

## East Lothian Housing Association Ltd

**28 March 2014**

This Regulation Plan sets out the engagement we will have with East Lothian Housing Association Ltd (ELHA) during the financial year 2014/2015. 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 full time equivalent staff. It owns and manages approximately 1,212 properties in East Lothian and factors around a further 83. Its turnover for the year ended March 2013 was just over £5.3 million.

ELHA is currently developing new homes for social housing in a number of the communities in East Lothian and has plans for a further small development programme in the next two years.

ELHA has set up an unregistered subsidiary, R3 Repairs Ltd (R3) to provide maintenance services to its own and other RSLs' stock. R3 also intends to extend its services to the private sector.

ELHA's treasury management arrangements include a free-standing derivative (FSD) and we will continue to get an update on any impact this might have on its financial position.

ELHA is making good progress towards achieving the Scottish Housing Quality Standard (SHQS) by 2015 and the outstanding numbers of homes to be improved is low. However it did not improve the number of properties it planned to last year, it anticipates having to apply for exemptions for a small number of homes and it has relatively low survey information for its stock.

During 2013/14, we reviewed ELHA's financial returns and this provided us with assurance about its financial health. It also provided us with an update on its preparations for welfare reform and pension changes. Given the scope of its business, its development and subsidiary activity we will continue to need updated financial projections from ELHA.

### **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 ELHA will send us:
  - its Business Plans for both it and its subsidiary including commentary on results of sensitivity tests and risk mitigation strategies as appropriate;
  - its 30 year projections consisting of income and expenditure statement, balance sheet and cash flow, including covenant requirements and calculation of the loan covenants;
  - its 3 year projections for its subsidiary with appropriate supporting information;

- its 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
  - the reports to the Boards in respect of the 30 year projections.
2. By 30 June 2014 ELHA will send us a copy of its update report for its Board in respect of its FSD.
  3. We will meet ELHA in quarter three to discuss progress with SHQS and give feedback on its Business Plans and financial information.
  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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for ELHA 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.