

## Cunninghame Housing Association Ltd

### 29 March 2018

This Regulation Plan sets out the engagement we will have with Cunninghame Housing Association Ltd (Cunninghame) during the financial year 2018/19. 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. Cunninghame currently owns and manages 2,409 homes and provides factoring services to 428 owners across three local authority areas. It has charitable status and employs around 86 people.

Cunninghame has two unregistered subsidiaries, Citrus Energy (CE) and Cunninghame Furniture Recycling company (CFRC). CE provides energy brokerage for domestic and commercial customers. CFRC has charitable status and recycles furniture and white goods.

As at 31 March 2017 Cunninghame's turnover for the year was just over £14.2 million and its debt per unit was £21,650.

### Systemic Importance

We refer to a small number of RSLs as systemically important because of their stock size, turnover or level of debt or because of their significance within their area of operation. We need to maintain a comprehensive understanding of how their business models operate, and how they manage the risks they face and the impact these may have. So we seek some additional assurance through our regulation plans. Given a combination of Cunninghame's size, turnover and level of debt, we consider it to be systemically important.

### Engagement

During 2017 we met with the senior management team and the Chair to discuss the risks and challenges with Cunninghame's plans. We discussed its strategic direction, refinancing proposals to support its development programme, rent affordability and rent restructuring plans. As part of this we reviewed and gave feedback on Cunninghame's corporate strategy and business plan, its approach to risk management, its work on rent affordability and its financial projections and management accounts.

Cunninghame is currently progressing its refinancing plans and its development programme. During 2017 Cunninghame began developing in Dumfries and Galloway and brought to our attention issues around a site acquisition. Cunninghame has commissioned an independent review of its development process to give further assurance to its Board.

Cunninghame has been one of the larger developers of new affordable housing in Scotland and received significant public subsidy to help achieve this. Cunninghame recently decided to considerably increase its development programme of new homes for social rent and to extend its geographic area of operation into Dumfries and Galloway. As a result, the number

of affordable homes provided by Cunninghame will increase by almost two thirds over the next five years.

## **Our engagement with Cunninghame Housing Association Ltd in 2018/19 – Medium**

We will engage with Cunninghame because it is systemically important and because of its considerable development programme and refinancing plans.

1. Cunninghame will send us by 30 June 2018:
  - the report on the review of development procedures;
  - its refreshed Corporate Strategy and Business Plan
  - 30 year financial projections for Cunninghame and five year projections for the subsidiaries consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
  - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resultant covenant calculations with the actual current covenant requirements; and
  - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance.
  
2. Cunninghame will also send us:
  - copies of its Board and audit committee minutes as they become available;
  - an update on its development programme by 31 October 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme including a copy of the development update to the Board; and
  - half year management accounts by the end of November 2018.
  
3. We will:
  - liaise as necessary about the findings of the development review;
  - review the minutes of the Board and audit committee meetings;
  - meet Cunninghame's senior staff, Chair and Board in quarter two of 2018/19 to discuss the Corporate Strategy and business plan, the financial information and any risks to the organisation; and
  - review Cunninghame's development update in quarter three of 2018/19.
  
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 financial statements and external auditor's management letter;
  - loan portfolio return;
  - five year financial projections;
  - Annual Return on the Charter; and
  - the return on the Energy Efficiency Standard for Social Housing

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 Housing Association Ltd 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.