

Regulation Plan

This Regulation Plan sets out the engagement we will have with Loreburn Housing Association Ltd. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Loreburn Housing Association manages just over 2,000 housing units in the south west of Scotland. It is also a registered charity and employs around 74 people. Its turnover for the year ended 31 March 2008 was just over £7.8 million and it has two unregistered subsidiaries, Dumfries and Galloway Homes and Loreburn Un Limited.

Loreburn continues to be a significant developer of social housing in south west Scotland receiving government subsidy in the form of Housing Association Grant (HAG) in the region of £0.9M over the next few years. It plans for a large percentage of private sector borrowing to support its development programme.

Loreburn has generated operating and net surpluses over the past five years and its private finance per unit has remained at relatively constant levels.

We asked Loreburn last year to provide us with assurance that its plans to secure improvements in repairs performance would be achieved. It has stated in its most recent Annual Performance and Statistical Return (APSR) for 2008/09 that it has significantly improved its repairs performance across all priority categories.

Our review of its progress towards achieving the Scottish Housing Quality Standard (SHQS) however revealed some potential concerns. In its APSR it reported an increase from 5% to 24% of its stock not meeting the Standard and it reported not meeting its target for bringing up properties to standard during 2008/09.

Our engagement with Loreburn Housing Association - Medium

1. We will require additional business planning information from Loreburn (i.e. information that goes beyond routine submissions) to assess its overall financial capacity and viability, in light of its development, and other investment and subsidiary activities. This should include key sensitivity analysis along with 30-year projected cashflows to demonstrate that it will continue to meet lenders' covenants and its SHQS obligations. We will liaise further with Loreburn about our requirements.
2. We will liaise further with Loreburn to understand the delays to its programme to meet the SHQS to provide us with assurance that its obligations can be met by the target date of 2015.
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 Loreburn HA 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.