

Muirhouse Housing Association Ltd

31 March 2016

This Regulation Plan sets out the engagement we will have with Muirhouse Housing Association Ltd (Muirhouse) during the financial year 2016/17. 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 also 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 decided to remain as an independent organisation. It is currently recruiting for a new Chief Executive and Finance and Corporate services Manager.

Due to the good progress Muirhouse had made during 2015, we reviewed the appointment of the manager in December 2015 and decided not to extend this appointment. Muirhouse

has a continuing programme of improvement actions to ensure it fully complies with our Regulatory Standards and we therefore decided to extend the appointment of the three additional officers to the governing body until June 2016. The statutory appointees to the Board will provide support as Muirhouse works through its action plan and to allow the recent improvements it has made to bed in.

Our engagement with Muirhouse Housing Association Ltd – High

We will continue to have high engagement with Muirhouse in light of the serious governance and financial issues it has been managing and to monitor its on-going improvements.

1. Muirhouse will send us by 30 June 2016:
 - its approved business plans for it and its subsidiary including commentary on the results of its sensitivity analysis and risk mitigation strategies;
 - 30 year financial projections for it and its subsidiary consisting of a statement of comprehensive income, statement of financial position and statement of cash flow, including a comparison of projected loan covenants against covenant requirements;
 - sensitivity analysis for it and its subsidiary which considers the keys risks including covenant compliance;
 - its reports to the Boards of Muirhouse and its subsidiary in respect of the 30 year projections and sensitivity analysis; and
 - evidence of how it demonstrates affordability for its tenants.
2. We will:
 - engage with Muirhouse and with the statutory appointees as appropriate to review Muirhouse's progress with its planned improvements; and
 - provide feedback on the business plan and financial projections in quarter 2 of 2016/17.
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 financial statements 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 Housing Association 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.