

## Regulation Plan

This Regulation Plan sets out the engagement we will have with Cunninghame Housing Association Ltd. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

Cunninghame HA registered in March 1985 and has had charitable status since March 2007. It owns in the region of 1850 properties and employs 69 staff. Cunninghame has one unregistered charitable subsidiary, Cunninghame Enterprises Ltd.

The organisation has grown through the acquisition of stock transfer properties from Scottish Homes and through development activity. It continues to be a major developer of rented housing in south west Scotland and receives high levels of public subsidy in the form of housing association grant (HAG).

Cunninghame's turnover was over £7.3 million for the year ended 31st March 2008. It has a relatively high level of debt and debt per unit and this is projected to grow significantly as it builds more new homes.

Our regulatory plan for 2008 identified a poor and deteriorating performance in relation to the management of rent arrears. Cunninghame submitted an improvement plan to us in February 2009 and have already reported significant reductions in their total arrears as a % of gross rental income for 2008-09. Work is still ongoing in other areas and the RSL will provide us with a further update on these points at the end of July 2009.

We carried out an initial review of Cunninghame's business plan but need further information to complete our assessment.

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

1. We need additional financial business planning information from Cunninghame HA to assess its overall financial capacity and viability in light of its development, investment and subsidiary activity. This should include sensitivity analysis of the RSL's key underlying assumptions along with full 30-year projected cashflows that demonstrate that it will continue to meet its lenders covenants and its SHQS obligations. We will liaise further with the RSL about this.
2. We will review the RSL's update on its management of rent arrears when it provides us with an update at the end of July 2009. We will then decide if we need to engage further with Cunninghame HA on this issue.
3. Cunninghame 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 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. 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 guides to how we regulate, inspect, and intervene 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 HA 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.