

Cairn Housing Association Ltd

28 March 2014

This Regulation Plan sets out the engagement we will have with Cairn Housing Association Ltd (Cairn) during the financial year 2014/15. Our regulatory framework explains more about our assessments and the purpose of this regulation plan.

Regulatory profile

Cairn Housing Association Ltd (Cairn) was registered in 1990. It owns 3,204 houses and provides factoring services to 2,047 owners. It has 112 non housing units. It is a registered charity and employs around 172 full time equivalent staff. Cairn's turnover at the end of March 2013 was just over £15.7 million. It has one unregistered subsidiary, Cairn Homes & Services Ltd, which is currently dormant.

Cairn reported in its Annual Performance and Statistical Return that it still had a significant amount of work to do to meet SHQS by 2015. It has progressed faster than planned with its investment programme during 2013/14, with compliance to the standard now at 84%. Cairn is confident of meeting the standard by April 2015.

Cairn has factored future development of new homes into its financial projections and has provided detail on the impact of this on its business and financial plans.

Our engagement with Cairn Housing Association Ltd – Medium

In light of Cairn's SHQS investment and development activities we will have medium engagement with it 2014/15.

1. Cairn will send us by the end of July 2014:
 - its approved business plan including commentary on the results of sensitivity tests and risk mitigation strategies;
 - 30 year projections for the parent, consisting of the income and expenditure statement, balance sheet and cash flow, covenant requirements, calculation of loan covenants and the related Board report; and
 - sensitivity analysis which looks at the key risks such as, arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases.
2. Cairn will also send us at the end of October 2014:
 - six monthly management accounts including the related Board paper; and
 - a report on progress with SHQS compliance.
3. We will:
 - confirm progress with SHQS in May 2014 when we receive the Annual Return on the Charter;
 - provide feedback by the end of quarter two on the financial information we receive; and
 - review progress with SHQS when we receive the update in October.
4. 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 annual accounts and external auditor's management letter;
- loan portfolio return;
- five year financial projections; and
- Annual Return on the Charter.

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 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.