

## Cairn Housing Association Ltd

**31 March 2015**

This Regulation Plan sets out the engagement we will have with Cairn Housing Association Ltd (Cairn) during the financial year 2015/16. 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. It owns 3,264 houses, provides factoring services to 617 owners and has 114 non-housing units. It is a registered charity and employs around 230 staff.

Cairn's turnover at the end of March 2014 was just over £16.1 million. It has one unregistered subsidiary, Cairn Homes & Services Ltd, which will start to deliver commercial activities and manage Cairn's planned mid market rent properties over the next two years.

We engaged with Cairn during the year about a significant performance failure and we are satisfied with their response and the progress made. We also reviewed Cairn's financial returns during 2014/15 and will continue to engage with it about its overall financial capacity particularly in relation to its investment programme and subsidiary activities.

Cairn has reported that 390 properties (12% of stock) are exempt from the Scottish Housing Quality Standard (SHQS). Of these, 337 (86%) are exemptions and 53 (14%) are abeyances. Cairn is working to address abeyances where it can and has provided us with assurance that it is planning for Energy Efficiency Standard for Social Housing (EESH) as part of its revised asset management strategy

In terms of service quality, Cairn's relet performance is in the bottom quartile. However, its performance has been affected by a small number of long term low demand properties in a particular location which were allocated following letting initiatives Cairn implemented. Cairn is developing a detailed asset management strategy to address the underlying demand issues of these and other properties.

Cairn has also considered its performance in relation to complaints. It engaged with its customer scrutiny panel as part of this and the recommendations from the panel are now almost fully implemented. The introduction of Cairn's new contact centre, CairnConnect, has led to an improved response rate.

Cairn continues to have a development programme of new housing for social rent and has received public subsidy to help fund this. Cairn also has plans to deliver new homes for mid-market rent.

### **Our engagement with Cairn Housing Association Ltd – Medium**

We will have medium engagement with Cairn during 2015/16 to gain on-going assurance about its financial plans, investment and development activity.

1. By the 31 May 2015, Cairn will send us its:
  - approved business plan including commentary on results of sensitivity tests

- and risk mitigation strategies, for it and its subsidiary;
  - 30 year financial projections, for it and its subsidiary, consisting of income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;
  - sensitivity analysis which looks at 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 and inflation rates which demonstrate continuing affordability for tenants; and
  - reports to the Board in respect of the 30 year projections and sensitivity analysis.
2. Cairn will also send us:
- an update on its plans for development, including funding plans, by 31 August 2015; and
  - its asset management strategy at the end of November 2015.
3. We will:
- review progress with complaints, SHQS exemptions and relets when we receive the ARC at the end of May; and
  - provide feedback on the business plans and projections for Cairn and its subsidiary when we meet senior staff in quarter two to discuss investment and development activities and the risks and challenges facing the organisation.
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
  - the 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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Cairn is:

Name: Janet Dickie, Regulation Manager  
Address: Highlander House, 58 Waterloo Street, Glasgow, G2 7DA  
Telephone: 0141 242 5550

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.