

Argyll Community Housing Association Ltd

31 March 2016

This Regulation Plan sets out the engagement we will have with Argyll Community Housing Association Ltd (ACHA) during the financial year 2016/17. 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 5,131 houses and factors a further 263. It employs 159 full time equivalent staff and its turnover at 31 March 2015 was just over £20.07 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

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 the risks they face, so we seek some additional assurance through our regulation plans.

Given the combination of ACHA's size, turnover level of debt and geographic importance, we consider it to be systemically important. We need to understand how it plans to manage the key risks it faces and the impact these may have.

We have reviewed ACHA's financial returns during 2015/16 and due to the scope and complexity of its business, we will continue to review its updated financial projections for both ACHA and its subsidiary.

During 2015 we also carried out an Inquiry into governance issues at ACHA. Following this ACHA commissioned an independent governance review. The governance review has now concluded and ACHA has drawn up an action plan which its Board will monitor quarterly.

To assess the risk to social landlord services we have reviewed and compared the performance of all Scottish social landlords to identify the weakest performing landlords. We found that ACHA is in the bottom quartile for all social landlords in relation to two satisfaction indicators - tenants satisfied with the quality of their home and the percentage of tenancy offers refused.

ACHA is also in the bottom quartile for time to complete emergency and non-emergency repairs but remains in the top quartile for tenant satisfaction with the repairs service. It is also in the bottom quartile for; anti-social behaviour cases resolved within local targets, rent lost due to empty properties and the percentage of gross rent arrears compared to rent due.

Performance in reletting homes is also in the bottom quartile. This is significantly impacted by pockets of low demand stock on the Isle of Bute and in Campbelltown. During the year we gave ACHA feedback on its asset management strategy. We will want to see the options

appraisal ACHA is working on to see how it intends to address the more fundamental problem of oversupply.

ACHA is the only registered social landlord which manages designated sites for Gypsy Travellers. It has recently completed a satisfaction survey of site residents and has prepared an action plan to ensure it meets the Scottish Government's minimum standards for Gypsy/Travellers' sites by June 2018.

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 in partnership with both bodies to deliver more properties for social rent.

Our engagement with Argyll Community Housing Association Ltd – 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 2016/17.

1. ACHA will send us by 30th June 2016:
 - its approved business plans for it and its subsidiary including commentary on the results of its sensitivity analysis and risk mitigation strategies;
 - 30 year financial projections for it and its subsidiary consisting of a statement of comprehensive income, statement of financial position and statement of cash flow, including a comparison of projected loan covenants against covenant requirements;
 - sensitivity analysis for it and its subsidiary which considers the keys risks including covenant compliance;
 - its reports to both the parent and subsidiary Boards in respect of the 30 year projections and sensitivity analysis; and
 - evidence of how it demonstrates affordability for its tenants.
2. ACHA will also provide:
 - copies of its Board and Audit minutes quarterly;
 - by the end of April 2016, a copy of the Gypsy/Travelers' site assessment and action plan;
 - a quarterly update on progress with its governance action plan;
 - by 30th November an update on progress with its Gypsy /Traveler action plan;
 - by 30th November six month management accounts for its subsidiary AHFA; and
 - in December 2016 a copy of its asset management option appraisal report.
3. ACHA will send us an update on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2016.
4. We will:
 - continue to engage with ACHA to seek assurance about its progress in implementing its governance action plan;
 - meet the Chair and senior staff by the end of August to provide feedback on the business plan and financial projections;
 - engage with ACHA about the service quality areas we have highlighted; and
 - provide feedback by the end of February 2017 on the asset management

options appraisal report.

5. 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 financial statements 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 Argyll Community 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.