

## Abbeyfield Scotland Ltd

### 29 March 2018

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

### Regulatory profile

Abbeyfield was registered as a social landlord in 2007. Abbeyfield provides sheltered and very sheltered housing for elderly residents in 15 Abbeyfield houses across nine local authority areas. It has charitable status and employs around 50 people.

As at 31 March 2017, Abbeyfield's turnover for the year was £2.26 million.

It has one unregistered subsidiary Crandeen Ltd (Crandeen) which plans to provide private rented properties and outreach services in Aberdeen and Aberdeenshire.

### Engagement

During 2017/18, Abbeyfield revised its business model and established Crandeen to provide private rented properties and outreach services in Aberdeen and Aberdeenshire. During 2017 Abbeyfield purchased five properties in Aberdeen and leased these to Crandeen for private rent.

During 2017/18 we have been engaging with Abbeyfield 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.

Abbeyfield has developed an action plan to ensure that the group is able to comply fully with our Regulatory Standards of Governance and Financial Management.

We will continue to engage with Abbeyfield to obtain additional assurance on the group structure arrangements as Crandeen begins to implement and develop its operations. We will continue to review Abbeyfield's progress with the implementation of its action plan. This included its proposals to ensure that the group is complying with the Regulatory Standards and its proposals for Board recruitment and its intra-group policies and practices.

We have reviewed Abbeyfield's financial returns, management accounts and its business plan to seek assurance about its financial health. We have also reviewed the business plan and financial projections for Crandeen Ltd. The business plan outlined a new future strategy and direction for Abbeyfield.

Abbeyfield had also previously reviewed its asset management strategy and decided to close and dispose of a number of its houses.

In early 2018, Abbeyfield told us that its Chief Executive would leave the organisation in April 2018 and it has put interim arrangements in place while it considers its long term options.

We met with members of the Board and senior Abbeyfield staff to provide feedback on the information we had reviewed and discuss the risks and challenges with its planned future strategy and direction.

Given the Chief Executive is leaving the organisation and Abbeyfield has proposed a new strategy, Abbeyfield will now carry out a strategic options appraisal.

We will engage with Abbeyfield around the decisions and recommendations that are agreed as a result of this strategic options appraisal.

### **Our engagement with Abbeyfield Scotland Ltd in 2018/19 – Medium**

We will engage with Abbeyfield because of its plans for its new strategic direction and group structure arrangements.

1. Abbeyfield will commission an independent strategic options appraisal and share the outcomes from this with us by the end of June 2018.
2. Abbeyfield will send us by 31 January 2019:
  - its approved business plan;
  - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
  - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resulting covenant calculations with the actual current covenant requirements;
  - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
  - evidence of how it demonstrates affordability for its tenants.
3. Abbeyfield will send us by 31 January 2019:
  - 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; and
  - 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's Board.
4. We will seek assurance about how Abbeyfield has assessed its compliance with our Regulatory Standards of Governance and Financial Management and it will send us:
  - quarterly updates on progress with the action plan, with the next update due by the end of June 2018; and
  - any Board papers and minutes for Abbeyfield and Crandeen to demonstrate progress with the development and implementation of the action plan.
5. Abbeyfield will also from 31 July 2018:
  - send us quarterly management accounts including year-end budgets and forecasts and the related Board reports; and

- send us quarterly Crandeen management accounts including year-end budgets and forecasts and the related Board reports;
6. We will:
- engage with Abbeyfield as it decides how to progress the outcomes from the strategic options appraisal;
  - meet senior staff and the Chair of Abbeyfield to discuss the business plan and financial projections for both Abbeyfield and Crandeen. We will also discuss its future strategy and the associated governance changes and challenges it faces;
  - review the Abbeyfield and Crandeen Board minutes; and
  - review the management accounts quarterly and liaise as necessary with Abbeyfield.
7. Abbeyfield 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.