

Key Housing Association Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Key Housing Association Ltd (Key) during the financial year 2018/19. 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 over 15 local authority areas. It owns and manages 712 homes and employs around 1,314 people, mainly support staff.

Key has two unregistered subsidiaries, Community Lifestyles which provides individualised support to people with disabilities and KHA Developments Ltd, which develops housing for adults with disabilities.

As at 31 March 2017 Key's turnover for the year was over £47.7 million and its debt per unit was £2,183.

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, and how they manage the risks they face and the impact these 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 2017/18 we engaged with Key to get assurance about its financial health and about its management of risk. We also reviewed and give feedback on its Strategic Plan and financial information. We discussed Key's approach to demonstrating affordability for tenants. We also met with the Chair to understand the challenges Key faces particularly in the care side of the business and about pension risks.

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

We will engage with Key because it is systemically important and about how it is managing the risks it faces including its care business and pension risk.

1. Key will send us by 30 June 2018:
 - its approved 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;
 - 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;
 - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
 - updated evidence of how it demonstrates affordability for its tenants.
2. For the Community Lifestyles Ltd, Key will send us by 30 June 2018:
 - the approved business plan;
 - the financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks including risk mitigation strategies; and
 - reports to the governing body of Key in respect of the approved financial projections and sensitivity analysis.
 3. Key will send us copies of its governing body and audit committee minutes as they become available.
 4. We will:
 - review the minutes of the governing body and audit committee meetings;
 - review the business plan and financial information submitted for Key and Community Lifestyles Ltd in quarter two of 2018/19;
 - meet with Key's senior management team in quarter two of 2018/19 to discuss the business plan, the financial information and any risks to the organisation; and
 - meet with Key's governing body during the year.
 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:

Name: Kirsty Anderson, Regulation Manager
Address: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF
Telephone: 0141 242 5547

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.