Castle Rock Edinvar Housing Association Ltd

28 March 2014

This Regulation Plan sets out the engagement we will have with Castle Rock Edinvar Housing Association Ltd (Castle Rock Edinvar) during the financial year 2014/2015. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Castle Rock Edinvar was registered as a social landlord in 1975 and it is one of the largest registered social landlords in Scotland, owning and managing around 6,200 properties. It has 53 other commercial units and 1,173 factored units. 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. Its turnover for the year ended 31 March 2013 was just over £26.1 million.

Castle Rock Edinvar plans to continue to grow and is still one of the largest developers of new affordable housing in Scotland. To support its core social housing business, it has also developed a social care business, a range of intermediate and market housing opportunities, business centres and employability initiatives. It is exploring options for further diversification to develop environmentally sustainable communities, including a number of community energy proposals.

Castle Rock Edinvar is involved in a funding initiative which means that under existing loan facilities with Allia, approximately £8.6 million of the £10 million investment in an Allia bond will be loaned to Places for People Homes Limited, a subsidiary of Places for People Group. The loan proceeds will then be utilised by Castle Rock Edinvar Housing Association, also a member of the Group, to fund the development of 150 affordable homes in Scotland.

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 2013/14, Castle Rock Edinvar provided us with an update on progress with this work and we will require a further report on progress during 2014/15.

During 2013/14, we reviewed Castle Rock Edinvar's financial returns and this provided us with assurance about its financial health. It also provided us with an update on its preparations for welfare reform and pension changes. 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.

Given Castle Rock Edinvar's size, turnover, debt and scale of its development and other activity, we consider it to be of systemic importance.

Scottish Housing Regulator

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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 activities. So we will continue to have a medium level of engagement with Castle Rock Edinvar in 2014/15.

1. We will:
   - meet with Castle Rock Edinvar's senior staff at least twice a year to discuss its future business plans and strategy and any risks to the organisation;
   - meet the Chair in quarter four; and
   - review the minutes of the governing body and audit and risk committee meetings.

2. Castle Rock Edinvar will provide us with:
   - Its approved Business Plan for both the RSL and the subsidiaries including an update on its development plans and a commentary on the results of its sensitivity tests and risk mitigation strategies by 31 December 2014;
   - Its 30 year projections for both the RSL and the subsidiaries consisting of income and expenditure statement, balance sheet and cash flow, including calculation of the loan covenants and covenant requirements by 31 December 2014;
   - Sensitivity analysis for both the RSL and the subsidiaries which looks at key risks such as arrears levels and covenant compliance. We would also expect this to include an analysis of a range of options for rent increases which demonstrate continuing affordability for tenants by 31 December 2014; and
   - The report to the Board of the RSL and the subsidiaries in respect of the 30 year projections by 31 December 2014.

3. Castle Rock Edinvar will submit annual written reports on progress with its asset management disposal and new build strategy. This will include the number of properties disposed of and their addresses, the total amount of income raised by the disposals and progress with the planned provision of new houses. The next formal report is due by 31 April 2014..

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

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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.