



Homes &
Communities
Agency

The Social Housing Regulator

HCA Regulatory Judgement on Wellingborough Homes Limited – L4509

March 2013

The provider

Wellingborough Homes Limited (WH) was formed in December 2007 to take the transfer of stock from the Borough Council of Wellingborough. Its main strategic focus since registration has been on delivering its transfer guarantees and a significant improvement programme. The provider is now close to completing all the transfer guarantees and its refurbishment and regeneration programme.

WH owns and manages about 4,500 homes, all of which are situated in and around Wellingborough. Its stock consists predominantly of general needs and supported housing. In the year to 31 March 2012 WH had a total turnover of £19.2m. It employs 117 staff.

WH is an investment partner with the Homes and Communities Agency as a member of the Quantum Consortium, led by East Midlands Housing Group. WH expects to deliver 40 new homes for rent, within the 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's assessment of WH's viability has been upgraded to reflect an improvement in its financial position.

The regulator has reviewed WH's latest financial forecasts in conjunction with its strategic plan and held discussions with the executive. In the year ended 31 March 2012, WH reported a net surplus of £5.1m, in line with forecast.

The regulator's previous assessment identified two specific risk exposures that could potentially impact on WH's viability.

The first of these was the need to deliver a substantial phased refurbishment programme, on time and within budget. The lack of a track record in operating independently as a housing business, along with the challenge of delivering asset management improvement programmes contributed to a higher business delivery risk. WH is now in the final year of its five year refurbishment and regeneration programme. Based upon the evidence gained from the review of documentation and discussions with the executive management team, the regulator is satisfied that WH has been effectively managing the financial exposures associated with delivery of its programme. It has achieved Decent Homes Standard compliance ahead of target, and has brought forward expenditure relating to its regeneration programme.

The second specific risk was WH's exposure to variable rate interest movements, as its debt increased and a treasury management strategy was implemented. WH's treasury strategy now includes hedging arrangements to provide protection from movements in interest rates.

Based on the evidence gained from the plans submitted and discussions with the executive, the regulator is satisfied that WH's financial plans are consistent with, and support its financial strategy. The business plan is fully funded with adequate security in place and has been tested to demonstrate that it continues to meet funders' covenants under a variety of realistic scenarios.

The assurance provided by WH's progress in delivering its refurbishment programme, and the measures put in place to mitigate exposure to increases in variable interest rates, were material factors in the upgrade of the regulator's viability assessment.

The regulator's assessment of WH'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.