

Castle Rock Edinvar Housing Association Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Castle Rock Edinvar Housing Association Ltd (Castle Rock Edinvar) during the financial year 2017/18. 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 Provider, Places for People. Castle Rock Edinvar is the fifth largest RSL in Scotland, owning and managing around 6,000 homes including 255 part ownership homes across eight local authority areas.

It employs around 168 people and has two unregistered subsidiaries which support its core social housing business. Places for People Scotland (PfPS) provides a range of intermediate and market housing options and delivers property management services to around 1600 owner occupiers. Places for People Scotland Care and Support (PfPSC&S) provides social care to a range of client groups across Scotland.

As at 31 March 2016 Castle Rock Edinvar's turnover for the year was £32.2 million and its debt per unit was £8,191.

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 Castle Rock Edinvar's size and turnover we consider it to be systemically important.

Engagement

During 2016/17 we reviewed Castle Rock Edinvar's business plan and supporting financial information to gain assurance about its strategic direction and financial capacity to deliver on its objectives, development plans and other investment activities. We met with members of the senior management team, including the newly appointed Managing Director, to discuss its plans and the key risks and challenges it is facing. We also observed a meeting of Castle Rock Edinvar's Board.

Castle Rock Edinvar is one of the largest developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. Castle Rock Edinvar plans to continue to grow through a considerable programme of new homes for social rent, mid market rent and low cost home ownership.

Castle Rock Edinvar's asset management strategy includes plans to dispose of up to 300 social rented properties through lease and sale by March 2018. The income generated from the disposals will support a programme of around 1,000 new affordable homes in Edinburgh.

Castle Rock Edinvar is currently carrying out a strategic review of PfPSC&S with the aim of identifying a financially sustainable business model for the subsidiary. Castle Rock Edinvar is also reviewing its treasury strategy.

Our engagement with Castle Rock Edinvar Housing Association Ltd in 2017/18 – Medium

We will engage with Castle Rock Edinvar because it is systemically important and about its development and disposals programmes, proposals for PfPSC&S and its treasury arrangements.

1. Castle Rock Edinvar will send us by 30 June 2017:
 - its approved business plan for 2017/18;
 - 30 year projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flows complete with assumptions and explanatory narrative;
 - a comparison of projected loan covenants against covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies;
 - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant requirements; and
 - details of its annual affordability update.
2. For PfPS and PfPSC&S, Castle Rock Edinvar will send us by 30 June 2017:
 - the approved business plans;
 - financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flows complete with assumptions and explanatory narrative;
 - where applicable, a comparison of projected loan covenants against covenant requirements;
 - financial sensitivity analysis and risk mitigation strategies; and
 - reports to the Board of Castle Rock Edinvar in respect of the approved financial projections, sensitivity analysis and covenant compliance.
3. Castle Rock Edinvar will send us:
 - the minutes of its Board and audit and risk committee meetings as they become available;
 - a report on progress with its disposal and new build strategy by 31 July 2017. 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;
 - an update on proposals for PfPSC&S, in advance of our meetings with senior staff; and
 - an update on the implementation of its treasury arrangements in advance of our meetings with senior staff.
4. We will:
 - review the minutes of the Board and audit and risk committee meetings and the disposal report;
 - review the business plan and financial projections and other information Castle Rock Edinvar supplies;
 - meet with Castle Rock Edinvar's senior staff at least twice a year to discuss its business plan, future strategic direction and any risks and challenges facing the organisation; and

- meet with Castle Rock Edinvar's Chair by June 2017 and the Board in February 2018.
5. Castle Rock Edinvar 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.

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.