

Caledonia Housing Association Ltd

31 March 2015

This Regulation Plan sets out the engagement we will have with Caledonia Housing Association Ltd (Caledonia) during the financial year 2015/16. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Caledonia was formed in 2011 when Servite Housing Association joined Perthshire Housing Association and the merged organisation changed its name to Caledonia. Caledonia now owns and manages 3,766 houses across five local authority areas in the North and East of Scotland. It also provides factoring services to 161 owners and has 22 commercial units. It is a registered charity and employs around 144 people.

Caledonia's turnover at the end of March 2014 was just under £17 million. It has one registered subsidiary Cordale Housing Association (Cordale), which joined the Caledonia Group in April 2014, and two dormant unregistered subsidiaries Servite Solutions Ltd and Caledonia Ventures Ltd.

Systemic importance

Our regulatory framework highlights that a small number of RSLs have a profile in terms of stock size, turnover, size of debt or geographic importance that means we need to ensure that we have developed a comprehensive understanding of their business model and how it is being operated. We refer to these organisations as systemically important and seek some additional assurances from these organisations through our published Regulation Plans. Given the combination of Caledonia's size, turnover and debt, we consider it to be of systemic importance. During 2014/15 we reviewed Caledonia's financial returns to gain assurance about its financial health and will engage with it to understand how it plans to manage the key risks it faces.

Caledonia has grown through its development activity and by expanding its group structure and it is currently working with Bellsmyre Housing Association (Bellsmyre) with a view to Bellsmyre joining the Caledonia Group this year.

Caledonia is one of the larger developers of new affordable housing in Scotland and continues to receive significant amounts of public funding to achieve this. Caledonia has plans for a considerable programme of further new development including housing for social rent and low cost home ownership.

As part of our annual risk assessment we have also considered Cordale, the other registered social landlord in the Caledonia Group.

Cordale Housing Association Ltd

Cordale was registered in 1992. It owns and manages 537 houses, provides factoring services to 22 owners and also has six commercial units in West Dunbartonshire. It is a registered charity and employs approximately 15 people. Cordale has two unregistered subsidiaries Cordale Property Services Ltd which owns a commercial unit it leases to a pharmacy and Cordale Support Services Ltd which is dormant.

We engaged with Cordale during 2014/15 about financial and governance issues. With the support of Caledonia, Cordale developed a comprehensive improvement plan to address the financial and governance issues it faced and to integrate Cordale into the Caledonia Group. Cordale has made good progress since joining the Caledonia Group. During 2014/15 we received assurance about Cordale's improving financial position. Cordale has plans to continue to work to further strengthen its governance. As a result we have assessed Cordale as requiring medium engagement.

We have not published a separate regulation plan for Cordale and our engagement with it is included as part of our regulatory engagement with Caledonia.

Our engagement with Caledonia – Medium

Due to Caledonia's size, turnover and debt, we consider it to be of systemic importance and as a result we will have medium engagement with it in 2015/16. Cordale continues to address governance issues and improve its financial position and we will have medium engagement with it in 2015/16 to monitor progress.

1. As it is of systemic importance Caledonia will send us the minutes of its governing body and audit committee meetings each quarter.
2. By 31 July Caledonia will send us:
 - the approved business plans for it and for Cordale including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for it and its subsidiary consisting of income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;
 - its sensitivity analysis which looks at keys risks such as, arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases which demonstrate continuing affordability for tenants;
 - its reports to the Boards of Caledonia and Cordale in respect of the 30 year projections;
 - a report that outlines the plans for the future direction of Cordale Property Services Ltd; and
 - an update on future funding and its development programme.
3. We will:
 - review the minutes of the governing body and audit committee meetings;
 - provide feedback on the business plans and projections for Caledonia and its subsidiary in quarter three of 2015/16; and
 - meet senior staff and the Board in quarter three of 2015/16 to discuss its projections, progress against the business plan and any risks to the organisation.
4. Caledonia will keep us updated as appropriate about its proposals for Bellsmyre to join the Caledonia Group.
5. We will meet with staff quarterly to review the progress with Cordale's improvement plan and Cordale will send us quarterly cash flows and management accounts.

6. Caledonia and Cordale 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 Caledonia is:

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Our lead officer for Cordale 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.