

Link Group Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Link Group Ltd (Link) during the financial year 2017/18. 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 is a registered charity and employs 541 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 fourth largest Registered Social Landlord (RSL) in Scotland. It delivers factoring services to 1,913 owners and provides 295 mid-market rent homes and 471 shared ownership homes. Link's debt per unit is £14,110.

Link is the parent of three registered subsidiaries Horizon Housing Association Ltd (Horizon) with a debt per unit of £14,001, Larkfield Housing Association Ltd (Larkfield) with a debt per unit of £11,538 and West Highland Housing Association (West Highland) with a debt per unit of 19,417. Link also has four unregistered subsidiaries Link Housing, Link Living, Link Property and the Lintel Trust and three other subsidiaries that are currently dormant.

As at 31 March 2016 the group turnover was over £58.4 million.

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, how they manage the risks they face and the impact these risks may have. Due to Link's size, turnover and level of debt we consider it to be systemically important.

Engagement

Link is one of the largest developers of new affordable housing in Scotland and receives significant public funding to help achieve this. Link plans to continue to grow through 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 2015/16 we met with the Chair, Vice Chair and senior staff to discuss the risks and challenges Link faces. We reviewed Link's Business Plan, financial returns and financial projections to provide us with assurance about its financial health. We also reviewed the financial information for Link's registered and unregistered subsidiaries.

When we met, Link told us it was developing a revised asset management strategy to ensure it had a comprehensive approach to managing this. We will continue to engage with Link to understand how it plans to manage the key risks it faces including its development programme and the associated need for additional funding.

As part of our annual risk assessment we have also considered the subsidiary RSLs within Link. We have assessed Horizon, Larkfield, and West Highland Housing Associations as low engagement.

Our engagement with Link Group Ltd in 2017/18 – Medium

We will engage with Link because it is systemically important and about its development and asset management.

1. Link will send us by 31 May 2017:
 - its approved business plans;
 - 30 year financial projections consisting of a statements of comprehensive income, financial position and cash flow complete with details of assumptions and explanatory narrative;
 - a comparison of projected financial loan covenants against covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies;
 - reports 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. Link will send us:
 - the minutes of its governing body and audit committee meetings as these become available;
 - its asset management strategy by 30 September 2017; and
 - 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 2017.
3. We will:
 - review the minutes of the governing body and audit subcommittee meetings;
 - review and discuss the business plan and financial projections for Link in quarter two of 2017/18;
 - review Link's asset management strategy; and
 - meet the senior staff and the Chair during the year to discuss progress against its Business Plan and any risks to the organisation.
4. Link and its registered subsidiaries 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;
 - 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.

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.