



Homes &
Communities
Agency

The Social Housing Regulator

HCA Regulatory Judgement on The Villages Housing Association Limited – L3417

**The Villages Community Housing Association
Limited – LH4231**

January 2015

Archived

HCA Regulatory Judgement: The Villages Housing Association Limited – L3417

The provider

The Villages Housing Association Limited (Villages) is the parent of The Villages Community Housing Association Limited (VCHAL). At March 2014, Villages owned approximately 2,700 units (including 36 Low Cost Home Ownership units), around 900 at Fitton Hill in Oldham and 1,800 at Stockbridge Village in Knowsley.

Villages is the non-charitable successor body to the Stockbridge Village Trust which received the stock transfer of the Stockbridge Village estate from Knowsley Metropolitan Borough Council in 1983. In 1999 Villages transferred around 160 units to a charitable subsidiary, Villages Community Housing Association Limited (VCHA), which now specialises in sheltered and supported accommodation. In March 2004 Villages also received a stock transfer of the Fitton Hill estate from Oldham Metropolitan Borough Council in March 2004 at nil value.

Villages' strategic focus is the regeneration and sustainability of Stockbridge Village in Knowsley and Fitton Hill in Oldham and dealing with the impact of welfare reform on its core business. Its total turnover in the year to 31 March 2014 was £13m and it employs 97 staff.

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 more serious failure of governance or viability leading to either intensive regulatory engagement or the use of enforcement powers.

HCA Regulatory Judgement: The Villages Housing Association Limited – L3417

Regulatory Judgement

The regulator's assessment of Villages' financial viability has been upgraded to reflect the improvement in its financial position.

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 meet its financial covenants under a range of scenarios.

The regulator previously identified specific risk exposures that could potentially impact on Villages' viability should they crystallise simultaneously. Villages has made progress in mitigating the exposures as follows:

- reliance on projected land sales: the land sales are progressing, and the business plan and covenant compliance are no longer dependent upon the remaining receipts.
- high level of arrears: Villages has demonstrated that progress is being made on collecting former tenant arrears and that current tenant arrears are reducing. Villages has ensured that effective strategies are in place for eventual recovery.
- financing risk: as a result of improved financial performance and identification of adequate contingencies and mitigating strategies, Villages now has the ability to manage its future borrowing requirements. The level of refinancing currently required is not considered material.

The regulator's assessment of Villages' governance 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 adequate to enable the organisation to continue meeting its objectives.