



Homes &
Communities
Agency

The Social Housing Regulator

HCA Regulatory Judgement on City South Manchester Housing Trust Limited – L4527

March 2014

Archived

HCA Regulatory Judgement: City South Manchester Housing Trust Limited – L4527

The provider

City South Manchester Housing Trust Limited (City South), registered in 2007, was established to take the transfer of 4,434 properties from Manchester City Council in June 2008. Since then it has been focused on a five year significant stock improvement programme which has now been completed. As the valuation of the stock at transfer was negative, City South receives Government Gap funding. Its stock is concentrated in four wards south of Manchester city centre: Fallowfield, Hulme, Moss Side and Whalley Range.

City South employs 165 staff and had an annual turnover of £22.2m in 2012/13.

In 2013 City South was a successful bidder, under the HCA Affordable Homes Guarantee Programme, for £144k of grant. It plans to develop 12 affordable homes for completion this year.

Reason for publication: Viability upgrade

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.

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Regulatory Judgement

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

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

The first of these was that City South's business plan was reliant on Gap funding. The receipts are agreed annually with the HCA and are dependent on achieving key promises and incurring eligible expenditure as set out in the transfer agreement. The final receipt was previously expected in 2016/17 but following negotiations with the HCA, the final payment will now be received in April 2014, removing uncertainty over future receipts. The rescheduling of the payments creates no material detrimental implications to the financial forecast.

The second exposure was City South's previous business plan having minimal headroom within its loan covenants and peak debt, consequently giving the provider little ability to absorb unanticipated additional costs. This risk has been mitigated to an acceptable level through the use of prudent assumptions in the financial forecasts, the inclusion of contingency costs as well as City South generating a track record of managing the risk during its now complete, improvement programme.

The regulator is satisfied that City South's financial plans are consistent with and support the financial strategy of the organisation and that it holds sufficient secured loan facilities to meet future business plan requirements. City South has demonstrated continued compliance with the funder's loan covenants with a reasonable degree of headroom and has undertaken sensitivity analysis to demonstrate it can accommodate various adverse changes.

The regulator's assessment of City South'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.