

ARK Housing Association Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with ARK Housing Association Ltd (ARK) during the financial year 2018/19. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

ARK was registered as a social landlord 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 277 self-contained homes and 56 projects housing 208 people. It employs 685 people, mainly direct services staff. ARK has two subsidiaries Ark Services Ltd which was set up to develop housing and Ark Commercial Investment Ltd which provides student accommodation.

As at 31 March 2017 ARK's turnover for the year was just under £19.53 million and its debt per unit was £1,689.

Engagement

During 2017/18 we continued to engage with ARK about its strategic planning and financial planning to get assurance about its financial health. We reviewed ARK's strategic and financial plans and met with the Chair and senior management team to give feedback on these. We found ARK does not have a business plan in one document that draws together its strategic and financial plans and its key risks. Also that ARK did not prepare sensitivity analysis on the financial plans it sent to us. We discussed that this approach was not in line with our recommended practice on Business Planning and that this made it challenging for us to get assurance about ARK's business planning and financial health.

We engaged with ARK about how it assessed its compliance against the Regulatory Standards of Governance and Financial Management. We are finalising our assessment of the information provided and will discuss the outcomes with the Chair and Chief Executive in due course.

ARK continues to face risks in relation to income generation, its costs, the impact of welfare reform, pension exposure, the move to self-directed support for social care services and the diversification of its subsidiary, Ark Commercial Investment Ltd, into student lets. We will continue to seek assurance from ARK on these issues.

ARK has plans to develop a small number of homes for social rent and will receive public subsidy to help achieve this.

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

We will engage with ARK to get assurance about its financial health, its development plans and its compliance with the Regulatory Standards.

1. ARK will send us by 31 May 2018 :
 - its approved Corporate Objective Delivery Plan and Business 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;
 - a comparison of projected loan covenants against current covenant requirements;
 - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resultant covenant calculations with the actual current covenant requirements; and
 - report to the Board and sub-committee in respect of the approved 5 year and 30 year projections, sensitivity analysis and covenant compliance.
2. For Ark Services Ltd and Ark Commercial Ltd, ARK will send us by 31 May 2018:
 - the 2018/19 annual budget complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks including risk mitigation strategies; and
 - reports to the subsidiary Boards and to the governing body of ARK in respect of the approved financial projections, sensitivity analysis and covenant compliance.
3. ARK will also send us:
 - quarterly management accounts as at 30 June 2018, 30 September 2018 and 31 December 2018, associated board papers and subsequent minutes;
 - its risk register as at 31 March 2018 and 30 September 2018; and
 - an update on its development plans by 31 October 2018.
4. We will provide a final report on ARK's assessment of its compliance with the Regulatory Standards of Governance and Financial Management in quarter one of 2018/19 and discuss the outcomes with ARK.
5. We will:
 - review ARK's strategic and financial information;
 - meet with ARK's Chair and senior management team in quarter two of 2018/19 to discuss the strategic and financial information and the risks facing the organisation; and
 - review ARK's development information in quarter three of 2018/19.
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.