

Regulation Plan

This Regulation Plan sets out the engagement we will have with Eildon Housing Association Ltd. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Eildon Housing Association was registered in April 1976. It owns and manages around 1,880 tenancies in the Scottish Borders and employs 167 people. The RSL has charitable status and has one non-registered subsidiary Eildon Enterprise Ltd, which currently carries out care and repair services under contract with Scottish Borders Council and wider role activities. It is also the intended vehicle for potential future intermediate rental activity. It also has one registered subsidiary, Eildon Tweed Valley Housing Association Ltd, which carries out agency services for other RSLs but is currently dormant. Its turnover for the year ended 31 March 2010 was close to £9.6 million.

Eildon continues to have a significant social housing and low cost home ownership programme. It carries out development functions for other local registered social landlords (RSLs) and also agency services for finance and IT for one RSL. Eildon has also been formally appointed as the preferred partner (for Scottish Borders) to deliver the affordable housing investment programme for a three year period from April 2011.

During 2010 we reviewed business planning information from Eildon and received assurance about its strategic and financial management; including its treasury management arrangements which involve the use of free-standing derivatives. The RSL is currently finalising a revised five year business strategy.

Our engagement with Eildon Housing Association - Medium

1. In light of its significant development, investment and subsidiary activities we will continue to need additional business planning information from Eildon to assess its ongoing financial capacity and viability. This information should include updated versions of its business plan, scenario planning and sensitivity analysis of its key business planning assumptions and full 30 year projections that demonstrate that it will continue to be viable and meet its lenders covenants and development obligations. We also need to see the subsidiary business plans to fully understand its contribution to, and impact on, the RSL. Eildon should provide us with its draft five year strategy by April 2011 and we will feedback to it during quarter one to two of 2011/12.
2. Eildon should also provide an update to us concerning its use of free standing derivatives as part of the additional business planning information it sends us.
3. Eildon should continue to 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
- annual performance and statistical return

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 guides to how we regulate, inspect and intervene, and other relevant statistical and performance information, can be found on our website at www.scottishhousingregulator.gov.uk.

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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.