



Homes &  
Communities  
Agency

The Social Housing Regulator

# **HCA Regulatory Judgement on Cestria Community Housing Association Limited – L4514**

**February 2014**

# HCA Regulatory Judgement: Cestria Community Housing Association Limited – L4514

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## The provider

Cestria Community Housing Association Limited (Cestria) is a stock transfer organisation, set up in 2008 to take the transfer of 4,200 properties from the former Chester-le-Street District Council. Its core business is the provision of general needs housing and housing for older people.

The main reason for the transfer was to facilitate funding of stock investment so that properties could be brought into compliance with the Decent Homes Standard. As the valuation of the stock at transfer was negative, Cestria receives Government Gap funding.

Cestria's strategic focus since registration has been on the delivery of its stock improvement programme. It achieved 100% compliance with the Decent Homes Standard before its December 2013 deadline. As its improvement programme drew towards completion, Cestria engaged with stakeholders to renew its strategic vision and priorities and update its business plan. Cestria is now focused on service delivery and growing its business.

Cestria operates within one local authority area (Durham County Council). Its total turnover in the year to 31 March 2013 was £15.6m. It employs the equivalent of 156 full time staff.

Cestria is a Homes and Communities Agency investment partner and is delivering 47 new homes for rent under the Affordable Homes Programme (2011-15) and received further grant this year as part of the Affordable Homes Guarantee Programme to build 51 units. This development includes some affordable home ownership properties.

**Reason for publication:** Viability upgrade.

## Regulatory Ratings\*

- **Properly Governed: G1**

The provider meets the requirements on governance set out in the Governance and Financial Viability Standard.

- **Viable: V1**

The provider meets the requirements on viability set out in the Governance and Financial Viability Standard and has the capacity to mitigate its exposures effectively.

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\*The regulator's assessment on compliance with the Governance & Financial Viability Standard is expressed in gradings from G1 to G4 for governance and V1 to V4 for viability. For both viability and governance the first two grades indicate compliance with the standard. A G3 or V3 assessment indicates a level of concern with the organisation's performance that is likely to be reflected in intensive regulatory engagement. A G4 or V4 judgement indicates a failure of governance or viability to the extent that the regulator is using its statutory powers.

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### **Regulatory Judgement**

The regulator's assessment of Cestria's financial viability has been upgraded to reflect the improvement in its financial position.

The regulator has reviewed Cestria's latest financial forecasts in conjunction with its strategic plan and held discussions with the executive. We are satisfied that its financial plans are consistent with and support its financial strategy. It has a financial plan that demonstrates its ability to meet funders' covenants. Overall the business plan is fully funded, the provider has adequate security, loan covenants are met, and the business plan has been tested against multiple scenarios.

The regulator previously identified specific risk exposures that could potentially impact on Cestria's viability. The principal exposure was delivering a business plan that was reliant on Gap funding. Gap funding is paid by the Government when milestones are met and eligible expenditure incurred. Most Gap funding has now been received, and Cestria's improvement programme is at an end. Cestria's latest financial forecasts show that this risk to the delivery of the business plan is no longer significant.

Having completed the main elements of the transfer business plan, Cestria is now utilising its loan facility to undertake a small development programme which is fully funded, and meeting its targets. The Decent Homes Standard was achieved before the deadline of 31 December 2013.

The regulator's assessment of Cestria's governance remains unchanged. Based on evidence gained from contact with the board and executive and a review of board papers, the regulator has assurance that governance arrangements remain sufficient to adequately control the organisation to enable it to continue meeting its objectives.