

Regulation Plan

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

Regulatory profile

Cube Housing Association Ltd, (Cube) was registered in 1990 and now owns over 3,360 tenancies excluding around 252 non residential properties. It also provides factoring services for about 626 properties. It employs 88 staff and has charitable status. The RSL has one wholly owned, unregistered subsidiary, Cube Innovations Ltd. In the year ending 31 March 2010, Cube had an annual turnover of just under £11.77 million.

The key challenge facing Cube has been to find a way to fund investment in its stock to meet the Scottish Housing Quality Standard (SHQS) by 2015. During 2009/10, we have had intensive engagement with Cube around its strategic plan and its financial position and associated ability to meet the Standard. While it still has significant investment to make to achieve the target, it has made considerable progress during the year and has produced its delivery plan to show its proposals for achieving the standard. An important element of this strategy will be the proposed construction of district heating systems including a combined heat and power system (CHP) to assist in meeting the energy efficiency standards. Cube also proposes a temporary exemption for some of its property. We will therefore continue to review Cube's progress towards achieving compliance with SHQS.

In the light of its ongoing SHQS challenges and other investment activities, we continue to need assurance that Cube can demonstrate its continuing financial viability over the short to medium term across a range of scenarios.

During 2009/10 we reviewed progress made by Cube against its void improvement plan. In its APSR for 2009/10, Cube reported it had continued to make improvements in the time it takes to relet properties. However, as its performance remains in the bottom quartile of all RSLs, we will continue to monitor progress. The 2009/10 APSR recorded improvements in its total rent arrears but a deterioration in the RSL's current non-technical tenant arrears as a proportion of net debit and we will seek assurance that Cube is taking action to address this.

Our engagement with Cube Housing Association – Medium

1. We will continue to liaise with Cube to clarify business planning assumptions and be assured about its overall financial capacity and viability and its SHQS obligations. As part of this, we will be reviewing its updated business plan to be submitted in April 2011.
2. During 2011 we will continue to review Cube's strategy and progress towards meeting the SHQS and in particular we will:
 - review progress in the commissioning and construction of the proposed CHP for its Wyndford Estate
 - want to see the outcome from its consultation with residents in those properties which may not meet the SHQS by 2015.
3. We will review progress made by Cube to improve its voids and arrears

performance when we receive its 2010/11 APSR and decide whether we need to have further assurance at this point.

4. Cube 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, including all SHQS costs; and,
 - 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.

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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.