

SCOTTISH HOUSING REGULATOR**WRITTEN SUBMISSION**

Thank you for the letter of 30 June.

We welcome the Committee's continuing scrutiny of our work. We also welcome the Committee's encouragement for us to continue our important role to safeguard the interests of tenants and other service users and to work with our stakeholders to help deliver good outcomes in social housing. In so doing, we will continue to seek and hear the views of our stakeholders and, wherever possible, reflect those views in how we regulate.

I am happy to set that out in appendix 1 more information on the calculation we use to demonstrate the saving that our effective regulation delivers in borrowing costs for Registered Social Landlords. I will be happy to pass on lenders' contact details or to facilitate a meeting with lenders should the Committee wish to speak with them.

As requested, I attach at appendix 2 our published factsheets on whistleblowing, and at appendix 3 our published Regulation Plans for the two organisations in which we have used our statutory powers to appoint special managers. Special managers are officers appointed to a social landlord by the Scottish Housing Regulator under our powers in sections 57-59 of the Housing (Scotland) Act 2010. We can use these powers where we identify a serious and urgent risk to the interests of tenants and other service users from major weaknesses in a landlord's performance, governance or financial management. The concerns that may eventually lead to this outcome can first come to light in a number of ways, including through our direct engagement with a landlord or in information from a whistleblower.

Please let me know if the Committee would like any further information at this time, and we look forward to our future work with the Committee.

Kind regards

Michael Cameron
Chief Executive

14 July 2015

Appendix 1

Calculation of value of regulation to Registered Social Landlords (RSLs) in terms of cost of capital

The calculation has been made by SHR staff using the information that SHR collects from RSLs and intelligence from lenders.

The starting point for the calculation is the total borrowings by RSLs.

The table below is taken from our most recent report on the finances of the sector. It shows that, at the end of March 2014 the total amount borrowed by all RSLs was £3,344m. RSLs are obliged to submit their financial returns to us by the end of September each year so we anticipate having the figure for March 2015 available from October this year.

For the purposes of the calculation we use the figure of £3,344m although we anticipate that the actual figure is now greater than this.

Facilities and Loans to RSLs				
	Total loan facility £m	Amount drawn down £m	Facility un-drawn £m	Balance outstanding £m
As at 31 March 2014	4,316	3,728	587	3,344
As at 31 March 2013	4,238	3,516	721	3,206
Increase/(Decrease) - £m	78	212	(134)	138
Increase/(Decrease) - %	1.8%	6.0%	(18.6%)	4.3%

We hold regular discussions with all of the major lenders to RSLs. They tell us that there is a clear relationship between risk and pricing: in general reduced risk will result in more favourable pricing. In this context lenders' confidence in our ability to regulate is vital for both RSLs and tenants. Confidence by lenders in our ability to regulate effectively will result in lower priced loans to RSLs. This in turn will benefit both RSLs and tenants by freeing up cash to allow RSLs to provide more homes for future tenants and improved services for existing tenants and service users.

The lending market for RSL finance is highly competitive at present. RSLs have reported that up to ten offers of funding can be received when landlords go to the market. Pricing is therefore particularly keen at this time.

Lenders agree that there is a positive and tangible benefit to RSLs from regulation. Lenders are understandably reluctant to discuss pricing due to commercial

sensitivity. However, the value of this is put at between 100 and 250 basis points (1.0% to 2.5%).

Applied across the sector's total borrowing of approximately £3,344m this puts a value on regulation of between £33.4m and £83.5m per year.

SHR take a prudent view of this. In discussions with RSLs and other stakeholders we usually speak of a value of regulation of approximately £40m.

RSLs are facing an increasingly challenging financial environment in the mid to long term. Issues such as welfare reform, pension shortfalls, diversification and the need to re-finance will have to be managed effectively. Regulatory oversight will provide lenders with assurance about the extent to which this is being done and facilitate continued investment in the RSL sector. In these circumstances we think it is likely that the value of regulation will increase provided lenders remain confident in the ability of SHR to regulate effectively.

In 2014 SHR was scrutinised by a number of ratings agencies as part of the work done in preparation for the bond issue by the Wheatley Group, the first such bond issued by a Scottish RSL. In their final report Standard & Poor provided independent confirmation of the positive value placed on regulation by lenders.

“Wheatley is also monitored by the Scottish Housing Regulator. Because of its systemic importance in the Scottish housing sector, we consider that Wheatley benefits from a greater degree of regulatory scrutiny, and more frequent interaction, than its rated English peers do with the Homes and Communities Agency (HCA), the equivalent regulator in England.”

Lenders have also told us that the value of regulation goes beyond the monetary value that can be calculated.

Financial regulations require lenders to retain an amount of capital in relation to each loan advanced. The fact that a landlord is regulated means that lenders need to retain a smaller amount of capital than would otherwise be the case. Lending can reduce the amount required to be retained by between one third to one half. This means that lenders' capital can go further. In this way the confidence that lenders have in an effective housing regulator has indirect benefits for the wider economy as well as direct benefits for RSLs.

Lenders also stressed the ability of the Regulator to take early action when concerns start to surface around the financial health or the governance of an RSL. Many lenders have commented that our recent use of statutory intervention powers has helped to maintain and build confidence in the regulatory framework and how it is being operated.

A final point is that lenders see the fact that a government is prepared to provide resources for effective regulation as a tangible symbol of government support. This is seen a positive by lenders and their credit specialists.

Appendix 2

1. Whistleblowing about a regulated body - Information for regulated bodies about how the Scottish Housing Regulator deals with whistleblowing, published April 2015



Whistleblowing about a regulated body

Information for regulated bodies
about how the Scottish Housing
Regulator deals with whistleblowing



Introduction

This factsheet is for regulated bodies. It explains how we will deal with whistleblowing concerns reported to us by staff or governing body members.

In this factsheet, we use the term 'staff' to include current and former employees, agents and contractors.

By 'regulated body', we mean a social landlord that we regulate, including;

- » housing associations, co-operatives, housing partnerships and housing companies that are registered with us (registered social landlords or RSLs); and
- » local authorities that provide landlord, homeless and factoring services.

By 'governing body' we mean the governing body or management committee of an RSL and the housing committee within a local authority.

We have published a separate [factsheet](#) for potential whistleblowers from the staff and governing body members of a regulated body.

What is whistleblowing?

Whistleblowing is the term commonly used to describe the situation where a member of staff raises concern about improper conduct, wrongdoing, risk or malpractice with someone in authority either internally or externally e.g. a regulator. A whistleblowing claim is also known as a protected disclosure.

Whistleblowing is distinct from grievances and complaints.

- » Whistleblowing is about conduct that affects others: for example, fraud or a failure to comply with health and safety requirements.
- » A grievance is where a member of staff has a personal complaint about their own employment situation.

We will not get involved in staff grievances against a regulated body; however, we may have a role where the circumstances leading to a grievance are of a wider significance and we consider it may threaten the interests of tenants or other service users, or pose a risk to the viability of the regulated body.

Why whistleblowing is an important part of good governance

Problems can arise in any organisation and the best people to identify them are often the people who work for the organisation.

Empowering staff and governing body members to report concerns at an early stage can help to ensure that:

- » problems do not become worse and so take more time, effort and resources to fix;
- » the interests of tenants and other service users and staff are protected;
- » tenants and other service users, staff, lenders, other stakeholders, and the public, continue to have confidence in the organisation.

An open and positive approach to whistleblowing will help to give staff, tenants, other service users, and the public, confidence that your organisation is well managed and accountable. The fact that your organisation welcomes and takes whistleblowing seriously may also help to deter any wrongdoing.



Protection for whistleblowers

The Scottish Housing Regulator is a prescribed person under the Public Interest Disclosure Act 1998 (PIDA). PIDA provides protection to employees, agents and contractors (and in some cases to former employees) who make a qualifying disclosure to a prescribed person if they make the disclosure in good faith and that they reasonably believe the information is true. Whistleblowers making a protected disclosure have a right not to suffer any detriment. This means they should not be treated less favourably for making the disclosure and a claim may be brought to the Employment Tribunal if they are treated less favourably and they suffer a loss as a consequence. It will be for the Employment Tribunal to determine if any whistleblowing claim is a protected disclosure.

Disclosures that are malicious or knowingly untrue are not protected under PIDA.

To qualify for protection a qualifying disclosure must be a disclosure made in the public interest about a possible:

- criminal offence
- failure to comply with a legal obligation
- miscarriage of justice
- threats to an individual's health and safety
- danger to the environment, or
- a deliberate attempt to conceal any of the above.

Governing body members are not covered by PIDA. However, we will handle concerns raised by governing body members in the same way as qualifying disclosures from staff.

Our Regulatory Framework

Our [Regulatory Framework](#) requires an RSL to conduct its affairs with honesty and integrity. We expect all RSLs to have a whistleblowing policy in place which tells both staff and governing body members how they can safely raise concerns and without fear of reprisal. We also expect an RSL to take any concerns raised seriously and look properly into the matter.

Whistleblowing to the Scottish Housing Regulator

Our statutory objective is to safeguard and promote the interests of tenants and other service

users. We are interested in any conduct which puts this at risk and which could threaten the viability or reputation of a regulated body, or the wider sector.

Many people who have blown the whistle have done so because they have a strong sense that something they have seen or heard in their workplace is not right, ethical, or compliant with workplace regulations and rules. Staff and governing body members should feel confident about reporting concerns internally. However, there may be occasions where they feel they cannot do this. This could happen, for example, if they have no confidence in the organisation's willingness, or ability, to deal with the concerns, or they are worried about repercussions. In some cases they may have raised a concern internally but the organisation failed to deal with the concerns appropriately. In these situations staff and governing body members may contact us.

PIDA provides protection for staff who make a qualifying disclosure to a prescribed person whether or not they have raised the matter within their own organisation. Regulated bodies should therefore ensure that their whistleblowing policy also makes it clear that staff can appropriately report concerns to us and that they should not suffer any detriment for doing so.

What will the Scottish Housing Regulator do?

Our information note [How we Work](#) explains in more detail how we will work with RSLs when we need to deal with potentially serious issues.

Where the concern is about a local authority we will agree an appropriate response with Audit Scotland.

We will take all concerns seriously, even if they are reported to us anonymously; however, we will make no assumptions about any concerns brought to us being either true or false.

We will ask a whistleblower whether they have reported their concerns internally. Where possible we will ask them to provide evidence to substantiate their concerns and we will examine any evidence brought to us. We might take no further action because, for example, there might not be enough evidence for us to proceed upon, or we may have been assured that the regulated body has dealt with the matter appropriately, or we may consider the matter to be vexatious or frivolous.



Where we consider that there needs to be an investigation to determine the facts, it does not mean we assume the whistleblowing concerns to be true. It simply means that the reported issues are serious and the facts need to be established. We will discuss with the regulated body the best approach to establishing the facts. We will set out in writing the issues to be investigated and the agreed approach.

Every case is different but there are a number of things that could happen:

- we might ask the governing body to investigate the matter (normally by the governing body engaging someone independent and so fully objective);
- we might ask the governing body to get independent advice or support to help them to deal with the situation;
- we might carry out an investigation (planned or unannounced);
- we might refer the matter to another regulator, for example, the Care Inspectorate or Audit Scotland, because the matter falls within their regulatory remit; or
- we might report the matter to the police because we think that a criminal offence may have been committed.

Where we consider regulatory engagement with an RSL is necessary then we will publish a regulation plan which will explain the reasons for, and nature of, our engagement.

Where we need to engage with a regulated body about allegations we will do so in confidence. We will tell the regulated body as much as we can about the allegations but will not reveal any details which could potentially identify the whistleblower.

We will maintain the confidentiality of a whistleblower as far as possible, including after the whistleblowing case has been concluded. So we will not provide any more detail about the whistleblowing concerns after the case is concluded than we did initially to the regulated body.

More advice and support

Public concern at Work (PCaW)

Public concern at work is an independent charity which gives advice about whistleblowing.



0207 404 6609
(Open Monday to Friday)



helpline@pcaw.co.uk



website: www.pcaw.co.uk

Audit Scotland

Audit Scotland, the Accounts Commission and the Auditor General are prescribed persons under PIDA.



0131 625 1854



Website: www.auditscotland.gov.uk

Employers in Voluntary Housing (EVH)

EVH provides support to the governing bodies of not for profit and voluntary organisations in all aspects of their role as an employer.



0141 352 7435



Website: www.ev.org.uk

Contact us



0141 242 5642



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**Scottish Housing
Regulator**

**2. Whistleblowing about a regulated body - Information for potential
whistleblowers, Published April 2015**



**Scottish Housing
Regulator**

Whistleblowing about a regulated body

Information for potential
whistleblowers



HAPPY TO TRANSLATE

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www.scottishhousingregulator.gov.uk



Introduction

This factsheet is for staff and governing body members of regulated bodies if they suspect wrongdoing in their organisation. It explains what whistleblowing is, how the law protects whistleblowers who blow the whistle to us and what we will do if concerns are reported to us.

In this factsheet, we use the term 'staff' to include current and former employees, agents and contractors.

By 'regulated body', we mean a social landlord that we regulate, including;

- » housing associations, co-operatives, housing partnerships and housing companies that are registered with us (registered social landlords or RSLs); and
- » local authorities that provide landlord, homeless and factoring services.

By 'governing body' we mean the governing body or management committee of an RSL and the Housing Committee within a local authority.

What is whistleblowing?

Whistleblowing is where a member of staff raises concern about improper conduct, wrongdoing, risk or malpractice with someone in authority either internally or externally e.g. a regulator. Officially, this is known as making a 'protected disclosure'.

What's the difference between a grievance and whistleblowing?

- » Whistleblowing is about conduct that affects others: for example, fraud or a failure to comply with health and safety requirements.
- » A grievance is where a member of staff has a personal complaint about their own employment situation.

If you have a grievance about your employer, you should follow your employer's Grievance Procedure. We will not intervene where the concerns are about a personal grievance against an employer. But if they are reported to us, we may have an interest if the matter leading to the grievance is of wider significance and we consider it may threaten the interests of tenants or other service users, or pose a risk to the viability of the regulated body.

Why is whistleblowing important?

Problems can arise in any organisation and the best people to identify them are often the people who work in the organisation.

If you have concerns about your organisation, then reporting them an early stage can help to ensure that:

- they do not become worse and so take more time, effort and resources to fix;
- the interests of tenants and other service users and staff are protected; and,
- tenants and other service users, staff, lenders, other stakeholders, and the public, continue to have confidence in the organisation.

Why would the Scottish Housing Regulator be interested in my concerns?

Our role is to safeguard and promote the interests of tenants and service users. We are interested in any conduct which puts this at risk and could threaten the viability or reputation of a regulated body, or the wider sector.

The Scottish Housing Regulator is the prescribed person you can make a disclosure to about social landlords' performance of housing activities; the registration of registered social landlords; and social landlords' financial well-being and standards of governance.



What protection is there for whistleblowers who report concerns to the Scottish Housing Regulator?

The Scottish Housing Regulator is a prescribed person under the Public Interest Disclosure Act 1998 (PIDA). PIDA provides protection to employees, agents and contractors (and in some cases to former employees) who make a qualifying disclosure to a prescribed person if they make the disclosure in good faith and that they reasonably believe the information is true. If you make a protected disclosure, you have a right not to suffer any detriment. This means you should not be treated less favourably for making the disclosure and a claim may be brought to the Employment Tribunal if you are treated less favourably and you suffer a loss as a consequence. It will be for the Employment Tribunal to determine if any whistleblowing claim is a protected disclosure.

Disclosures that are malicious or knowingly untrue are not protected under PIDA. An employer may take disciplinary action against a member of staff who knowingly provides information that they know is untrue.

You may wish to seek legal advice on whether you will be protected.

To qualify for protection a qualifying disclosure must be a disclosure made in the public interest about a possible:

- criminal offence
- failure to comply with a legal obligation
- miscarriage of justice
- threats to an individual's health and safety
- danger to the environment, or
- a deliberate attempt to conceal any of the above.

Governing body members are not covered by PIDA. However, we will handle concerns reported by governing body members in the same way as qualifying disclosures from staff.

Our Regulatory Framework

Our Regulatory Framework requires an RSL to conduct its affairs with honesty and integrity. We expect all RSLs to have a whistleblowing policy in place which tells both staff and governing body members how they can safely raise concerns and without fear of reprisal. We also expect RSLs to take any concerns raised seriously and look properly into the matter.

How do I report concerns about a regulated body?

You should be able to report your concerns to someone in the organisation who is in a position to deal with them. Your organisation's whistleblowing policy will tell you how to go about this. Reporting the matter internally gives the organisation a chance to put things right.

Sometimes staff or governing body members may be reluctant to report concerns internally because they are worried about repercussions or they have no confidence in the organisation's ability or willingness to deal with the matter. In some cases, they may have reported their concerns but feel that the organisation failed to deal with it appropriately. If you tell us about a qualifying disclosure, you may be protected whether or not you have raised your concerns internally. Local authority staff can also make a disclosure to Audit Scotland.

Do I need to give my name?

We will consider seriously all concerns reported to us, even where the person does not want to give us their name and contact details. However, this could sometimes make it more difficult for us to take forward the concerns, as we would not be able to ask for more information if we needed it and we would not be able to give feedback on any action we take.

If you do not wish to be identified, we will respect your confidentiality as far as we can during any subsequent action that we take. There is a chance that some of the information you provide might reveal your identity because of the nature of it.

If we have concerns that a criminal offence may have been committed then we will need to pass the information to the police.



What will the Scottish Housing Regulator do?

We will ask you some questions to help us understand the nature and extent of your concerns and whether you have reported them internally or to someone else. We will ask for any evidence you can provide to support your concerns. We will consider carefully what you tell us along with any information we already have about the organisation. Where the concern is about a local authority we will agree an appropriate response with Audit Scotland.

Every case is different but there are a number of things that could happen:

- we might take no further action. There could be a number of reasons for this. For example, there might not be enough evidence for us to proceed upon; or we may have been assured that the governing body has dealt with the matter appropriately;
- we might ask the governing body to investigate the matter (normally by the governing body engaging someone independent and so fully objective);
- we might ask the governing body to get independent advice or support to help them to deal with the situation; we might carry out an investigation (planned or unannounced);
- we might refer the matter to another regulator, for example, the Care Inspectorate or Audit Scotland, because the matter falls within their regulatory remit; or
- we might report the matter to the police because we think that a criminal offence may have been committed.

If we need to engage with a regulated body then we will do so in confidence. We will tell it about the concerns but will not reveal any details which could identify a whistleblower. We will continue to maintain the confidentiality of the whistleblower after the whistleblowing case has been concluded.

Will I be told about the outcome?

We may not be able to tell you everything about what we intend to do but, if you give us your name and contact details, we will tell you as much as we can.

Contact us



0141 242 5642



shr@scottishhousingregulator.gsi.gov.uk



Scottish Housing Regulator
Highlander House
58 Waterloo Street
Glasgow
G2 7DA

More advice and support?

You can get advice on whistleblowing from a solicitor, trade union or the Citizens Advice Bureau. You can also contact:

Public concern at Work (PCaW)

Public concern at work is an independent charity which gives confidential advice to people who witness wrongdoing at work but are not sure whether or how to raise their concern.



0207 404 6609
(Open Monday to Friday)



helpline@pcaw.co.uk



website: www.pcaw.co.uk

Audit Scotland

Audit Scotland, the Accounts Commission and the Auditor General are prescribed persons under PIDA. Staff of local authority housing and homelessness services can report concerns to:



0131 625 1854



Website: www.auditscotland.gov.uk



Appendix 3

1. Regulation Plan for Muirhouse Housing association Ltd

Muirhouse Housing Association Ltd

10 June 2015

This Regulation Plan sets out the engagement we will have with Muirhouse Housing Association Ltd (Muirhouse) during the financial year 2015/16. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Muirhouse was registered as a social landlord in 1992. It owns and manages 460 houses in north west Edinburgh. It has charitable status and employs around 8 people. It has one subsidiary Muirhouse Homes Ltd that it established to manage its mid-market rent properties. Its turnover for the year ended 31 March 2014 was just over £1.8 million.

During 2014, we identified a serious and urgent risk to the financial health of Muirhouse and serious weaknesses in its governance and financial management. In December 2014, to protect the interests of tenants and investors, we used our statutory powers to appoint a manager to Muirhouse under section 58 of the Housing (Scotland) Act 2010. We also used our powers under section 65 of the Housing (Scotland) Act 2010 to appoint three additional officers to Muirhouse's governing body. We said we would review these appointments in June 2015.

We needed to make these appointments to:

- address the serious risks to Muirhouse's governance and financial management arising from the issues in the independent financial assessment which Muirhouse commissioned;
- assist the governing body to ensure that these issues are resolved with an urgent resolution of problems it faced with its development programme;
- consider whether the current governance and financial management processes and procedures are fit for purpose; and
- assist and support the governing body to ensure that Muirhouse's affairs are managed to an appropriate standard.

Muirhouse has completed a strategic review of the organisation's governance and financial management taking into account the risks and weaknesses we identified. The governing body has now agreed an action plan to address these issues and ensure Muirhouse complies with our Regulatory Standards of Governance and Financial Management.

We consider the serious issues Muirhouse is addressing remain a risk to tenants' interests and to the reputation of registered social landlords and we will continue the appointment of both the manager and the additional officers to the governing body.

We have asked the manager to:

- implement the action plan which addresses the serious risks to Muirhouse's governance and financial management position;
- put in place the necessary policies, internal controls and safeguards to ensure the effective financial management of Muirhouse; and
- ensure Muirhouse has appropriate financial expertise.

We had also identified serious weaknesses in its governance and financial management which related to the management of its subsidiary and its ability to achieve the Scottish Housing Quality Standard (SHQS).

Muirhouse has now put in place arrangements to address the issues with the management of its subsidiary.

During 2014/15 Muirhouse told us a significant proportion of its properties would not meet the SHQS by 31 March 2015. Following a stock condition survey in early 2015 Muirhouse has confirmed no properties will fail SHQS. It is a concern to us that until February 2015 Muirhouse did not know whether its properties would meet SHQS given the deadline of 31 March 2015. The survey work also established costs for future maintenance and we will review the financial projections to see the implications of the cost of this work.

Due to the serious issues we identified about Muirhouse's governance, business planning, financial management and its arrangements for its subsidiary we need additional assurance about the governance and financial health of Muirhouse.

Our engagement with Muirhouse – High

We will have high engagement with Muirhouse in light of the serious governance and financial issues it is dealing with.

1. We will liaise on a monthly basis with the manager to monitor Muirhouse's progress in improving its governance and financial management, its progress with the implementation of the action plan and any necessary changes.
2. We have continued the appointment of the manager and the three additional officers on the governing body for a further six months from 11 June 2015 to 11 December 2015. At the conclusion of the term of these appointments we will review Muirhouse's progress with making the improvements necessary to address the issues identified and may

extend the appointment if we consider this necessary.

3. We expect Muirhouse to continue to engage with us to assure us it is delivering the necessary improvements to ensure that it meets our Regulatory Standards of Governance and Financial Management. We may review our engagement activity depending on the outcome.
4. On 27 May 2015 Muirhouse sent us its:
 - approved Business Plan for both it and its subsidiary including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for both it and its subsidiary consisting of income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;
 - sensitivity analysis which looks at key risks such as arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases and inflation rates which demonstrate continuing affordability for tenants; and
 - reports to the Board for it and its subsidiary in respect of the 30 year projections and sensitivity analysis.
5. We will provide feedback on the business plans and projections for Muirhouse and its subsidiary by 31 July 2015.
6. Muirhouse 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 annual accounts and external auditor's management letter;
 - loan portfolio return;
 - five year financial projections; and
 - Annual Return on the Charter.

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 Muirhouse is:

Name: Kirsty Anderson, Regulation Manager
Address: Highlander House, 58 Waterloo Street, Glasgow, G2 7DA
Telephone: 0141 242 5547

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.

2. Regulation Plan for Wellhouse Housing association Ltd. published June 2015

Wellhouse Housing Association Ltd

9 June 2015

This Regulation Plan sets out the engagement we will have with Wellhouse Housing Association Ltd (Wellhouse) during the financial year 2015/16. 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 829 houses and provides factoring services to 51 owners in Easterhouse, Glasgow. It has charitable status and employs 15 people. Its turnover for the year ended 31 March 2014 was £2.7 million. Wellhouse has been a major developer of rented housing and received high levels of public subsidy to achieve this. It has plans to deliver more new homes for social rent.

We are engaging with Wellhouse to address serious weaknesses in its governance and financial management. In 2014, Wellhouse commissioned an independent investigation and the findings highlighted a number of areas of serious concern such as breaches of financial covenants, potential tax liabilities, inappropriate receipt of payments and benefits, poor handling of conflicts of interest and potential breaches of charity law.

We considered Wellhouse's poor governance and financial management an immediate risk to tenants' interests and to the reputation of registered social landlords and in December 2014 we used our statutory powers to appoint a manager to Wellhouse under section 58 of the Housing (Scotland) Act 2010. We said we would review the appointment in June 2015.

Wellhouse also co-opted three additional committee members with appropriate skills and expertise to support it in dealing with these issues.

Wellhouse recently completed a governance review. At our request, it commissioned an independent financial review. Both reviews found there are failures and significant weaknesses in Wellhouse's compliance with our Regulatory Standards of

Governance and Financial Management. Wellhouse has developed an improvement plan to address these issues.

We consider Wellhouse's poor governance and financial management remain an immediate risk to tenants' interests and to the reputation of registered social landlords and we will continue the appointment of a manager to Wellhouse under section 58 of the Housing (Scotland) Act 2010.

The purpose of this appointment is to:

- address the serious risks to Wellhouse's governance and financial management position arising from the issues in the governance and financial review and assist the governing body to ensure that these issues are resolved; and
- assist and support the governing body to ensure that Wellhouse's affairs are managed to an appropriate standard.

The manager has the following remit:

- to put in place the necessary policies, internal controls and safeguards to ensure financial transparency and probity; and
- implement any necessary improvements to ensure that Wellhouse meets our Regulatory Standards of Governance and Financial Management.

The governing body recognises the serious nature of all of these issues and the risk they present to tenants' interests. It has accepted the conclusions of the governance and financial review and is working openly and constructively with us as it continues to address these serious governance and financial management weaknesses. It has also appointed an interim Director.

Our engagement with Wellhouse – High

We will have high engagement with Wellhouse in light of the serious governance and financial issues it is dealing with.

1. The manager is accountable to the Regulator and will report to us on progress. We will continue the appointment until the end of September 2015 when we will review Wellhouse's progress with making the required improvements and may extend the appointment if we consider this necessary.
2. 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. We may review our engagement activity and information requirements depending on the outcome.
3. 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 annual accounts and external auditor's management letter;
- loan portfolio return;
- five year financial projections; and
- Annual Return on the Charter.

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 is:

Name: Eleanor Sneddon, Regulation Manager (Acting)

Address: Highlander House, 58 Waterloo Street, Glasgow, G2 7DA

Telephone: 0141 242 5885

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.