

East Lothian Housing Association Ltd

31 March 2015

This Regulation Plan sets out the engagement we will have with East Lothian Housing Association Ltd (ELHA) during the financial year 2015/16. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

ELHA registered as a social landlord in 1988. It has charitable status and employs around 80 people. It owns and manages approximately 1,267 properties, delivers a factoring service to 83 owners and provides 66 non-housing units across East Lothian. Its turnover for the year ended March 2014 was just over £5.5 million.

ELHA has an unregistered subsidiary, R3 Repairs Ltd (R3) that provides maintenance services to its own and other RSLs' stock. R3 also plans to extend its services to the private sector.

ELHA continues to have a small development programme of new housing for social rent and has received significant public subsidy to help fund this.

ELHA has made good progress towards achieving the Scottish Housing Quality Standard (SHQS) by 2015 and it anticipates achieving SHQS by 31 March 2015 although it does anticipate a small number of exemptions.

We reviewed ELHA's business plan and financial returns and will continue to engage with it given the complexities of its treasury management, the scale of its development and its subsidiary activities.

Our engagement with ELHA – Medium

We will continue to have medium engagement with ELHA to get assurance about its overall financial position in light of its development, investment and subsidiary activity.

1. By 30 September 2015 ELHA will send us its:
 - approved business plans for both it and its subsidiary including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for ELHA and 5 year projections for R3 including income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;
 - sensitivity analysis which looks 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; and
 - reports to the Board for it and its subsidiary in respect of the 30 year projections and sensitivity analysis.

2. ELHA will send us:
 - its update to the Board in respect of its free standing derivative by 30 June 2015; and
 - an update on its development activities, including future funding plans, by 30 September 2015.
3. We will:
 - review progress with SHQS when we receive the ARC at the end of May 2015; and
 - meet ELHA in quarter three of 2015/16 to provide feedback on its business plans and projections for it and its subsidiary.
4. ELHA 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
 - 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 ELHA is:

Name: Kirsty Anderson, Regulation Manager
Address: Highlander House, 58 Waterloo Street, Glasgow, G2 7DA
Telephone: 0141 242 5547

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.