

## **Kingdom Housing Association Ltd**

### **31 March 2016**

This Regulation Plan sets out the engagement we will have with Kingdom Housing Association Ltd (Kingdom) during the financial year 2016/17. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### **Regulatory profile**

Kingdom was registered as a social landlord in 1981. It is a charity and employs 361 people. It owns and manages around 3,637 rented and shared ownership homes, delivers factoring services to 390 owners 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 2015 was £21.5 million.

### **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 the risks they face, so we seek some additional assurance through our regulation plans.

Given Kingdom's size and level of debt, we consider it to be systemically important. We need to understand how it plans to manage the key risks it faces and the impact these may have.

Kingdom is one of the largest developers of new affordable housing in Scotland and continues to receive significant public subsidy to help achieve this. Kingdom plans to continue to grow through a considerable programme of new homes for social rent, mid market rent and low cost home ownership. It also develops new housing on behalf of Fife Alliance members and others.

During 2015/16 we reviewed Kingdom's business plan and financial projections and will continue to engage with Kingdom to gain further assurance about its financial position around its development, borrowing and support and care activity.

We completed a review of Kingdom's treasury management in March 2016. This gave us assurance about Kingdom's approach and highlighted the strengths of its treasury functions in respect of the regulatory standards. It also proposed recommendations that would support Kingdom through a period of significant growth.

### **Our engagement with Kingdom Housing Association Ltd – Medium**

Due to Kingdom's size and level of debt, we consider it to be of systemic importance and as a result we will have medium engagement with it in 2016/17.

1. Kingdom will send us the minutes of its governing body and audit committee

meetings each quarter.

2. Kingdom will send us by 30 June 2016:
  - its approved business plan for it and its subsidiary including commentary on the results of its sensitivity tests and risk mitigation strategies;
  - 30 year financial projections for it and its subsidiary consisting of statement of comprehensive income, statement of financial position and statement of cash flows, including a comparison of projected loan covenants against covenant requirements;
  - sensitivity analysis for it and its subsidiary which considers the key risks including covenant compliance;
  - its reports to the Board of Kingdom and its subsidiary in respect of the 30 year projections and sensitivity analysis; and
  - evidence of how it demonstrates affordability for its tenants.
3. We will provide feedback on the business plan and financial projections in September 2016 when we meet senior staff and the Chair to discuss its business model, strategy and the challenges facing the organisation.
4. Kingdom will send us an update on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2016.
5. We will discuss and monitor the progress with the recommendations from the treasury review.
6. 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 financial statements 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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Kingdom 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.