

Berwickshire Housing Association Ltd

31 March 2015

This Regulation Plan sets out the engagement we will have with Berwickshire Housing Association (BHA) during the financial year 2015/16. 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 1,731 homes and 550 non housing properties located in the Berwickshire area and employs 49 full time equivalent staff. It factors a further 24 houses in the Berwickshire area. BHA's turnover for the year ended 31 March 2014 was approximately £7.3 million.

BHA has two active subsidiaries: BHA Enterprise Ltd and Seton Care which 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 (BCR) established in partnership with Community Energy Scotland Trading Ltd (CEST) to own, develop and manage a wind farm project. BCR hopes to connect the wind farm to the grid in Spring 2016.

Care activities remain a significant part of BHA group's business. Whilst care activities in Berwickshire have already been transferred to another provider, BHA have completed an options appraisal in the course of the year to help it determine the future of its care provision including its care home in the Northumberland County Council area.

The majority of BHA's properties now meet the Scottish Housing Quality Standard (SHQS) and 23% of its properties (396) are exempt. 80% of BHA's exempt properties are exempt because they are not on the gas grid while 8% (32) properties are exempt for social reasons.

BHA continues to have a small development programme of new housing for social rent and has received significant public subsidy to help fund this. It will complete its first mid market rent properties in June 2015.

Our engagement with BHA – Medium

In light of BHA's subsidiary activities we will have medium engagement with it during 2015/16.

1. BHA will send us:
 - from April 2015, quarterly updates on its subsidiary projects; and
 - an update at the end of July 2015 on progress with allocating its mid-market rent properties.
2. BHA will also send us by the end of November 2015:
 - its approved business plan including commentary on results of sensitivity tests and risk mitigation strategies for it, its subsidiaries and BCR LLP;
 - 30 year financial projections for it, its subsidiaries and BCR LLP consisting of income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements; sensitivity analysis

looking at 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 and inflation rates which demonstrate continuing affordability for tenants;

- reports to the Board in respect of the 30 year projections and sensitivity analysis; and
 - the six month management accounts and the associated Board papers for both BHA and its subsidiaries.
3. We will:
- liaise with BHA as necessary about its development and subsidiary activities; and
 - meet senior staff in December 2015 to provide feedback on the business plan and projections, 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:

Name: Janet Dickie, Regulation Manager
Address: Highlander House, 58 Waterloo Street, Glasgow, G2 7DA
Telephone: 0141 242 5550

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.