



Homes &  
Communities  
Agency

The Social Housing Regulator

# **HCA Regulatory Judgement on Your Housing Group Limited - L4203**

**Manchester and District Housing Association  
Limited - L1423**

**Derwent and Solway Housing Association Limited -  
LH4213**

**Frontis Homes Limited - L4204**

**Moorlands Housing Limited - LH4306**

**Ascent Housing LLP - 4724**

**Arena Housing Group Limited - L1700**

**Arena Options Limited - LH2009**

**Headrow Limited - LH0065**

**Leasowe Community Homes Limited - L4195**

**Tung Sing Housing Association Limited - L3532**

**May 2015**

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## The provider

Your Housing Group Limited (YHG) was formed in April 2012 from the merger of Harvest Housing Group and Arena Housing Group. It manages approximately 33,000 homes across the North West and parts of Staffordshire and West Yorkshire.

The group consists of a registered non-stock owning parent, eight subsidiary not for profit registered providers, a dormant registered provider, and a for-profit registered provider. In addition there are several unregistered companies in the group and it operates a number of Private Finance Initiatives, both on balance sheet and through joint ventures.

In the year to 31<sup>st</sup> March 2014 the group had a turnover of £159m and employed the equivalent of 1,168 full time staff. The group's core business is the provision of social housing across a spectrum of types including general needs housing, sheltered housing, extra care and supported housing as well as provision of a range of low cost home ownership options.

YHG is an approved investment partner with the Homes and Communities Agency and is delivering 1,355 homes as part of the 2011-15 and 2015-18 Affordable Homes Programmes.

## Reason for publication: Governance upgrade

### Regulatory Ratings\*

- **Properly Governed: G2**

The provider meets the requirements on governance set out in the Governance and Financial Viability Standard, but needs to improve some aspects of its governance arrangements to support continued compliance.

- **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.

In reaching this judgement, the regulator has not proactively sought assurance on all elements of the G&FV Standard (as revised in April 2015) but has focused its work on gaining evidence on any exposures highlighted in this and the previous regulatory judgement.

\*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 more serious failure of governance or viability leading to either intensive regulatory engagement or the use of enforcement powers.

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## Regulatory Judgement

This regulatory judgement upgrades our previous assessment of YHG's governance which was published in February 2014.

Based on evidence gained from contact with the board and executive, and a review of board papers and other documentation, the regulator has assurance that YHG's governance arrangements have improved and are now compliant with standards. However some aspects of governance still require further strengthening to support continued compliance.

Our previous regulatory judgement concluded that YHG's governance arrangements failed to ensure adherence to relevant legislation and regulatory requirements. These failures called into question the effectiveness of YHG's risk management and internal controls assurance framework. In addition, once YHG became aware of deficiencies in its operations and the likely breach of standards it failed to communicate this in a timely manner to the regulator.

The regulator separately concluded that YHG had breached the Home Standard by failing to comply with gas safety regulations and that this breach had the potential to cause serious detriment.

YHG has substantially completed the implementation of recommendations stemming from a series of independent reviews which were undertaken to identify and address weaknesses in its risk and control framework and in the operation of its gas safety processes.

Following an independent governance review YHG has recruited three new board members in line with the outcomes of a skills audit. Financial, commercial, social housing and strategic skills have been augmented. Its committee structure has been simplified. The Audit and Risk Committee has a new chair and its membership and terms of reference have been refreshed. A new framework has been put in place to improve the identification and management of risk. It has increased risk ownership and accountability across the business and strengthened board oversight through clearer reporting of assurances on the effectiveness of controls. Changes have been made to improve the group's internal audit function and it is now wholly provided by an external firm.

The executive team has been substantially refreshed. The operations directorate which previously had responsibility for gas safety compliance has been divided into two, asset management and property services, to strengthen oversight and controls in this area. A new approach to managing gas safety has been implemented. This includes enhanced data integrity checks which have resulted in increased organisational confidence in gas servicing data sets.

The group is now engaged in further business improvements which are intended to consolidate and embed the major organisational change that has been undertaken. The regulator is satisfied that sufficient progress has been made and that arrangements can now be deemed compliant. However until plans are completed and new systems and processes are fully operational it is not possible to conclude that arrangements can support continued compliance.

The regulator's assessment of YHG's compliance with the financial viability element of the Governance and Financial Viability standard is unchanged. Based on evidence gained from contact with the executive and a review of the latest financial forecasts,

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annual accounts and the quarterly survey, the regulator has assurance that the financial plans are consistent with, and support, the financial strategy of the provider. The provider has an adequately funded business plan, sufficient security in place, and is forecast to continue to meet its financial covenants under a range of scenarios.