

Argyll Community Housing Association Ltd

18 August 2015

This Regulation Plan sets out the engagement we will have with Argyll Community Housing Association Ltd (ACHA) during the financial year 2015/16. 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, owns 5,111 houses and factors a further 204. It employs 166 full time equivalent staff and its turnover at 31 March 2014 was just over £19.7 million. It has one unregistered subsidiary, Argyll Homes for All (AHFA) which delivers the majority of ACHA's responsive and cyclical maintenance under contract to ACHA. It also manages ACHA's non-charitable business services.

Systemic importance

Our regulatory framework highlights that a small number of RSLs have a profile in terms of stock size, turnover, size of debt or geographic importance that means we need to ensure we have developed a comprehensive understanding of their business model and how it is being operated. We refer to these organisations as systemically important and seek some additional assurances through our published regulation plans. Due to a combination of the number of properties ACHA owns, its turnover and level of debt we consider it to be of systemic importance.

We have reviewed ACHA's financial returns and given the scope and complexity of its business and its systemic importance we will continue to need updated financial projections from it and its subsidiary.

We recently carried out an inquiry to investigate matters of concern in relation to ACHA's governance which were raised with us and to obtain assurance that ACHA has the governance systems in place to ensure effective control by its Board. Our inquiry found evidence to substantiate the concerns and we require ACHA to commission a full independent governance review to provide assurance that the weaknesses we have identified will be addressed and that it will comply with our Regulatory Standards.

ACHA's progress during 2014/15 with bringing properties up to the Scottish Housing Quality Standard (SHQS) was greater than planned and it projected achieving SHQS in advance of the required date. We will confirm the final position when we receive the Annual Return on the Charter (ARC) in May.

We have assessed ACHA's performance against key service quality measures. ACHA's reported performance for a number of tenant satisfaction indicators was poor. These are: the percentage of tenants satisfied with the overall service, the percentage of tenants satisfied that they are kept informed about services and the percentage satisfied with opportunities to participate.

ACHA has agreed an action plan to address the issues highlighted in its satisfaction survey. Because satisfaction levels were lower amongst 16 to 34 year old tenants ACHA is working with this group to ensure its communication strategy is effective. It has also run two tenant scrutiny events with TPAS and this has increased tenant numbers interested in joining the “Your Voice” group.

Although the average time to complete repairs (emergency and non-emergency) is poor ACHA is in the top quartile for the percentage of repairs carried out right first time and tenant satisfaction with repairs is high at almost 97%. ACHA is ranked 21st for satisfaction with repairs when compared to all RSLs. This coupled with tenants’ ability to book a repair appointment for a time that suits them may contribute to the high satisfaction level.

ACHA is performing well in letting its properties and minimising void loss. However, it has around 100 low demand properties mainly on the Isle of Bute and in Campbeltown where it has implemented initiatives to improve letting. These initiatives have had reasonable success but we will want to see the revised asset management strategy to see how ACHA intends to address the more fundamental problem of oversupply.

Performance in relation to handling complaints within agreed timescales was also poor.

ACHA has delivered a significant development programme of new homes for social rent, 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 Strategic 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 a combination of the number of properties it owns, its turnover and level of debt. In light of this, our engagement around governance, its service quality, investment and subsidiary activities we will have medium engagement with it in 2015/16.

1. ACHA has sent us:
 - its approved business plan including commentary on results of sensitivity tests and risk mitigation strategies, for it and its subsidiary;
 - 30 year financial projections, for it and its subsidiary, consisting of income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;
 - an update on development activities, including future funding plans; sensitivity analysis looking 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 in respect of the 30 year projections and sensitivity analysis.

2. ACHA will also send us:
 - quarterly from April, minutes of its governing body and audit committee meetings;
 - by the end of October 2015, its revised asset management strategy; and
 - by 30th November 2015, six month management accounts for its subsidiary AHFA and an update on discussions regarding the continued provision of other activities.

3. We will:
 - engage with ACHA on how it proposes to commission the independent governance review and address the weaknesses identified in our inquiry and any other issues highlighted following the independent review;
 - review the minutes of the governing body and audit committee meetings;
 - provide feedback on the business plan and projections for ACHA and its subsidiary when we meet the Chair and senior staff in quarter two to discuss the key challenges facing ACHA;
 - provide feedback on the asset management strategy by the end of quarter three; and
 - review performance in relation to tenant satisfaction and complaints and confirm achievement of SHQS when we receive the ARC in May.

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:

Name: Janet Dickie, Regulation Manager
Address: Highlander House, 58 Waterloo Street, Glasgow, G2 7DA
Telephone: 0141 242 5550

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.