

River Clyde Homes Ltd

31 March 2016

This Regulation Plan sets out the engagement we will have with River Clyde Homes Ltd (RCH) during the financial year 2016/17. 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 fourth largest RSL in Scotland. RCH provides 6,062 homes and delivers factoring services to 2,217 owners across Inverclyde. It employs 254 people and in the year ended 31 March 2015 it had a turnover of just over £27.2 million. RCH has one non-registered subsidiary River Clyde Property Management Ltd which is currently dormant.

Systemic importance

We refer to a small number of RSLs as 'systemically important' because of their stock size, turnover or level of debt or because of their significance within their area of operation. We need to maintain a comprehensive understanding of how their business models operate and the risks they face, so we seek some additional assurance through our regulation plans.

Given the RCH's size and level of debt, we consider it to be systemically important. We need to understand how it plans to manage the key risks it faces and the impact these may have.

RCH has an on-going development programme of affordable housing and receives public subsidy to help achieve this. RCH plans to continue to grow through the provision of a small number of homes for social rent.

During 2015/16, 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.

As part of the transfer agreement with Inverclyde Council, the Scottish Government set RCH a target date for achieving full compliance with the Scottish Housing Quality Standard (SHQS) of 31 March 2016. RCH currently has 39 properties which fail the SHQS (0.6% of stock) and has plans to deal with these. RCH has recently progressed work on over-cladding and a community heating system at Broomhill in Greenock covering 536 properties. This will bring these properties up to the Scottish Housing Quality Standard (SHQS) and also ensure they meet the Energy Efficiency Standard for Social Housing (EESH) in advance of the 2020 deadline. We need to monitor RCH's progress with its plans to achieve SHQS.

To assess the risk to social landlord services SHR has reviewed and compared the performance of all Scottish social landlords to identify the weakest performing landlords. We found that RCH is in the bottom quartile for all social landlords in relation to complaints handling, the percentage of lets to homeless people, time to complete non-emergency

repairs, re-let times and rent lost due to empty properties and the percentage of gross rent arrears compared to rent due.

Our engagement with River Clyde Homes Limited – Medium

Due to RCH's size and level of debt we consider it to be of systemic importance and as a result we will have medium engagement with it in 2016/17.

1. RCH will send us the minutes of its governing body and audit committee meetings each quarter.
2. RCH will send us by 30 June 2016:
 - its approved business plan including commentary on the results of its sensitivity analysis and risk mitigation strategies;
 - 30 year financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flow, including a comparison of projected loan covenants against covenant requirements;
 - sensitivity analysis which considers the keys risks including covenant compliance;
 - its reports to the Boards of RCH in respect of the 30 year projections and sensitivity analysis; and
 - evidence of how it demonstrates affordability for its tenants.
3. We will give feedback on the business plan and financial projections in quarter two of 2016/17.
4. RCH will send us an update on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2016.
5. We will review RCH's service quality after we receive the Annual Return on the Charter in May 2016 and will engage with it about the service quality areas we have highlighted.
6. We will monitor progress with SHQS until work on the remaining fails is completed.
7. RCH 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; 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 River Clyde Homes 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.