

Scottish Borders Housing Association Ltd

31 March 2015

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

Regulatory profile

SBHA is the fifth largest registered social landlord (RSL) in Scotland. It was registered in 2003 and has charitable status. It owns 5,686 homes and provides factoring services to 146 owners across the Scottish Borders local authority area. It employs around 189 people and its turnover at 31 March 2014 was just over £18.9 million.

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

We reviewed SBHA's business plan and financial returns during 2014/15 to gain assurance about its financial health. SBHA is progressing a business change programme and the business is focussed on ensuring projected results are achieved. We will engage with SBHA to ensure that its financial position and debt levels continue to be carefully managed.

We have assessed SBHA's performance against key service quality indicators. Performance for the percentage of tenants satisfied with overall service is in the bottom quartile while the percentage who think their landlord is good at keeping them informed and the percentage satisfied with opportunities to participate are poor. However, SBHA's survey results highlighted a significant proportion of respondents (35%) were neither satisfied nor dissatisfied and the most recent survey confirms that only 44% are interested in participating.

The recently completed follow up satisfaction survey shows that overall satisfaction levels have increased and the results are informing projects which are underway and being developed. SBHA has decided to establish a customer service centre and ICT projects are underway which will support this business change. A new model of working has also been successfully piloted in Kelso which resulted in increased levels of satisfaction. This is being developed and rolled out during the year.

SBHA's reported performance is also in the bottom quartile for the average working days to complete non-emergency repairs and the percentage of gross rent arrears of rent due. As part of its business change programme SBHA has begun the review of its Maintenance Division and we will engage with it to monitor progress during 2015. Local action plans are being put in place to address the level of arrears.

SBHA has brought its properties up to the Scottish Housing Quality Standard (SHQS) and reports 417 exemptions (just over 7% of its stock). The majority of these exemptions are where there is mixed ownership and owners have not agreed to participate in programmes of work or where small pockets of properties are earmarked for remodelling.

SBHA has a small, emerging development programme and has received public subsidy to fund this. SBHA's key development activity 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.

Our engagement with SBHA - Medium

We will have medium engagement with SBHA because of its investment, business change activities and service quality issues.

1. By 30 April 2015, SBHA will send us its:
 - approved business plan including commentary on the results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections 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; and
 - reports to the Board in respect of the 30 year projections and sensitivity analysis.
2. SBHA will also send us updates:
 - quarterly from April 2015, on progress with the business change project;
 - quarterly from April 2015, progress with the review of the Maintenance Division;
 - on its plans for development, including funding plans, by the end of September 2015; and
 - in October 2015 on progress with arrears and time taken to complete non - emergency repairs.
3. We will:
 - confirm the position regarding SHQS when we receive the Annual Return on the Charter at the end of May 2015;
 - provide feedback on the business plan and projections and discuss the risks and challenges facing the business when we meet senior staff in quarter two;
 - liaise as necessary as the business change project and the review of the Maintenance Division progress; and
 - review progress with arrears and emergency repairs.
4. 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.