

Castle Rock Edinvar Housing Association Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Castle Rock Edinvar Housing Association Ltd (Castle Rock Edinvar) during the financial year 2018/19. 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 (RSL) in 1975. It is a charitable subsidiary of the English Registered Provider, Places for People (PfP). Castle Rock Edinvar is the fourth largest RSL in Scotland, owning and managing 6,690 homes including 253 shared ownership and 317 mid-market rent homes across eight local authority areas. Castle Rock Edinvar employs 179 people

In 2017/18 Castle Rock Edinvar approved a number of changes to its organisational structure which will result in further integration with the Places for People Group in Scotland and a widening of its geographic area of operation.

From April 2018 Castle Rock Edinvar's unregistered subsidiary, Places for People Scotland Care and Support, will become a standalone organisation operating as with YOU and will no longer be a subsidiary of Castle Rock Edinvar. Castle Rock Edinvar will have one remaining unregistered subsidiary, Places for People Scotland (PfP Scotland) which itself provides a further 662 homes for mid-market and market rent. The management of all of the mid-market and market rent properties and Castle Rock Edinvar's factoring service (to 1,680 owners) will also transfer to other Group companies Touchstone and RMG respectively.

As at 31 March 2017 Castle Rock Edinvar's turnover for the year was £33.4 million and its debt per unit was £8,680.

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

Castle Rock Edinvar's business plan is aligned to the Places for People Group's 'Creating Places that Work for Everyone' strategy and is updated annually. During 2017/18 we reviewed the plan and supporting financial information to gain assurance about Castle Rock Edinvar's strategic direction and financial capacity to deliver on its objectives. We also sought assurance around proposed organisational changes, its significant development plans and its treasury strategy.

Castle Rock Edinvar also concluded the disposal of 290 social rented properties through lease to PfP Scotland, with the income generated supporting the delivery of new affordable homes in Edinburgh.

We met with Castle Rock Edinvar's Chair and members of the senior management team to discuss its plans and the key risks and challenges it faces. We also observed a meeting of Castle Rock Edinvar's Board.

Castle Rock Edinvar's strategic priorities for 2018/19 continue to focus on the growth of the organisation through new development and placemaking. 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, low cost home ownership and mid-market rent. As a result, the number of affordable homes provided by Castle Rock Edinvar will increase by around a third over the next five years.

Castle Rock Edinvar, working alongside other Group companies will focus on delivering ongoing service improvement and efficiencies, investing in specialist housing and reshaping its older person services, creating a platform for strategic partnership working and developing digital service delivery.

Castle Rock Edinvar will continue to assess its organisational structure to ensure it is fit for purpose. The Castle Rock Edinvar and PfP Scotland brands and governance arrangements will be reviewed and updated to reflect and align with the Groups' operation in Scotland. Castle Rock Edinvar also plans to conclude the transfer of funding to the Group treasury vehicle.

Our engagement with Castle Rock Edinvar Housing Association Ltd in 2018/19 – Medium

We will engage with Castle Rock Edinvar because it is systemically important and to seek further assurance about its future strategic direction, its treasury arrangements and its plans for further organisational change, growth and diversification.

1. Because we consider Castle Rock Edinvar to be of systemic importance, Castle Rock Edinvar will send us the minutes of its Board and audit and risk committee meetings as they become available.
2. Castle Rock Edinvar has sent us:
 - its approved business plan for 2018/19;
 - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resulting covenant calculations with the actual current covenant requirements;
 - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant requirements; and
 - details of its annual affordability update.
3. For PfP Scotland Castle Rock Edinvar has sent us:
 - the approved business plan;
 - financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow 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.
4. We will:
- review the minutes of the board and audit and risk committee meetings;
 - meet with Castle Rock Edinvar's senior staff three times in 2018/19 to discuss the group's business and any risks to the group;
 - discuss the business plan, the financial information and any other information Castle Rock Edinvar supplies at the meetings; and
 - meet with Castle Rock Edinvar's new Chair in quarter one and the Board in quarter four.
5. Castle Rock Edinvar will send us updates, prior to our meetings, which will include:
- the approved Group business plan, prior to our quarter two meeting;
 - a report on lessons learned from the Edinburgh disposal and new build strategy, prior to our quarter two meeting;
 - progress with the organisational structure review, including proposals for the Castle Rock Edinvar and PfP Scotland brands and governance arrangements;
 - proposals for future strategic partnerships;
 - progress with the transfer of funding to the Group PfP Treasury vehicle;
 - details of proposals for any significant investment portfolios and progress with this;
 - progress with delivering service improvements and efficiencies, including progress with implementing proposals for its older persons' services and the development of digital services; and
 - a copy of the quarterly Development Report to the board.
6. 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.