

Queens Cross Housing Association Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Queens Cross Housing Association Ltd (Queens Cross) during the financial year 2017/18. 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 in 1976. It has charitable status and employs 195 people. It owns and manages 4,281 homes including 52 shared ownership homes and has 70 non-self contained properties. Queens Cross also provides factoring services to 2,437 owners. As at the 31 March 2016 Queens Cross' turnover for the year was £24.7 million and its debt per unit was £8,110. It has one registered subsidiary, Queens Cross Factoring Ltd which also manages a small number of mid-market rent properties.

Systemic importance

We refer to a small number of RSLs as systemically important because of their stock size, turnover or level of debt or because of their significance within their area of operation. We need to maintain a comprehensive understanding of how their business models operate; how they manage the risks they face and the impact these risks may have, so we seek some additional assurance through our regulation plans. Given Queen Cross' size, turnover and debt, we consider it to be systemically important.

Engagement

We engaged with Queens Cross during 2016/17 as it progressed its business change programme. We discussed progress with its business strategy 2012 to 2017 and reviewed its long term financial projections. We gained assurance about these, its overall financial health, its investment activities and its approach to development and risk management.

As part of the organisation's on-going business change programme it revised its leadership structure with effect from April 2016. This was evaluated by Board in January 2017 and further changes to roles and remits will be finalised shortly.

During 2016/17 we also reviewed the findings from Queens Cross' work on rent affordability. The results of this review, along with findings from its "Getting to Know You 2" survey of residents will feed into the revised strategy for 2017-2020. The Board has agreed to implement rent restructuring proposals on a phased basis from April 2018.

During 2017/18, Queens Cross will continue to review its business model keeping value for money at the forefront of its activities and responding to the risks and challenges it faces, primarily changes to housing support, welfare reform and fuel poverty.

Queens Cross is also continuing work to upgrade 262 high rise properties at Cedar Court, Westercommon. This should now be completed in March 2018. This work will help to address some element of fuel poverty as well as bring properties up to the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (ESSH).

Queens Cross plans to continue to grow through a programme of new homes for social rent and possibly low cost home ownership. It is considering substantial affordable housing development proposals in conjunction with other providers and funders to regenerate the Hamiltonhill area of the city. It is also reviewing its financing arrangements as part of this.

Our engagement with Queens Cross Housing Association Ltd 2017/18 – Medium

Given its status as systemic and due to its business change programme, its plans for rent restructuring, stock investment, and potential development and refinancing plans, we will continue to engage with Queens Cross during 2017/18.

1. Queens Cross will send us by the end of April 2017:
 - an update on staff restructuring proposals once these have been agreed by the Board, including the timescale for recruitment to the Director post;
 - a revised timescale for the completion of the contract at Westercommon to install and commission ground source heat pumps, including details of any delays; and
 - as they become available, copies of its governing body and audit committee minutes for 2017-2018.

2. Queens Cross will also send us by 31 July 2017:
 - its revised strategy for 2017 to 2020;
 - 30 year financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative for both its base model and the model including proposed development plans;
 - a comparison of projected loan covenants against covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies;
 - details of the proposed refinancing arrangements;
 - the reports to the Board in respect of the 30 year projections, sensitivity analysis, including the impact of development and covenant requirements; and
 - the proposed timescale for completion of its asset management strategy and supporting action plan.

3. Queens Cross will also send us by 31 October 2017:
 - an update on its development projects, including funding plans, timescales completions and any material delay or changes; and
 - any updates relating to activity in its subsidiaries which may present a material risk to the parent.

4. We will:
 - liaise on any issues arising from the revised strategy as necessary;
 - meet the Board and leadership team to discuss the financial information as well as progress with the business change programme and the risks and challenges facing the organisation by the end of October 2017;
 - monitor progress with SHQS until the remaining fails are completed;
 - meet the leadership team in January 2017 to discuss progress with the business change programme;
 - provide written feedback on the asset management strategy and plans by the end of January 2017; and
 - review Board and audit committee minutes and liaise as necessary.

5. 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 financial statements and external auditor's management letter;
 - loan portfolio return;
 - five year financial projections;
 - Annual Return on the Charter; and
 - the return on the Energy Efficiency Standard for Social Housing.

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 Housing Association Ltd 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.