

## Regulation Plan

This Regulation Plan sets out the engagement we will have with Hillcrest Housing Association Ltd. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

Hillcrest Housing Association is an established registered social landlord (RSL) with almost 4,900 housing units. It is based in Dundee but operates throughout Tayside, Fife and Edinburgh providing generalist and specialist accommodation within a broad range of housing stock. It also provides a factoring service to approximately 400 owners and landscape maintenance services to many more. Hillcrest is a registered charity and employs around 160 staff. Its turnover for the year ended 31 March 2008 was around £17.3 million. It operates as a parent within a group structure, currently with five unregistered subsidiaries including Gowrie Care, which provides care and support services to a wide client group and employs about 450 people, Hillcrest Properties Ltd providing commercial services and Hillcrest Enterprises, which operates a construction industry apprenticeship scheme and maintenance service. Hillcrest has been engaging with us about its plans for a group structure and governance review scheduled during 2009/10.

Hillcrest Housing Association is a large developer of social housing in the east of Scotland and one of the largest developers in Scotland in terms of public funding that it receives. It has grown through merger and development activity. Hillcrest has provided us with some initial business planning information but we will need further detailed information to complete our assessment of its plan and its financial capacity and viability. Hillcrest has chosen to purchase a free standing derivative and we need to understand how this sits within its group treasury management arrangements.

Hillcrest's rent arrears performance reported in the APSR for 2007/08 and 2008/09 is poor compared to the sector overall.

### **Our engagement with Hillcrest Housing Association - Medium**

1. We need further business planning information from Hillcrest to assess its overall financial capacity and viability in light of its development, investment and other activities. This should include comprehensive financial projections, including sensitivity analysis around key assumptions and incorporating full 30 year projected cashflows that confirm Hillcrest's ability to meet the Scottish Housing Quality Standard by 2015 and its continued compliance with lending covenants. We also need to see Hillcrest's group treasury management policy to understand any potential impact of its free standing derivative and its subsidiaries on its cashflow. We will liaise further with Hillcrest to clarify our requirements.
2. We will continue to engage with Hillcrest on its proposed group structure and governance review and the ongoing role of its subsidiaries.
3. We want to see an improvement plan from Hillcrest by the end of September 2009 to demonstrate how it will address its performance in arrears.

4. Hillcrest should continue to 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
  - annual performance and statistical return

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 guides to how we regulate, inspect, and intervene and other relevant statistical and performance information, can be found on our website at [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Hillcrest HA 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.