



HCA Regulatory Judgement on Freebridge Community Housing Limited – L4463

January 2013

HCA Regulatory Judgement: Freebridge Community Housing Limited – L4463

The provider

Freebridge Community Housing Limited (Freebridge) was formed to receive a stock transfer from King's Lynn and West Norfolk Borough Council, which took place in April 2006. Freebridge owns and manages nearly 6,800 homes throughout King's Lynn and West Norfolk and operates only in this local authority area. Freebridge has no subsidiaries. It employs around 180 staff and had a total turnover in 2011/12 of £25m.

Freebridge's core business is the provision of general needs housing with approximately 600 homes for older people and a small number of shared ownership properties. Its main strategic direction since transfer has been to deliver a significant improvement programme, which is now complete with the exception of a major regeneration project, due to start on site in 2013. Freebridge is now focused on delivering its core housing activities and its regeneration project. Freebridge is a member of the e² development consortium, which is a Homes and Communities Agency investment partner. The e² consortium made a successful bid to the 2011-15 Affordable Homes Programme and Freebridge expects to deliver 25 new affordable home ownership homes from its allocation. Freebridge's business plan allows for a total development programme of 202 homes.

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.

*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.

HCA Regulatory Judgement: Freebridge Community Housing Limited – L4463

Regulatory Judgement

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

The regulator has reviewed Freebridge's latest financial forecasts in conjunction with its strategic plan and held discussions with the executive. Freebridge continues to financially outperform its transfer business plan and produced a surplus of £3m in 2011/12 against a forecast deficit of £9m.

As well as the need to manage sector-wide risks such as welfare reform, the regulator's previous assessments identified specific risk exposures that could potentially impact on Freebridge's viability. Freebridge's business plan sensitivity analysis did not measure the impact of changes in variables on projected loan covenant compliance which meant that the impact of key exposures could not be fully assessed. This has now been remedied with monitoring now undertaken to ensure compliance or appropriate timely remedial action can be taken.

Another exposure was that robust cost controls were required on planned housing stock expenditure, development and regeneration expenditure to remain within business plan parameters. This was particularly as no inflationary cost increases were being assumed in the short-term. The business plan now includes the financial outcome from an updated stock condition survey with RPI and real marginal maintenance inflation included for the full 30 years of the plan. Cash flow projections now better reflect the lower grant rate environment and the outcome of Freebridge's successful bids from the Affordable Homes Programme 2011-15.

Therefore, based on the evidence gained from the review of documentation and discussions with the executive, the regulator is satisfied that Freebridge's financial plans are consistent with, and support, the financial strategy of the provider. Its business plan is fully funded with adequate security in place and has been tested to demonstrate it meets funders' covenants under a variety of realistic scenarios.

The assurance provided by the improvement in financial position, more realistic costs in the business plan, the outputs from scenario testing and improved control of the stock improvement programme, were material factors in the upgrade of the regulator's viability assessment.

The regulator's assessment of Freebridge's compliance with the governance element of the governance and financial viability standard 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.