

Regulation Plan

This Regulation Plan sets out the engagement we will have with Kingdom Housing Association Ltd. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Kingdom Housing Association is an established Registered Social Landlord with around 2,700 housing units. It is a registered charity and employs 245 full time equivalent staff. Its turnover in the year to 31 March 2007 was over £11.7 million.

Kingdom Housing Association is a large developer of social housing in the east of Scotland and one of the largest developers in Scotland. The Association has generated comfortable operating and net surpluses over the past five years, and its private finance per unit has increased. Kingdom Housing Association has the capacity to service debt and remain financially viable.

Kingdom's financial position is relatively strong, but it is important that it demonstrates that it is efficient in its use of resources. Over the last five years, its unit management costs have increased by 45% in real terms. Staff costs have also risen at a faster rate than the average earning index over the last five years. Our latest report on the comparative operating costs of RSLs in Scotland, based on 2005/06 data, reported that Kingdom's actual operating costs were considerably higher than those predicted by our model. The difference was the largest in Scotland.

Kingdom set itself some ambitious targets in respect of its repairs service. However its performance is still relatively poor, especially for urgent and routine repairs. We also noted that Kingdom's performance against relet and voids indicators is not as strong as we would expect. Void losses have been high though we note a significant improvement this year.

Our engagement with Kingdom Housing Association - Medium

1. We need additional business planning information from the Association (ie information that goes beyond routine submissions) to assess its overall financial capacity and viability, in light of its development, investment and other activities. We are likely to need to see a comprehensive business plan, including sensitivity analysis around key assumptions, with a covering narrative. We will liaise with the Association at the end of quarter two about our requirements and its business planning cycle.
2. We require assurance that Kingdom is adequately controlling its management costs and staff costs. Kingdom should produce an action plan by October 2008, which sets out how it will control its costs.
3. We need assurance that the Association is improving its performance in respect of its repairs, relets and voids performance. The Association should produce an improvement plan which outlines the steps it will take to improve its performance in these areas. We will monitor progress through its annual return for 2008/09.

4. The Association should continue to 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, internal controls assurance statement and external auditor's management letter
 - loan portfolio return
 - five year financial projections
 - annual performance and statistical return

This plan will be kept under review and may be changed to reflect particular or new events. Guides to how we regulate and inspect, and other relevant statistical and performance information, can be found on our website at www.scottishhousingregulator.gov.uk.

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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.