

North Glasgow Housing Association Ltd

31 March 2015

This Regulation Plan sets out the engagement we will have with North Glasgow Housing Association Ltd (North Glasgow) during the financial year 2015/16. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

North Glasgow was registered as a social landlord (RSL) in 1976. It owns and manages around 5,498 homes, delivers factoring services to 1,302 owners and provides 90 non-housing units in the north of Glasgow.

It employs 106 people and has four unregistered subsidiaries: Design Services Glasgow Ltd provides development services, NG2 Ltd provides maintenance services and North Glasgow Property (Scotland) Ltd provides property management services. NG3 Ltd is currently dormant. North Glasgow's turnover for the year ended March 2014 was over £21.77 million.

Systemic importance

Our regulatory framework highlights that a small number of RSLs have a profile in terms of stock size, turnover, scale of debt or geographic importance that means we need to ensure we have developed a comprehensive understanding of their business model and how it is being operated. We refer to these organisations as systemically important and seek some additional assurances through our published regulation plans. Given North Glasgow's size, turnover and debt, we consider it to be of systemic importance and need to understand how it plans to manage the key risks it faces and the impact these will have.

North Glasgow is considering a potential development opportunity which will deliver new homes for social rent. North Glasgow will decide whether to progress with this proposal later this year.

During 2014/15 we reviewed North Glasgow's financial returns and this provided us with assurance about its financial health. We will engage with North Glasgow to gain further assurance about its financial position.

We have assessed North Glasgow's performance against key service quality measures. North Glasgow's reported performance for the percentage of tenancy offers refused, the percentage of all complaints upheld and the average hours to complete emergency repairs are all poor. Its performance for the percentage of properties with the gas safety record renewed by the anniversary date and the percentage of gross rent arrears of rent due are in the bottom quartile.

Our engagement with North Glasgow – Medium

Given North Glasgow's size, turnover and debt we consider it to be of systemic importance. In light of this and its development and subsidiary activities, we will have medium engagement in 2015/16.

1. North Glasgow will send us the minutes of its Board and audit committee meetings at the end of each quarter.

2. By 30 June 2015 North Glasgow will send us its:
 - approved Business Plan for both it and its subsidiaries including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for it and five year projections for its subsidiaries consisting of income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;
 - sensitivity analysis which looks at key risks such as arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases and inflation rates which demonstrate continuing affordability for tenants;
 - reports to the Board for it and its subsidiaries in respect of the projections and sensitivity analysis; and
 - an update on its plans for new development.
3. We will:
 - review the minutes of the governing body and audit committee meetings and liaise with North Glasgow as necessary;
 - review the business planning and financial information for North Glasgow and its subsidiaries and provide feedback to the Chair and senior staff by the end of quarter two; and
 - discuss with North Glasgow how we will obtain assurance about service quality and depending on the outcome of this engagement we may review our future regulatory engagement with it.
4. North Glasgow should 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; and
 - Annual Return on the Charter.

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.

Our lead officer for North Glasgow 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.