

Berwickshire Housing Association Ltd

31 March 2016

This Regulation Plan sets out the engagement we will have with Berwickshire Housing Association Ltd (BHA) during the financial year 2016/17. 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 1,797 homes and 542 non housing properties located in the Berwickshire area and employs 55 full time equivalent staff. It factors a further 24 houses in the Berwickshire area. BHA's turnover for the year ended 31 March 2015 was approximately £7.38 million.

BHA has two active subsidiaries, BHA Enterprise Ltd and Seton Care. Seton Care has charitable status and carries out all of BHA's 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 plans to connect to the national grid by April 2017.

During the year BHA has withdrawn from all care at home activity. It has also closed its care home, Seton Hall and is reviewing its group structure.

A number of Board members resigned during 2015 and BHA has recently appointed new members to fill these vacancies.

BHA has an on-going development programme of new housing for social and mid market rent and has received significant public subsidy to help achieve this.

Our engagement with Berwickshire Housing Association Ltd – Medium

Given the changes to the Board in 2014/15 and its subsidiary and development activities we will have medium engagement with BHA.

1. BHA will:
 - send us from the end of April 2016 and quarterly thereafter, updates on progress with the wind farm now that it is in the construction phase; and
 - keep us informed at key stages of its group structure review.
2. BHA will also send us, by the end of June 2016:
 - its approved business plans for it and BHA (Enterprise) Ltd including commentary on the results of its sensitivity analysis and risk mitigation strategies;
 - 30 and 25 year financial projections respectively for it and BHA (Enterprise) Ltd respectively, consisting of statements of comprehensive income, of financial position and cash flow, including a comparison of projected loan

- covenants against covenant requirements;
 - sensitivity analysis for it and its subsidiary which considers the keys risks including covenant compliance;
 - its reports to the Boards of BHA and BHA (Enterprise) Ltd in respect of the financial projections and sensitivity analysis; and
 - evidence of how it demonstrates affordability for its tenants.
3. BHA will also send us an update by:
- 31 July 2016 on progress with allocating its mid-market rent properties;
 - 31 October 2016 on its development projects, including funding plans, timescales, completions and any material delays or changes; and
 - 30th November, the six month management accounts and the associated Board papers for both BHA and BHA (Enterprise) Ltd.
4. We will:
- liaise with BHA as necessary about its development and subsidiary activities; and
 - meet senior staff and the Board by the end of September 2016 to provide feedback on the business plan and projections, discuss Board membership, subsidiary activities and the risks and challenges facing the business.
5. 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 financial statements and external auditor's management letter;
 - loan portfolio return;
 - five year financial projections; and
 - 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 Berwickshire Housing Association 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.