

Linthouse Housing Association Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Linthouse Housing Association Ltd (Linthouse) during the financial year 2017/18. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Linthouse registered as a social landlord in 1975. It owns and manages 1,142 social rented and 49 part ownership homes and provides a factoring service to a further 522 homes in the Linthouse area of Glasgow. It has charitable status and employs 30 people. As at 31 March 2016 Linthouse's turnover for the year was £4.7 million and its debt per unit was £844.

Engagement

During 2016/17 we engaged with Linthouse to gain assurance about its governance, financial management and the delivery of its maintenance function.

Linthouse commissioned an independent investigation into the delivery of its maintenance service in May 2016. This identified a number of weaknesses including its compliance with policy and best practice, its approach to procurement, the robustness of its approach to updating the stock condition information and its planned and cyclical maintenance programmes. The investigation also raised concerns about governance and financial planning.

Linthouse has recognised the serious nature of the issues that have been raised and the risk they present to tenants interests. It is working openly with us while it addresses the weaknesses and has developed, and is implementing a detailed action plan to deliver improvements.

Linthouse also co-opted two individuals onto its governing body in August 2016 to assist it in developing and delivering the necessary improvements to its governance, financial planning and the development of its maintenance service.

To assess the risk to social landlord services we have reviewed and compared the performance of all Scottish social landlords to identify the weakest performing landlords. We found that Linthouse is in the bottom quartile for all social landlords for tenants satisfied with quality of home, lets to homeless people, anti-social behaviour cases resolved within target, gross rent arrears of rent due and tenancy sustainment for homeless people. We will review Linthouse's performance when we receive its ARC return in June 2017.

Our engagement with Linthouse Housing Association Ltd in 2017/18 – Medium

We will engage with Linthouse as it seeks to address issues in relation to its governance, financial health and the management of its maintenance function.

1. Linthouse will:
 - send us its business plan by 31 October 2017;
 - keep us advised on progress with the implementation of the action plan to deliver improvements, including updates on the development of its repairs service and asset management strategy; and
 - commission an independent review of its governance and financial management by the end of March 2018 and discuss the outcome of this with us.
2. Linthouse will send us by 30 June 2017:
 - 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;
 - its 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.
3. We will:
 - meet with the senior member of staff bi-monthly, to discuss progress with action plans for improvement;
 - meet with the management committee as necessary; and
 - review the business plan, financial information and governance and financial management review and provide feedback and discuss as appropriate.
4. Linthouse 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 Linthouse Housing Association Ltd is:

Name: Paul Milligan, Regulation Manager

Address: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF

Telephone: 0141 242 5578

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.