

Kingdom Housing Association Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Kingdom Housing Association Ltd (Kingdom) during the financial year 2017/18. 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 390 people. It owns and manages around 4,002 homes including 256 mid-market rent and 264 partly owned homes and delivers factoring services to 448 owners across the Falkirk, Fife and Perth and Kinross local authority areas in Scotland.

It currently has two non-registered subsidiaries, Kingdom Initiatives Ltd, which provides property development and management services out-with the social rented sector and Kingdom Support and Care CIC, for the provision of support and care services. As at the 31 March 2016 Kingdom's turnover for the year was £22.9 million and its debt per unit was £15,920.

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 the combination of Kingdom's size, turnover and level of debt, we consider it to be systemically important.

Engagement

During 2016/17 we reviewed Kingdom's annual business plan and supporting 30-year projections. We engaged with the executive team and the Chair to discuss the risks and challenges within the plan to gain further on-going assurance about Kingdom's financial position. We also received assurance on Kingdom's approach to demonstrating affordability to its tenants.

In addition during 2016/17 we gained a better understanding of Kingdom Initiative's role and future strategy within the Group and Kingdom provided us with regular updates on its plan to move its Care and Support division into a separate subsidiary. This new subsidiary is due to be operational from the 1 April 2017 and will provide support to 255 supported individuals. 238 staff will transfer to Kingdom Support and Care and we will engage with Kingdom during the year to seek assurance on how it has monitored the new subsidiary's operation as part of the Group during the year.

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

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

We will engage with Kingdom as we consider it to be of systemic importance and as it continues its large development programme and develops its subsidiary activities and has a group funding strategy to support this growth.

1. Kingdom 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 assumptions and explanatory narrative;
 - a comparison of projected financial loan covenants against current covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies; and
 - its reports to the Board of Kingdom in respect of the approved business plan, 30 year projections and sensitivity analysis.
2. For Kingdom Initiatives Ltd and Kingdom Support and Care, Kingdom will send us by 30 June 2017:
 - the approved business plans;
 - the financial projections consisting of statements of comprehensive income, financial position and cash flow complete with assumptions and explanatory narrative; and
 - reports to the Board of Kingdom in respect of the approved business plans, financial projections, including risk mitigation strategy and sensitivity analysis.
3. Kingdom will send us:
 - the minutes of its governing body and audit committee meetings as they become available;
 - an update on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2017; and
 - an update on the progress of the contact centre by 30 September 2017.
4. We will discuss the business plan and financial information submitted with Kingdom by September 2017 when we meet senior staff and the Board. These discussions will focus on the strategy and the key challenges facing the organisation, including its subsidiary operations.
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 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 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.