

River Clyde Homes Ltd

31 March 2015

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

Regulatory profile

RCH is a charitable registered social landlord (RSL) and was registered in 2007. It was created as part of a whole stock transfer from Inverclyde Council. It is a charitable company limited by guarantee and is the third largest RSL in Scotland. RCH provides 6,233 homes and delivers factoring services to 2,202 owners across Inverclyde. It employs 244 people and in the year ended 31 March 2014 it had a turnover of just over £25.1 million. RCH has one non-registered subsidiary River Clyde Property Management Ltd which is currently dormant.

Systemic importance

Our regulatory framework highlights that a small number of RSLs have a profile in terms of stock size, turnover, size of debt or geographic importance that means we need to ensure that 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 from these organisations through our published Regulation Plans. Given the level of peak debt we consider it to be of systemic importance.

RCH is the largest developer of new affordable housing in Inverclyde and has received significant public subsidy to achieve this it has completed 462 new build homes. RCH has plans for a significant programme of new homes for social rent.

Achieving the Scottish Housing Quality Standard (SHQS) remains a key activity for RCH over the coming year. 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 2014/15 to gain assurance it is on track to meet these targets. RCH has advised us it will not meet the 89% target at 31 March 2015 but it is on target to achieve full compliance with SHQS by March 2016. We will continue to engage with RCH during 2015/16 to ensure that progress is maintained.

RCH continues to focus on improving its performance for service quality. When we reviewed RCH's reported performance in its Annual Return on the Charter we found its performance for the average working days to complete non-emergency repairs, rent lost due to properties being empty and rent collected all continued to improve but remained poor. Its performance for tenancies sustained for more than a year is in the bottom quartile. During 2013/14 it reviewed its strategy for difficult to let properties and decided to bring a large number of properties back into the letting pool. This has affected its performance for the average days to re-let properties during 2014/15. We need to continue to engage with RCH on service quality as it continues to implement its improvement programme and works through its strategy for difficult to let properties.

During 2014/15, we reviewed RCH's business plan and financial returns to provide us with assurance about its financial health. We will continue to engage with it to understand how it plans to manage the key risks it faces. RCH's Chair is retiring in summer 2015 and we will arrange to meet the new Chair later in the year.

Our engagement with RCH - Medium

We consider RCH 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 so we will have medium engagement with it in 2015/16.

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 2015 RCH will send us its:
 - approved Business Plan including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections consisting of income and expenditure statement, balance sheet and cash flow, including calculation of 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 and inflation rates which demonstrate continuing affordability for tenants; and
 - reports to the Board in respect of the 30 year projections and sensitivity analysis.
3. RCH will send us:
 - the minutes of its governing body and audit committee meetings each quarter;
 - updates on its progress with SHQS each quarter; and
 - an update on its development activities, including future funding plans, by 30 September 2015.
4. We will:
 - review the minutes of the governing body and audit committee meetings;
 - give feedback on the business plan and financial projections in quarter two of 2015/16;
 - review progress with its service quality when we receive the Annual Return on the Charter in May 2015; and
 - review progress with SHQS when we receive the Annual Return on the Charter in May 2015 and during the year when we receive the quarterly progress reports.
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.