

Ruchazie Housing Association Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Ruchazie Housing Association Ltd (Ruchazie) during the financial year 2018/19. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Ruchazie registered as a social landlord in 1993 and has charitable status. It owns and manages 225 homes in the Easterhouse area of Glasgow and employs five people.

As at 31 March 2017 Ruchazie's turnover for the year was just over £1 million and its debt per unit was £13,394.

Engagement

During 2016, Ruchazie told us that its senior officer was planning to retire and that it was considering its future options. Ruchazie did not provide us with sufficient assurance that its options appraisal complied with our Recommended Practice on Business Planning and Ruchazie undertook to carry out further work to address our concerns.

Ruchazie provided further information to us during 2017 about the options it was considering. It also told us in July 2017 that its senior officer had left the organisation. Our engagement with Ruchazie raised a number of concerns about the governance of the process that led to that departure, including the management of conflicts of interest and the quality of papers and audit trails to demonstrate that the governing body was in control of the decision making process.

Ruchazie commissioned an independent investigation into the circumstances around this and the decision making process. This report has identified serious failures to recognise and manage conflicts of interest, serious weaknesses in the quality of the information to the governing body, and a lack of evidence that the governing body understands its role and is in effective control of decision making within the organisation. It also identified serious weaknesses in the level of delegated authorities for key strategic decisions. The governing body has not demonstrated to us that it understands its role, or has the capacity to carry it out. Ruchazie is not complying with the Regulatory Standards of Governance and Financial Management.

We consider that the serious weaknesses in Ruchazie's governance and financial management pose an immediate risk to the interests of tenants and to the reputation of Registered Social Landlords. So we have used our statutory powers under Section 65 of the Housing (Scotland) Act to appoint four people to Ruchazie's governing body. We have also used our statutory powers under Section 58 of the Act to appoint a manager to address the serious and urgent risks to Ruchazie's governance and financial management.

Remits

The manager's remit is to:

- undertake a strategic options appraisal including a review of Ruchazie's governance and financial management against the Regulatory Standards. The review should include an assessment of Ruchazie's capacity to become a well governed RSL and the timescales and financial commitment to achieve this;
- ensure that Ruchazie's stakeholders, including its tenants and funders are kept up to date with progress on addressing the issues that have led to intervention; and
- support the governing body to ensure that Ruchazie meets the Regulatory Standards of Governance and Financial Management, including the management of its pension liabilities.

The remit of the appointments to the governing body is to:

- assist and support the governing body to discharge its role effectively and ensure that Ruchazie meets the Regulatory Standards of Governance and Financial Management;
- support the statutory manager to deliver his/her remit;
- help develop and implement an action plan which:
 - addresses the serious governance issues, as set out in the independent investigation report; and
 - addresses any issues arising from the strategic options appraisal, and governance and financial management review.

Our engagement with Ruchazie Housing Association Ltd in 2018/19 – High

We will have high engagement with Ruchazie in light of the serious weaknesses in its governance and financial management.

1. The manager and appointees to the governing body are accountable to the Regulator and will report to us on progress in addressing their remits.
2. The appointments are for a period of 12 months. We will keep the appointments under review.
3. Ruchazie will send us its governing body minutes and papers.
4. In relation to pensions, Ruchazie will inform us of any changes to its past service deficit contributions.
5. Ruchazie 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;
 - 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 Ruchazie Housing Association Ltd is:

Name: John Jellema, Regulation Manager
Address: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF
Telephone: 0141 242 5888

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.