

Castlehill Housing Association Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Castlehill Housing Association Ltd (Castlehill) during the financial year 2017/18. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Castlehill was registered as a social landlord in 1975. It owns and manages 1,769 homes including 118 part ownership homes and delivers factoring services to 136 owners across the Aberdeen, Moray and Aberdeenshire local authority areas. It has charitable status and employs around 81 people.

Castlehill has two unregistered subsidiaries, Castlehill Solutions and Grampian Community Care Charitable Trust. As at the 31 March 2016 its turnover for the year was over £10.2 million and its debt per unit was £11,604.

Engagement

We have reviewed Castlehill's financial returns for 2015/16 and we will engage with it to gain assurance about its current and projected financial performance. It has an on-going development programme of new housing for social rent and mid market rent and has received significant public subsidy to help achieve this. It has obtained consent for a new loan facility to fund these projects.

Castlehill Solutions principal activity is the provision of mid-market rent (MMR) homes and a small repair service. The subsidiary intends to increase the number of MMR homes during 2017/18. It made a small loss in 2014/15 but this increased in 2015/16 so we will engage with Castlehill to gain assurance about the subsidiary's financial health and its impact on the parent.

Castlehill has highlighted that less than 17% of its homes currently meet the Energy Efficiency Standard for Social Housing (EESH). We expect Castlehill to have plans in place to meet EESH by December 2020 and to inform us if it does not anticipate meeting the standard by that date.

Our engagement with Castlehill Housing Association Ltd in 2017/18 – Medium

We will engage with Castlehill to gain assurance about its financial performance and about the projected financial performance of Castlehill Solutions Ltd.

1. Castlehill will send us by 30 September 2017:
 - its approved business plan;
 - 30 year financial 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 compliance;
 - a copy of its treasury management policy; and
 - evidence of how it demonstrates affordability for its tenants.
2. For Castlehill Solutions Ltd, Castlehill will send us by 30 September 2017:
 - its approved business plan;
 - financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flows complete with assumptions and explanatory narrative;
 - financial sensitivity analysis including risk mitigation strategies; and
 - report to the Board of Castlehill in respect of the approved financial projections, sensitivity analysis and covenant compliance.
 3. Castlehill will send us an update on its development programme including funding plans, timescales, completions and any material changes by 31 October 2017.
 4. We will provide feedback on the business plans and discuss the financial information provided for both Castlehill and Castlehill Solutions Ltd in quarter three of 2017/18.
 5. Castlehill 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 Castlehill Housing Association Ltd 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.