

Berwickshire Housing Association Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Berwickshire Housing Association Ltd (BHA) during the financial year 2018/19. 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. BHA currently owns and manages 1,786 homes and provides factoring services to 14 owners. It also owns and manages a childrens nursery in Duns. It has charitable status and employs around 85 people across its housing and nursery activities.

BHA has one unregistered subsidiary BHA Enterprise Ltd, which manages a small number of mid-market rent properties and holds a two thirds members contribution in Berwickshire Community Renewables LLP (BCR). BCR, in partnership with Community Energy Scotland Trading Ltd (CEST), owns and manages the Hoprigshiels wind farm.

As at 31 March 2017 BHA's turnover for the year was just over £8.1 million and its debt per unit was £11,091.

Engagement

BHA has implemented some significant changes to its structure during 2017/18. Its former subsidiary, Seton Care, was wound up on 1 April 2017. The former care home, Seton Hall, has been vacant for some time and BHA is continuing to market it. The remaining activities from this subsidiary, the childrens' nursery and a befriending service, were transferred to BHA and BHA reviewed its charitable objects to accommodate these changes. During 2018/19 BHA will also conclude its work on rent affordability.

We met the senior staff team to discuss the risks and challenges with BHA's plans, gave feedback on its business plan and discussed the supporting financial information. We reviewed its risk management documents and gave feedback on the asset management strategy. We gained assurance about BHA's strategy, financial health, performance of the wind farm now that the project is complete and its restructuring plans including the review of the sheltered housing service and supporting ICT changes.

We engaged with BHA about the departure of its Finance Director and about adverse publicity regarding staffing issues at the nursery in 2016 when it was managed by Seton Care. Our engagement provided us with assurance about how these issues were managed by BHA. BHA is now planning to recruit a Finance Director and a Property Director to complete its senior team.

BHA has an on-going development programme of new housing for social rent and receives significant public subsidy to help achieve this. BHA is currently negotiating with a contractor over issues at a completed new build contract and we have been engaging with it about progress with this.

Our engagement with Berwickshire Housing Association Ltd in 2018/19 – Medium

We will engage with BHA about completing its restructuring plans and recruitment to its senior team, rent affordability, development and wind farm activities.

1. BHA will send us by 31 May 2018:
 - its approved business plan and the supporting 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; and
 - evidence of how it demonstrates affordability for its tenants.
2. BHA will also keep us informed at key stages of progress with:
 - recruitment to its senior team;
 - negotiations with the development contractor;
 - the sale of Seton Hall; and
 - implementation of its ICT changes.
3. BHA will send us details of its development programme by 31 October 2018. This will include an update on progress with delivering the 2018/19 programme, details of any material delays or changes to the programme, details of the planned programme from 2018/19 onwards and a copy of the most recent development update to the Board.
4. We will:
 - meet with BHA's senior staff, Chair and Board in quarter two of 2018/19 to discuss the risks and challenges facing the business and give feedback on the revised business plan and rent affordability work;
 - liaise as necessary on the various progress updates we receive; and
 - review BHA's development update in quarter three of 2018/19.
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 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.

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.