.
4. We will provide feedback on the business plan and projections for Wellhouse by September 30th 2016.
5. 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 financial statements 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 Wellhouse Housing Association Ltd is:

Name: Eleanor Sneddon, Regulation Manager
Address: Europa Building, 450 Argyle Street, Glasgow, G2 8LG
Telephone: 0141 242 5860

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.