

Muirhouse Housing Association Ltd

8 December 2015

This Regulation Plan sets out the engagement we will have with Muirhouse Housing Association Ltd (Muirhouse) during the financial year 2015/16. 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 570 houses in north west Edinburgh. It has charitable status and currently employs 8 people. It has one subsidiary Muirhouse Homes Ltd that it established to manage its mid-market rent properties. Its turnover for the year ended 31 March 2015 was just over £2.1 million.

During 2014, we identified a serious and urgent risk to the financial health of Muirhouse, serious weaknesses in its governance and financial management and a failure to comply with our Regulatory Standards of Governance and Financial Management. In December 2014, to protect the interests of tenants, we used our statutory powers to appoint a manager to Muirhouse under section 58 of the Housing (Scotland) Act 2010. We also used our powers under section 65 of the Housing (Scotland) Act 2010 to appoint three additional officers to Muirhouse's governing body. In June 2015 we extended these appointments for six months and said we would review the appointments in December 2015.

We needed to make these appointments to:

- address the serious risks to Muirhouse's governance and financial management;
- assist the governing body to ensure that these issues are resolved with an urgent resolution of problems it faced with its development programme;
- review 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 and in accordance with Regulatory Standards.

Muirhouse completed a strategic review of the organisation's governance and financial management in Spring 2015 taking into account the risks and weaknesses we identified. The governing body agreed a detailed action plan to address these issues and ensure Muirhouse complies with Regulatory Standards.

Muirhouse has dealt with the immediate issues that led to our statutory intervention. It has made good progress implementing its action plan and has strengthened its board with new members, appointed a new Chair and appointed an interim Chief Executive to assist it to implement its planned improvements. Muirhouse completed an options appraisal and plans to begin recruitment of a new Chief Executive in January 2016.

In December 2014 we set out a remit for the statutory manager. This has now been fulfilled and the serious and immediate risks to tenants' interests have been addressed. In light of this progress we have decided it is not necessary to extend the appointment of the statutory manager. However Muirhouse has a continuing programme of improvement actions to ensure it fully complies with our Regulatory Standards. We have therefore decided to extend the appointment of the three additional officers to the governing body to provide support as Muirhouse works through its action plan and to allow the recent changes it has made to bed in.

Due to the serious issues we identified about Muirhouse's governance and financial management and its arrangements for its subsidiary we need additional assurance on its progress with improving its governance and financial health.

Our engagement with Muirhouse – High

We will continue to have high engagement with Muirhouse as it continues to address the causes of the serious governance and financial issues we identified and continues to implement measures which will ensure full compliance with Regulatory Standards.

1. We have extended the appointment of the three additional officers on the governing body for a further six months from 11 December 2015 to 11 June 2016. At the conclusion of the term of these appointments we will review Muirhouse's progress in making the necessary improvements 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 Regulatory Standards. We may review our engagement activity depending on the outcome.
3. On 27 May 2015 Muirhouse sent us its:
 - approved Business Plan for both it and its subsidiary including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for both it and its subsidiary consisting of income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;
 - sensitivity analysis which looks at key risks such as arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases and inflation rates which demonstrate continuing affordability for tenants; and
 - reports to the Board for it and its subsidiary in respect of the 30 year projections and sensitivity analysis.
4. We reviewed Muirhouse's business plans and projections for it and its subsidiary and received assurance about its current financial position. We gave detailed feedback to Muirhouse on its plans in September 2015 and set out our expectations for future Business Plans.
5. 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.

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.