

Regulation Plan

This Regulation Plan sets out the engagement we will have with BT Loch Ailse agus an Eilein Sgitheanaich Ltd (Lochalsh and Skye HA). Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Lochalsh and Skye is an established registered social landlord (RSL), formed in 1983. It is a registered charity and has one non-registered subsidiary, North West Highland Community Enterprises. At the end of March 2009 it employed 21 staff and its turnover for the year ended 31 March 2008 was just over £2.2 million.

The RSL owns 478 houses in Skye and Lochalsh and expects to add around 90 houses by 2011. Although it is not one of the largest developers in Scotland, its programme is large in the context of its existing stock base and in its role in this part of north-west Scotland. It will receive significant public subsidy in the form of housing association grant (HAG). Some of the projects in the programme will be dependent on income generated from sales to part fund the programme and the RSL's financial borrowing will increase significantly as its development programme grows.

The RSL reported an improvement in its performance in completing routine repairs in its annual performance and statistical return (APSR) for 2008/09 but despite this, it is amongst the poorest performers in the sector in this area.

Our engagement with BT Loch Ailse agus an Eilein Sgitheanaich Ltd - Medium

1. We need additional business planning information from the RSL (i.e. information that goes beyond routine submissions) to assess its overall financial capacity and viability, in the light of its development and investment activities. This information should include sensitivity analysis of the RSL's key assumptions along with full 30 year projected cashflows that demonstrates that it will continue to meet its lenders covenants and its Scottish Housing Quality Standard obligations. We will liaise further with Lochalsh and Skye about our exact requirements.
2. We need assurance that Skye and Lochalsh is improving its repairs performance. We have asked the RSL to produce an improvement plan by October 2009 which outlines the steps it is taking to improve performance and report to us in April 2010 about what progress has been made.
3. The RSL should continue to 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;
 - annual performance and statistical return.

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 guides to how we regulate, inspect, and intervene and other relevant statistical and performance information, can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for BT Loch Ailse agus an Eilein Sgitheanaich Ltd 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.