

River Clyde Homes Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with River Clyde Homes Ltd (RCH) during the financial year 2018/19. 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 owns and manages 5,878 homes and provides factoring services to 2,226 owners across Inverclyde. It employs around 251 people. RCH has one unregistered subsidiary, River Clyde Property Management Ltd (RCPM) which delivers maintenance and improvement works to RCH homes.

As at 31 March 2017 RCH's turnover for the year was just under £25.93 million and its debt per unit was £7,497.

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 how they manage the risks they face and the impact these may have. So we seek some additional assurance through our regulation plans. Given a combination of RCH's size, turnover and level of debt, we consider it to be systemically important.

Engagement

During 2017 we reviewed RCH's business plan and 30 year projections and financial returns to get assurance about its financial health and we provided feedback on this. We met the board and engaged with the senior management team about the risks and challenges RCH faces. When we met, we discussed RCH's plans for growth and investment and the financial strategy to support this.

We also reviewed RCH's asset management strategy and approach to value for money and gained assurance from this. We discussed RCH's approach to demonstrating affordability for tenants.

RCH has developed a small number of affordable homes in recent years and has received significant public subsidy to help achieve this. In 2017/18 RCH decided to significantly expand its development programme over the next five years and plans to grow through a considerable programme of new housing for social rent.

During 2018/19 we will continue to engage with River Clyde Homes about its financial health and about its subsidiary.

Our engagement with River Clyde Homes Ltd in 2018/19 – Medium

We will engage with RCH because it is systemically important and about its development and subsidiary activities.

1. RCH will send us by 30 June 2018:
 - its approved business plan;
 - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resultant covenant calculations with the actual current covenant requirements;
 - report 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. For RCPM, RCH will send us by 30 June 2018:
 - the approved business plan;
 - the financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks including risk mitigation strategies; and
 - reports to the governing body of RCH in respect of the approved financial projections and sensitivity analysis.
3. RCH will send us:
 - copies of its Board and audit committee minutes as they become available; and
 - an update on its development programme by 31 October 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme.
4. We will:
 - review the minutes of the Board and audit committee meetings;
 - review the business plan and financial projections for RCH and its subsidiary in quarter two of 2018/19;
 - meet with the senior management team in quarter three of 2018/19 to discuss the business plan, the financial information and any risks to the organisation;
 - meet with the Chair and governing body during the year; and
 - review RCH's development update in quarter three of 2018/19.
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:

Name: Kirsty Anderson, Regulation Manager
Address: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF
Telephone: 0141 242 5547

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.