

## Regulation Plan

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

### Regulatory profile

Albyn Housing Society has around 2,200 housing units in 60 communities across the Highland and Moray local authority areas. It is a registered charity and employs 72 people. Its turnover for the year ended 31 March 2008 was £13.9m. Its turnover has more than doubled in the last two years: in the year ended 31 March 2006 it was less than £6m. It has one unregistered subsidiary, Albyn Enterprises Ltd.

Albyn is an important developing registered social landlord (RSL), receiving the largest amount of housing association grant (HAG) of any RSL in northern Scotland and amongst the highest across Scotland. Its development programme over the next few years involves building homes in over 50 locations. It has the largest number of schemes involving low cost home ownership units and is in the top quartile of all developing RSLs for the funding contribution to developments made from both sales and private sector borrowing. Albyn also carries a relatively large level of private debt per unit.

In our 2008 regulatory plan we asked Albyn to provide us with additional business planning information. We carried out an initial review of this but we need further, more detailed information, to complete our analysis.

Albyn's performance in collecting rents continues to be poor with total arrears as a percentage of total income increasing in 2008/09.

The Society's performance in letting empty property has also deteriorated in the last year and was amongst the poorest in the sector.

While Albyn has a relatively low proportion of its stock not meeting the Scottish Housing Quality Standard (SHQS), this almost doubled during 2008/09 to nearly 20% and it did not bring any properties up to the Standard during the year.

### **Our engagement with Albyn Housing Society - Medium**

1. We need additional business planning information to allow us to assess Albyn's overall financial capacity and viability in light of its development, investment and subsidiary activities. This should include sensitivity analysis around key assumptions and full 30 year cashflows to confirm that Albyn will continue to meet its development aspirations, its lenders' covenants and its SHQS obligations. We require this information by 30 September 2009.
2. We require Albyn to provide us with a report detailing the reason for its failure to improve its performance in collecting rents and how it plans to address this. It should also provide us with a written plan detailing how it intends to make improvements to its void performance. We require these plans by 30 September 2009. We will review them and determine what further regulatory activity is appropriate.

3. We may arrange to meet with Albyn in 2009/10 if we feel it necessary to discuss our findings and our regulatory response.
4. The Society 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. 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 guides to how we regulate, inspect and intervene and other relevant statistical and performance information, can be found on our website at [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk).

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We have decided what type of engagement we need to have with the association based on information it provided to us. We rely on the information given to us by the association 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 Regulatory Assessment or Regulation Plan.