



The Social Housing Regulator

# **HCA Regulatory Judgement on Wandle Housing Association Limited - L0277**

**July 2016**

# HCA Regulatory Judgement: Wandle Housing Association – L0277

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## The provider

Wandle Housing Association (Wandle) is a charitable Co-operative and Community Benefit Society with no registered subsidiaries.

Wandle owns 7,166 units of social housing property and provides management services to residents predominantly in general needs properties, supported housing homes, agency managed homes and low-cost home ownership homes across South London. The majority of the stock is for social rent including 402 supported units. It also has 329 units for affordable rent, 602 units for affordable home ownership, 26 commercial units and 7 units for market rent.

Wandle has three unregistered subsidiaries. Delta Homes Limited supports Wandle's development and construction activities. Ravensbourne Developments Limited builds and develops homes for outright sale, and Unitworthy Property Management Limited provides property management services to four leaseholders.

In the year ending 31 March 2016 Wandle had a turnover of £56.7m<sup>1</sup> and employed 193 full time equivalent staff.

Wandle has a board approved development plan to develop 1,084 units by 2020/21. Its development profile reflects a greater focus on home ownership and a decrease in social housing units.

## Reason for publication: Governance upgrade and viability downgrade

### Regulatory Process: In Depth Assessment (IDA)

Please see the definitions in Annex 1 for more detail

## Regulatory Ratings\*

### Properly Governed: G1

- The provider meets our governance requirements.

### Viable: V2

- The provider meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance.

\*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

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<sup>1</sup> 2015/16 financial statements not yet audited

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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 published assessment of Wandle's governance and downgrades our previous assessment on viability.

Wandle's governance was downgraded in February 2015 after the regulatory review of its Value for Money (VfM) self-assessment concluded that it had not evidenced compliance with the Value for Money standard.

Based on the evidence gained from carrying out an IDA, the regulator now has assurance that Wandle's governance arrangements enable it to adequately control the organisation and to continue meeting its objectives. The regulator also has assurance that Wandle now also meets the requirements of the VfM standard.

Following an external review, the board has implemented actions to strengthen the evidence in its VfM self-assessment and improved processes to ensure regulatory compliance. It has now published a self-assessment which sets out how it is achieving value for money in delivering its purpose and objectives in a way that is transparent and accessible to stakeholders.

This judgement downgrades the regulator's assessment of Wandle's compliance with the financial viability element of the governance and financial viability standard. Based on evidence gained from the IDA, the regulator has assurance that the financial plans are consistent with, and support, the financial strategy of the provider. Wandle has an adequately funded business plan, sufficient security in place, and is forecast to continue to meet its financial covenants under a reasonable range of scenarios.

Wandle has the financial capacity to deal with a number of exposures but needs to manage material risks to ensure continued compliance. These include a development programme of 1,084 units by 2020/21 which entails stepped growth in market sales and shared ownership and thus increases the provider's exposure to the housing market. Wandle is also managing a complex design solution to rectify significant build problems in one of its completed schemes. This will put pressure on cash flow and covenants, resulting in weakened financial ratios during implementation. In addition, Wandle's financial forecasts are based on challenging assumptions in relation to cost savings, which will need to be managed carefully.

## **Annex 1: Definitions of Regulatory Processes**

### **In Depth Assessment (IDA)**

An IDA is a bespoke assessment of a provider's viability and governance, including its approach to value for money. It involves on-site work and considers in detail a provider's ability to meet its financial obligations and the effectiveness of its governance structures and processes.

### **Stability Checks**

Based primarily on information supplied through regulatory returns, a stability check is an annual review of a provider's financial position and its latest business plan. The review is focused on determining if there is evidence to indicate a provider's current judgements merit reconsideration.

### **Reactive Engagement**

Reactive engagement is work which falls outside our planned programmes of work (i.e. scheduled IDAs or the annual Stability Checks). It involves us responding to new intelligence or a developing situation which may have implications for a provider's current regulatory judgement.

### **Stability Checks and Reactive Engagement**

In some cases, we will publish narrative regulatory judgements which combine intelligence gained from both Stability Checks and Reactive Engagement.

For further details about these processes, please see Regulating the Standards on <http://www.gov.uk/hca>.