

Loreburn Housing Association Ltd

28 March 2013

This Regulation Plan sets out the engagement we will have with Loreburn Housing Association Ltd (Loreburn) during the financial year 2013/2014. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Loreburn was registered as a social landlord in 1982. It manages 2,455 houses in Dumfries and Galloway and factors a further 85 for home owners within the area. It has charitable status and employs around 81 people. It has two unregistered subsidiaries, Dumfries and Galloway Homes and Loreburn Unlimited. Its turnover for the year ended 31 March 2012 was just over £10.2 million. Loreburn has five small development projects which will all deliver homes for social rent.

We have been engaging with Loreburn about its governance. In July 2011 we asked Loreburn to commission a consultant to carry out an independent governance review to help it address its governance issues. We also asked Loreburn to co-opt two people on to its management committee to provide an objective perspective and support it in dealing with these issues. The consultant produced a report in January 2012 setting out the findings from the governance review and Loreburn developed an action plan to implement the findings. The Co-optees completed their term and stood down in August 2012.

We carried out a review of Loreburn's progress in implementing its governance action plan in August 2012 and found that Loreburn had not made satisfactory progress, and further governance issues had emerged. We asked Loreburn to co-opt three people on to its management committee and to appoint an independent consultant to support it to address its governance weaknesses. Loreburn is taking action to improve its governance.

Loreburn is considering how it will deliver its maintenance services including the possibility of entering into a shared service arrangement with Dumfries and Galloway Council. It plans to carry out an options review to decide on the best means of delivery.

We reviewed Loreburn's financial returns during the year and need some additional information about its pension arrangements and subsidiary activities.

Our engagement with Loreburn – Medium

In the light of governance weaknesses we will have medium engagement with Loreburn during 2012/13.

1. We will continue to liaise with Loreburn to seek assurance about its progress with implementing the findings from its governance review and addressing its governance weaknesses.
2. Loreburn will:
 - keep us informed about its proposals to develop a shared service arrangement with Dumfries and Galloway Council;

- provide information in quarter two about the financial implications of pensions, auto-enrolment, welfare reform and projected bad debts and arrears;
 - in quarter two send us updated business plans and 30 year financial projections for its two subsidiaries including an income and expenditure account, balance sheet and cashflow; covenant calculations and results; and
 - in November send us its subsidiary management accounts as at the end of September.
3. We will provide feedback in quarter three on the financial information we receive.
4. Loreburn 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
 - APSR.

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 Loreburn 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.