

Link Group Ltd

28 March 2014

This Regulation Plan sets out the engagement we will have with Link Group Ltd (Link) during the financial year 2014/15. 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, two registered subsidiaries (Horizon and Larkfield Housing Associations) and six non-registered subsidiaries. Four of these non-registered subsidiaries, Link Housing, Link Living, Link Property and Link Homes 2001 are currently active. The other two subsidiaries are dormant.

Link employs approximately 480 people across the parent and its subsidiaries. It owns and manages around 6,156 houses across 26 local authority areas in Scotland, making it the fourth largest RSL in Scotland and provides factoring services for a further 2,187 homes. It has charitable status and its turnover was around £26.8 million for the year ended 31 March 2013.

Link has grown through a combination of mergers and development activity and it is currently working with West Highland Housing Association (WHHA) with a view to WHHA joining the Link Group.

Link is also a major developer of social housing and has received significant amounts of public funding to achieve this. Link has plans for a considerable programme of further new development including housing for social rent, mid market rent and shared equity. To achieve this Link is considering new funding models to allow it to generate additional private investment. Due to Link's size we consider it to be of systemic importance.

During 2013/14, we reviewed Link's financial returns and this provided us with assurance about its financial health. It also provided us with an update on its preparations for welfare reform and pension changes. We will continue to engage with it to understand how it plans to manage the key risks facing the sector and the impact these will have on Link.

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 both Horizon and Larkfield Housing Associations.

Our engagement with Link – Medium

We consider Link to be of systemic importance because of its size and so we will have medium engagement with it in 2014/15.

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 2014 Link will send us:
 - its Business Plans for both it and its subsidiaries including commentary on results of sensitivity tests and risk mitigation strategies;
 - its 30 year projections for both it and its subsidiaries consisting of income and expenditure statement, balance sheet and cash flow, including covenant requirements and calculation of the loan covenants;
 - 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 which demonstrate continuing affordability for tenants; and
 - the reports to the Board of it and its subsidiaries in respect of the 30 year projections.
3. Link will send us:
 - minutes of its governing body and audit subcommittee meetings each quarter; and
 - an update on future funding and its development programme in July 2014.
4. We will:
 - give feedback on the business plan and financial projections in quarter 2 of 2014/15 and will discuss with it the proposed partnership with WHHA; and
 - review the minutes of the governing body and audit committee meetings.
5. Link 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.