

## Abbeyfield Scotland Ltd

### 14 July 2017

This Regulation Plan sets out the engagement we will have with Abbeyfield Scotland Ltd (Abbeyfield Scotland) during the financial year 2017/18. 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 elderly residents in 16 Abbeyfield houses across nine local authority areas. It is a registered charity and employs 85 people, mainly support staff. Abbeyfield Scotland's turnover as at 31 of March 2016 was just under £2.5 million.

It has one unregistered subsidiary Crandeen Ltd (Crandeen), which plans to undertake the provision of private rented properties and outreach services in Aberdeen and Aberdeenshire.

### Engagement

During 2016/17, we reviewed Abbeyfield Scotland's financial returns, management accounts and its business plan to seek assurance about its financial health and its future strategy and direction.

Abbeyfield Scotland had also previously reviewed its asset management strategy and decided to close and dispose of a number of its houses. It now has two empty houses and one tenanted property remaining to be sold. We will continue to monitor the progress of these disposals and engage with Abbeyfield Scotland about the disposal of the tenanted property to ensure the interests of the tenants are protected.

In February 2017, we met with Abbeyfield Scotland's executive team as well as the Chair and Vice Chair to further discuss its future strategy. Abbeyfield Scotland had revised its business model to create a new subsidiary to undertake the provision of private rented properties and outreach services in Aberdeen and Aberdeenshire.

Since then, Abbeyfield Scotland has established its new subsidiary, Crandeen, and has purchased five properties, intended for private rent, in Aberdeen that have been leased to Crandeen.

We have engaged with Abbeyfield Scotland to seek assurance about the governance arrangements in place for the new Group structure. We have also sought assurance that the Group structure arrangements comply with our Regulatory Standards of Governance and Financial Management, provide appropriate support to the Group and do not have a detrimental impact on the financial viability of Abbeyfield Scotland.

We will continue to engage with Abbeyfield Scotland to obtain additional assurance on the Group structure arrangements as Crandeen begins to implement and develop its operations. Abbeyfield Scotland will develop an action plan which sets out how it intends to meet the Regulatory Standards and will include proposals for Board recruitment and its intragroup policies and practices.

## **Our engagement with Abbeyfield Scotland Ltd in 2017/18 – Medium**

We will engage with Abbeyfield Scotland as it completes the revision of its business model, implements the governance changes necessary to support this and completes its planned disposal programme.

1. We will seek assurance about how Abbeyfield Scotland has assessed its compliance with our Regulatory Standards of Governance and Financial Management and it will send us:
  - the action plan and timetable for the development and implementation of the proposed governance arrangements for both Abbeyfield Scotland and Crandeen by the end of August 2017;
  - quarterly updates on progress with the action plan, with the first update due by the end of September 2017; and
  - any Board papers and minutes for Abbeyfield Scotland and Crandeen to demonstrate progress with the development and implementation of the action plan.
2. Abbeyfield Scotland will send us by 31 January 2018:
  - its approved business plans including commentary on the results of its sensitivity analysis and risk mitigation strategies;
  - 30 year financial projections consisting of the statements of comprehensive income, financial position and cash flow, complete with assumptions and explanatory narrative;
  - sensitivity analysis which considers the key risks including: its reports to the Board in respect of the 30 year projections and sensitivity analysis; and
  - evidence of how it demonstrates affordability for its tenants.
3. Abbeyfield Scotland will send us by 31 January 2018:
  - the approved business plans for Crandeen including commentary on the results of its sensitivity analysis and risk mitigation strategies;
  - 30 year financial projections for Crandeen consisting of the statements of comprehensive income, financial position and cash flow, complete with assumptions and explanatory narrative;
  - sensitivity analysis for Crandeen which considers the key risks including: reports to the Crandeen Board in respect of the 30 year projections and sensitivity analysis, and any related reports to Abbeyfield Scotland's Board; and
  - the up to date management accounts for Crandeen.
4. Abbeyfield Scotland will also from 31 July 2017:
  - send us quarterly management accounts including year-end budgets and forecasts and the related Board reports;
  - update us quarterly on progress with its disposal strategy; and
5. We will engage with Abbeyfield Scotland to seek assurance that tenants' interests will be protected in its proposed tenanted house sale.
6. We will:
  - provide feedback on the business plans for both Abbeyfield Scotland and Crandeen and discuss the financial projections for the Group in February 2018;
  - meet senior staff and the Chair of Abbeyfield Scotland to discuss its

business model, future strategy, associated governance changes and challenges facing the organisation;

- review the Abbeyfield Scotland and Crandeen Board minutes; and
- review the management accounts quarterly and liaise as necessary with Abbeyfield Scotland.

7. 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 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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Abbeyfield Scotland 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.