

## Fife Housing Association Ltd

### 31 March 2017

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

### Regulatory profile

Fife was registered as a social landlord in June 1996 and has charitable status. It owns and manages around 2,474 homes, delivers a factoring service to a further 94 owners and provides 270 non-housing units. It employs 65 people including its direct labour workforce. As at the 31 March 2016 Fife's turnover was £11.7 million and its debt per unit was £16,083. Fife has one unregistered subsidiary, PACT Enterprises Ltd (PACT).

### Engagement

During 2016/17 we engaged with Fife about its approach to business planning, progress with its business change programme, its asset management strategy, on rent affordability and its management and review of its complex financial arrangements.

We reviewed the business plans and supporting financial information for Fife and PACT and gained assurance about the group's strategic direction. Fife commissioned a review of its treasury management arrangements and we met members of the Leadership Team and their advisers to discuss the proposed future funding strategy.

Fife has now completed recruitment to its Leadership Team with a new Director of Finance and Governance taking up post at the beginning of March. The Board has decided to consider its refinancing options and we will engage with it as this progresses. We will also engage with Fife as it completes its review of the repairs service, further develops its asset management strategy in conjunction with the information contained within the stock condition survey and considers the outcomes from the review of rent policy and structure.

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

To assess the risk to social landlord services we have reviewed and compared the performance of all Scottish social landlords to identify the weakest performing landlords. We found that Fife is in the bottom quartile for all social landlords for tenants happy with the quality of their home, tenants who feel their rent represents good value for money and for complaints handling. We will review Fife's performance when we receive its ARC return in June 2017.

### **Our engagement with Fife Housing Association Ltd 2017/18 – Medium**

We will engage with Fife around its treasury management arrangements, business change programme, asset management strategy, rent policy review and development plans.

1. Fife will send us by 31 May 2017:
  - any updates on its 2016 to 2019 business plan;
  - 30 year financial projections consisting of statements of comprehensive income, financial position and cash flow complete with assumptions and explanatory narrative;
  - a comparison of projected financial loan covenants against current 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
  - evidence of how it demonstrates affordability for its tenants.
  
2. For PACT Enterprises Ltd Fife HA will send us by 31 May 2017:
  - any updates on its business plan;
  - the financial projections consisting of statements of comprehensive income, financial position and cash flow complete with assumptions and explanatory narrative;
  - financial sensitivity analysis which considers the key risks including risk mitigation strategies; and
  - reports to the Board of Fife HA in respect of the approved financial projections.
  
3. Fife will also send us:
  - from April 2017, its treasury management Board reports as they become available;
  - updates on its review of refinancing options, including Board reports as they become available and in advance of key decisions being taken;
  - by 30 June 2017 its asset management plans; and
  - by the 31 October 2017 an update on its development projects, including funding plans, timescales, completions and any material delay or changes.
  
4. We will:
  - liaise as necessary on Fife's review of funding options;
  - meet the Leadership Team and the Chair in quarter two to discuss the Group financial information we received, the business change programme, policy and financing reviews and the risks and challenges facing the business;
  - review treasury management reports and liaise as necessary; and
  - liaise as necessary around progress with the business change programme.
  
5. 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 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 Fife 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.