

Regulation Plan

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

Regulatory profile

Dunedin Canmore is a large charitable registered social landlord (RSL), that owns in the region of 4,000 houses in Edinburgh, the Lothians and Fife. It has one non-registered subsidiary, Malcolm Homes Limited, which employs all group staff and provides mid-market and market rent housing, and which is involved in the commercial aspects of the group's business. Dunedin Canmore's turnover for the year ended 31 March 2008 was £14.1m and it employed just over 200 people.

Dunedin Canmore is one of the largest developers of new social housing in Scotland and has received considerable public subsidy in the form of housing association grant (HAG). This is set to continue with a number of large, new build projects planned for the next few years including low cost home ownership units. Dunedin Canmore is expected to make a significant contribution from its own resources to deliver these projects and to secure a contribution from private finance of around 40%. Income from sales is also anticipated to make a significant contribution to total project costs. Dunedin Canmore is the lead RSL of the Rowan Group, an alliance of RSLs selected by the City of Edinburgh Council as one of only five preferred partners in the city to receive development funding.

As a consequence of its development activity, Dunedin Canmore has relatively high and increasing private debt levels and debt per unit levels. We carried out an initial review of Dunedin Canmore's business plan during 2008/09 but would like to see up to date information from the RSL during 2009/10.

Our engagement with Dunedin Canmore – Medium

1. Because of the profile of the RSL and the scale of its development programme we will continue to have a medium level of engagement with Dunedin Canmore during 2009/10.
2. We need additional business planning information from the RSL (i.e. information that goes beyond routine submissions) to assess its overall financial capacity and viability, in light of its development, investment and other activities. We will want to see an updated business plan including evidence of scenario planning and sensitivity analysis around key assumptions. This should include full 30 year projected cashflows that demonstrate it will continue to meet lenders' covenants and its obligations under the Scottish Housing Quality Standard (SHQS) and its subsidiary's business plan to allow us to fully understand its contribution to and impact on the RSL.
3. The RSL should also 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.

Our lead officer for Dunedin Canmore 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.