

Cunninghame Housing Association

28 March 2013

This Regulation Plan sets out the engagement we will have with Cunninghame Housing Association Ltd (Cunninghame) during the financial year 2013/2014. 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 2,260 properties, provides a factoring service to 429 owners and employs 78 staff in East Ayrshire and North Ayrshire. Cunninghame has one unregistered non charitable subsidiary, Cunninghame Enterprises Ltd, which carries out its factoring and one unregistered charitable subsidiary, Cunninghame Furniture Recycling Company. Cunninghame's turnover was over £9.8 million for the year ended 31 March 2012.

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. 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.

We are reviewing Cunninghame's financial projections returns and will want to see updated 30 year projections later in 2013/14. We will also need to see an update on its subsidiary activity, its progress with auto enrolment (61.8% of its staff were not enrolled at 31 March 2012) and its plans to manage the welfare reform changes including the impact on income, costs and assumptions for arrears and bad debts.

Our engagement with Cunninghame - 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. We will provide feedback on its financial projections in quarter one of 2013/14.
2. Cunninghame will:
 - send us updated 30 year projections, consisting of income and expenditure statement, balance sheet and cashflows, plus sensitivity analysis and covenant calculations and results by the end of quarter four of 2013/14;
 - send us business plans and projections for its subsidiaries including income and expenditure, balance sheet, cash flows and covenant compliance and results (if applicable) in quarter three of 2013/14;
 - continue to keep us informed about progress resolving a development overspend and any implications for its business;
 - send us an update on progress with auto enrolment at 30 September 2013; and

- send us details of plans to manage welfare reform including the impact on income, costs and assumptions for arrears and bad debts by 30 June 2013.
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.

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.