

Link Group Ltd

31 March 2016

This Regulation Plan sets out the engagement we will have with Link Group Ltd (Link) during the financial year 2016/17. 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 its unregistered subsidiaries, Link Housing, Link Living, Link Property and Link Homes 2001 are currently active, the other two are dormant.

Link employs approximately 580 people across the parent and its subsidiaries. It owns and manages approximately 6,500 houses across 26 local authority areas in Scotland, making it the third largest RSL in Scotland. It delivers factoring services to 2,150 owners and provides 319 non-housing units. It has charitable status and its turnover was £29.1 million for the year ended 31 March 2015.

Systemic importance

We refer to a small number of RSLs as ‘systemically important’ because of their stock size, turnover or level of debt or because of their significance within their area of operation. We need to maintain a comprehensive understanding of how their business models operate and the risks they face, so we seek some additional assurance through our regulation plans.

Given the combination of Link’s size, turnover and level of debt, we consider it to be systemically important. We need to understand how it plans to manage the key risks it faces and the impact these may have.

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.

Link Group is currently considering opportunities in the private rented sector and will keep us informed about its proposals.

During 2015/16 we reviewed Link’s 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 subsidiary RSLs within Link. We have not published separate regulation plans for the subsidiaries, instead our engagement with them is included as part of our regulatory engagement with Link.

Larkfield

Larkfield was registered in 1996. It owns and manages 500 homes in Greenock. We have assessed that we need to have low engagement with Larkfield.

Horizon

Horizon was registered in 1976 and is active across central Scotland in 11 local authority areas. It owns and manages 800 homes, around one quarter of these are designed for wheelchair users. We have assessed that we need to have low engagement with Horizon.

West Highland

West Highland was registered in 1975. It owns and manages 800 homes across Argyll and Bute. We engaged with West Highland about its service quality in 2015/16 and have received assurance about the improvements West Highland is making. We will next review West Highland's service quality when carry out the risk assessment for all RSLs later in 2016/17. We have assessed that we need to have low engagement with West Highland.

Our engagement with Link Group Ltd – Medium

Due to Link's size, turnover and debt we consider it to be of systemic importance and as a result we will have medium engagement with it in 2016/17.

1. Link will send us the minutes of its governing body and audit committee meetings each quarter.
2. Link will send us by 31 May 2016:
 - its approved business plans for it and its subsidiaries including commentary on the results of its sensitivity analysis and risk mitigation strategies;
 - 30 year financial projections for it and its subsidiaries consisting of a statement of comprehensive income, statement of financial position and statement of cash flow, including a comparison of projected loan covenants against covenant requirements;
 - sensitivity analysis for it and its subsidiaries which considers the keys risks including covenant compliance;
 - its reports to the Boards of Link and its subsidiaries in respect of the 30 year projections and sensitivity analysis; and
 - evidence of how it demonstrates affordability for its tenants.
3. Link will send us an update on the development projects for Link, Horizon and West Highland including funding plans, timescales, completions and any material delay or changes, by 31 October 2016.
4. We will:
 - review the minutes of the governing body and audit subcommittee meetings;
 - give feedback on the business plans and financial projections for Link and its subsidiaries in quarter two of 2016/17; and
 - meet the senior staff and the Chair during the year to discuss progress against its Business Plan and any risks to the organisation.
5. Link, Larkfield, Horizon and West Highland should alert us to notifiable events and seek our consent as appropriate. They 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; 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 Group 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.