

Scottish Borders Housing Association Ltd

28 March 2014

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

Regulatory profile

SBHA, the fifth largest registered social landlord (RSL) in Scotland, was registered in 2003 with charitable status. It owns 5,796 homes and provides factoring services to 148 owners across the Scottish Borders local authority area. It employs around 185 equivalent full time staff and its turnover at 31 March 2013 was just over £18.4 million.

It has two non-registered subsidiaries, Scottish Borders Building Services which is dormant, and SBHA Plus which carries out SBHA's non-charitable activities. SBHA Plus has also recently established a Post Office service within SBHA's office in Selkirk.

We have engaged with SBHA's Board and received assurance about members ability to provide appropriate challenge. Its work is supported by a programme of independent verification of key activities and outcomes and its governance is maintained by appraisal, skills audit and training. The Board has plans in place to ensure that its constitutional arrangements are ready to meet regulatory requirements when these take effect.

During 2013/14 SBHA took steps to strengthen its approach to tackling anti-social behaviour. The improvements it has made to its policy and procedures and strengthening partnership working has provided significant assurance around the quality of service that it is now able to deliver in this area.

We reviewed SBHA's business plan during the year and gained assurance about its strategic management and controls. Its financial projections demonstrate long term financial viability and the business is focussed on ensuring projected results are achieved. The financial position requires careful management. The Governing Body is reviewing its business model and will be implementing organisational changes over the coming year building on the comprehensive information it has collected from tenants in its recent satisfaction survey.

SBHA is a member of the Scottish Borders Pension Fund and closed it to new members from April 2013. It has reviewed its pension arrangements and is prepared for its auto enrolment staging date in April 2014.

The key development activity at SBHA is centred on the Stonefield estate in Hawick. This investment is now well underway and will make a significant impact on the area through demolition, new build and refurbishment. SBHA has additional plans in place for some small development projects which will provide homes for social and mid-market rent.

SBHA has made greater progress than planned during 2013/14 with bringing properties up to the Scottish Housing Quality Standard (SHQS) and is confident of achieving this by March 2015. It has good quality data which is updated as investment is completed.

Our engagement with SBHA - Medium

We will have medium engagement with SBHA because it is a large stock transfer RSL which is undergoing significant change and its financial position requires careful management.

1. SBHA will send us in April 2014:
 - its current treasury management policy;
 - its approved business plan including commentary on the results of sensitivity tests and risk mitigation strategies;
 - sensitivity analysis which looks at the 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,
 - 30 year projections consisting of the income and expenditure statement, balance sheet and cash flow, including covenant requirements, calculation of the loan covenants and the related Board report.
2. We will:
 - review progress with SHQS when we receive the Annual Return on the Charter (ARC) in May 2014 and a mid-year update in October;
 - meet senior staff in June to provide feedback on the information we receive and discuss the challenges and risks facing the organisation; and
 - meet senior staff in January to discuss progress with organisational change and the challenges and risks facing the organisation.
3. SBHA 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 SBHA 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.