



Homes &  
Communities  
Agency

The Social Housing Regulator

# **HCA Regulatory Judgement on West Devon Homes Limited – L4485**

**January 2014**

## The provider

West Devon Homes Limited (WDH) was formed in 1999 to receive the transfer of stock from West Devon Borough Council. It employs 35 staff and had a turnover of £6.8m in 2012/13.

The provider owns around 1,600 homes including 200 homes for older people, and a small number of shared ownership properties. It currently operates mainly in rural West Devon, with a small number of properties in neighbouring Cornwall.

WDH's core business is the provision, management and maintenance of social housing and support services. It is currently considering opportunities to deliver new social and affordable housing in West Devon.

In April 2012 WDH entered into a three-year strategic alliance partnership with DCH (Devon and Cornwall Housing Limited), another registered provider. The aim of the alliance is to improve the quality and standards of homes and services whilst achieving efficiency savings for both parties. As part of the arrangement, WDH and DCH are sharing resources to develop policies and deliver shared services. Within the alliance, the providers manage around 3,000 properties that they own within north-western part of Devon.

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

WDH generated an overall surplus of £1.3m in 2012/13 which represents an improvement of £500k from 2011/12.

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

The first identified exposure was that given the limited headroom over covenants, the business plan had sensitivity to increases in most major areas of cost. An agreement has been reached with lenders which relaxes the circumstances requiring covenant levels to be re-set. As a result the regulator is now assured that reasonable headroom over covenants exists for all years in the latest business plan.

The second identified exposure was that WDH's business plan had few readily implementable contingencies. Most significantly, WDH has recently reached agreement with its lenders to extend the drawdown period for the remaining tranche of its loan facility. This is earmarked for financing uncommitted capital expenditure over the next few years that could be delayed or scaled back if required. This change, together with other contingencies identified within the plan, provide assurance that WDH now has the capacity and flexibility to manage its expenditure effectively should financial exposures crystallise.

The regulator is satisfied that WDH's financial plans are consistent with and support the financial strategy of the organisation and that WDH holds sufficient fully secured loan facilities to cover all contractual commitments.

The regulator's assessment of WDH'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.