

## Cathcart & District Housing Association Ltd

### 21 July 2017

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

### Regulatory profile

Cathcart was registered as a social landlord in 1975. It owns and manages 574 homes and provides factoring services to 499 owners in Cathcart, Glasgow. It has charitable status and currently employs 14 people. It has one subsidiary, CDHA Management and Development.

As at the 31 March 2016 Cathcart's turnover for the year was £2.074 million and its debt per unit was £7,860.

### Engagement

In August 2016, we visited Cathcart as part of our work to ensure the accuracy of the data that landlords report to us on the Annual Return on the Charter (ARC). We found limited evidence that allowed Cathcart to demonstrate it was delivering the requirements of the ARC and we were unable to verify that the information supplied was an accurate reflection of Cathcart's performance. Cathcart took steps to address these issues.

We have also identified issues with Cathcart's governance particularly in relation to the activities of its subsidiary. These issues relate to its planning processes, its strategic direction and the management of its relationship with its subsidiary. The operation of its subsidiary does not comply with our regulatory expectations and there is no inter-group agreement in place to govern the relationship between the parent and subsidiary.

Cathcart has not been able to provide us with assurance that it understands and is complying with our Regulatory Standards of Governance and Financial Management.

Cathcart has worked openly and constructively with us. It recognises the issues that require to be addressed and the risks they present to the interests of tenants. It has decided it needs external support and will co-opt two people with governance experience to its governing body to strengthen it and provide support.

Cathcart will now commission a comprehensive and independent review of its compliance with all of our Regulatory Standards of Governance and Financial Management.

The recommendations arising from the review against our Regulatory Standards will form the basis of an improvement action plan, which Cathcart will implement. We will also seek further assurance about the work it told us it has done to improve the accuracy of the data it provides to us in relation to the ARC.

Cathcart has received significant public subsidy to deliver new and improved homes for social rent. It has plans to carry out further development activity and we will seek assurance about its plans for this.

## **Our engagement with Cathcart and District Housing Association Ltd in 2017/18 – Medium**

We will engage with Cathcart in light of the weaknesses in its governance and about its subsidiary, its development activity and to seek assurance about the data it submits to us in its ARC.

1. Cathcart will co-opt two people with appropriate governance experience on to its board.
2. Cathcart will commission a comprehensive independent review of its compliance with all of our Regulatory Standards of Governance and Financial Management.
3. Cathcart will discuss with us its plans to develop an appropriate improvement action plan to address the issues raised in the review against our Regulatory Standards.
4. We will engage with Cathcart during Quarter 2 to seek further assurance about the data it has supplied to us in its ARC.
5. Cathcart will send us by 30 September 2017:
  - its approved business plan;
  - approved 30 year financial projections consisting of statements of comprehensive income, financial position and cash flows complete with details of assumptions and explanatory narrative;
  - a comparison of projected loan covenant calculations against covenant requirements;
  - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies;
  - evidence of how it demonstrates affordability for its tenants; and
  - its reports to the board of Cathcart in respect of the business plan and 30 year projections, sensitivity analysis and covenant compliance.
6. Cathcart will send us by 30 September 2017 an update on its development plans and its plans for its subsidiary.
7. We will review our regulatory strategy when we have the outcomes from the independent report on Cathcart's compliance with Regulatory Standards and when we have considered the financial, subsidiary and development information.
8. Cathcart 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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Cathcart & District 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.