



Cairn Housing Association Ltd

8 November 2018

This Regulation Plan sets out the engagement we will have with Cairn Housing Association Ltd (Cairn) during the financial year 2018/19. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Cairn was registered as a social landlord in 1990. Cairn currently owns and manages 3,252 homes and provides factoring services to 794 owners across twenty four local authority areas. It has charitable status and employs around 179 people.

Cairn also has one unregistered subsidiary, Cairn Homes and Services Limited, which delivers properties for mid-market rent.

As at 31 March 2018 Cairn's turnover for the year was £16.05 million and its debt per unit was £14,096.

Engagement

Earlier this year Cairn submitted proposals to form a constitutional partnership with ANCHO Ltd. ANCHO's tenants supported the proposal in a tenant ballot and its members agreed to the partnership on 16 August 2018. ANCHO became a registered subsidiary of Cairn on 1 November 2018. Cairn and ANCHO have jointly developed a Group Integration Plan which aims to ensure that ANCHO is fully integrated into the Group by 2020/21.

Cairn has an on-going development programme of new housing for social rent and receives significant public subsidy to help achieve this. Cairn recently decided to considerably increase its development programme over the next five years. As a result, the number of affordable homes provided by Cairn will increase by around a fifth during this period.

ANCHO Ltd

ANCHO was registered as a social landlord in 2000. ANCHO owns and manages around 672 homes and provides factoring services to 197 owners in North Ayrshire. It has charitable status and employs around 19 people. As at 31 March 2018 ANCHO's turnover for the year was just under £3 million and its debt per unit was £8,416.

During 2017/18 we sought assurance from ANCHO about a number of governance issues. ANCHO engaged positively with us and has developed a Governance and Financial Control Improvement Plan which includes carrying out a comprehensive governance review. This forms part of the Group Integration Plan.

We note from ANCHO's five year financial projections that it is forecasting a significant cash outflow. We will monitor this position following receipt of its 2018/19 projections.

Our engagement with Cairn Housing Association Ltd in 2018/19 – Medium

We will engage with Cairn because of its considerable development programme and its partnership with ANCHO Ltd.

1. Cairn has sent us:
 - its approved business plan;
 - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resulting covenant calculations with the actual current covenant requirements;
 - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance;
 - evidence of how it demonstrates affordability for its tenants; and
 - a mid-year update on its development programme.
2. We will:
 - meet with Cairn's senior staff to discuss the business plan, financial projections and other information supplied by Cairn in quarter four; and
 - engage with Cairn as necessary on the integration of ANCHO into the Cairn Group. This will include engagement on progress with ANCHO's Governance and Financial Control Improvement Plan.
3. Cairn 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;
 - Annual Return on the Charter; and
 - the return on the Energy Efficiency Standard for Social Housing.

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 Cairn Housing Association 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.