



Homes &
Communities
Agency

The Social Housing Regulator

HCA Regulatory Judgement on Gallions Housing Association Limited – L4274

October 2013

Archived

HCA Regulatory Judgement: Gallions Housing Association Limited – L4274

The provider

Gallions Housing Association Limited (Gallions) owns and manages approximately 6,500 social housing units. The homes are located in south and east London, with about 80% in the Thamesmead area. Gallions also owns and manages 60 retail units and large areas of parkland, lakes and waterways.

Gallions operates as a group with three unregistered, active subsidiaries: Freshleaf Homes Limited which carries out commercial property development; Create Communities Limited which provides design and build services to the group, and Southmere Village Management Company Limited, a property management company for one specific scheme. It has two unregistered, dormant subsidiaries.

The association holds a 50% share in a commercial property investment and development company, Tilfen Land Limited. Through its Freshleaf Homes subsidiary it also holds 50% of the capital in a joint venture, Galley Ilford, a commercial property investment and development company.

Gallions is an approved investment partner with the Homes and Communities Agency and expects to deliver 496 new affordable homes as part of the 2011-15 Affordable Homes Programme.

Regulatory Ratings*

- **Properly Governed: G3**

The provider does not meet all of the requirements on governance set out in the Governance and Financial Viability Standard. There are issues of regulatory concern and in agreement with the regulator the provider is working to improve its position.

- **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

This assessment updates the previous published assessment of Gallions' governance.

The regulator's assessment of Gallions' governance has been downgraded because its governance arrangements have failed to deliver its aims and objectives in an effective, transparent and accountable manner and it has failed to safeguard the reputation of the sector. Its internal controls and assurance framework has also failed to ensure adherence to all relevant legislation.

The Gallions board has failed to demonstrate that it has operated an appropriate control framework, and to act in a transparent and accountable way. These failings are evident in a series of decisions relating to the remuneration and compensation for redundancy of an outgoing executive.

In making its decisions, the board referred to regulatory requirements that have not been in place for some time as the basis of its decision-making. The board failed sufficiently to take into account the current regulatory framework and in particular the requirement that registered providers' governance arrangements should ensure they safeguard the reputation of the sector. The board failed to take timely legal advice and did not make best use of the advice which it received. When alerted to a potential regulatory issue by an advisor, the board failed to notify the regulator, thus not meeting the requirements of the standard for transparency.

Whilst the board did consider the long-term savings arising from the departure of an executive, it has not demonstrated sufficient consideration of value for money in this aspect of its decision-making process, which has raised further regulatory concerns.

The regulator has concluded that the board has not exercised adequate control or fully assessed the risks associated with the level of the payments it has agreed. Gallions has commissioned an independent review into the arrangements to a brief agreed with the regulator. We will review its conclusions and recommendations and consider any resultant action plan.

In connection with a consumer standards case referred to the regulator, we have found that Gallions breached the Home Standard by failing to comply with the Gas Safety Regulations 1998 and that this breach had the potential to cause serious detriment to tenants. We have set out our conclusions on this matter in a separate notice. Gallions' handling of this case has, however, also raised regulatory concerns relating to the governance standard. We have found that the requirements in the standard on board accountability and compliance with relevant legislation have been breached. The association has now rectified the specific problem and changed arrangements to enable effective oversight by the board of specific gas servicing cases. We will continue to monitor the position to assess the effectiveness of the changes.

The regulator's assessment of Gallions' 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, 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.