

Abbeyfield Scotland Ltd

31 March 2015

This Regulation Plan sets out the engagement we will have with Abbeyfield Scotland Ltd (Abbeyfield Scotland) during the financial year 2015/16. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Abbeyfield Scotland provides sheltered and very sheltered housing for 199 elderly residents in 24 Abbeyfield houses across 13 local authority areas. It is a registered charity and employs around 72 people, mainly support staff. Abbeyfield Scotland's turnover at the end of March 2014 was just over £3.4 million.

During 2014/15 we reviewed Abbeyfield Scotland's financial returns and its business plan. Abbeyfield Scotland has carried out a fundamental review of its business model and is now implementing a number of planned changes.

Abbeyfield Scotland has also reviewed its asset management strategy and several properties have now been sold; others are being marketed and discussions are on-going with potential purchasers of some empty properties. Abbeyfield Scotland's objective is to ensure that its business model and properties are fit for purpose and will meet demand from current and future tenants. The disposal programme is central to the review of Abbeyfield Scotland's future direction.

To help deliver this planned change, Abbeyfield Scotland has recruited new members to its Board and completed a thorough review of its business plan.

Abbeyfield Scotland is just about to achieve compliance with the Scottish Housing Quality Standard (SHQS) as it completes extensive work to its house in Lenzie in May. It has four houses which are exempt (17% of its stock), three of which are scheduled for closure. One property is exempt from SHQS because it is off the gas grid and unsuitable for cavity wall insulation.

We will continue to engage with Abbeyfield Scotland around its financial capacity, business change and asset management programmes.

Our engagement with Abbeyfield Scotland – Medium

In light of Abbeyfield Scotland's significant business change programme and asset review we will have medium engagement with it in 2015/16.

1. Abbeyfield Scotland will send us at the end of April 2015:
 - Its approved business plan including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections consisting of income and expenditure statement, balance sheet and cash flow;
 - sensitivity analysis which looks at key risks such as voids and arrears levels.We would also expect this to include analysis of a range of options for rent

increases and inflation rates which demonstrate continuing affordability for tenants; and

- reports to the Board in respect of the 30 year projections and sensitivity analysis.

2. Abbeyfield Scotland will also:

- confirm in May 2015 that work has been completed at the house in Lenzie to bring this up to SHQS;
- from the end of July 2015, send us quarterly management accounts and the related Board reports; and
- from the end of July 2015, update us quarterly on progress with its disposal programme.

3. We will:

- provide feedback on the business plan and financial projections in May 2015 when we meet senior staff and the Chair to discuss its business model, strategy and the challenges facing the organisation;
- review management accounts quarterly and liaise as necessary with Abbeyfield Scotland.

4. Abbeyfield Scotland 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 annual accounts and external auditor's management letter;
- loan portfolio return;
- five year financial projections; and
- the Annual Return on the Charter.

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 Abbeyfield Scotland 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.