

Key Housing Association Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Key Housing Association Ltd (Key) during the financial year 2017/18. 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 people with a wide range of disabilities. It is a registered charity based in Glasgow and operates across 15 local authority areas. It owns and manages around 712 houses and employs around 1,304 full time equivalent staff, mainly support staff.

As at 31 March 2016 its turnover was almost £45 million and its debt per unit was £2,401. It has two unregistered subsidiaries Community Lifestyles Ltd and KHA Developments Ltd.

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, how they manage the risks they face and the impact these risks may have. So we seek some additional assurance through our regulation plans. Given Key's turnover we consider it to be systemically important.

Engagement

During 2016/17 we reviewed Key's Strategic Plan and financial projections and returns to gain assurance about its financial health. We also looked at the financial information for Key's subsidiaries. We engaged with the Board and the management team to discuss the risks and challenges Key faces.

We will continue to engage with it to understand how it plans to manage the risks it faces around its care business and funding support and about future pensions risk. We previously discussed Key's approach to demonstrating affordability for its tenants and Key told us it has plans to develop this further in 2017/18.

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

We will engage with Key because it is systemically important and about how it is managing the risks to its business.

1. Key will send us by 30 June 2017:
 - its approved business plan;
 - 30 year financial projections consisting of statements of comprehensive income, financial position and cash flows complete with details of assumptions and explanatory;
 - 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 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 Community Lifestyles Ltd Key will send us by 30 June 2017:
 - the approved business plan;
 - the financial projections consisting of statements comprehensive income, financial position and cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis including risk mitigation strategies; and
 - reports to the Board of Key in respect of Community Lifestyles Ltd's approved financial projections and sensitivity analysis.
 3. Key will send us the minutes of its governing body and audit committee meetings as these become available.
 4. We will:
 - review the minutes of the governing body and audit committee meetings;
 - provide feedback on the business plans and discuss the financial information submitted for Key and Community Lifestyles Ltd in quarter three of 2017/18; and
 - meet senior staff and the Chair in quarter three of 2017/18 to discuss its projections, progress against the business plan and any risks to the organisation.
 5. 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 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 Key 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.