

Kingdom Housing Association Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Kingdom Housing Association Ltd (Kingdom) during the financial year 2018/19. 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. Kingdom currently owns and manages 4,177 homes including 351 mid-market rent and 258 partly owned homes and provides factoring services to 500 owners across three local authority areas. It has charitable status and employs around 163 people.

Kingdom has two unregistered subsidiaries, Kingdom Initiatives Ltd, which provides property development and management services out-with the social rented sector and Kingdom Support and Care CIC (KSC), for the provision of support and care services and employs around 167 people.

As at 31 March 2017 Kingdom's turnover for the year was £24.8 million and its debt per unit was £17,121.

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 2017/18 we reviewed the business plan and the financial information we received from Kingdom. We met with the executive team and the Board to provide feedback and discuss this information. This allowed us to gain further assurance about its strategic direction and financial capacity to deliver its objectives.

KSC was operational from 1 April 2017 and we have been engaging with Kingdom to gain assurance that its performance is being monitored appropriately and in line with its plans. We have a good understanding of the governance and operational structure of KSC in the context of the Kingdom Group. We will continue to engage with Kingdom about KSC during 2018/19 to maintain this assurance.

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 for social rent, mid-market rent and a small amount

of private sector rent (via Kingdom Initiatives). As a result, the number of affordable homes provided by Kingdom will increase by around a 40% over the next five years.

Kingdom also develops new housing on behalf of Fife Alliance members and others.

During 2018/19 we will continue to engage with Kingdom to obtain assurance on its ability to identify and manage the key risks it faces, its continued progress with its strategy to support its substantial development programme.

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

We will engage with Kingdom because it is systemically important and about its significant development programme and active group structure.

1. Kingdom will send us by 31 May 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 resulting 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
 - evidence of how it demonstrates affordability for its tenants.
2. Kingdom will also send us by 31 May 2018 the latest available versions of the business plans and financial projections in relation to Kingdom Initiatives and KSC.
3. Kingdom will send us copies of its Board and audit committee minutes as they become available.
4. Kingdom will send us an update on its development programme by 31 October 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme. This will include a copy of the most recent development update to the Board.
5. We will:
 - review the minutes of the Board and audit committee meetings;
 - review Kingdom's development update in quarter three of 2018/19; and
 - meet with Kingdom's Chair and senior staff to discuss the business plans and financial projections and the risks and challenges facing the organisation.
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;
 - 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.