



Homes &
Communities
Agency

The Social Housing Regulator

HCA REGULATORY NOTICE

Registered Provider

Mulberry Housing Co-operative Limited (Registered Provider number OC3635)

Regulatory finding

The regulator has concluded that:

- a) Mulberry Housing Co-operative Limited (Mulberry) is not compliant with the Rent Standard.
- b) Mulberry is not compliant with the Governance and Financial Viability Standard.

The case

Mulberry is a small provider operating in Waterloo, London and owns 56 properties on a long lease from a non-registered company. It contacted the regulator seeking a discussion in relation to rent levels and viability. In the course of these discussions it became clear that Mulberry had increased rents by 10% in January 2015, in order to support a programme of repairs within its business plan.

In light of regulatory concerns on compliance with the Rent Standard and as part of the process following Summer Budget 2015, the regulator sought additional assurance from Mulberry on compliance with the Governance and Financial Viability (G&FV) Standard, particularly in relation to the changes to the rent regime set out in the Budget and the robustness of its business plan. A revised business plan was prepared which the regulator has considered.

The regulator's findings

Breach of the Rent Standard

The regulator has considered the case as a potential breach of the Rent Standard.

The Standard states that:

- “Registered providers shall ensure they meet the following requirements, which derive from the Government’s Direction to the TSA of November 2009:
 - “Weekly rent for accommodation increases each year by an amount which is no more than RPI + 0.5% + £2.”

The information provided by Mulberry showed that:

- Mulberry had not raised rents in 2013 and 2014 but has levied a 10% rent increase across all its properties on 1 January 2015, which was in excess of the limit of RPI +0.5% + £2 per week.

The regulator has therefore concluded that Mulberry is not compliant with the Rent Standard.

Breach of the Governance and Financial Viability Standard

The regulator has considered the case as a potential breach of the G&FV Standard. The standard states that registered providers must:

- “comply with their governing documents and all regulatory requirements; and
- “have an effective risk management and internal control assurance framework.”

The information provided by Mulberry showed that its Board:

- has not understood the regulatory environment, including the need to comply with the Rent Standard regardless of the size of the business.
- failed to ensure an effective internal control framework was in place to deliver a viable business plan.

The regulator has therefore concluded that Mulberry is not compliant with the Governance element of the G&FV standard.

The post-Budget business plan provided by Mulberry gives the regulator adequate assurance at this point that Mulberry can regain compliance with current Rent Standard and also operate within the new rent regime, whilst continuing to remain viable.

Mulberry has identified a plan to rectify the charging of non-compliant rents in 2015 and is working with tenants and the relevant local authority to progress that. It has appointed external consultants to help strengthen its business processes and internal control systems.

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