

## ARK Housing Association Ltd

### 31 March 2016

This Regulation Plan sets out the engagement we will have with ARK Housing Association Ltd (ARK) during the financial year 2016/17. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

ARK was registered in 1977 and provides housing and support to adults with learning disabilities. It is a registered charity based in Edinburgh and operates across 13 local authority areas. It owns and manages around 276 self-contained homes and 55 non self-contained projects which houses 211 people. It employs around 723 people mainly support staff. ARK's turnover for the year ended 31 March 2015 was just over £18.6 million. ARK has two fully owned subsidiaries, ARK Services Ltd and ARK Commercial Investment Ltd.

During 2015/16 we continued to engage with ARK to understand how it planned to manage the risks it faced, in particular its future pension exposure. It continues to face risks in relation to the impact of welfare reform, future pension exposure and the introduction of the National Living Wage. We will continue to engage with ARK to understand how it plans to manage its risks.

To assess the risk to social landlord services SHR has reviewed and compared the performance of all Scottish social landlords to identify the weakest performing landlords. We found that ARK is in the bottom quartile for all social landlords in relation to four satisfaction indicators - the percentage of tenants who feel the landlord is good at keeping them informed, tenant satisfaction with opportunities to participate, tenants satisfied with the quality of their home when moving in and the percentage of tenants who feel their rent represents value for money. It is also in the bottom quartile for re-let times and rent lost due to empty properties.

### **Our engagement with ARK Housing Association Ltd– Medium**

We will have medium engagement with ARK in light of the current financial risks it faces and to get further assurance about its service quality.

1. ARK will send us by 30th June 2016:
  - its approved business plans for it and its subsidiaries including commentary on the results of its sensitivity analysis and risk mitigation strategies;
  - 30 year financial projections for it and its subsidiaries consisting of a statement of comprehensive income, statement of financial position and statement of cash flow, including a comparison of projected loan covenants against covenant requirements;
  - sensitivity analysis for it and its subsidiaries which considers the keys risks including covenant compliance;
  - its reports to the Boards of ARK and its subsidiaries in respect of the 30 year projections and sensitivity analysis; and
  - evidence of how it demonstrates affordability for its tenants.

2. We will provide feedback on the business plans and projections for ARK in quarter three of 2016/17. We will meet senior staff to discuss progress against the business plan, any risks to the organisation and the steps it is taking to manage these risks.
3. We will engage with ARK about the service quality areas we have highlighted.
4. ARK 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; 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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for ARK 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 Plan.