



Regulator of  
Social Housing

## **Regulatory Judgement on Cornerstone Housing Limited L0147**

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**June 2019**

## Publication Details

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### Reason for publication

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Governance downgrade

### Regulatory process

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In Depth Assessment

*Please see the definitions in Annex 1 for more detail*

### Governance

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#### **G2 (Compliant)**

The provider meets our governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance.

### Viability

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#### **V1 (Compliant)**

The provider meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.

### Key to grades

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G1 / V1	Compliant
G2 / V2	Compliant
G3 / V3	Non-compliant and intensive regulatory engagement.
G4 / V4	Non-compliant, serious failures leading to either intensive regulatory engagement or the use of enforcement powers.

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## Provider Details

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### Origins

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Cornerstone Housing Limited (Cornerstone) is a charitable registered society under the Co-operative and Community Benefit Societies Act 2014. It was originally established in 1926.

### Registered Entities

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Cornerstone is the only registered entity.

### Unregistered Entities

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There are no unregistered entities.

### Geographic Spread and Scale

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Cornerstone owns and manages about 1,350 properties across Exeter, Teignbridge, Mid Devon and East Devon

### Staffing and Turnover

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Cornerstone employed 68 full-time equivalent staff, and reported turnover of around £6.6m in 2017/18.

### Development

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Cornerstone aims to develop a total of 150 units over the next five years.

## **Regulatory Judgement**

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This regulatory judgement downgrades our previous assessment of Cornerstone's governance.

Cornerstone continues to meet the requirements on governance set out in the Governance and Financial Viability Standard. However, it needs to improve aspects of its governance arrangements to ensure continued compliance.

On the basis of an IDA, we have concluded that Cornerstone needs to improve board oversight of its strategic financial risk management. In particular, we lack assurance that the board has used stress testing to fully inform its business planning and treasury management strategy. The multi-variant scenarios which Cornerstone has tested are not sufficiently severe and there is a lack of clarity in reporting as to the timing of potential covenant breaches. Whilst mitigations have been identified, these have not been modelled against the scenarios to test their effectiveness in avoiding a covenant breach. In addition, Cornerstone has not identified formal points at which management action would need to be triggered. Furthermore, it has not tested the potential impact of different scenarios on its cash position.

The regulator's assessment of Cornerstone's compliance with the financial viability element of the Governance and Financial Viability Standard is unchanged. Based on evidence gained from the IDA, the regulator has assurance that Cornerstone's financial plans are consistent with, and support, its financial strategy. The provider's business plan is funded, although it should be noted that the plan is reliant upon renewal of a short-term revolving credit facility. Cornerstone has sufficient security in place, and is forecast to continue to meet its financial covenants under a wide range of adverse scenarios.

## Annex 1: Definitions of Regulatory Processes

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### In Depth Assessment (IDA)

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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

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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

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Reactive engagement is unplanned work which is triggered by new intelligence or a developing situation which may have implications for a provider's current regulatory judgement.

### Stability Checks and Reactive Engagement

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

### Further Information

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