

Berwickshire Housing Association Ltd

28 March 2014

This Regulation Plan sets out the engagement we will have with Berwickshire Housing Association (BHA) during the financial year 2014/2015. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

BHA was registered as a social landlord in 1995 following the transfer of Berwickshire District Council's housing stock. It has charitable status, owns 1,728 homes and 553 non housing properties located in the Berwickshire area and employs 47 full time equivalent people. It factors a further 24 houses in the Berwickshire area. BHA's turnover for the year ended 31 March 2013 was approximately £6.8 million.

BHA has two active subsidiaries: BHA Enterprise Ltd (formerly Berwickshire Ltd) and Seton Care which now has charitable status and carries out all of its care activities. BHA Enterprise Ltd holds a two thirds members contribution in Berwickshire Community Renewables LLP established in partnership with Community Energy Scotland Trading Ltd (CEST) to own, develop and manage a wind farm project. BHA is looking at other renewables projects in conjunction with other RSLs and will keep us informed of progress.

During 2013/14 we reviewed BHA's financial projections and gained assurance about its strategic management and controls. BHA's aim is to maximise benefit to it from subsidiary activity and is keeping these activities under review. It continues to have a small development programme which it hopes can benefit from subsidiary activities in the future.

Our engagement with BHA – Medium

In light of BHA's subsidiary activities we will have medium engagement with it during 2014/15.

1. BHA will send us by the end of June 2014:
 - its approved business plan for both the RSL and its subsidiaries including commentary on the results of sensitivity tests and risk mitigation strategies;
 - 30 year projections for both the RSL and its subsidiaries consisting of the income and expenditure statement, balance sheet and cash flow, including the calculation of loan covenants, covenant requirements and the related Board reports; and
 - sensitivity analysis for the RSL and its subsidiaries which looks at the key risks such as, arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases.

2. BHA will also send us:
 - quarterly updates on its subsidiary projects; and
 - in November 2014, six monthly management accounts and the associated Board papers for both the RSL and its subsidiaries.

3. We will:
 - liaise with BHA as necessary about its development and subsidiary activities; and
 - meet senior staff in December 2014 to provide feedback on the financial information, discuss subsidiary activities and the challenges facing the Group.
4. BHA 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 annual accounts and external auditor's management letter;
 - loan portfolio return;
 - five year financial projections; and
 - the Annual Return on the Charter.

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 BHA 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.