

Regulation Plan

This Regulation Plan sets out the engagement we will have with Ayrshire North Community Housing Organisation Ltd (ANCHO). Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

ANCHO was registered in 2000 and then took ownership of housing stock from Scottish Homes following a large scale voluntary transfer. It is based in Irvine and owns around 700 properties mainly in Irvine, Dreghorn and Kilwinning. ANCHO is an Industrial and Provident society and has charitable status.

We inspected ANCHO in 2004 and found weaknesses in governance, financial management and property maintenance. It produced an improvement plan and we put a support strategy in place to monitor its progress. This has now been completed and we are satisfied with the action ANCHO has taken to address the issues raised in the inspection report.

A large amount of ANCHO's housing stock does not currently meet the Scottish Housing Quality Standard (SHQS). The organisation has much to do between now and 2015 to make sure it meets the target. ANCHO plans to carry out around 50% of its SHQS work between 2013 and 2015 and there may be a risk of the organisation not achieving the Standard if its investment programmes overrun.

The organisation's performance against the interest cover ratio (which reflects its ability to make interest payments on loans from cash generated by its operations) has been below our minimum threshold for the past five years. This is not untypical of a stock transfer organisation.

In June 2008 the Scottish Government advised the Scottish Federation of Housing Associations (SFHA) that it intended to enforce the contracts that were agreed following the transfer of Scottish Homes' houses to community ownership. This decision will have an impact on ANCHO's financial position.

Our engagement with ANCHO Ltd - Medium

1. We will meet ANCHO's senior management team during quarter three of 2008 to gain assurance about its financial position, business strategy, progress towards the SHQS and confirmation that its financial performance is consistent with its lending covenants. We will revise our information requirements thereafter as necessary.
2. The organisation should continue to 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, internal controls assurance statement and external auditor's management letter
 - loan portfolio return
 - five year financial projections
 - annual performance and statistical return

This plan will be kept under review and may be changed to reflect particular or new events. Guides to how we regulate and inspect, and other relevant statistical and performance information, can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for your Association is:

Name: Linda Scott, Senior Regulation Manager
address: Highlander House, 58 Waterloo Street, Glasgow, G2 7DA
telephone: 0141 271 3766

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.