

Regulation Plan

This Regulation Plan sets out the engagement we will have with Fife Housing Association Ltd. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Fife HA is a charitable RSL, that owns around 2,300 houses and employs around 36 staff. Its turnover in the year to March 2007 was £6.4m.

Fife is one of the larger developers of new social housing in Scotland, in terms of the scale of grant funding it receives.

Fife HA told us in its five year financial projections return that it had included all costs required to meet the Scottish Housing Quality Standard (SHQS) by 2015. But its plans to ensure that its stock meets the SHQS by 2015 are reliant on both selling some of its social housing assets to generate income to invest in its stock, along with retaining some of its excess Right to Buy receipts.

In June 2008, the Scottish Government advised the Scottish Federation of Housing Associations (SFHA) that it intended to enforce the contracts which were agreed following the transfer of Scottish Homes' housing to community ownership. This decision will have an impact on the Association's financial position. In its letter to the SFHA, the Scottish Government noted that it would discuss repayment difficulties with landlords on an individual basis.

The Association's financial position is relatively strong, but its interest cover ratio, which reflects its ability to make interest payments on loans from cash generated by its operations, has been below our minimum threshold in the past two years. Its management costs have also increased over the past five years by an average of 5% per annum ahead of the rate of inflation.

Our engagement with Fife – Medium

1. We will meet Fife HA's senior management team during quarter three of 2008 to gain assurance about its financial position, business strategy, progress towards the SHQS and confirmation that its financial performance is consistent with its lending covenants. We will revise our information requirements thereafter as necessary.
2. The Association should continue to 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, internal controls assurance statement and external auditor's management letter,
 - loan portfolio return,
 - five year financial projections,
 - annual performance and statistical return.

This plan will be kept under review and may be changed to reflect particular or new events. Guides to how we regulate and inspect, and other relevant statistical and performance information, can be found on our website at www.scottishhousingregulator.gov.uk.

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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.