

Castle Rock Edinvar Housing Association Ltd

28 March 2013

This Regulation Plan sets out the engagement we will have with Castle Rock Edinvar Housing Association Ltd (Castle Rock Edinvar) during the financial year 2013/2014. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Castle Rock Edinvar is the fourth largest registered social landlord in Scotland, owning and managing around 6,200 properties. It operates across eight different local authority areas and is a charitable subsidiary of the English RSL, Places for People. It employs around 145 people and has two non-registered subsidiaries of its own, Places for People Scotland and Places for People Scotland Care and Support.

Castle Rock Edinvar has grown through development activity and mergers. Its turnover for the year ended 31 March 2012 was just under £29.5 million.

Castle Rock Edinvar plans to continue to grow and is still one of the largest developers of new affordable housing in Scotland. Given Castle Rock Edinvar's size, turnover, debt and scale of its development activity, we consider it to be of systemic importance. Our previous engagement with Castle Rock Edinvar during 2012/13 has provided us with assurance about its strategic management and controls.

In 2012, we consented to a proposal which means that over the next five years, as part of its asset management strategy, Castle Rock will dispose of 300 social rented properties: 30 by way of sale and 270 by way of lease to Places for People Scotland. The additional income generated from this will support additional borrowing which will contribute to the provision of a new supply programme over five years. It is intended that 300 new social rented properties will be built, with an additional 286 mid market rent and 290 shared equity homes.

During 2012/13, we reviewed Castle Rock Edinvar's financial returns and this provided us with assurance about its financial health. We will continue to engage with it to understand how it plans to manage the key risks facing the sector and the impact these will have on Castle Rock Edinvar. These risks include welfare reform and pensions.

During 2012/13, we also discussed Castle Rock Edinvar's plans to manage the impact of the welfare reform changes and received assurance about its approach. We will ask Castle Rock Edinvar for a further update during the year on its progress with this. We will also ask for an update on its planning for the impact, if any, of future pension issues, for example, auto enrolment, as more than half of its staff were not enrolled in a pension scheme at 31 March 12. We will also consider the impact of its subsidiary activities within the Group.

Our engagement with Castle Rock Edinvar - Medium

We consider Castle Rock Edinvar to be of systemic importance because of its significant development, investment and group and subsidiary activities. So we will continue to have a medium level of engagement with Castle Rock Edinvar in 2013/14.

1. We will:
 - meet with Castle Rock Edinvar's senior staff at least twice a year to discuss its future business and any risks to the organisation;
 - meet the Chair in quarter four; and
 - review the minutes of the governing body and audit committee meetings.
2. Castle Rock Edinvar should send us:
 - in Q3, the updated business plan and projections for it and its two subsidiaries (consisting of income and expenditure statement, balance sheet and cashflows, plus sensitivity analysis and covenant calculations and results);
 - the subsidiary management accounts as at 30 September 2013, by the end of October;
 - an update on its planning for pensions in Q3; and
 - in Q3, details of progress and measures to be put in place to manage the welfare reform changes and the how this will impact on income, costs and assumptions for arrears and bad debts.
3. Castle Rock Edinvar will submit annual written reports on progress with the number of properties disposed and their addresses, the total amount of income raised by the disposals and progress with the planned provision of new houses. The first formal report is due by 31 October 2013.
4. Castle Rock Edinvar should also 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
 - APSR.

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 guidance and statistical and performance information can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for Castle Rock Edinvar 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.