

Dumfries and Galloway Housing Partnership

4 April 2012

This Regulation Plan sets out the engagement we will have with Dumfries and Galloway Housing Partnership (DGHP) during the financial year 2012/2013. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

DGHP was registered in April 2003. It is the second largest Registered Social Landlord (RSL) in Scotland, with around 10,300 tenants. It employs 190 full time equivalent staff and has one unregistered subsidiary Novantia Ltd, which carries out the group's commercial activities. Turnover in the year ended 31 March 2011 was almost £29 million.

Given DGHP's size, turnover, debt and the scale of its investment activity we consider it to be of systemic importance. It has received significant amounts of public subsidy and made several successful bids for funding for new development projects to the Scottish Government's Innovation and Investment Fund. It will receive public subsidy to deliver a programme of social rent, mid market rent and shared equity homes and is completing work over the next two years on previously committed development projects. It has also recently accessed £40m of loan finance from The Housing Finance Corporation, securing its capacity to develop new homes over the next few years.

We have gained assurance from DGHP over the last two years that it has dealt effectively with the implications of two of its key contractors going into administration. This had implications for performance in the response repairs service (previously delivered by Connaught) and its development programme which was being delivered by R and D Construction. DGHP has demonstrated its ability to manage key relationships.

During 2011/12 we reviewed DGHP's business plan, including 30 year financial projections which gave us assurance about its strategic management and controls. DGHP recognises the importance of maintaining strong control of its costs particularly as it approaches peak debt; reviews how it will deliver its response repairs service; and re-procures this service as well as its development contracts while pressures on income are increasing.

DGHP anticipates being able to meet its investment obligations under the Scottish Housing Quality Standard (SHQS) by 2015. We have reviewed DGHP's asset management plans and progress with SHQS and received the assurances that we need. DGHP is commissioning additional stock condition survey work this year and will update us on the implications of findings on the investment programme.

DGHP appointed a new Chair and Vice Chair following the last annual general meeting. We received the assurance we need on the ability of the Board to provide appropriate challenge and good governance is supported by appraisal, skills audit and training.

Our engagement with Dumfries and Galloway Housing Partnership – Medium

We consider DGHP to be of systemic importance because of its, turnover, debt and the scale of its investment activities. So we will have medium engagement with it in 2012/13.

1. We will:

- meet senior staff in quarter three to discuss progress against its business plan and any risks to the organisation;
- meet the Chair and Board in quarter four; and
- review the minutes of the governing body and audit committee meetings.

2. DGHP will send us:

- 30 year projections including cashflows, sensitivity analysis and covenant calculations in May;
- an update on how it plans to deliver its responsive repairs service once this is available;
- an update on the results of the re-procurement of the responsive repairs contract when this is available;
- an update on the re-procurement of the development contracts;
- an update on the findings from the stock condition survey and the implications for the financial projections;
- management accounts as at 30 September once these are available, to allow us to see performance against financial projections; and
- copies of its governing body and audit committee minutes.

3. DGHP 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 (including all SHQS costs); and
- 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 regulatory framework and other relevant statistical and performance information can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for DGHP 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.