

Abbeyfield Scotland Ltd

31 March 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 9 local authority areas. It is a registered charity and employs 50 people, mainly support staff. Abbeyfield Scotland's turnover at the end of March 2016 was just under £2.5 million.

Engagement

During 2016/17, we reviewed Abbeyfield Scotland's financial returns, management accounts and its business plan. In addition Abbeyfield Scotland provided us with updates on changes in the staff structure, involving area supervisors, that are intended to improve the management of the houses.

Abbeyfield Scotland had previously reviewed its asset management strategy and decided to close and dispose of a number of houses. This includes the tenanted transfer of one house. Abbeyfield Scotland has been progressing these disposals and anticipates that a final four empty houses will be sold by the end of September 2017. We are engaging with Abbeyfield Scotland on the disposal of the one tenanted property and will ensure the interests of the tenants are protected as this progresses.

During 2016/17, we met with Abbeyfield Scotland's executive team as well as the Chair and Vice-Chair to discuss its future strategy.

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 was central to Abbeyfield Scotland's review of its future direction and now that is nearing completion, it is focussing on developing a revised business model.

Given the planned disposal programme is almost completed Abbeyfield Scotland is creating a subsidiary company to undertake the provision of private rented properties and outreach services in Aberdeen and Aberdeenshire.

In 2017/18 we will engage with Abbeyfield Scotland over the implementation of its new strategic model, including the formation of the subsidiary. We will be seeking assurance on how these activities impact on the wider Group financial projections and the focus on the core housing business.

Abbeyfield Scotland has also highlighted that less than 16% of its properties currently meet the Energy Efficiency Standard for Social Housing (ESSH). We expect it to have plans in place to meet the first ESSH milestone by December 2020 and to inform us if it does not anticipate meeting the standard by that date.

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

We will engage with Abbeyfield Scotland as it completes its disposal programme and looks to develop its revised business model.

1. Abbeyfield Scotland will send us by the end of 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;
 - 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.
2. Abbeyfield Scotland will send us by the end of January 2018:
 - the approved business plans for its subsidiary including commentary on the results of its sensitivity analysis and risk mitigation strategies;
 - 30 year financial projections for its subsidiary consisting of the statements of comprehensive income, financial position and cash flow; and
 - sensitivity analysis for its subsidiary which considers the key risks including: reports to the subsidiary's Board in respect of the 30 year projections and sensitivity analysis, and any related reports to Abbeyfield Scotland's Board.
3. Abbeyfield Scotland will also from the end of 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
 - update us quarterly on the progress with the inception and development of its subsidiary.
4. We will engage with Abbeyfield Scotland to seek assurance that tenants' interests will be protected in its proposed tenanted house sale.
5. We will:
 - provide feedback on the business plan and discuss the financial projections in February 2018;
 - meet senior staff and the Chair to discuss its business model, strategy and the challenges facing the organisation; and
 - review the management accounts quarterly and liaise as necessary with Abbeyfield Scotland.
6. 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.

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.