

## Muirhouse Housing Association Ltd

**12 December 2014**

This Regulation Plan sets out the engagement we will have with Muirhouse Housing Association Ltd (Muirhouse) during the financial year 2014/15. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

Muirhouse was registered as a social landlord in 1992. It owns and manages 460 houses in north west Edinburgh. It has charitable status and employs around 8 people. Its turnover for the year ended 31 March 2014 was just over £1.8 million.

We are engaging with Muirhouse to address a serious and urgent risk to its financial health. This risk arises from Muirhouse having commenced a new phase of its development programme before it had the necessary funding in place. This is a serious failure of the organisation's management of risk and financial stewardship.

At our request, Muirhouse recently commissioned an independent financial assessment and the findings of this also highlighted a number of serious weaknesses in its governance and financial management which represent a serious departure from our standards of governance and financial management.

We have also identified further serious weaknesses in its governance and its financial management which relate to the management of its subsidiary and its ability to achieve the Scottish Housing Quality Standard (SHQS) by 31 March 2015. Muirhouse has now told us that a significant proportion of its tenants' homes will not be compliant with SHQS and this calls into question the completeness and accuracy of the returns which Muirhouse previously submitted to us. It also has financial implications for Muirhouse which have not yet been quantified.

We consider Muirhouse's poor governance and financial management an immediate risk to tenants' interests, to public and private funders' confidence and to the reputation of registered social landlords and we have decided to use our statutory powers to appoint a manager to Muirhouse under section 58 of the Housing (Scotland) Act 2010. We have also decided to use our statutory powers under section 65 of the Housing (Scotland) Act 2010 to appoint three additional officers to Muirhouse's governing body to address the serious and urgent risks to Muirhouse's governance and its financial health and management.

The purpose of these appointments is to:

- address the serious risks to Muirhouse's governance and financial management position arising from the issues in the independent financial assessment and assist the governing body to ensure that these issues are resolved with an urgent resolution of the development programme;
- to consider whether the current governance and financial management processes and procedures are fit for purpose; and
- assist and support the governing body to ensure that Muirhouse's affairs are managed to an appropriate standard.

The manager will have the following remit:

- develop and implement an action plan which addresses the serious and urgent risks to Muirhouse's governance and financial management position, as set out in the independent financial assessment, and any other issues as required;
- put in place the necessary policies, internal controls and safeguards to ensure the effective financial management of Muirhouse;
- ensure Muirhouse has appropriate financial expertise; and
- carry out a strategic review and implement any necessary improvements to ensure that Muirhouse meets our Regulatory Standards of Governance and Financial Management.

## Our engagement with Muirhouse – High

We will have high engagement with Muirhouse in light of the serious governance and financial issues it is dealing with.

1. The manager and the appointees to the governing body will be accountable to the regulator and will report to us on progress. The appointments are for a period of six months. At this time we will review Muirhouse's progress with making the improvements necessary to address the issues identified and may extend the appointment if we consider this necessary.
2. We expect Muirhouse to continue to engage with us to assure us it is delivering the necessary improvements to ensure that it meets our Regulatory Standards of Governance and Financial Management. We may review our engagement activity depending on the outcome.
3. Muirhouse 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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Muirhouse 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.