

## Regulation Plan

This Regulation Plan sets out the engagement we will have with Fife Housing Association Ltd during 2011/12. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

Fife HA is a charitable registered social landlord (RSL) that owns around 2480 houses and employs a full time equivalent of 61 staff including its direct labour workforce. Its turnover for the year ended 31 March 2010 was £8.6 million. It has recently introduced a new unregistered subsidiary to the RSL, PACT Enterprises Ltd, with the intention of carrying out market /sale activities, the provision of housing services and leasing arrangements with Fife Council.

Fife HA is one of the larger developers of new social housing in Scotland, in terms of the scale of government subsidy it has received in the form of Housing Association Grant (HAG). It has participated in new build housing for social rent and low cost home ownership, done through the Fife Housing Association Alliance with Kingdom HA acting as lead developer.

The RSL's plans to meet the Scottish Housing Quality Standard (SHQS) by 2015 are reliant on both selling some of its social housing assets to generate income to invest in its stock and Right to Buy receipts. We last met with the RSL in December 2010 to discuss progress with meeting the SHQS. Fife is continuing to carry out further stock condition surveys to factor in to its SHQS plans.

We have been engaging with Fife HA about its financial position and business strategy including its plans for meeting its SHQS obligations. Its treasury management arrangements include free-standing derivatives and an index linked loan and we want to continue to understand any potential impact these might have on cashflows. We met with Fife HA in December 2010 to discuss its treasury management products and arrangements and we recently reviewed Fife HA's 2010/2011 business plan and provided feedback on this to the RSL. The business plan includes thirty year financial projections along with five year loan covenant information. It did not include cashflows or covenant information over the loan periods.

We have identified improvements that Fife HA needs to make around some aspects of the governance of the RSL and are seeking assurance that the issues we have raised are being properly addressed.

Fife HA's performance in collecting current tenant arrears is significantly below the national median but the amount of former tenant arrears it collects is poor in comparison with the sector as a whole and is in the bottom quartile of all RSLs.

### **Our engagement with Fife – Medium**

1. We will have ongoing engagement with Fife HA to continue to gain assurance about its overall financial capacity and viability in light of its development and investment obligations.

2. We will continue to meet the RSL every six months. We will next meet in June 2011. Prior to the meeting the RSL should provide us with updates to its business plan including scenario planning and sensitivity analysis of the RSL's key business planning assumptions and full 30 year projections that demonstrate it will continue to be viable, meet its lenders covenants and its SHQS and development obligations. It should also provide us with an update of financial and performance indicators including an update on its free standing derivatives.
3. We have asked Fife HA's Board of Management to address the governance issues we have raised and deliver the improvements required. We will keep progress in this area under review.
4. We will review Fife's former tenant arrears performance when we receive the next annual performance and statistical return (APSR) and will discuss with the RSL if necessary.
5. Fife HA should continue to 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
  - APSR.

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 guides to how we regulate, inspect, and intervene 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 Fife HA 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.