

Dunedin Canmore Housing Ltd

31 March 2015

This Regulation Plan sets out the engagement we will have with Dunedin Canmore Housing Ltd (Dunedin Canmore) during the financial year 2015/16. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Dunedin Canmore was registered as a social landlord (RSL) in 1975. It has charitable status and owns and manages around 5,700 houses in Edinburgh, the Lothians and Fife. It has one unregistered subsidiary, Dunedin Canmore Enterprise Limited, which employs the group's 230 members of staff, delivers the commercial aspects of Dunedin Canmore's business, provides mid-market and market rent homes and delivers a factoring service to around 3,700 owners. The group's turnover in 2013/14 was over £29 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 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 through our published regulation plans. Given Dunedin Canmore's size, turnover and debt, 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.

Dunedin Canmore has been one of the larger developers of new affordable housing in Scotland and continues to receive significant public funding to achieve this. Dunedin Canmore plans to continue to grow through the provision of new housing for social rent, mid-market rent and low cost home ownership. As a result of its development activity, Dunedin Canmore has relatively high levels of debt.

Dunedin Canmore has reviewed its strategic objectives and options and decided to pursue a constitutional partnership with the Wheatley Housing Group (WHG). It recently balloted its tenants about the partnership and the majority of tenants who voted supported the proposal. We will continue to engage with Dunedin Canmore about its plans to join the WHG in 2015.

Dunedin Canmore recently commissioned a governance review which found a number of weaknesses in its governance and management. The governing body has developed an action plan to address the issues arising from this review. We will continue to engage with Dunedin Canmore to monitor its progress against its governance action plan.

Our engagement with Dunedin Canmore – Medium

Given Dunedin Canmore's size, turnover and debt we consider it to be of systemic importance. In light of this and its subsidiary activities and partnership proposals with WHG, we will have medium engagement in 2015/2016.

1. Because we consider Dunedin Canmore to be of systemic importance, it will send us the minutes its governing body and the group audit committee meetings each quarter.

2. Dunedin Canmore should keep us informed of progress with its proposals to join WHG and will need to apply for formal consent to join WHG.
3. Dunedin Canmore will send us by 31 May 2015:
 - the approved business plan for Dunedin Canmore and its subsidiary. This should include commentary on the results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for it and its subsidiary. This should consist of income and expenditure statement, balance sheet and cashflow, including calculation of the 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 which demonstrate continuing affordability for tenants;
 - the report to the governing body in respect of the 30 year projections; and
 - and an update on its plans for development, including funding plans.
4. We will:
 - review the minutes of the governing body and audit committee meetings;
 - meet with Dunedin Canmore's senior staff on a quarterly basis to discuss the group's business and any risks to the group;
 - meet with the Chair of Dunedin Canmore in quarter one;
 - review and give feedback during the quarterly meetings on the business plan and financial projections and other information Dunedin Canmore supplies; and
 - monitor its progress against the governance action plan.
5. Dunedin Canmore should alert us to notifiable events and seek our consent as appropriate. It should continue to provide us with the annual regulatory returns we review for all registered social landlords (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, guidance and other relevant statistical and performance information can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for Dunedin Canmore 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.