

# BT Loch Aillse agus an Eilein Sgitheanaich Ltd

## 29 March 2018

This Regulation Plan sets out the engagement we will have with BT Loch Aillse agus an Eilein Sgitheanaich Ltd (Lochalsh and Skye) during the financial year 2018/19. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

Lochalsh and Skye was registered as a social landlord in 1983. Lochalsh and Skye currently owns and manages 646 homes and provides factoring services to 96 owners across the Lochalsh and Skye area. It has charitable status and employs around 37 people.

Lochalsh and Skye has one unregistered subsidiary, North West Highland Community Enterprises Ltd which manages a small number of properties for mid-market rent.

As at 31 March 2017 Lochalsh and Skye's turnover for the year was just over £6 million and its debt per unit was £21,705.

### Engagement

Lochalsh and Skye has an on-going development programme of new housing for social rent and receives significant public subsidy to help achieve this. Lochalsh and Skye recently decided to considerably increase its development programme. As a result, the number of affordable homes provided by Lochalsh and Skye will increase by around a third during this period.

During 2017/18 we reviewed Lochalsh and Skye's financial returns which showed an increase in borrowing to support its development programme. We will engage with Lochalsh and Skye to get additional assurance around its treasury management as it puts in place its funding needs to deliver the objectives set out in its business plan.

### **Our engagement with BT Loch Aillse agus an Eilein Sgitheanaich Ltd in 2018/19 – Medium**

We will engage with Lochalsh and Skye about its plans for significant growth and its treasury management.

1. Lochalsh and Skye 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 resulting 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. Lochalsh and Skye will send us 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.
  3. We will:
    - meet with senior staff to discuss the business plan and the financial information in quarter two of 2018/19;
    - seek assurance about Lochalsh and Skye's approach to treasury management and will engage with it as necessary to address any issues arising from this; and
    - review Lochalsh and Skye's development update in quarter three of 2018/19.
  4. Lochalsh and Skye 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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for BT Loch Aillse agus an Eilein Sgitheanaich 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.