



Regulator of
Social Housing

**Regulatory Judgement on
Swan Housing Association Limited
L4145**

January 2020

Publication Details

Reason for publication

Governance downgrade

Regulatory process

In Depth Assessment

Please see the definitions in Annex 1 for more detail

Governance

G2 (Compliant)

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

Viability

V2 (Compliant)

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.

Key to grades

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.

Provider Details

Origins

Swan Housing Association Limited (Swan) is an exempt charitable co-operative and community benefit society, registered provider and parent of the group. It provides general needs housing, services to leaseholders, NHS keyworker accommodation, supported housing accommodation and care services. Providing new homes is a principal activity for Swan, with development undertaken via an unregistered subsidiary.

Registered Entities

Swan is the only registered entity in the group.

Unregistered Entities

There are seven unregistered subsidiary entities:

- Swan New Homes Limited (SNH) develops and sells new homes within Essex and East London and is parent to two operational subsidiaries: HERA Management Services Limited, which provides property and housing management services, and VIVO Support Limited which provides care services to the elderly and people with learning disabilities
- Swan Housing Capital plc is a special purpose funding vehicle
- Swan Housing Finance Limited borrows from Homes England and on-lends to SNH and Swan Commercial Services
- Swan Commercial Services Limited provides construction services to Swan and SNH
- Beechwood Village Community Trust is set up to develop the capacity and skills of the residents of local socially and economically disadvantaged communities
- Pike Housing Services Limited and Swan Social Enterprise Group Limited are both dormant.

Swan has joint venture stakes in Purfleet Centre Regeneration with Urban Catalyst and Keltbray; and in Southend Better Queensway LLP with Southend Borough Council.

Geographic Spread and Scale

Swan owns and manages approximately 10,900 homes in Essex and East London. It operates in 17 local authorities.

Staffing and Turnover

Swan employs 425 full-time equivalent staff. It had a turnover of £81m for the year ending 31 March 2019.

Development

Swan plans to develop 1,684 new homes over the next six years.

Regulatory Judgement

This regulatory judgement downgrades our previous published assessment of Swan's governance from G1 to G2 and confirms our V2 assessment of financial viability.

Swan continues to meet the requirements on governance set out in the Governance and Financial Viability Standard. However, following an IDA, we have concluded that it needs to improve some aspects of its governance arrangements to support continued compliance.

Swan needs to strengthen its stress testing by including a wider range of risks in the scenarios which it assesses. This would allow the board to improve its understanding of the potential impact of risks and would better inform its business planning, decision making and risk management. Further development of early warning triggers and mitigation strategies is also required to assist it in recognising and controlling the impact of risks.

Although Swan has a clear value for money strategy with quantified plans that have resulted in reductions to its cost base, its board needs to demonstrate that this is underpinned by a more thorough understanding of its cost drivers to maintain compliance with the requirements set out in the Value for Money Standard.

Swan needs to improve clarity of its reporting and information to ensure that its strategy, risks and performance are clearly understood, at the level required, by a range of stakeholders including the regulator. This would assist the board and its stakeholders in ensuring that organisational aims, objectives and intended outcomes for tenants are being delivered in an effective, transparent and accountable manner.

The regulator has adequate assurance that Swan currently complies with the financial viability element of the Governance and Financial Viability Standard. However, Swan's business plan and financial forecast only includes its committed development and does not reflect Swan's ambitious development strategy. Without this, the regulator has only been able to partially assess the medium to long term financial risks that Swan may face.

In the short to medium term, Swan continues to have material financial risks which it needs to manage. It is reliant on income generated from an increasing sales programme to maintain its financial strength. This exposes Swan to a range of market conditions and means that it is susceptible to the crystallisation of a series of housing market and economic risks which require on-going management to ensure continued loan covenant compliance.

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 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

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

Further Information

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