

Albyn Housing Society Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Albyn Housing Society Ltd (Albyn) during the financial year 2017/18. 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 2,990 homes, including 151 shared ownership units across the Highland and Moray local authority areas. It is a registered charity and employs around 60 people. As at 31 March 2016 its turnover for the year was just over £16 million and its debt per unit was £18,724.

Albyn has two unregistered subsidiaries, Albyn Enterprises Ltd and Highland Residential Ltd. Albyn Enterprises Ltd currently operates all of Albyn's non-charitable activities. It is anticipated from 1st April 2017 Highland Residential Ltd will operate all the non-charitable property activities for the Group with Albyn Enterprises undertaking innovation activities.

Systemic Importance

We refer to a small number of RSLs as systemically important because of their stock size, turnover, 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 Albyn's size, turnover and level of debt, we consider it to be systemically important.

Engagement

During 2016/17 we reviewed Albyn's annual business plan and 30 year financial projections. We met with the Executive Team to discuss and provide feedback on this information.

This information included a review of the work Albyn has undertaken to demonstrate affordability to its tenants. This provided us with assurance with Albyn's approach but we will look to see this developed further during 2017/18.

In addition Albyn provided us with a copy of its asset management strategy. We gave feedback on this and will discuss with the Executive Team during 2017/18 how this strategy has been reflected within its future business plan and strategy.

During 2016/17 we also engaged with Albyn about its work to assess itself against our Regulatory Standards of Governance and Financial Management. Albyn is taking forward some further work as a result of this review and we will engage with Albyn about its progress with this work during 2017/18.

Albyn is one of the largest developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. During 2016/17 Albyn decided to significantly increase its development programme over the next five years. Albyn secured long term funding to support this development programme through a private placement in February 2017.

Albyn currently has 145 homes where it is more difficult to improve energy efficiency. It has plans and funding in place to ensure the remaining properties meet the Energy Efficiency Standard for Social Housing (EESH) by 2020.

During 2017/18 we will continue to review the financial information provided by Albyn as it looks to deliver its significant development programme and manage its debt levels.

Our engagement with Albyn Housing Society Ltd in 2017/18 – Medium

We will engage with Albyn as we consider it to be of systemic importance and because it has a significant development programme.

1. Albyn will send us by 31 July 2017:
 - its latest approved business plan;
 - 30 year financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flow, complete with details of assumptions and explanatory narrative;
 - a comparison of the projected financial loan covenants against covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies;
 - reports to the Board of Albyn in respect of the approved business plan; 30 year financial projections and sensitivity analysis; and
 - evidence of how it demonstrates affordability for its tenants.
2. Albyn will also send us:
 - an update on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2017;
 - copies of its governing body and audit committee minutes as they become available;
 - updates on progress with the programme to complete the energy efficiency improvements on the 145 homes when available; and
 - updates on its work developing its self-assessment against the Regulatory Standards when available.
3. We will meet senior staff and the Board by the end of September 2017 to:
 - to provide feedback on Albyn's business plan;
 - discuss the risks and challenges facing the organisation; and
 - discuss the further self-assessment work Albyn will carry out to deliver continuous improvement in relation to our Regulatory Standards of Governance and Financial Management.
4. We will:
 - also review Albyn's progress with its planned energy efficiency improvements and liaise with it as necessary; and
 - review the minutes of the governing body and audit committee meetings.
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;
 - 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 Albyn Housing Society Ltd is:

Name: Peter Freer, Regulation Manager
Address: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF
Telephone: 0141 242 5463

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.