

Link Group Ltd

31 March 2015

This Regulation Plan sets out the engagement we will have with Link Group Ltd (Link) during the financial year 2015/16. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Link was registered as a social landlord in 1975. Link comprises the Link Group, three registered subsidiaries (Horizon and Larkfield, and West Highland Housing Associations) and six unregistered subsidiaries. Four of these unregistered subsidiaries, Link Housing, Link Living, Link Property and Link Homes 2001 are currently active. The other two subsidiaries are dormant.

Link employs approximately 580 people across the parent and its subsidiaries. It owns and manages 6,156 houses across 26 local authority areas in Scotland, making it the fourth largest RSL in Scotland. It delivers factoring services to 2,110 owners and provides 300 non-housing units. It has charitable status and its turnover was £27.37 million for the year ended 31 March 2014.

Systemic importance

Our regulatory framework highlights that a small number of RSLs have a profile in terms of stock size, turnover, level of debt or geographic importance that means we need to ensure that we have developed a comprehensive understanding of their business model and how it is being operated. We refer to these organisations as systemically important and seek some additional assurances from these organisations through our published Regulation Plans. Given Link's size, turnover and level of peak debt we consider it to be of systemic importance.

Link is one of the largest developers of new affordable housing in Scotland and continues to receive significant amounts of public funding to help achieve this. Link has plans for a considerable programme of new homes for social rent, mid-market rent and shared equity. Link also develops new housing on behalf of other RSLs.

During 2014/15 we reviewed Links Business Plans and financial returns to provide us with assurance about its financial health. We will continue to engage with it to understand how it plans to manage the key risks it faces.

As part of our annual risk assessment we have also considered the other registered social landlords within the Link Group and have decided to have low engagement with Horizon and Larkfield Housing Associations and medium engagement with West Highland Housing Association.

West Highland Housing Association

West Highland joined Link in February 2015. It owns and manages 770 houses and provides factoring services to 55 owners across Argyll and Bute. Its turnover for the year ended 31 March 2014 was over £3.7 million.

We have assessed West Highland's performance against key service quality measures. West Highland's reported performance for two satisfaction indicators - the percentage of tenants who feel the landlord is good at keeping them informed about services and decisions and the percentage of tenants satisfied with opportunities given to them to participate in landlords decision making are poor. Its performance for the percentage of all complaints responded to in full in SPSO timescales and for the average hours to complete emergency repairs are also poor. West Highland has been working in past year to improve its repairs performance and plans to work closely with Link to use Link's expertise to further improve its approach in the coming year. Link and West Highland have told us about plans to jointly review West Highland's approach to providing information to tenants and the management of complaints. We will engage with West Highland during 2015/16 to monitor its progress in improving these areas.

Our engagement with Link – Medium

We consider Link to be of systemic importance and need to understand how it plans to manage the key risks it faces and the impact these will have so we will have medium engagement with it in 2015/16.

1. We will:
 - meet senior staff twice during the year to discuss progress against its business plan and any risks to the organisation; and
 - meet the Chair during the year.

2. By 31 May 2015 Link will send us its:
 - approved Business Plan for both it and its subsidiaries including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for both it and its subsidiaries consisting of income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;
 - sensitivity analysis which looks at key risks such as arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases and inflation rates which demonstrate continuing affordability for tenants; and
 - reports to the Board for it and its subsidiaries in respect of the 30 year projections and sensitivity analysis.

3. Link will send us:
 - minutes of its governing body and audit subcommittee meetings each quarter; and
 - an update on its plans for development, including funding plans, by 31 October 2015.

4. We will:
 - give feedback on the business plans and financial projections for Link in quarter two of 2015/16;
 - review West Highland's service quality performance after we receive the Annual Return on the Charter in May 2015 and will monitor West Highland's improvement plans during the year; and
 - review the minutes of the governing body and audit committee meetings.

5. Link and its registered subsidiaries 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
 - Annual Return on the Charter.

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 Link 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.