



Regulator of
Social Housing

Regulatory Judgement on Yorkshire Housing Limited L4521

March 2020

Publication Details

Reason for publication

Viability regrade and 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

Yorkshire Housing Limited (YHL) is a charitable community benefit society, a registered provider and the stock holding parent of the group.

Registered Entities

YHL is the only registered entity in the group.

Unregistered Entities

There are two active wholly owned unregistered entities within the group. YH Residential undertakes the group's outright sale and market rent activity and Yorkshire Housing Finance plc is the group's treasury vehicle.

YHL has a minority shareholding of Forge New Homes LLP, a joint venture with other registered providers to undertake outright sales, and Yorkshire Transformation Holdings Ltd which is delivering a Private Finance Initiative through its subsidiary Yorkshire Transformation Limited.

Geographic Spread and Scale

The group operates throughout Yorkshire.

It owns and manages about 16,400 homes. The majority of its homes are for general needs but it also provides homes for intermediate rent, housing for older people, shared ownership, market rent and supported housing.

Staffing and Turnover

The group employs the full time equivalent of 586 staff. Its turnover for the year ended 31 March 2019 was £113m.

Development

YHL's 2019/20 business plan includes planned development of 5,040 units by 2026. This includes YHL's commitments through its strategic partnership with Homes England.

Regulatory Judgement

This regulatory judgement downgrades our previous published assessment of YHL's governance from G1 to G2 and regrades our assessment of financial viability from V1 to V2.

YHL 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.

The IDA found weaknesses in elements of YHL's financial reporting. YHL needs to make improvements to reporting on the financial performance, including liquidity, of its commercial subsidiary as well as on YHL's overall development programme to allow the board to manage its affairs with greater diligence and foresight. This is particularly important due to the increased level of development and sales activity being undertaken in the group. YHL has started to make improvements to strengthen board oversight and control in these areas.

YHL's stress testing does not sufficiently demonstrate the financial impact of the range of risks to which it is exposed. Clearer demonstration of the potential impact of risks before mitigation would improve board understanding, business planning, decision making and risk management. Further development of early warning triggers and mitigation strategies is also required to assist the board in recognising and controlling the impact of risks.

Based on evidence gained from carrying out the IDA, the regulator has assurance that YHL meets the requirements of the viability element of the Governance and Financial Viability Standard. YHL's financial plans are consistent with, and support, its financial strategy. It has an adequately funded business plan, sufficient security and forecasts to continue meeting its financial covenants.

YHL has material financial risks it needs to manage. Its planned development programme demonstrates an increase in scale, increases its debt burden and reduces its free security in future years. These factors reduce YHL's capacity and flexibility to cope with downside risk and require on-going management to ensure continued compliance.

YHL has a material investment in its commercial subsidiary that generates significant income from an increasing sales programme. This exposes YHL to a range of market conditions and means that it is susceptible to the crystallisation of a series of housing market and economic risks. This requires on-going management to ensure continued loan covenant compliance and access to sufficient liquidity within the group.

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>.