

Fife Housing Association Ltd

21 November 2012

This Regulation Plan sets out the engagement we will have with Fife Housing Association Ltd (Fife) during 2012/13. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Fife is a charitable registered social landlord which owns and manages around 2,470 houses and employs a full time equivalent of 65 staff including its direct labour workforce. Its turnover for the year ended 31 March 2012 was just over £9.8 million. It has one unregistered subsidiary, PACT Enterprises Ltd.

We had been engaging with Fife to address weaknesses in its governance. The association committed to improve its governance but there has been little effective progress over the last eighteen months. We carried out an Inquiry to assess the effectiveness of important aspects of its governance and whether Fife had the awareness, willingness and ability to improve its standards of governance.

We published our findings from the Inquiry at the end of September 2012. Our assessment confirms that Fife needs to make a range of improvements to strengthen its overall governance and that Fife requires external support to ensure it delivers the necessary improvements. Fife has agreed to work co-operatively with us to do this.

Fife's treasury management arrangements include a number of free-standing derivatives (FSDs) which include an inflation linked interest swap. We had been liaising with Fife to gain further assurance from it about any effect that these might have on its financial position. It has now told us that it has received a cash call from its lenders in relation to this and this is subject to further discussions between Fife and its lenders. Fife has agreed to a financial review to provide assurance about its financial position in relation to any consequential repricing of its loans and clarity about the impact of the FSDs on its business plan.

Following the Inquiry, the association has accepted it has fundamental governance issues it needs to address. In order to do this, the association's Chair requested our support. In agreement with us Fife has appointed a special manager to provide the necessary support to the Chair and her Board. The special manager will provide leadership to deliver the improvements required to its governance, provide us with the assurances which its Board and lenders will also require about its financial position, and communicate with tenants and stakeholders. The special manager will also oversee an independent investigation into a serious complaint.

Fife has plans to achieve the Scottish Housing Quality Standard (SHQS) by 2015. It has an ongoing exercise to re-survey and re-inspect its houses to improve accuracy of the information it holds. It has an investment plan in place to ensure compliance by 2015. It is still reliant on both selling some of its social housing assets to generate income to invest in its stock and Right to Buy receipts. However due to current market trends it has now decided to sell some of its social housing to its subsidiary PACT to provide houses for market rent.

Our engagement with Fife HA – High

Given Fife HA's size, diversity of activities and operations, and complex financial arrangements we consider we need to have high engagement with the organisation in 2012/13.

1. We will engage closely with the governing body and the special manager to seek the assurances we need to be satisfied that Fife is delivering the necessary improvements in its governance and that its financial position is sound. We will discuss further actions with Fife when this work is complete.
2. Fife will send us:
 - the report which it has commissioned on its financial position;
 - its revised business plan, 30 year projections including cash flows, sensitivity analysis and covenant calculations which reflect its most recent discussions with its funders in quarter three of 2012/13;
 - copies of any future Board reports that monitor progress with FSDs;
 - the business plan for its unregistered subsidiary including financial projections, cashflows and sensitivities; and
 - an update of financial and performance indicators.
3. Fife will send us an update on progress with SHQS at the end of December 2012.
4. Fife 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 annual accounts and external auditor's management letter;
 - loan portfolio return;
 - five year financial projections; and
 - 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 regulatory framework and other relevant statistical and performance information can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for Fife is:

Name: Joyce Stewart, Support and Intervention Manager
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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.