

River Clyde Homes Ltd

31 March 2017

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

Regulatory profile

RCH was registered as a social landlord in 2007. It is a charitable company limited by guarantee and was created as part of a whole stock transfer from Inverclyde Council.

RCH provides 5,908 homes and delivers factoring services to 2,217 owners across Inverclyde. It employs 262 people and as at 31 March 2016 it had a turnover of just over £27.77 million and debt per unit of £6,091. RCH has one non-registered subsidiary River Clyde Property Management Ltd (RCPM).

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, how they manage the risks they face and the impact these risks may have. Due to RCH's size we consider it to be systemically important.

Engagement

RCH has an on-going development programme of new housing for social rent and receives significant public subsidy to help achieve this. RCH is considering plans to increase the numbers of new homes it will develop in the next five years.

During 2016/17, we met with the Chair, the Board and senior staff to discuss the risks and challenges RCH faces. We reviewed RCH's business plan, financial returns and financial projections to provide us with assurance about its financial health. When we met, RCH told us it was developing a comprehensive asset management strategy and agreed to send this to us to give us assurance about its approach to managing this. We will continue to engage with RCH to understand how it plans to manage the key risks it faces including its development programme and its asset management.

During 2016/17 RCH notified us that it planned to activate its subsidiary RCPM which had been dormant. RCH advised us RCPM would undertake an initial internal refurbishment works contract planned for the Broomhill estate and gave us the business case and financial plans for the subsidiary. We will continue to get updates on the investment project at Broomhill.

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 76 properties which fail the SHQS and has plans to deal with these. We need to monitor RCH's progress with its plans to achieve SHQS.

Our engagement with River Clyde Homes Ltd in 2017/18 – Medium

We will engage with RCH because it is systemically important and about its development, asset management, stock quality and subsidiary activity.

1. RCH will send us by 30 June 2017:
 - its latest approved business plan;
 - 30 year financial projections consisting of a statements of comprehensive income, financial position and cash flow complete with details of 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;
 - its reports 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. RCH will send us by 30 June 2017 the latest version of the budget, business plan and financial projections in relation to River Clyde Property Management Ltd.
3. RCH will send us:
 - the minutes of its governing body and audit committee meetings as these become available;
 - its asset management strategy by 31 May 2017;
 - monthly updates on the progress of RCPM with the investment programme at the Broomhill estate; and
 - an update on its development projects, including funding plans, timescales, completions and any material delay or changes by 31 October 2017.
4. We will:
 - review the minutes of the governing body and audit committee meetings;
 - meet with senior staff and discuss the business plan and financial information provided in quarter three of 2017/18 and meet the Board in quarter four; and
 - monitor progress with SHQS until RCH completes work on the remaining SHQS fails.
5. 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;
 - Annual Return on the Charter; and
 - 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 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.