

Eildon Housing Association Ltd

31 March 2015

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

Regulatory profile

Eildon was registered as a social landlord (RSL) in 1973. It owns and manages 2,222 houses, delivers a factoring service to 14 owners and provides 71 non-housing units across the Scottish Borders. It has charitable status and employs around 131 people. It has one unregistered subsidiary, Eildon Enterprise Ltd which provides homes for mid-market rent and carries out wider action activities. Eildon's turnover for the year ended 31 March 2014 was just over £10.4 million.

Eildon is the largest developer of new affordable housing in the Scottish Borders and carries out development functions for other social landlords there. Eildon has received significant public subsidy to achieve this and it plans to continue developing new homes for social and mid-market rent. Eildon has been considering using alternative funding mechanisms and it needs to keep us informed about its decisions on this and any regulatory consents which it may seek.

Eildon has 37 properties which fail the Scottish Housing Quality Standard (SHQS) and it has a programme of kitchen replacements planned to address this. We will review Eildon's progress with SHQS when we receive its Annual Return on the Charter (ARC) at the end of May.

We reviewed Eildon's business plan and financial returns in 2014/15 to gain 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 and subsidiary activities and its funding arrangements we will continue to engage with it to understand how it plans to manage the key risks it faces and the impact these may have on its business.

Our engagement with Eildon – Medium

We will have medium engagement with Eildon in 2015/16 to gain further assurance about its business and financial planning. We will also monitor its progress towards meeting SHQS.

1. By 31 May 2015, Eildon will send us its:
 - approved business plan for both it and its subsidiary including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for both it and its subsidiary consisting of 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;
 - reports to the Board for it and its subsidiary in respect of the 30 year projections and sensitivity analysis; and
 - a timetable for the SHQS replacements.
2. Eildon will also send us:
- its treasury management reports to the Board which monitor progress with the FSDs;
 - an update on its progress towards achieving SHQS (the timescale will be agreed with Eildon and will reflect the SHQS timetable it submits); and
 - an update on its development activities, including future funding plans, by 30 September 2015.
3. We will:
- review the business plans and projections for Eildon and its subsidiary and will provide feedback in quarter two; and
 - review Eildon's progress towards achieving SHQS after we receive its timetable, its ARC and any further updates we agree.
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:

Name: Kirsty Porter, Regulation Manager (Acting)
Address: Highlander House, 58 Waterloo Street, Glasgow, G2 7DA
Telephone: 0141 242 5578

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.