



Regulator of
Social Housing

Regulatory Judgement on The Abbeyfield Society H1046

October 2019

Publication Details

Reason for publication

Changed basis for Viability and Governance grades

Regulatory process

In Depth Assessment

Please see the definitions in Annex 1 for more detail.

Governance

G2 (Compliant)

The provider meets our governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance.

Viability

V2 (Compliant)

The provider meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance.

Key to grades

G1 / V1	Compliant
G2 / V2	Compliant
G3 / V3	Non-compliant and intensive regulatory engagement.
G4 / V4	Non-compliant, serious failures leading to either intensive regulatory engagement or the use of enforcement powers.

Provider Details

Origins

The Abbeyfield Society (Abbeyfield) was formed in 1956 and is a company and registered charity. It provides supported sheltered housing and residential care homes for older people. Abbeyfield also acts as the national representative body for 185 independent member societies which have their own governance structures.

Registered Entities

Abbeyfield is the only registered entity.

Unregistered Entities

Abbeyfield has two unregistered subsidiaries. Abbeyfield Properties Limited is a non-charitable company limited by shares which manages Abbeyfield's development activities. Abbeyfield Research Foundation is a charitable company limited by guarantee which funds research into issues affecting older people.

Geographic Spread and Scale

Abbeyfield operates nationally and currently owns and manages 126 houses and care homes providing 2,100 bed spaces.

Staffing and Turnover

As at 31 March 2019 Abbeyfield employed 1,207 full time equivalent staff and its turnover for the year ending 31 March 2019 was £54.8m

Regulatory Judgement

This judgement follows completion of an In Depth Assessment (IDA) which has confirmed Abbeyfield's G2 governance and V2 viability grades.

Abbeyfield continues to meet the requirements on governance set out in the Governance and Financial Viability standard. However, the IDA has confirmed that it needs to continue to improve aspects of its governance arrangements to maintain compliance.

On the basis of the IDA, we have identified a number of governance weaknesses which Abbeyfield needs to address. The provider has not had an external review of board effectiveness for several years and its control and risk management framework is under-developed with further work required to reflect the implementation of Abbeyfield's revised strategy. Whilst we have evidence that Abbeyfield has strengthened its strategic planning, in part by enhancing operational and financial data, the provider has yet to improve its financial performance.

In our previous judgement (March 2018), we reported that Abbeyfield's accounting returns had been supported by a combination of assets sales and surplus on mergers, rather than generated from day to day operations. We noted that this presented a key risk to financial performance as receipts from asset sales and from mergers are outside Abbeyfield's control, being dependent on the wider property market and the decisions of merging organisations. The financial performance of Abbeyfield's core social housing lettings business has now deteriorated to the extent that it has reported an overall loss in the last two financial years. Our previous judgement also noted a gap in our assurance regarding Abbeyfield's asset information and the returns that the organisation's assets generate.

The IDA has provided us with assurance that Abbeyfield's executive and board understand the organisation's weak financial position and have agreed proposals designed to improve future financial performance and viability. Abbeyfield has undertaken a thorough review of its operating model and the current and future viability of its assets. This work has informed a review of its strategic objectives. As a result of these reviews, the board has taken key decisions to facilitate improved control of costs, ensure a more targeted service offer, and to plan an enhanced asset management programme. These decisions entail the delivery of a substantial programme of work and we will closely monitor Abbeyfield's progress.

Recognising the exposures outlined above, while Abbeyfield has the financial capacity to deal with a reasonable range of adverse scenarios, we have concluded on the basis of the IDA that it continues to need to manage material risks to maintain compliance. The achievement of key objectives in

Abbeyfield's business plan will be important to ensure that appropriate financial capacity is maintained.

The IDA identified that Abbeyfield's day to day operational performance remains weak. The business plan forecasts an improving operating performance over time. However, in the short run, additional costs will be incurred, including the cost of a disinvestment programme which will be expended before disposal proceeds are received in full. There is an additional strain on resources from the increased investment programme required to maintain the economic viability of certain retained assets. Abbeyfield does have access to funding facilities if required but will need to manage its resources carefully in the short term while delivering key strategic objectives.

Annex 1: Definitions of Regulatory Processes

In Depth Assessment (IDA)

An IDA is a bespoke assessment of a provider's viability and governance, including its approach to value for money. It involves on-site work and considers in detail a provider's ability to meet its financial obligations and the effectiveness of its governance structures and processes.

Stability Checks

Based primarily on information supplied through regulatory returns, a stability check is an annual review of a provider's financial position and its latest business plan. The review is focused on determining if there is evidence to indicate a provider's current judgements merit reconsideration.

Reactive Engagement

Reactive engagement is unplanned work which is triggered by new intelligence or a developing situation which may have implications for a provider's current regulatory judgement.

Stability Checks and Reactive Engagement

In some cases, we will publish narrative regulatory judgements which combine intelligence gained from both Stability Checks and Reactive Engagement.

Further Information

For further details about these processes, please see 'Regulating the Standards' on <https://www.rsh.gov.uk>