

## Kingdom Housing Association Ltd

**28 March 2014**

This Regulation Plan sets out the engagement we will have with Kingdom Housing Association Ltd (Kingdom) during the financial year 2014/2015. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

Kingdom owns and manages around 3,543 (rented and shared ownership) houses and provides factoring services to 445 homes. It is a registered charity and employs around 273 full time equivalent staff across the Falkirk, Fife and Perth and Kinross local authority areas in Scotland. It has one non-registered subsidiary, Kingdom Initiatives Ltd, which provides property development and management services out with the social rented sector. Kingdom's turnover for the year ended 31 March 2013 was £19.7 million.

Kingdom is the largest developer of social housing in Fife and one of the largest developers in Scotland. It has received significant amounts of public subsidy and built both new build for social rent and low cost home ownership houses. It plans to continue to have a large programme to develop new homes including social rent and mid market rent. It also develops new housing projects on behalf of Fife Alliance members and others. Given the combination of Kingdom's size, turnover, debt we consider it to be of systemic importance.

We have reviewed Kingdom's financial returns and given the scope and complexity of Kingdom's business and its systemic importance we will continue to need updated financial projections from it and its subsidiary.

We have also been engaging with Kingdom about changes it is making to its care service and we will continue to need updates about this as it progresses the changes.

Kingdom's Chief Executive retired in 2013 and Kingdom recently completed a strategic options appraisal. We have been engaging with Kingdom about its options appraisal and its plans to recruit a new Chief Executive.

### **Our engagement with Kingdom - Medium**

We consider Kingdom to be of systemic importance because of the combination of its size, turnover and debt. So we will have medium engagement with it in 2014/15.

1. Kingdom will keep us informed about progress with recruiting a new chief executive.
2. Kingdom will send us the minutes of its governing body and audit committee meetings each quarter.
3. By 30 September 2014 Kingdom will send us:
  - its Business Plans for it and its subsidiary including commentary on results of sensitivity tests and risk mitigation strategies;
  - 30 year projections for it and its subsidiary consisting of income and expenditure statement, balance sheet and cash flow, including covenant requirements and calculation of the loan covenants;

- sensitivity analysis which looks at keys risks such as, arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases which demonstrate continuing affordability for tenants;
  - its report to the Boards of Kingdom and its subsidiary in respect of the 30 year projections; and
  - an update on development activities and care and support services.
4. We will:
- review minutes of the governing body and audit committee meetings; and
  - meet senior staff and the Board in quarter three to discuss its projections, progress against the business plan and any risks to the organisation.
5. Kingdom 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 performance information can be found on our website at [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Kingdom 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.