

River Clyde Homes Ltd

18 June 2012 - 13 December 2012

This Regulation Plan sets out the engagement we will have with River Clyde Homes during the financial year 2012/2013. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

River Clyde Homes (RCH) is a relatively new registered social landlord (RSL) which took ownership of its stock from Inverclyde Council in December 2007 following a successful stock transfer ballot. It is a charitable company limited by guarantee. RCH is the third largest RSL in Scotland with around 5,800 tenants and owns approximately 7,200 homes, of which 1,100 are scheduled for demolition. It employs around 217 full time equivalent staff and in the year ended 31 March 2011 it had a turnover of just under £22.8 million. RCH acts as a factor to over 2,000 properties across Inverclyde.

RCH is the largest developer of social housing in Inverclyde, has a large new build development programme and has completed 315 new build homes. It has received significant public subsidy to achieve this.

Given RCH's size, turnover and the scale of its development activity we consider it to be of systemic importance.

We have been engaging with River Clyde Homes about serious governance issues. RCH's Chief Executive left in May 2012 and RCH has appointed an interim Chief Executive to undertake full Chief Executive duties, lead on an independent investigation into some of the governance issues and also manage the appointment of a permanent Chief Executive. RCH is also reviewing its governance framework and we will need to understand the proposed changes and implications for RCH's business. To support it in this interim period, RCH has strengthened its governing body with three experienced and independent members.

There are areas where the performance of RCH appears poor compared to the rest of the sector. RCH is focussing on these matters and we will monitor its progress. We expect RCH to improve its performance and also address the other issues raised in our inspection of it in March 2010. At that time we awarded RCH a "C" grade overall which indicated a fair performance. We expect RCH to provide us with a formal report on progress in November 2012. It is also working through an action plan arising from a report from its external auditors on its repairs service and we will need RCH to keep us informed of progress.

In common with organisations of a similar scale and size, RCH has a number of key external stakeholders. As part of our engagement we will look for assurance that these relationships are being managed in an appropriate manner.

Achieving the Scottish Housing Quality Standard (SHQS) is another key area of work for RCH. It has plans to meet the standard by the end of 2015 and to achieve this it will have high planned maintenance spend and will be investing around half of its total SHQS spend in the last two years before the target date of 2015.

We received a revised business plan in 2011/12 and we are currently reviewing it. Given the scale and complexity of RCH's business activities and progress with SHQS we will continue to have close ongoing engagement with it.

Our engagement with River Clyde Homes - High

We consider River Clyde Homes to be of systemic importance because of its turnover, debt and the scale of its investment and development activities. We will have high engagement with it in 2012/13.

1. We will:
 - receive regular reports on progress with the governance issues at RCH, including the investigation;
 - consider how RCH is addressing any findings which emerge from the investigation and the work of the interim chief executive;
 - seek assurance that RCH is taking appropriate steps to address any weaknesses in its governance and is able to demonstrate it is complying with our Regulatory Standards of Governance and Financial Management;
 - receive regular updates on progress with recruiting a new chief executive.
 - meet senior staff twice during the year to discuss progress against its business plan and any risks to the organisation; and
 - meet the governing body during the year as appropriate.
2. RCH will send us:
 - business planning information including its updated business plan, scenario planning, sensitivity analysis of its key business planning assumptions, full 30 year projections with cashflows and covenant calculations;
 - a copy of its current asset management strategy in June 2012; and
 - copies of the minutes of its governing body and audit sub committee meetings
3. RCH will keep us informed about:
 - its proposed changes to its governance framework; and
 - its progress with implementing the action plan from its recent report from its external auditors.
4. We will engage with RCH when we meet to seek assurance that it is addressing the areas of poor performance.
5. RCH will provide us with a formal report on progress against its improvement plan in November 2012.
6. RCH should also 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 annual accounts and external auditor's management letter;
 - loan portfolio return;
 - five year financial projections; and

- annual performance and statistical return.

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 officers for RCH are:

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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.