

Ore Valley Housing Association Ltd

31 March 2017

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

Regulatory profile

Ore Valley was registered as a social landlord in 1991. It owns and manages 659 homes in Cardenden in the Fife local authority area. It has charitable status and employs 16 people. As at the 31 March 2016 its turnover for the year was just over £3.2m and its debt per unit was £21,290.

Ore Valley has five unregistered trading subsidiaries:

- Ore Valley Community Initiatives Limited, which operates a business centre in Lochgelly;
- Ore Valley Enterprises Limited, which provides mid-market rent properties for the Group;
- Cardenden Heat and Power Limited (CHAP), which is a holding company in the Group and has two further subsidiaries;
- Ore Valley Energy Limited, which operates a small wind turbine; and
- Ore Valley Heating Limited, which leases boilers to Ore Valley.

Engagement

During 2016/17, we engaged with Ore Valley as it managed its subsidiary activities. Ore Valley has been developing a wind energy programme and a central heating replacement programme. These projects involved the creation of two Special Purpose Vehicles: Ore Valley Energy and Ore Valley Heating that are subsidiaries of CHAP.

During 2016/17, we reviewed Ore Valley's business plans and financial projections. We also considered its subsidiaries' plans and financial projections and sought assurance from Ore Valley on its proposals for wind energy and central heating projects. We met with the Chief Executive and the Board to discuss the risks and challenges facing Ore Valley.

As part of the wind energy programme a wind turbine has been constructed near Cardenden and was operational from March 2017. The central heating programme involved the installation of heating systems into Ore Valley's tenants homes. This was completed in March 2017.

During 2016/17 we also engaged with Ore Valley about its work to assess itself against our Regulatory Standards of Governance and Financial Management. Ore Valley is taking forward some further work as a result of this review and we will engage with Ore Valley about its progress with this work during 2017/18.

Ore Valley has also commissioned consultants to carry out a 100% stock condition survey. This was scheduled to conclude in March 2017. The results of this survey will feed directly into Ore Valley's Asset Management Strategy and we will continue to seek assurance about how the outcomes from this impact on the organisation.

Ore Valley has plans to develop a small number of homes for social rent and will receive public subsidy to help achieve this.

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

We will engage with Ore Valley to monitor its financial plans and understand the impact of its subsidiary activity. We will also seek to gain assurance as it undertakes complex subsidiary activities and progresses with its asset management plans.

1. Ore Valley Housing Association will send us by 30 June 2017:
 - its approved business plan;
 - 30 year financial projections consisting of statements of comprehensive income, of financial position and of cash flow, complete with assumptions and explanatory narrative;
 - a comparison of projected financial 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; and
 - evidence of how it demonstrates affordability for its tenants.
2. Ore Valley will send us the following information for all of its subsidiaries by 30 June 2017:
 - the approved business plans;
 - 30 year financial projections consisting of statements of comprehensive income, of financial position and of cash flow, complete with assumptions and explanatory narrative;
 - financial sensitivity analysis including risk mitigation strategies; and
 - reports to the Board in respect of the approved financial projections and sensitivity analysis.
3. Ore Valley will send us by 31 October 2017:
 - an update on the outcome of the stock condition survey and its impact on Ore Valley's Asset Management Strategy;
 - an update on its development projects, including funding plans, timescales, completions and any material delay or changes; and
 - half yearly group management accounts including year-end budgets and forecasts and the related Board reports.
4. Ore Valley will provide us with an update on its progress with the recommendations from the governance self-assessment review when available.
5. We will:
 - provide feedback on the business plans and discuss the financial information provided to us for both Ore Valley and its subsidiaries in quarter two of 2017/18;
 - provide feedback on Ore Valley's group management accounts in quarter three of 2017/18; and
 - discuss its progress with the recommendations from the governance self-assessment review.
6. Ore Valley 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;
- 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 Ore Valley 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.