

West of Scotland Housing Association Ltd

4 December 2017

This Regulation Plan sets out the engagement we will have with West of Scotland Housing Association Ltd (West of Scotland) during the financial year 2017/18. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

West of Scotland was registered as a social landlord in 1975 and in 2013 it became part of the Gentoo Group (Gentoo). On 17 October 2017 West of Scotland completed its disaggregation from the Gentoo Group.

West of Scotland currently owns and manages around 3,503 homes and provides factoring services to 420 owners across six local authority areas. It has charitable status and employs around 94 people.

West of Scotland has one unregistered subsidiary, Willowacre Trust, which delivers the non-core landlord services within the communities West of Scotland operates in.

As at the 31 March 2017 West of Scotland's turnover for the year was just over £17.9 million and its debt per unit was £16,150

Systemic Importance

We refer to a small number of RSLs as systemically important because of their stock size, turnover or level of debt or because of their significance within their area of operation. We need to maintain a comprehensive understanding of how their business models operate, and how they manage the risks they face and the impact these may have. So we seek some additional assurance through our regulation plans. Given a combination of West of Scotland's size, turnover and level of debt, we consider it to be systemically important.

Engagement

During 2017 we engaged with West of Scotland as it developed its plans to come out of the Gentoo Group. We assessed the business case for this, including its consultation with tenants and consented to the associated constitutional changes. West of Scotland is now no longer a subsidiary of Gentoo.

During 2017, we also reviewed West of Scotland's annual business plan, including information on its approach to rent affordability, and its financial projections. We met with the executive team and observed the Board to discuss the risks and challenges with its plans and we provided feedback on this.

West of Scotland is currently updating its stock condition survey information and has appointed an external consultant to carry out this work. During 2017/18 we will engage with West of Scotland as it considers the key outputs from this work and reflects them in its financial plans.

During 2017, we have followed up with West of Scotland on its work in relation to its self-assessment against the Regulatory Standards in response to the review we undertook during 2016/17. And we have been engaging with West of Scotland during 2017 about a notifiable event.

West of Scotland is now operating as an independent organisation. This is a significant constitutional change. Because of this and the other governance issues we have been engaging with West of Scotland about, we will seek further assurance about the steps it is taking to ensure that it is complying with the Regulatory Standards of Governance and Financial Management. We will seek assurance from West of Scotland that it has a comprehensive improvement plan which addresses governance weaknesses.

This will include us monitoring its action plan to deliver the commitments outlined in the business case and the information it gave to tenants during the tenant ballot process.

West of Scotland has been one of the largest developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. West of Scotland has plans for considerable growth through a programme of new homes for social and mid market rent.

Our engagement with West of Scotland Housing Association Ltd in 2017/18 – Medium

We will engage with West of Scotland because it is systemically important and has recently disaggregated from Gentoo and has plans for a significantly increased development programme.

1. West of Scotland will send us:
 - its action plan to deliver the commitments outlined in the business case and tenant ballot offering by the 31 December 2017;
 - its governance improvement plan to deal with the outcomes from the self-assessment work, the notifiable event and other governance issues;
 - copies of its Board and audit committee minutes as they become available;
 - updates on key outputs from the stock condition surveys by the end of February 2018.
2. We will review the minutes of the Board and audit committee meetings.
3. We will discuss progress with its governance improvement plan to ensure compliance with Regulatory Standards.
4. West of Scotland 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 West of Scotland 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.