

# West of Scotland Housing Association Ltd

## 29 March 2018

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 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 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 2017/18 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.

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 the Board to provide feedback on this information and discussed the risks and challenges with its strategic aims.

During 2017/18 West of Scotland updated its stock condition survey information and will now consider the key outputs from this work and reflect them in its financial plans.

During 2017/18, we reviewed some further work that West of Scotland carried out to assess itself against the the Regulatory Standards, following some previous feedback we had given

it on this. We have also been engaging with West of Scotland during 2017 about some notifiable events in relation to its governance.

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 and seeking 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 is implementing the comprehensive improvement plan which it has developed to address the governance weaknesses which this work has identified.

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.

### **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 about its current governance issues and its plans for a significantly increased development programme.

1. West of Scotland will send us by 30 June 2018:
  - its approved business plan;
  - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
  - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resulting covenant calculations with the actual current covenant requirements;
  - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
  - evidence of how it demonstrates affordability for its tenants.
2. West of Scotland will send us copies of its Board and audit committee minutes as they become available;
3. We will:
  - review the minutes of the Board and audit committee meetings;
  - review West of Scotland's development update in quarter three of 2018/19;
  - meet with West of Scotland's Board and senior staff to discuss the risks and challenges facing the organisation; and
  - discuss the business plan, financial projections and affordability information at the same meeting.
4. We will discuss progress with its governance improvement plan to ensure compliance with Regulatory Standards.
5. We will discuss and monitor progress with the action plan to deliver West of Scotland's commitments to tenants as a result of coming out of the Gentoo Group.
6. West of Scotland will send us an update on its development programme by 31 October 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme. This will include a copy of the most recent development update to the Board.

7. 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](http://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.