

Wellhouse Housing Association Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Wellhouse Housing Association Ltd (Wellhouse) during the financial year 2017/18. 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 796 houses and provides factoring services to 51 owners in Easterhouse, Glasgow. It has charitable status and employs 20 people. At 31 March 2016 its turnover was just over £4.1 million and its debt per unit was £11,359.

Engagement

In December 2014 we identified serious weaknesses in Wellhouse's governance and financial management and used our statutory powers to appoint a manager to Wellhouse under Section 58 of the Housing (Scotland) Act 2010. Since then the governing body has worked openly and constructively with us to implement the necessary improvements to ensure that Wellhouse meets our Regulatory Standards of Governance and Financial Management.

We consider that Wellhouse has made good progress in delivering the required improvements. Wellhouse has a continuing programme of improvement actions to ensure it fully complies with our Regulatory Standards. These include areas of risk such as strengthening the governing body, completing its staff restructure, risk management and embedding the new leadership and culture. In November 2016 we decided to end the appointment of the statutory manager as the serious and immediate risks to tenants' interests had been addressed. We need to engage with Wellhouse as it continues to manage this challenging period of change.

Wellhouse's governing body has two additional members with appropriate skills and expertise to support it. Wellhouse continues to work to strengthen its governing body through recruitment.

Wellhouse has contracts in place to bring the remaining small number of homes up to the Scottish Housing Quality Standard (SHQS). There have been some delays with the contracts and we will continue to monitor progress.

Our engagement with Wellhouse Housing Association Ltd in 2017/18 – 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. Wellhouse will send us by 30 April 2017:
 - its approved business plan;
 - 30 year financial projections consisting of statements of comprehensive income, financial position and cash flows, complete with assumptions and explanatory narrative;
 - a comparison of projected loan covenants against current covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies; and
 - its reports to the governing body in respect of the approved business plan, 30 year projections and sensitivity analysis.
3. Wellhouse will:
 - provide us with all governing body papers and minutes; and
 - update us on progress with SHQS by 30 June 2017.
4. We will provide feedback on the business plan and discuss the financial projections by 30 September 2017.
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;
 - Annual Return on the Charter; and
 - the return on the Energy Efficiency Standard for Social Housing.

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:

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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.