

Berwickshire Housing Association Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Berwickshire Housing Association Ltd (BHA) during the financial year 2017/18. 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 1,776 homes plus 2 shared ownership homes in the Berwickshire area and employs 55 full time equivalent staff. It factors a further 26 homes in the Berwickshire area. As at the 31 March 2016 BHA's turnover for the year was £7.72 million and its debt per unit was £11,657.

BHA has two subsidiaries, BHA Enterprise Ltd and Seton Care. BHA Enterprise Ltd manages BHA's 12 mid market rent properties and also holds a two thirds members contribution in Berwickshire Community Renewables LLP (BCR). BCR was established in partnership with Community Energy Scotland Trading Ltd (CEST) to own, develop and manage a wind farm project at Hoprigshiels. Seton Care is in the process of being wound up and its remaining activities brought within BHA's remit.

Engagement

During 2016/17 we engaged with BHA about its approach to business planning and risk management. We also reviewed its progress in meeting the Scottish Housing Quality Standard (SHQS), its work on rent affordability and its subsidiary and wind farm activities. We gained assurance about BHA's financial health, its approach to achieving value for money and its progress with attracting and establishing new Board members. The windfarm was connected to the national grid in March 2017. BHA is working through a significant programme of IT improvements to support these and other changes in its business model.

The Board has a clear understanding of where its rent levels sit in relation to its peers and is looking to do further work on rent affordability for its tenants. We will look at rent affordability evidence further this year.

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

Our engagement with Berwickshire Housing Association Ltd in 2017/18 – Medium

We will engage with BHA around planned changes to its group structure and its wind farm and development activities.

1. BHA will advise us when Seton Care is formally wound up and when the sale of Seton Hall concludes.

2. BHA will send us by the end of June 2017:
 - its approved business plan including commentary on the results of its sensitivity analysis and risk mitigation strategy and the contribution made by the wind farm;
 - 30 year projections, consisting of statements of comprehensive income, of financial position and cash flow, including a comparison of projected loan covenants against covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies and the impact of further development; and
 - reports to the Board of BHA in respect of the financial projections and sensitivity analysis.

3. BHA will also send us:
 - an update by 31 October 2017 on its development projects, including funding plans, timescales, completions and any material delays or changes; and
 - by 31 January 2018 evidence of how it demonstrates affordability for its tenants.

4. We will:
 - meet senior staff and the Board by the end of October 2017 to provide feedback on the business plan and discuss the financial information provided, discuss group structure, progress with the three year IT strategy and the risks and challenges facing the business; and
 - liaise as necessary about its development activity.

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;
 - Annual Return on the Charter; and
 - 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.

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.