

Queens Cross Housing Association Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Queens Cross Housing Association Ltd (Queens Cross) during the financial year 2018/19. 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. Queens Cross currently owns and manages 4,326 homes and provides factoring services to 2,340 owners. It has charitable status and employs around 201 people. Queens Cross has one unregistered subsidiary, Queens Cross Factoring Ltd which also manages a small number of mid-market rent properties.

As at 31 March 2017 Queens Cross' turnover for the year was just under £24 million and its debt per unit was £9,043.

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, and how they manage the risks they face and the impact these may have. So we seek some additional assurance through our regulation plans. Given a combination of Queens Cross' size, turnover and level of debt we consider it to be systemically important.

Engagement

During 2017 we met the Queens Cross executive team and Board to discuss the risks and challenges as it continued to implement its business change programme. It now has a full leadership team in place and has finalised changes to other teams' structures and roles. Queens Cross has remodelled its sheltered housing service following the withdrawal of support funding.

We engaged with Queens Cross about its investment works, its development and refinancing plans and the results of its rent review. We discussed progress with Queens Cross' Corporate Strategy 2017-2020, reviewed the supporting long term financial information and gave feedback on its risk management.

We engaged about the delayed investment works at Wester Common and Cedar Court. The Westercommon delays were caused by the contractor, ICE Energy, going into administration and their workmanship is the subject of a claim by Queens Cross. This contract is now due to complete in the spring.

The work at Cedar Court has also been delayed due to issues with contractor performance and will now be fully completed by the end of 2018. Internal works to tenants' flats are scheduled for completion this spring and this will address all remaining Scottish Housing Quality Standard (SHQS) fails.

During 2017/18 Queens Cross has been considering refinancing options and keeping us informed at key stages. Queens Cross is also examining options to restructure its group to incorporate Queens Cross Workspace and its subsidiaries.

Queens Cross is one of the larger developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. In 2017 Queens Cross formed the North West Partners Development Hub with Maryhill Housing Association. Through the Hub, the two organisations will work together to establish long term demand for affordable housing including demand for alternative tenures, provide new affordable housing and deliver wider community regeneration. The partners will review the operation of the Hub after its first year of operation. Queens Cross plans to continue to grow through a considerable programme of new homes for social rent.

Our engagement with Queens Cross Housing Association Ltd in 2018/19 – Medium

We will engage with Queens Cross because it is systemically important and to gain on-going assurance about its possible group restructure, considerable development and investment plans and refinancing.

1. Queens Cross will send us by 30 June 2018:
 - the refreshed Strategy and the update on the strategic action plan;
 - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resulting covenant calculations with the actual current covenant requirements;
 - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance;
 - details of the proposed refinancing arrangements; and
 - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance.
2. Queens Cross will also send us:
 - confirmation of completion of investment works at Westercommon and Cedar Court;
 - revised 30 year financial projections once refinancing is agreed in principle;
 - copies of its Board and Audit committee minutes as they become available;
 - updates on their Westercommon insurance claim as they become available;
 - a copy of the review of the Development Hub by 31 August 2018;
 - its asset management strategy and plan by 31 December 2018; and
 - updates at key stages of its group restructuring proposals.
3. Queens Cross will send us details of its development programme by 31 October 2018. This will include an update on progress with delivering the 2018/19 programme, details of any material delays or changes to the programme, details of the planned programme from 2018/19 onwards and a copy of the most recent development update to the Board.
4. We will:
 - review the minutes of the Board and audit committee meetings and liaise as necessary;
 - liaise as necessary about its refinancing plans, group structure proposals and investment and development plans;

- meet Queens Cross Executive Team in quarter two of 2018/19 to discuss the refreshed Strategy, supporting financial information, progress with the asset management strategy and any risks to the organisation;
 - give feedback on the asset management strategy by 27 February 2019; and
 - review Queens Cross' development update in quarter three of 2018/19.
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:

Name: Janet Dickie, Regulation Manager
Address: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF
Telephone: 0141 242 5550

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.