

West of Scotland Housing Association Ltd

31 March 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. West of Scotland owns and manages around 3,479 homes and provides factoring services to 423 owners across six local authority areas. It has charitable status and employs around 99 people.

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

As at the 31 March 2016 West of Scotland's turnover for the year was just over £17.7 million and its debt per unit was £16,265.

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 2016/17 we reviewed West of Scotland's annual business plan and its financial projections. We met with the executive team to provide feedback on this and discuss the risks and challenges with its plans.

In addition we discussed the work West of Scotland has undertaken to demonstrate affordability to its tenants. We will engage with West of Scotland as it develops this during 2017/18.

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 2016/17 the Board of West of Scotland agreed to proceed with the disaggregation from the Gentoo Group to revert back to a standalone landlord. West of Scotland is currently preparing a business case to support this proposal and we will review this when available. The business case will require to be supported by a tenant ballot and we will consider its outcome to ensure the proposal is in the best interests of tenants.

We reviewed West of Scotland's self-assessment against the Regulatory Standards in March 2017. West of Scotland is taking forward some further work as a result of this review and we will engage with West of Scotland about its progress with this work during the 2017/18.

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 in light of its plans to disaggregate from Gentoo and significantly increase its development programme.

1. West of Scotland will send us by 30 June 2017:
 - its latest approved business plan;
 - 30 year financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flow, complete with details of assumptions and explanatory narrative;
 - a comparison of the projected financial loan covenants against covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies;
 - reports to the Board of West of Scotland in respect of the approved business plan, 30 year financial projections and sensitivity analysis; and
 - evidence of how it demonstrates affordability for its tenants.
2. West of Scotland will also send us:
 - an update on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2017;
 - 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 December 2017;
 - its business case and supporting documentation for disaggregating from the Gentoo Group; and
 - updates on its work developing its self-assessment against the Regulatory Standards when available.
3. We will meet the Executive Team and the Board by the end of September 2017:
 - to provide feedback on West of Scotland's business plan and discuss the financial information we have received and the risks and challenges facing the organisation; and
 - discuss progress with the further work on its self-assessment against Regulatory Standards.
4. We will review the minutes of the Board and audit committee meetings.
5. 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;
- 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.