

## Cunninghame Housing Association

**28 March 2014**

This Regulation Plan sets out the engagement we will have with Cunninghame Housing Association Ltd (Cunninghame) during the financial year 2014/15. 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 1985. It has charitable status and employs 87 staff. It owns and manages 2,227 houses and provides a factoring service to 423 owners across East Ayrshire and North Ayrshire.

Cunninghame has two unregistered subsidiaries Citrus Energy Ltd a non charitable subsidiary that provides energy advice and one charitable subsidiary Cunninghame Furniture Recycling Company. Cunninghame's turnover was over £10.5 million for the year ended 31 March 2013.

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 subject to grant availability including providing 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.

We have assessed Cunninghame's performance against key service quality measures. Cunninghame's reported performance for the percentage of current tenants rent collected, for the percentage of former tenant arrears written off and for the percentage of tenancies sustained is in the bottom quartile and deteriorating.

We have reviewed Cunninghame's financial projections and due to the scope and complexity of its business we will review the updated 30 year projections in 2014/15 for it and its subsidiaries.

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

We will have medium engagement with Cunninghame about its service quality performance. We will also engage 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 discuss with Cunninghame how we will obtain assurance about its service quality.
2. Cunninghame will:
  - send us its Business Plan for both the RSL and the subsidiaries including commentary on results of sensitivity tests and risk mitigation strategies by 31 May 2014;

- send us its 30 year projections for both the RSL and its subsidiaries consisting of income and expenditure statement, balance sheet and cash flow, including covenant requirements and calculation of the loan covenants by 31 May 2014;
  - send us 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 by 31 May 2014;
  - send us its report to the Boards of the RSL and the subsidiaries in respect of the 30 year projections by 31 May 2014; and
  - send us half yearly managements accounts and associated board papers for both the RSL and the subsidiaries by 30 November 2014.
3. We will provide feedback on the projections and other financial information in quarter two of 2014/15.
4. 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 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 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.