

Queens Cross Housing Association Ltd

31 March 2015

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

Regulatory profile

Queens Cross was registered as a social landlord (RSL) in 1976. It has charitable status and employs over 200 people. It owns and manages 4,275 homes in the north west of Glasgow, comprising a mix of general needs, sheltered and supported housing. It provides factoring services to 2,328 owners and has 84 non-residential properties. It has one registered subsidiary, Queens Cross Factoring Ltd which also manages a small number of mid-market rent properties. It had a turnover of just over £21 million for the year ending 31 March 2014.

Systemic importance

Our regulatory framework highlights that a small number of RSLs have a profile in terms of stock size, turnover, size 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 the combination of Queens Cross' debt, turnover and size, we consider it to be of systemic importance.

We engaged with Queens Cross during 2014/15 to gain assurance about its financial health. Queens Cross has concluded a fundamental review of its business planning process and has an ambitious plan in place which makes clear commitments to tenants and aims for a positive impact on the communities it operates in. Its high level business plan is supported by departmental and service plans. Queens Cross has generally modelled its financial projections on inflation only rent increases.

The Board has reviewed its governance arrangements and established a tenant scrutiny club which reviews outputs and feeds into its improvement planning processes. It has also completed a staff restructure and launched new customer service standards. It has also recently completed a review of caretaking services and a review of sheltered housing services is underway. Queens Cross is implementing a new ICT system scheduled to complete over the next year.

Queens Cross has 307 high rise properties in Woodside still to bring up to the Scottish Housing Quality Standard (SHQS). It consulted tenants on its proposals for this and received a commitment of ECO funding to allow additional work to be undertaken. We will monitor progress with this contract during 2015/16. Queens Cross also anticipates 133 exemptions from the SHQS, mainly in its pre-1919 tenemental stock due to small kitchen sizes.

Reported performance in the Annual Return on the Charter (ARC) in relation to lets to homeless applicants is poor. However, Queens Cross provides around 14 supported accommodation projects and 40 emergency accommodation places at Burnbank House. It is also speaking to Glasgow City Council (GCC) about improving the referral process for lets to homeless applicants.

Queens Cross has an on-going development programme and has received significant public subsidy to fund this. Its programme includes plans to deliver new homes for social rent and low cost home ownership.

Our engagement with Queens Cross – Medium

Given the combination of Queens Cross size, turnover and level of debt, we consider it to be of systemic importance and need to understand how it plans to manage the key risks facing it and the impact these will have. We will therefore continue to have medium engagement with Queens Cross during 2015/16 as it progresses its organisational and investment plans.

1. By the end of May 2015, Queens Cross will send us its:
 - approved business plan including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections 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; and
 - reports to the Board in respect of the 30 year projections and sensitivity analysis.
2. Queens Cross will also send us:
 - quarterly from June 2015, minutes of its Board and audit committee meetings;
 - updates on progress with the outstanding SHQS works; and
 - by the end of July, an update on its plans for development, including funding plans.
3. When we meet the Board and senior staff in quarter two of 2015/16 we will provide:
 - feedback on the business plan and projections;
 - discuss updates and gain assurance on progress with the strategic and operational challenges facing the organisation; and
 - discuss progress with homeless referrals from GCC.
4. Queens Cross should 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 Queens Cross 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.