



Homes &
Communities
Agency

The Social Housing Regulator

HCA Regulatory Judgement on Teign Housing - LH4403

August 2013

The provider

Teign Housing (Teign) was established in 2004 to receive the transfer of stock from Teignbridge District Council. The organisation operates in the Teignbridge area and owns and manages over 3,500 homes. It employs 84 staff and had a consolidated turnover of £16.9m in 2012/13.

The provider's core business is the provision of general needs housing and housing for older people. Its main strategic focus is to continue to develop new homes, expand housing provision and carry out estate regeneration within the geographic area of Teignbridge. Teign is a member of the New Futures development consortium, led by Aster Group Limited, which is an investment partner with the HCA. Teign expects to deliver 68 homes and 15 Gypsy and traveller pitches within the HCA's 2011-15 Affordable Homes Programme.

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.

Regulatory Judgement

The regulator has reviewed Teign's financial forecasts, its business plan and held discussions with the executive. As a result the regulator's assessment of Teign's viability has been upgraded to reflect the improvement in its financial position.

Our previous assessment identified two related key exposures that could potentially impact on Teign's viability. The first was that Teign's business plan was not deliverable without the agreement of a revised funding package. The second was that relatively low operating margins would restrict Teign's ability to develop and evidenced a high exposure to future operating cost increases.

In February 2013 Teign renegotiated and extended its financing arrangements. The existing loan facility was reduced in return for improved covenant terms and removal of the requirement for annual business plan approval by lenders. Also, £25m additional facilities were arranged through Teign's participation in a bond issue. The business plan, which includes a significant level of aspirational development, is now fully funded.

Relatively low operating margins are an on-going feature of the business plan, but there is a lower level of exposure under the new covenant arrangements. Sensitivity testing of the 2013 business plan, including increasing rent by CPI plus 1% from 2015/16, now demonstrates adequate headroom over loan covenants. Also, flexibility exists within the major repairs programme, which could be re-phased if necessary to ensure continuing covenant compliance. Overhead costs are being spread through planned development growth and cost sharing agreements with other local providers.

We are satisfied that previously identified exposures have been addressed. The assurance provided by Teign's new funding package and the outputs from scenario testing were material factors in the upgrade of the regulator's viability assessment.

The regulator is satisfied that Teign's financial plans are consistent with, and support the financial strategy of the organisation. Teign is aiming to have its extended loan facilities fully secured by December 2013.

The regulator's assessment of Teign'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.