

## **Castle Rock Edinvar Housing Association Ltd**

**31 March 2015**

This Regulation Plan sets out the engagement we will have with Castle Rock Edinvar Housing Association Ltd (Castle Rock Edinvar) during the financial year 2015/2016. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### **Regulatory profile**

Castle Rock Edinvar became a registered social landlord (RSL) in 1975. It is a charitable subsidiary of the English registered social landlord, Places for People. Castle Rock Edinvar is one of the largest RSLs in Scotland, owning and managing around 6,000 homes and providing factoring services to over 1,000 owners across eight local authority areas.

It employs around 160 people and has two unregistered subsidiaries which support its core social housing business. Places for People Scotland provides a range of intermediate and market housing options and delivers property management services. Places for People Scotland Care and Support provides social care to a range of client groups across Scotland. Castle Rock Edinvar's turnover for the year ended 31 March 2014 was almost £27 million.

### **Systemic importance**

Our regulatory framework highlights that a small number of RSLs have a profile in terms of stock size, turnover, scale 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 Castle Rock Edinvar's size, turnover, debt and scale of its development and other activities, we consider it to be of systemic importance and need to understand how it plans to manage the key risks it faces and the impact these will have.

Castle Rock Edinvar is one of the largest developers of new affordable housing in Scotland and continues to receive significant amounts of public funding to help achieve this. Castle Rock Edinvar has plans for a considerable programme of new homes for social rent, low cost home ownership and mid-market rent. It also provides a business centre and participates in the Community Jobs Fund and a number of community energy projects.

Castle Rock Edinvar is involved in the recently launched Housing Fund for Scotland (HFFS). The Fund will both lease properties to Places for People Scotland for market and mid-market rent and provide debt funding to Places for People for inter-group on-lending to support 200 new homes for social rent across Stirling, Falkirk and Clackmannanshire.

In 2012 we consented to a proposal which means that over the next five years, as part of its asset management strategy, Castle Rock Edinvar will dispose of up to 300 social rented properties (270 by way of lease to Places for People Scotland, which will convert to mid-market rent and up to 30 sales). The income generated from the disposals will support a programme of new affordable housing over the period including 300 new social rented homes, 286 mid-market rent homes and 290 shared equity homes in Edinburgh.

During 2014/15 we reviewed Castle Rock Edinvar's financial returns to gain assurance about its financial health. We will continue to engage with it to understand how it plans to manage the key risks it faces and the impact these will have on Castle Rock Edinvar.

## **Our engagement with Castle Rock Edinvar - Medium**

Given Castle Rock Edinvar's size, turnover and debt we consider it to be of systemic importance. In light of this and its development and subsidiary activities, we will have medium engagement in 2015/16.

1. Castle Rock Edinvar will send us:
  - the minutes of its Board and audit and risk committee meetings at the end of each quarter; and
  - a report on progress with its disposal and new build strategy by 30 April 2015. 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 homes.
2. By 30 September 2015 Castle Rock Edinvar will send us:
  - its approved business plan including commentary on results of sensitivity tests and risk mitigation strategies for it and its subsidiaries;
  - 30 year financial projections for it and its subsidiaries consisting of income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;
  - sensitivity analysis which looks at key risks such as arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases and inflation rates which demonstrate continuing affordability for tenants;
  - reports to the Board in respect of the 30 year projections and sensitivity analysis;
  - an update on its plans for development, including funding plans; and
  - an update on its energy projects.
3. We will:
  - review the minutes of the governing body and audit and risk committee meetings;
  - meet with Castle Rock Edinvar's senior staff at least twice a year to discuss its future business strategy and any risks to the organisation;
  - meet with Castle Rock Edinvar's Chair in quarter 4; and
  - review and give feedback on the business plan, financial projections and other information Castle Rock Edinvar supplies in quarter 3.
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](http://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.