

River Clyde Homes Ltd

28 March 2014

This Regulation Plan sets out the engagement we will have with River Clyde Homes (RCH) during the financial year 2014/15. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

RCH is a charitable registered social landlord and was registered in December 2007. It was created as part of a whole stock transfer from Inverclyde Council. It is a charitable company limited by guarantee. RCH is the third largest registered social landlord in Scotland with around 6,417 homes. It employs 235 full time equivalent staff and in the year ended 31 March 2013 it had a turnover of just over £24.5 million. RCH has one non-registered subsidiary, River Clyde Property Management Ltd and acts as a factor to 2,123 properties across Inverclyde.

RCH is the largest developer of social housing in Inverclyde, it continues to have a large new build development programme and has completed 462 new build homes. It has received significant public subsidy to achieve this. Due to its size we consider RCH to be of systemic importance.

Achieving Scottish Housing Quality Standard (SHQS) remains a key area of work for RCH over the next two years. As part of the transfer agreement Scottish Government set a compliance target of 89% as at 31 March 2015 with full compliance by March 2016. We have been engaging with RCH during 2013/4 to gain assurance about progress with SHQS as it still has significant work to do. We will continue to engage with RCH during 2014/15 to ensure that progress is maintained.

In the last two years RCH has been focussed on improving its performance for service quality. When we reviewed RCH's reported performance in its last annual return we found its performance for the average time to complete non-emergency repairs, for the percentage of current tenants rent collected and for the average time to re-let empty houses had all improved but remained poor. During 2013/14 RCH gave us details of its plans to further improve its service delivery in these areas. We need to continue to engage with RCH on this to monitor its progress.

During 2013/14, we reviewed RCH's financial returns and this provided us with assurance about its financial health. It also provided us with an update on its preparations for welfare reform and pension changes. We will continue to engage with it to understand how it plans to manage the key risks facing the sector and the impact these will have on RCH.

Our engagement with RCH - Medium

We consider RCH to be of systemic importance because of its size and we will have medium engagement with it in 2014/15.

1. We will:

- meet senior staff twice during the year to discuss progress against its business plan and any risks to the organisation; and
- meet the Chair during the year.

2. By 30 June RCH will send us:
 - its Business Plan including commentary on results of sensitivity tests and risk mitigation strategies;
 - its 30 year projections consisting of income and expenditure statement, balance sheet and cash flow, including covenant requirements and calculation of the loan covenants;
 - 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; and
 - its report to the Board in respect of the 30 year projections.
3. RCH will send us:
 - the minutes of its governing body and audit committee meetings each quarter;
 - a report on impacts and actions relating to Welfare Reform by July 2014;
 - updates on its progress with SHQS each quarter; and
 - an update on future funding and its development programme in July 2014.
4. We will:
 - review the minutes of the governing body and audit committee meetings;
 - give feedback on the business plan and financial projections;
 - review progress with its service quality when we receive the Annual Return on the Charter in May 2014; and
 - review progress with SHQS when we receive the Annual Return on the Charter in May 2014.
5. 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 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 and other relevant statistical and performance information can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for RCH 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.