

## Albyn Housing Society Ltd

### 31 March 2016

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

### Regulatory profile

Albyn was registered as a social landlord in 1973 and owns and manages 2,924 homes and provides factoring services to 645 owners in 65 communities across the Highland and Moray local authority areas. It is a registered charity and employs around 60 people. Its turnover was just over £11.9 million in the year ended 31 March 2015. Albyn has one unregistered subsidiary, Albyn Enterprises Ltd which carries out all of Albyn's non - charitable activities. Albyn Enterprises Ltd continues to grow and diversify.

Albyn is one of the largest developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. It plans to grow through a considerable programme of new homes for social rent, mid market rent and shared equity. We have reviewed Albyn's financial returns to gain assurance about its financial health.

We also provided feedback on Albyn's draft asset management strategy last year and the strategy will be finalised during 2016/17. It now has more comprehensive stock condition information and has made improvements to how it holds this information.

The most recent stock condition survey identified additional Scottish Housing Quality Standard (SHQS) failures which relate mainly to common areas. 256 properties (9%) of its total stock currently fail the SHQS, the majority of which (212) are in the healthy, safe and secure category and are now almost complete. The proportion of Albyn's stock it reported as being exempt from SHQS has reduced since last year.

Albyn has completed a review of its structure and how it delivers its business. The structure supports its plans for growth and Albyn plans to review its governance arrangements. We will engage with it now that its programme of change is nearly complete to get additional assurance about its capacity to manage its growth plans, subsidiary activities and stock quality issues.

### **Our engagement with Albyn Housing Society Ltd– Medium**

We will have medium engagement with Albyn in 2016/17 given its growth plans, its review of governance arrangements, subsidiary activities and stock quality issues.

1. Albyn will send us by 30 April 2016:
  - its approved business plans for it and its subsidiary including commentary on the results of its sensitivity analysis and risk mitigation strategies;
  - 30 year financial projections for it and five year financial projections for its subsidiary consisting of a statement of comprehensive income, statement of financial position and statement of cash flow, including a comparison of projected loan covenants against covenant requirements for Albyn;

- sensitivity analysis for it and its subsidiary which considers the keys risks including covenant compliance;
  - its reports to the Boards of Albyn and AEL in respect of the 30 and five year projections respectively and sensitivity analysis; and
  - evidence of how it demonstrates affordability for its tenants.
2. Albyn will also send us:
    - its asset management strategy by the end of January 2017; and
    - updates on progress with SHQS fails and exemptions at the end of September 2016 and February 2017.
  3. We will:
    - meet senior staff by the end of June to provide feedback on Albyn's business plan and discuss the risks and challenges facing the organisation;
    - review the asset management strategy and provide written feedback by the end of March 2017; and
    - review progress with SHQS fails and exemptions and liaise as necessary.
  4. We will also engage with Albyn to seek assurance about how it has assessed its governance arrangements and capability. We will discuss the timing and extent of this work with Albyn.
  5. Albyn 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 Albyn Housing Society 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.