

Argyll Community Housing Association Ltd

28 March 2014

This Regulation Plan sets out the engagement we will have with Argyll Community Housing Association Ltd (ACHA) during the financial year 2014/2015. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

ACHA was registered and took ownership of properties from Argyll and Bute Council in November 2006. It has charitable status and owns 5,112 houses, factors a further 217 and owns 60 commercial properties and garages. It employs 167 full time equivalent staff and its turnover at 31 March 2013 was just over £18.7 million.

Given ACHA's key role as the main landlord in Argyll and Bute we consider it to be systemically important. Our engagement with ACHA during 2013/14 has provided assurance about its strategic management and controls.

ACHA's subsidiary, Argyll Homes for All (AHFA), has now been established for a year and is delivering a significant majority of responsive and cyclical maintenance under contract to ACHA. It is also managing ACHA's non-charitable business services.

AHFA's performance during the year has been in line with its business plan. We will engage with ACHA to gain continued assurance about the performance of its subsidiary and its impact on the parent during this early phase of operation.

ACHA has plans in place ready for its staging date for auto enrolment of 1st April. It has ceased to be a member of the Scottish Housing Association Pension scheme (SHAPS) and has met all of its liabilities in relation to this. It remains a member of the Strathclyde Pension Fund (SPF) which will remain open to all ACHA employees. New ACHA staff who do not join SPF within three months will be auto enrolled in the alternative NOW Pensions Scheme.

We have assessed ACHA's performance against key service quality measures. ACHA's reported performance for the percentage of former tenant arrears collected is in the bottom quartile and deteriorating.

ACHA's progress during 2013/14 with bringing properties up to the Scottish Housing Quality Standard (SHQS) has been greater than planned and it remains confident of achieving SHQS in advance of the required date. We will review progress when we receive the Annual Return on the Charter in May. ACHA is also reviewing its housing provision in some particular areas and is developing a low demand strategy to address this.

ACHA has completed a number of development projects during 2013/14 for social rent. Additional projects for social rent are scheduled for completion by March 2015 with grant funding from both the Scottish Government and Argyll and Bute Council. It plans to continue developing over at least the next three years in partnership with Argyll and Bute Council's Rural Housing Development Fund to deliver more properties for social rent.

Our engagement with ACHA – Medium

We consider ACHA to be of systemic importance because of its key role as the main landlord in its area of operation. In light of this and its investment and subsidiary activities we will have medium engagement with it in 2014/15.

1. ACHA will provide by the end of June 2014:
 - its approved business plan for both the RSL and the subsidiary, including commentary on the results of sensitivity tests and risk mitigation strategies;
 - 30 year projections for both the RSL and the subsidiary consisting of an income and expenditure statement, balance sheet and cash flow, covenant requirements and calculation of the loan covenants; and the related Board reports to the Board of the RSL and the subsidiary; and
 - sensitivity analysis which looks at the 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 which demonstrate continuing affordability for tenants.
2. ACHA will also provide:
 - its low demand strategy when this is available;
 - minutes of its governing body and audit committee meetings;
 - by the end of November 2014 six monthly management accounts for the subsidiary; and
 - by the end of November 2014 a progress report on AHFA's service performance.
3. We will:
 - review the minutes of the governing body and audit committee meetings;
 - review performance in relation to collection of former tenant arrears, tenancy sustainment, repairs performance and progress with SHQS when we receive the Annual Return on the Charter at the end of May;
 - liaise with ACHA in August on any further requirements once we have reviewed its business plan and financial information; and
 - meet senior staff and the Board by the end of December to discuss progress with AHFA, and the key challenges facing ACHA.
4. ACHA 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 including all SHQS costs; and
 - the 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 ACHA 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.