

Regulation Plan

This Regulation Plan sets out the engagement we will have with Cairn Housing Association Ltd (Cairn) during the financial year 2011/12. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Cairn became a registered social landlord (RSL) in 1990. It has charitable status and employs a full time equivalent of around 201 staff. It operates in 23 local authority areas and has five local offices throughout Scotland, from Thurso and Inverness to the central belt; with headquarters in Edinburgh. It owns around 3100 houses and provides factoring services for a further 2068 homes. It has one subsidiary, Cairn Homes and Services Ltd. Cairn has grown through transfers of engagements from other RSLs, transfers of stock, and through its development activity. Its turnover for the year ended 31 March 2010 was in excess of £14 million.

Cairn has received significant amounts of public funding in the form of housing association grant (HAG). It will receive further funding this coming year for projects that will collectively provide around 65 new homes in the Highland Council area.

We recently reviewed Cairn's revised draft business plan and will wish to see the final version of this along with supporting financial information once approved by Cairn's board. We would also like to see the business plan of Cairn Homes and Services Ltd to better understand the role this plays in contributing to the work of the RSL.

We inspected Cairn in 2009 and awarded the RSL a "C" grading, which represents a fair performance. Cairn is implementing an improvement plan that sets out how it intends to address the recommendations for improvement raised in our inspection report. The RSL has made satisfactory progress so far in most areas.

Based on performance information received from the RSL's annual performance and statistical returns (APSR), Cairn's performance in re-letting its empty homes was among the poorest when compared to other RSLs.

All RSLs sent us a review of their progress in meeting the Scottish Housing Quality Standard (SHQS) by 2015. We reviewed Cairn's SHQS return and would like further assurance from the RSL about its ability to meet the standard for all of its stock by the target timescale.

Our engagement with Cairn Housing Association – Medium

1. We will continue to have a medium level of engagement with Cairn.
2. In light of Cairn's development, investment and subsidiary activities, we will need updated business planning information from the RSL, which should include scenario planning and sensitivity analysis of its key business planning assumptions and full 30 year projections that demonstrate it will continue to be viable, meet its lenders covenants and the Scottish Housing Quality Standard.. We also need to review the business plan of the unregistered subsidiary to fully understand its contribution to and impact on the RSL. Cairn should send us these when complete and we will arrange to meet to discuss our findings with the RSL's senior staff in quarter two of 2011/12.

3. When we meet in quarter two we will seek assurance that Cairn is continuing to progress actions in its improvement plan following our inspection and, in particular, that has;
 - ensured that its Business Plan is explicitly supported by clear longer-term financial plans with sensitivity analysis carried out on its key business planning assumptions;
 - progressed its planned initiative to identify and secure internal efficiency savings; and
 - put in place an asset management strategy and improved the effectiveness of investment and planned maintenance.
4. We will assess Cairn's performance in re-letting its empty homes when we receive its next APSR and will discuss, if necessary, with the RSL when we meet.
5. We will review Cairn's progress towards meeting the SHQS when we receive the next APSR and will discuss, if necessary, with the RSL when we meet.
6. 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 Cairn HA is:

Name: Janet Dickie, Regulation Manager
Address: Highlander House, 58 Waterloo Street, Glasgow, G2 7DA
Telephone: 0141 305 4115

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.