

## Wheatley Housing Group Ltd

### 29 March 2018

This Regulation Plan sets out the engagement we will have with Wheatley Housing Group Ltd (WHG) during the financial year 2018/19. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

WHG is the parent company of six charitable Registered Social Landlords (RSL). The size, scale and complexity of WHG is unique within the social housing sector in Scotland, with WHG providing around one in five RSL homes. WHG's scale is such that it is of local, regional and national significance and its impact is considerable. Our engagement with WHG reflects the significance of the Group.

### Regulatory profile

WHG is a non-asset owning RSL which was registered in 2012. It provides strategic direction and business services to its subsidiaries which include:

- Barony Housing Association Ltd (Barony), debt per unit of £8,260.
- Cube Housing Association Ltd (Cube), debt per unit of £17,377.
- Dunedin Canmore Housing Ltd (Dunedin Canmore), debt per unit of £31,151.
- Glasgow Housing Association Ltd (GHA), debt per unit of £19,254.
- Loretto Housing Association Ltd (Loretto), debt per unit of £19,075.
- West Lothian Housing Partnership Ltd (WLHP), debt per unit of £22,714.

WHG is the largest RSL in Scotland, with the group owning and managing almost 50,000 social rented houses.

WHG also has a number of unregistered subsidiaries including Lowther Homes, YourPlace, Loretto Care, and the Wheatley Foundation. Together they provide a range of services including the management of the group's market and mid-market rent properties (around 1,000), factoring (to around 31,000 owners), care and support, and a range of other initiatives which benefit communities across the group. In addition Wheatley Solutions delivers corporate, back office and other shared services to the group.

As at 31 March 2017 the group turnover for the year was almost £276 million.

As part of our annual risk assessment we have also considered the subsidiary RSLs within the group. We have not published separate regulation plans for the subsidiary RSLs as our engagement with them is included in this plan.

### 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.

We consider WHG to be systemically important. We also consider GHA, Dunedin Canmore and Cube to be systemically important in their own right, due to a combination of their size, turnover and level of debt.

## Engagement

In 2015 WHG approved 'Investing in our Futures' which sets out its vision and strategies to 2020. This is updated annually and key strands include asset growth and diversification. During 2017/18 we reviewed WHG's updated plan and financial projections to gain assurance about its strategic direction and financial capacity to deliver on its objectives, development plans and other investment activities. We also engaged with WHG on its governance refresh, proposals for constitutional change and progress with the implementation of Dunedin Canmore's group integration plan. We observed GHA and WHG Board meetings and met with members of its Executive Team on a quarterly basis.

WHG is the largest developer of new affordable housing in Scotland and plans to continue to grow by building or acquiring around 3,600 affordable homes over the next five years. This includes homes for social rent and mid-market rent. The group's development programme will continue to be funded by significant public subsidy, WHG's bond finance and other forms of affordable housing finance. WHG is implementing plans to secure the additional investment it needs.

WHG continues to review its governance arrangements to ensure that it is best placed to deliver its strategies and group activities. As part of this process, it is reviewing the provision of group services by Wheatley Solutions and recently decided to merge Lowther Homes and YourPlace. WHG is also consolidating ownership of around 600 mid-market rent properties in Lowther Homes which will allow the group RSLs to use the proceeds from this to help fund the affordable housing programme.

WHG is also reviewing the way it delivers services to RSL tenants across the group. Priorities include delivering improvements and efficiencies in the City Building Glasgow Joint Venture with Glasgow City Council, which delivers repairs and improvement services, and implementing proposals to re-model the sheltered services provided by group RSLs.

WHG has a rolling programme of stock condition surveys and Cube will complete a full survey in 2018/19.

We have assessed that we need to have high engagement with WHG because it is systemically important. We have assessed that we need to have medium engagement with GHA and Dunedin Canmore because they are also systemically important, and with Cube because it is systemically important and about its plans to update its stock condition information this year. We have assessed that we need to have low engagement with Barony, Loretto and WLHP.

### **Our engagement with Wheatley Housing Group Ltd in 2018/19 - High**

We will engage with WHG because it is systemically important. We want to understand the group's future strategic direction, its plans for further growth and diversification, the impact of this on group governance and the arrangements it is putting in place to fund its strategies.

1. Because we consider WHG, GHA, Dunedin Canmore and Cube to be of systemic importance, WHG will send us the minutes of the governing body meetings for WHG and these subsidiaries and for the group audit committee meetings each quarter.
2. WHG will keep us informed of any proposals for future partnerships, and will require to seek our consent to the business case for any proposals.

3. Wheatley Housing Group has sent us for the group and its registered subsidiaries:
  - the 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;
  - reports to the Boards in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
  - evidence of how it demonstrates affordability for its tenants.
4. For the non-registered subsidiaries WHG has sent us:
  - the approved business plans;
  - the 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 including risk mitigation strategies; and
  - reports to the Board of WHG in respect of the approved financial projections and sensitivity analysis.
5. WHG will send us quarterly updates, prior to our quarterly meetings, on:
  - progress with the governance refresh including progress with implementing proposals for the commercial subsidiaries including YourPlace, Lowther Homes and Wheatley Solutions;
  - progress with the Lowther Homes purchase of group RSL mid-market rent properties including timescales for any applications for our consent;
  - details of its plans to attract further investment, the timescales for this and the necessary applications for our consent;
  - details of its Development and Acquisition Programme, including details of progress with individual RSL programmes against the 2018/19 planned programme, details of any material delays or changes to the programme, details of the programmes which will be delivered by Lowther Homes and copies of the reports to the WHG Board on the Programme;
  - progress with the repairs JV in Glasgow;
  - progress with implementing proposals to re-model group sheltered services; and
  - details of the findings from Cube's stock condition survey in the quarter three update.
6. We will:
  - review the minutes of the governing body and audit committee meetings;
  - meet with WHG's senior staff on a quarterly basis to discuss the group's business and any risks to the group;
  - discuss the business plan, the financial information and other information WHG supplies at the quarterly meetings;
  - meet with Dunedin Canmore's Board in quarter three; and
  - meet with WHG's Board in quarter four.
7. WHG and its registered subsidiaries 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 Wheatley Housing Group Ltd is:

Name: Helen Shaw, Assistant Director Finance and Risk Division  
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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.