

Link Group Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Link Group Ltd (Link) during the financial year 2018/19. 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 658 people across the parent and its subsidiaries. It owns and manages 6,514 social rented homes, 396 mid-market rent homes and part-owns 460 shared ownership homes, across 26 local authority areas in Scotland, making it the third largest Registered Social Landlord (RSL) in Scotland. In addition it delivers factoring services to 1,973 owners. Link's debt per unit is £14,971.

Link is the parent of three registered subsidiaries Horizon Housing Association Ltd (Horizon) with a debt per unit of £13,045, Larkfield Housing Association Ltd (Larkfield) with a debt per unit of £11,839 and West Highland Housing Association Ltd with a debt per unit of £18,337. Link also has five unregistered subsidiaries Link Housing, Link Living, Link Property, Link Homes and the Lintel Trust and two other subsidiaries that are currently dormant.

As at 31 March 2017 the group turnover for the year was £62.7 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, and how they manage the risks they face and the impact these may have. So we seek some additional assurance through our regulation plans. Due to Link's size, turnover and level of debt we consider it to be systemically important.

Engagement

During 2017 we engaged with Link about its business plan, financial returns and financial projections to get assurance about its financial health. We met with the Chair and senior team to discuss the risks and challenges with Link's business and development plans and we provided feedback on this. We also reviewed Link's asset management strategy and received assurance about its approach to this.

Link is one of the largest developers of new affordable housing in Scotland and receives significant public subsidy 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. As a result, the number of affordable homes provided by Link will increase by around 40% over the next five years.

During 2018/19 we will continue to engage with Link as it progresses its strategy to deliver its substantial development programme.

Link's Chief Executive has indicated that he will retire later in 2018/19 and Link is currently considering options for the strategic direction of the Link Group.

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 2018/19 – Medium

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

1. Link will send us by 30 April 2018:
 - its approved business plan;
 - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resultant covenant calculations with the actual current covenant requirements;
 - 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. Link will send us:
 - copies of its Board and audit committee minutes as they become available;
 - details of the strategic options work when this is available; and
 - an update on the development programmes for Link, Horizon and West Highland by 31 October 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme.
3. We will:
 - review the minutes of the Board and audit committee meetings;
 - review the business plan and financial projections for Link in quarter one of 2018/19;
 - meet with Link's senior management team and Chair in quarter one of 2018/19 to discuss the business plan, the financial information, any risks to the organisation and the outcome from the options reviews; and
 - review Link's development update in quarter three of 2018/19.
4. 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 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:

Name:	Kirsty Anderson, Regulation Manager
Address:	Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF
Telephone:	0141 242 5547

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.