



# Caledonia Housing Association Ltd

## 11 October 2018

This Regulation Plan sets out the engagement we will have with Caledonia Housing Association Ltd (Caledonia) during the financial year 2018/19. 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. On 1 October 2018 Antonine Housing Association (Antonine) completed a Transfer of Engagements to Caledonia. As a result of this Caledonia grew by 333 homes and became responsible for factoring services to 702 owners in East Dunbartonshire and North Lanarkshire. Caledonia is also now managing the care and repair service for East Dunbartonshire Council on an interim basis a service previously provided by Antonine.

Caledonia now owns 3869 homes across seven local authorities across Scotland. It provides factoring services to 848 owners. It has charitable status and employs around 167 people.

Caledonia is also the parent of two charitable Registered Social Landlords (RSLs) based in West Dunbartonshire Bellsmyre Housing Association (Bellsmyre) with a debt per unit of £3,817 and Cordale Housing Association (Cordale) with a debt per unit of £15,837. It also has two dormant unregistered subsidiaries Servite Solutions Ltd and Caledonia Ventures Ltd.

As part of our annual risk assessment we have also considered the subsidiary RSLs within the group. We have not published separate regulation plans for the subsidiary RSLs as our engagement with them is included in this plan.

As at 31 March 2017 the Caledonia group turnover was just over £30.8 million.

### Systemic Importance

We refer to a small number of RSLs as systemically important because of their stock size, turnover or level of debt or because of their significance within their area of operation. We need to maintain a comprehensive understanding of how their business models operate, and how they manage the risks they face and the impact these may have. So we seek some additional assurance through our regulation plans. Given a combination of Caledonia's size, turnover and level of debt, we consider it to be systemically important.

### Engagement

In May 2018 we reviewed the business plan and financial projections for Caledonia. We met with the executive management team to provide feedback on the new business plan and its strategic projects. We discussed the risks and challenges Caledonia faces to gain on-going assurance about Caledonia's financial health. In addition Caledonia updated us on the regeneration plans for Bellsmyre and the implications for the Caledonia Group. In July 2018

we reviewed Caledonia's Asset Management Strategy to get assurance about its approach in light of Caledonia's business change and investment proposals.

Caledonia has set out an implementation plan for the period following the Antonine transfer and in the second half of 2018/19 we will engage with it to monitor progress with the plan. Antonine now plans to de-register and we will engage as necessary as the de-registration progresses.

Caledonia is one of the larger developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. Caledonia plans to continue to grow through a considerable programme of new homes for social rent, mid-market rent and low cost home ownership. As a result the number of affordable homes provided by Caledonia will increase by around a quarter over the next 5 years. We will continue to engage with Caledonia about its plans to fund its increased development programme.

### **Bellsmyre**

Bellsmyre registered as a social landlord in 1991. It has charitable status and employs 14 people. It owns 591 homes in Bellsmyre, Dunbarton and provides factoring services to 485 owners. Its turnover for the year ended March 2017 was £2.78 million.

Bellsmyre is working with Caledonia and other partners on a regeneration strategy for the Bellsmyre area.

In 2017/18 we reviewed and compared the performance of all Scottish social landlords to identify the weakest performing landlords. We found that Bellsmyre was in the bottom quartile for all social landlords in relation to tenant satisfaction with the quality of their home, tenants who feel their rent represents value for money, rent lost on empty properties, average days to re-let empty properties, gross rent arrears of rent due and tenancy sustainment for homeless people. We have considered Bellsmyre's previous performance against its recent ARC return from June 2018 and noted Bellsmyre's performance had improved across all of the areas we previously highlighted.

As part of our annual risk assessment we have decided to have low engagement with Bellsmyre.

### **Cordale**

Cordale was registered in 1992. It owns and manages 507 homes and provides factoring services to 22 owners in West Dunbartonshire. It is a registered charity and employs 8 people. Its turnover for the year ended March 2017 was £3.42 million.

As part of our annual risk assessment we have decided to have low engagement with Cordale.

## **Our engagement with Caledonia Housing Association Ltd in 2018/19 – Medium**

We will engage with Caledonia because it is systemically important, about its development proposals and to monitor progress with the implementation plan for the Antonine transfer.

1. Caledonia will send us:
  - copies of its governing body and audit committee minutes as they become available;

- financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resultant covenant calculations with the actual covenant requirements; and
  - an update on its development programme by 31 October 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme.
2. We will:
- review the minutes of the governing body and audit committee meetings;
  - review Caledonia's development update in quarter three of 2018/19;
  - review Caledonia's progress with its implementation plan for the integration of the Antonine homes into Caledonia; and
  - meet with Caledonia's Chair, the Chair of the Audit Committee and its governing body.
3. Caledonia and its registered subsidiaries 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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Caledonia Housing Association Ltd is:

Name: Kirsty Anderson, Regulation Manager  
Address: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF  
Telephone: 0141 242 5547

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.