

ARK Housing Association Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with ARK Housing Association Ltd (ARK) during the financial year 2017/18. 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 612 people, mainly direct services staff.

ARK's turnover at 31 March 2016 was just over £19.1 million and its debt per unit was £1,934. ARK has two fully owned subsidiaries, Ark Services Ltd and Ark Commercial Investment Ltd.

Engagement

During 2016/17 we continued to engage with ARK about its strategic planning and financial position and to understand how it planned to manage the risks it faced, in particular in relation to costs in its care business including the introduction of the Scottish Living Wage.

ARK continues to face risks in relation to its costs, pension exposure, the impact of welfare reform and diversification of its subsidiary Ark Commercial Investment Ltd into non-social private letting. We will seek further assurance from it on these issues. We will also engage with ARK about its governance capacity given the range and complexity of risks it is managing. To help us to fully understand the potential impact on ARK we want to be kept up to date with Ark Commercial Investment Ltd's progress.

Our engagement with ARK Housing Association Ltd in 2017/18 – Medium

We will have medium engagement with ARK to get assurance about its plans to manage the risks it faces, its financial health and its governance capacity.

1. ARK will send us by 30 June 2017:
 - its approved Corporate Objective Delivery Plan;
 - its risk register as at 31 March 2017 and 30 September 2017;
 - 30 year financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flow with explanatory narrative;
 - 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;

- reports to the Board and finance sub-committee and the subsequent minutes in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
 - evidence of how it demonstrates affordability for its tenants.
2. For Ark Services Ltd and Ark Commercial Investment Ltd, ARK will send us by 30 June 2017:
 - the 2017/18 annual budget complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies; and
 - reports to the subsidiary Boards, group Board and subsequent minutes in respect of the approved projections, sensitivity analysis and covenant compliance.
 3. For Ark Services Ltd and Ark Commercial Investment Ltd, ARK will send us management accounts, associated board papers and subsequent minutes.
 4. We will provide feedback on the Corporate Objective Delivery Plan and projections for ARK in quarter three of 2017/18. We will meet senior staff to discuss progress against the plan, any risks to the organisation and the steps it is taking to manage these risks.
 5. We will also engage with ARK about how it has assessed its compliance with our Regulatory Standards of Governance and Financial Management. We will discuss the timing and extent of this work with ARK and engage with it as necessary to address any issues arising from this.
 6. 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;
 - 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 ARK Housing Association Ltd is:

Name: Rosi O'Neill, Regulation Manager
 Address: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF
 Telephone: 0141 242 5549

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.