

Albyn Housing Society Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Albyn Housing Society Ltd (Albyn) during the financial year 2018/19. 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. Albyn currently owns and manages around 2,957 homes and provides factoring services to 942 owners Highland and Moray local authority areas. It has charitable status and employs around 60 people.

Albyn has two unregistered subsidiaries, Albyn Enterprises Ltd and Highland Residential Ltd. Highland Residential Ltd operate all the non-charitable property activities, including factoring and mid-market rent for the Group with Albyn Enterprises undertaking current and future innovation activities.

As at 31 March 2017 Albyn's turnover for the year was £17 million and its debt per unit was £24,639.

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

Engagement

During 2017/18 we reviewed Albyn's annual business plan and 30 year financial projections. We met with the governing body and the Executive Team to discuss and provide feedback on this information.

Albyn is developing its approach to affordability and we will review this information during 2018/19.

During 2017/18 we also engaged with Albyn about its progress and further work to review itself against the Regulatory Standards of Governance and Financial Management. Albyn has assured us that it is committed to an on-going assessment against the Regulatory Standards and building this into its governing body's approach to governance.

Albyn is one of the larger developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. Albyn recently decided to considerably increase its development programme of new homes for social rent, mid-market rent and

shared equity. As a result, the number of affordable homes provided by Albyn will increase by around a fifth over the next five years.

Albyn has recently secured private placement funding in order to support this development programme.

We will continue to engage with Albyn during 2018/19, as it progresses its development programme and manages the risks and challenges associated with it.

Our engagement with Albyn Housing Society Ltd in 2018/19 – Medium

We will engage with Albyn because it is systemically important and due to its significant development programme.

1. Albyn will send us by 31 July 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;
 - its report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
 - its updated approach to affordability.
2. Albyn will send us copies of its Board and audit committee minutes as they become available.
3. Albyn 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.
4. We will:
 - review the minutes of the Board and audit committee meetings;
 - review Albyn's development update in quarter three of 2018/19;
 - meet with Albyn's Chair and senior staff to discuss the risks and challenges facing the organisation; and
 - discuss the business plan, financial projections and affordability information at this meeting.
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:

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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.