

Fyne Homes

31 March 2017

This Regulation Plan sets out the engagement we will have with Fyne Homes during the financial year 2017/18. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Fyne Homes was registered as a mutual benefit society in 1961 and as a social landlord in 1978. It owns and manages 1,476 houses across the Argyll and Bute local authority area and provides a factoring service to 368 owners. It has charitable status and employs 40 people. Fyne Homes has three non-registered subsidiaries: Fyne Initiatives, Fyne Futures and Fyne Energy Ltd.

At 31 March 2016 Fyne Homes' turnover was around £6.41 million and its debt per unit was £12,132.

Engagement

Fyne Homes has a development programme of new housing for social rent and will receive significant public subsidy to help achieve this.

During 2016/17 we reviewed information provided by Fyne Homes and want to get further assurance about Fyne Futures strategic direction and capacity to deliver its longer term objectives.

In 2014 Fyne Homes notified us of its intention to establish a subsidiary, Fyne Energy Ltd, which would be responsible for developing a wind farm in Kintyre. Fyne Homes has been very proactive at keeping us informed with its progress with this. The project is complex and the investment in the wind farm is significant and includes public subsidy and on-lending from Fyne Homes to Fyne Energy Ltd. The project is now approaching a critical stage with construction of the turbines and the grid connection due to commence and we will seek further assurance from Fyne Homes about its progress with this and any material changes which impact on it.

Our engagement with Fyne Homes in 2017/18 – Medium

We will have medium engagement with Fyne Homes to gain assurance about its development programme and the financial impact of the subsidiaries on Fyne Homes' overall business.

1. Fyne Homes will send us by 30 June 2017:
 - its approved business plan;
 - 30 year financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flows complete with assumptions and explanatory narrative;
 - a comparison of projected loan covenants against covenant requirements;

- financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies;
 - 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. For Fyne Futures and Fyne Energy Ltd, Fyne Homes will send us by 30 June 2017:
 - its approved business plan;
 - financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flows complete with assumptions and explanatory narrative;
 - a comparison of 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; and
 - report to the Board of Fyne Homes in respect of the approved financial projections, sensitivity analysis and covenant compliance.
 3. Fyne Homes will also send us:
 - by 31 July 2017 and quarterly thereafter management accounts for Fyne Energy Ltd including any supporting narrative;
 - board reports and minutes as they become available for Fyne Homes where any discussions on Fyne Energy Ltd took place; and
 - quarterly updates on the progress of Fyne Energy Ltd's wind farm project.
 4. Fyne Homes will send us an update on its development programme including funding plans, timescales, completions and any material changes by 31 October 2017.
 5. We will:
 - provide feedback on the business plans and discuss the financial information for Fyne Homes, Fyne Futures and Fyne Energy Ltd in quarter two of 2017/18; and
 - monitor progress with the Fyne Energy Ltd wind farm project.
 6. Fyne Homes 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 Fyne Homes 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.