

Argyll Community Housing Association Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Argyll Community Housing Association Ltd (ACHA) during the financial year 2018/19. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

ACHA was registered as a social landlord in 2006. ACHA currently owns and manages 5,150 homes and provides factoring services to 287 owners. It has charitable status and employs around 160 people. ACHA has one unregistered subsidiary, Argyll Homes for All (AHFA), which delivers maintenance services.

As at 31 March 2017 ACHA's turnover for the year was just under £23.5 million and its debt per unit was £8,648.

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 how they manage the risks they face and the impact these may have. So we seek some additional assurance through our regulation plans. Given ACHA's significance within its area of operation we consider it to be systemically important.

Engagement

During 2017 we engaged with ACHA about the risks and challenges facing the business. We met with the Chair and the senior team to discuss the risks and challenges with ACHA's plans and we provided feedback on this. We discussed progress with ACHA's Corporate Strategic Plan and business plan including the supporting financial information and we gained ongoing assurance about ACHA's financial position and strategic direction.

We also engaged with ACHA about its subsidiary AHFA, reviewing its business plan, management accounts and financial projections to gain assurance about its financial position.

We discussed with ACHA its progress with rent restructuring, its asset management plans and its development and investment projects. ACHA has recently appointed a new Director of Investment and Regeneration. It is one of the larger developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. ACHA plans to continue to grow through a programme of new housing for social rent.

ACHA is the only registered social landlord which manages designated sites for Gypsy Travellers. It has now closed its site at Torlochan due to lack of demand and is exploring alternative uses for the site. It has also completed work at its other two sites to ensure they comply with Scottish Government's published standards. Consultation on the revised

tenancy agreement for the Gypsy Travellers sites is now almost concluded with implementation scheduled for May 2018.

Our engagement with Argyll Community Housing Association Ltd in 2018/19 – Medium

We will engage with ACHA because it is systemically important and to gain ongoing assurance around its investment and subsidiary activities.

1. ACHA will send us by 30 June 2018:
 - its refreshed Corporate Strategy and business plan;
 - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resulting covenant calculations with the actual current covenant requirements;
 - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
 - confirmation that the revised tenancy agreement for Gypsy Travellers is in operation.

2. For the non-registered subsidiary AHFA, ACHA will also send us by 30 June 2018:
 - its approved business plan;
 - financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks including risk mitigation strategies; and
 - the report to the Board of AHFA in respect of the approved financial projections and sensitivity analysis.

3. ACHA will also send us:
 - copies of its Board and audit committee minutes as they become available;
 - by 30 September 2018, an update on progress with asset management plans;
 - by 31 October 2018, details of its development programme including an update on progress with delivering the 2018/19 programme, details of any material delays or changes to the programme, details of the planned programme from 2018/19 onwards and a copy of the most recent development update to the Board; and
 - by 30 November 2018, six month management accounts for AHFA.

4. We will:
 - review the minutes of the Board and audit committee meetings and liaise as necessary;
 - meet with the senior management team in quarter two of 2018/19 to discuss the Corporate Strategy and business plans for ACHA and AHFA, the financial information, progress with its asset management plans and rent restructuring and any risks to the organisation; and
 - review ACHA's development update in quarter three of 2018/19.

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.