

Argyll Community Housing Association Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Argyll Community Housing Association Ltd (ACHA) during the financial year 2017/18. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

ACHA was registered and took ownership of homes from Argyll and Bute Council in November 2006. It has charitable status, owns 5,150 homes and factors a further 263 properties. It employs 155 full time equivalent staff. As at the 31 March 2016 ACHA's turnover for the year was over £24 million and its debt per unit was £7,364.

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, how they manage the risks they face and the impact these risks may have. 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.

Engagement

During 2016/17 we reviewed ACHA's Corporate Strategic Plan and Business Plan including its 30-year projections and asset management strategy. We engaged with the executive team and the Chair to discuss the risks and challenges within the plans to gain on-going assurance about ACHA's financial position. We received assurance about its approach to asset management and will liaise further about its investment and stock rationalisation proposals. We also engaged with ACHA on work it was doing to consider rent affordability. We will engage further about the phased implementation of the rent restructuring exercise.

In 2015 ACHA carried out an independent governance review and in December 2016 provided evidence of completion of its action plan to address the findings. We have completed our desktop review of this and observed a Board meeting in March 2017 to conclude the process.

We also engaged with ACHA about its subsidiary AHFA and reviewed management accounts and projections to gain assurance about its financial position. AHFA reviewed its contracts during 2016/17 and completed a limited restructure following the appointment of a new Managing Director.

ACHA is the only registered social landlord which manages designated sites for Gypsy Travellers. It has plans in place to ensure sites meet the minimum standards set by Scottish

Government in advance of the June 2018 deadline. It is also consulting on proposals to close one of its sites which has been vacant for almost three years.

ACHA has an on-going development programme of new housing for social rent and has received significant public subsidy to help achieve this.

Our engagement with Argyll Community Housing Association Ltd in 2017/18 – Medium

We will engage with ACHA because it is systemically important and to gain further assurance around progress with its governance action plan, its investment and subsidiary activities.

1. ACHA will send us by 30 June 2017:
 - any changes to its 2016-2021 approved Corporate Strategic Plan and a copy of its 2017/18 business plan;
 - 30 year financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flows complete with assumptions and explanatory narrative;
 - a comparison of projected loan covenants against covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies;
 - the report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
 - confirmation of the scope and timing of investment work to its Gypsy/Travellers' sites.

2. In respect of AHFA, ACHA will also send us by 30 June 2017:
 - its approved business plan for the contract period 2017 to 2021;
 - financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flows complete with assumptions and explanatory narrative;
 - financial sensitivity analysis including risk mitigation strategies; and
 - the report to the Board of ACHA in respect of the approved financial projections and sensitivity analysis.

3. ACHA will also provide:
 - copies of its Board and Audit minutes as they become available;
 - by 30 June 2017, an update on discussions about the future of the Torlochan Gypsy/Traveller site;
 - ACHA will send us an update on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2017;
 - by 30 November 2017, six month management accounts for its subsidiary AHFA; and
 - an update on progress with its asset management plan by December 2017.

4. We will:
 - provide feedback by the end of April 2017 following our attendance at the March Board meeting;
 - review the minutes of the governing body and audit committee meetings;
 - meet the Chair and senior staff by the end of August 2017 to discuss the financial projections, the Corporate Strategic Plan and the risks and challenges facing the business including, Gypsy/Traveller issues; service quality and rent restructuring; and

- engage with ACHA as necessary about any disposals related to its asset management proposals.
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;
 - 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.

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.