

Muirhouse Housing Association Ltd

9 June 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 (MH4) 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 we used our statutory powers to appoint a manager to Muirhouse and three additional members to its governing body.

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. It agreed a detailed action plan to address these issues and ensure Muirhouse complies with Regulatory Standards. During 2015 Muirhouse made good progress with its action plan and addressed the immediate issues that led to our statutory intervention. It recruited a new Chair and began the process of recruiting new Board members. We reviewed the statutory intervention in December 2015 and in light of the progress Muirhouse had made we decided not to extend the appointment of the manager.

We reviewed the statutory appointments to Muirhouse's governing body in June 2016. We found Muirhouse had further strengthened its Board and had worked on its programme of improvement actions to ensure it fully complies with Regulatory Standards. Muirhouse has improved its governance and financial management and has given us assurance about its financial position. It also recently recruited a new Chief Executive and Finance and Corporate Services Manager. Due to these improvements we decided to end the appointments of the three additional members to the governing body.

Muirhouse has plans for further improvement which it will now take forward without the support of our statutory intervention. It is developing its Asset Management Strategy to ensure it has both a good understanding of its housing stock and a comprehensive approach to maintaining its homes and meeting the required quality standards. Muirhouse is establishing a Board appraisal system and plans to recruit new Board members to increase the range of skills on the Board. It is also reviewing aspects of its governance during summer 2016 including how it ensures the Board's strategic focus and the role of MH4. We need to engage with Muirhouse as it continues to manage a challenging period of change.

Our engagement with Muirhouse Housing Association Ltd – High

We will continue to have high engagement with Muirhouse as it manages an intensive period of change and improvement and to monitor its on-going improvements.

1. Muirhouse will send us by 30 June 2016:
 - the approved business plans for the RSL and its subsidiary including commentary on the results of its sensitivity analysis and risk mitigation strategies;
 - 30 year financial projections for the RSL 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 the RSL and its subsidiary which considers the key 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:
 - provide feedback on the business plan and financial projections in quarter 2 of 2016/17;
 - review Muirhouse's approach to asset management by October 2016; and
 - engage closely with Muirhouse to review its progress with its planned work to further strengthen its governance.

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.