

Key Housing Association Ltd

31 March 2015

This Regulation Plan sets out the engagement we will have with Key Housing Association Ltd (Key) during the financial year 2015/16. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Key was registered as a social landlord in 1978 and provides housing and support to adults with learning disabilities. It is a registered charity based in Glasgow and operates across 15 local authority areas. It owns and manages around 710 houses and employs around 2,135 people (1,347 full time equivalent staff), mainly support staff. Its turnover for the year ended 31 March 2014 was just over £39.9 million. It has two unregistered subsidiaries Community Lifestyles Limited and KHA Developments Ltd.

Systemic importance

Our regulatory framework highlights that a small number of RSLs have a profile in terms of stock size, turnover, size of debt or geographic importance that means we need to ensure that we have developed a comprehensive understanding of their business model and how it is being operated. We refer to these organisations as systemically important and seek some additional assurances from these organisations through our published Regulation Plans. Given Key's turnover we consider it to be of systemic importance.

We have been engaging with Key about the risks and challenges it faced around its pensions liabilities. An agreement was reached with the Pensions Trust to address this in the short/medium term. We will continue to engage with Key as we consider it to be of systemic importance and to understand how it plans to manage the risks it faces in particular its exposure to future pension risks.

Our engagement with Key – Medium

We consider Key to be of systemic importance and we will have medium engagement with it in 2015/16.

1. By 31 July 2015 Key will send us its:
 - approved Business Plan for both it and its subsidiaries including commentary on results of robust sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for both it and its subsidiaries consisting of income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;
 - sensitivity analysis which looks at key risks such as exposure to future pension liabilities, arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases and inflation rates which demonstrate continuing affordability for tenants; and
 - reports to the Board for it and its subsidiaries in respect of the 30 year projections and sensitivity analysis.

2. Key will send us copies of its governing body and audit committee minutes quarterly.
3. We will:
 - review minutes of the governing body and audit committee meetings;
 - provide feedback on the business plans and projections for Key and its subsidiaries in quarter three of 2015/16; and
 - meet senior staff and the Board in quarter three to discuss progress against the business plan, any risks to the organisation and the steps it is taking to manage these risks.
4. Key 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 annual accounts 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.

Our lead officer for Key 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.