

Eildon Housing Association Ltd

28 March 2014

This Regulation Plan sets out the engagement we will have with Eildon Housing Association Ltd (Eildon) during the financial year 2014/15. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Eildon was registered as a social landlord in 1973. It owns and manages 2,199 houses and provides factoring services to 14 owners across the Scottish Borders. It has charitable status and employs around 136 people. It has a non registered subsidiary company, Eildon Enterprise Ltd. Its turnover for the year ended 31 March 2013 was just over £10.2 million.

Eildon has received significant amounts of public funding to help it fund its new build programme for social rent and low cost home ownership. It plans to continue to have a significant programme to develop new homes and it carries out development functions for other social landlords in the Borders. Eildon has been considering using innovative funding mechanisms and it needs to keep us informed about its decisions on this and any regulatory consents which it may seek.

Eildon carried out a full stock condition survey during 2013 which has highlighted some data issues that will impact on its ability to achieve the Scottish Housing Quality Standard (SHQS) by March 2015. It has developed plans to work through these over the coming year and now anticipates it may need to apply for exemptions for some properties. We will need to monitor Eildon's progress with SHQS during 2014/15.

We have reviewed Eildon's business plan, financial returns and financial projections in 2013/14 and received assurance about its financial management including its treasury management arrangements which involve the use of free standing derivatives (FSDs). Given the scale of Eildon's development programme, its funding arrangements, SHQS investment and subsidiaries we will review its updated financial projections during 2014/15.

Our engagement with Eildon – Medium

We will continue to have medium engagement with Eildon about its overall financial capacity and viability in light of its development, investment and subsidiary activities. We will also monitor its progress towards SHQS.

1. By 30 April 2014 Eildon will send us:
 - its Business Plan for both it and its subsidiary including commentary on results of sensitivity tests and risk mitigation strategies;
 - its 30 year projections for both it and its subsidiary consisting of income and expenditure statement, balance sheet and cash flow, including covenant requirements and calculation of the loan covenants;
 - 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 of Eildon and its subsidiary in respect of the 30 year projections.

2. Eildon will send us:
 - the six monthly management accounts for its subsidiary to the end of September 2014 by November 2014;
 - the reports to the Board in respect of its FSDs; and
 - an update on its progress achieving the Scottish Housing Quality Standard in quarter three.
3. We will:
 - review Eildon's Business Plan and projections and the business plan and projections for its subsidiary and provide feedback; and
 - review Eildon's progress towards achieving SHQS after we receive its Annual Return on the Charter in May 2014 and in quarter three when we receive its update report.
4. Eildon 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 Eildon 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.