

Abertay Housing Association Ltd

14 August 2018

This Regulation Plan sets out the engagement we will have with Abertay Housing Association Ltd (Abertay) during the financial year 2018/19. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Abertay was registered as a social landlord in 1997. Abertay currently owns and manages 1,736 homes and provides factoring services to 2,195 owners. It has charitable status and employs around 40 people.

As at 31 March 2017 Abertay's turnover for the year was just under £8.1 million and its debt per unit was £8,125.

Engagement

We have been engaging with Abertay about a number of notifiable events which identified weaknesses in relation to Abertay's governance including how it manages conflicts of interest and the skills and knowledge on the governing body. Abertay had developed an action plan to strengthen its governance as a result of this but has not been able to progress aspects of this as quickly as expected.

As a result of our annual risk assessment, we noted that Abertay reported a deficit and net current liability position in its latest Audited Financial Statements. We started to engage with Abertay in April 2018 to understand its development plans and to seek assurance about its current and projected financial performance. During this engagement Abertay told us that it had identified a significant overspend on its capital programme which may lead to a reduction in future works or an extension of the programme timescales. We will seek assurance from Abertay about the impact of this on its future plans for investment.

Abertay commissioned an independent review of the reasons for the overspend from its internal auditor and this identified serious weaknesses in its handling of procurement, financial management, internal controls, project management, performance reporting, management control and oversight.

In May 2018, Abertay told us that two members of the governing body had resigned and this means that it currently only has seven members. Abertay has recognised it needs additional members with appropriate skills and expertise to strengthen its governing body and will co-opt two or three additional members.

Abertay has also decided to commission a comprehensive review of its governance and financial management to assess compliance with the Regulatory Standards. This will also incorporate a review of its internal financial controls. Abertay will also commission an independent review of its approach to procurement as a matter of urgency.

Following a break from development, Abertay is developing new homes for social rent and will receive public subsidy to help achieve this. In our Regulatory Framework we say that we

will make it clear where a social landlord does not represent a suitable investment partner or recipient of public funds. In light of the governance, financial management and procurement issues it identified we will seek assurance that Abertay complies with the Regulatory Standards of Governance and Financial Management to determine whether Abertay is a suitable recipient of investment funds.

Our engagement with Abertay Housing Association Ltd in 2018/19 – Medium

We will engage with Abertay to gain assurance about its governance and financial management, its planned development programme and its medium term financial position.

1. Abertay will commission a comprehensive review of its governance and financial management to assess compliance with the Regulatory Standards. This will incorporate a review of its internal financial controls. It will also commission an independent review of its approach to procurement as a matter of urgency. It will agree the remits for these reviews with us and share the findings from these reviews with us. We may amend our regulatory engagement with Abertay once we have considered the outcomes from the reviews.
2. Abertay will send us an update, including the report to the Management Committee, 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.
3. We will:
 - review and give feedback on Abertay's business plan and financial information in quarter three of 2018/19;
 - discuss with Abertay its investment plans in its existing stock; and
 - review Abertay's development update for new homes in quarter three of 2018/19.
4. Abertay 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 Abertay Housing Association Ltd is:

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| Name: | Ross Williamson, Regulation Manager |
| Address: | Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF |
| Telephone: | 0141 242 5762 |

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.