

Scottish Borders Housing Association Ltd

31 March 2016

This Regulation Plan sets out the engagement we will have with Scottish Borders Housing Association Ltd (SBHA) during the financial year 2016/17. 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 5,663 homes, provides factoring services to 145 owners and owns 1,262 non-housing units across the Scottish Borders local authority area. It employs around 194 people and its turnover at 31 March 2015 was just over £19.9 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.

SBHA has an on-going development programme of affordable housing and receives significant public subsidy to help achieve this. SBHA's key development activity is centred on the Stonefield estate in Hawick. The first phase of this was completed in March 2016 with the remaining phases under construction. Stonefield 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 rent.

SBHA is implementing a planned business change programme, including a review of its maintenance division. We have reviewed SBHA's business plan and financial returns and will engage with it to ensure that its financial position and debt levels continue to be carefully managed.

To assess the risk to social landlord services we have reviewed and compared the performance of all Scottish social landlords to identify the weakest performing landlords. We found that SBHA is in the bottom quartile for all social landlords in relation to three satisfaction indicators - the percentage of tenants who feel the landlord is good at keeping them informed, tenant satisfaction with opportunities to participate and tenant satisfaction with the quality of their home.

For two of these indicators - the percentage of tenants who feel the landlord is good at keeping them informed and tenant satisfaction with the quality of their home – the most recent survey confirms improved performance. Survey results also highlighted that 37% of respondents were neither satisfied nor dissatisfied and the most recent survey confirms that only 44% are interested in participating.

It is also in the bottom quartile for time to complete non-emergency repairs and the percentage of gross rent arrears compared to rent due.

Our engagement with Scottish Borders Housing Association Ltd – Medium

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

1. SBHA will send us by 30 April 2016:
 - its approved business plans including commentary on the results of its sensitivity analysis and risk mitigation strategies;
 - 30 year financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flow, including a comparison of projected loan covenants against covenant requirements;
 - sensitivity analysis which considers the keys risks including covenant compliance;
 - the reports to the Board in respect of the 30 year projections and sensitivity analysis; and
 - evidence of how it demonstrates affordability for its tenants.
2. SBHA will send us updates:
 - on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2016; and
 - on progress with its business change programme and review of the maintenance division at key stages.
3. We will:
 - provide feedback on the business plan and projections by the end of June 2016;
 - engage with SBHA about the service quality areas we have highlighted; and
 - liaise as necessary around business change and the maintenance division review.
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 financial statements 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 Scottish Borders Housing Association Ltd is:

Name: Peter Freer, Regulation Manager
Address: Europa Building, 450 Argyle Street, Glasgow, G2 8LG
Telephone: 0141 242 5463

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.