

## **Cunninghame Housing Association**

4 April 2012

This Regulation Plan sets out the engagement we will have with Cunninghame Housing Association Ltd during the financial year 2012/2013. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### **Regulatory profile**

Cunninghame was registered as a social landlord in March 1985 and has had charitable status since March 2007. It owns and manages around 2,245 properties and employs 78 staff. Cunninghame has one unregistered non charitable subsidiary, Cunninghame Enterprises Ltd, carrying out factoring and one unregistered charitable subsidiary, Cunninghame Furniture Recycling Company. Cunninghame's turnover was over £9.2 million for the year ended 31st March 2011.

Cunninghame has been a major developer of rented housing in south west Scotland and received high levels of public subsidy to achieve this. It plans to continue to grow through its development activities including housing for social rent and low cost home ownership. Cunninghame is also exploring innovative funding approaches and we need to engage with it to receive assurance about the regulatory implications of these activities. It has a relatively high level of debt and debt per unit and this is projected to grow as it builds more new homes. Cunninghame has an overspend on one of its development projects which it is working to resolve and we will continue to liaise with it on progress with this.

Cunninghame provided us with its new Corporate Strategy and associated financial plans in November 2011. We carried out a review of its business planning information to assess Cunninghame's overall financial capacity and viability and this gave us assurance about its strategic and financial management.

During 2011 we reviewed Cunninghame's APSR return. It reported that its average time to complete non emergency repairs was in the fourth quartile for all RSLs and its performance for percentage lets to homeless people is poor compared to the sector overall.



### **Our engagement with Cunninghame Housing Association - Medium**

We will continue to have medium engagement with Cunninghame about its overall financial capacity and viability in light of its development, investment and subsidiary activities and the impact of these on its finances.

1. Cunninghame should:
  - provide us with 30 year projections including cashflows, sensitivity analysis and covenant calculations in quarter two of 2012/13;
  - provide us with the business plans for its unregistered subsidiaries including financial projections and sensitivities;
  - continue to keep us informed about progress resolving a development overspend and any implications for its business; and
  - keep us informed at key stages of progress with its innovative funding proposals.
2. We will review Cunninghame's performance with non emergency repairs and percentage lets to homeless people when we receive its 2011/12 APSR return at the beginning of June and decide whether we need to have further assurance at that point.
3. Cunninghame 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 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 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 Cunninghame 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.