

# Engagement plan from 1 April 2024 to 31 March 2025

## Landlord name

Calvay Housing Association Ltd

## Publication date

02 April 2024

## Regulatory status

Working towards compliance

The RSL does not meet regulatory requirements, including the Standards of Governance and Financial Management, and it is working to achieve compliance.

## Why we are engaging with Calvay Housing Association Ltd (Calvay)

We are engaging with Calvay about its **governance, financial management** and **stock quality**.

In December 2022 we changed Calvay's regulatory status to working towards compliance. Our assessment was that Calvay did not comply with regulatory requirements including the Standards of Governance and Financial Management (the Standards), specifically Standards one and six. We also had serious concerns about its compliance with Standards four and five.

In February 2023 Calvay commissioned an independent review of its compliance with the Standards. The review concluded in June 2023 and found non-compliance with Standards one, three, four, five and six.

The findings of the independent review included a lack of formal policies, procedures and governing body oversight in relation to tenant and resident safety, an absence of analysis of financially sustainable rent increases in advance of consulting with tenants, weaknesses in risk management arrangements, gaps in the skills and experience of the governing body and weaknesses in succession planning arrangements for the governing body.

Calvay developed a governance action plan to address the findings and it has reported that it has made material progress to date.

Calvay has recruited additional members to increase the capacity of the governing body.

Calvay identified failure in the render to some of its homes which will require substantial work and investment to resolve. Calvay has carried out a programme of interim repairs to address any immediate risks to tenant and resident safety and is taking forward proposals to install cavity fill and external wall insulation to improve the quality of its homes in the longer term. We are engaging with Calvay to seek assurance that the identified defects are addressed and about the impact of the investment on its financial position.

Calvay is working constructively and openly with us.

The Housing (Scotland) Act (2010) requires us to monitor and assess the financial well-being, governance and performance of each Registered Social Landlord (RSL).

**Our current assessment is that Calvay is non-compliant and is working towards compliance with the Regulatory Standards of Governance and Financial Management. We set out below the information that Calvay must provide in order to assure us that it can achieve compliance.**

## What Calvay must do

Calvay must:

- send us monthly updates on progress with its governance action plan;
- send us by 30 April 2024:
  - its approved business plan and updated risk register;
  - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flows complete with assumptions and explanatory narrative;
  - a comparison of projected financial loan covenants against current covenant requirements;
  - 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 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.
- send us quarterly updates on its programme of improvements to address the failing render in its homes.

## What we will do

We will:

- review progress with the governance action plan and engage as necessary;
- review the business plan and financial information;
- meet with Calvay's senior staff to discuss the business plan, the financial information and any risks to the organisation;
- review the updates on its programme of improvements to address the failing render in its homes and engage as necessary;
- review our regulatory status in the light of this; and
- update our published engagement plan in the light of any material change to our planned engagement with Calvay.

## Regulatory returns

Calvay must provide us with the following annual regulatory returns and alert us to notifiable events as appropriate:

- Annual Assurance Statement;
- audited financial statements and external auditor's management letter;
- loan portfolio return;
- five year financial projections; and
- Annual Return on the Charter.

It should also notify us of any material changes to its Annual Assurance Statement, and any tenant and resident safety matter which has been reported to or is being investigated by the Health and Safety Executive or reports from regulatory or statutory authorities or insurance providers, relating to safety concerns.

<https://www.housingregulator.gov.scot/landlord-performance/landlords/calvay-housing-association-ltd/> retrieved 2<sup>nd</sup> April 2024