



Homes &
Communities
Agency

The Social Housing Regulator

HCA Regulatory Judgement on East Thames Group Limited – LH4309

East Homes Limited – LH2833

September 2015

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The provider

East Thames Group Limited (ETG) is the non-asset owning registered parent of the group and has charitable status. The social housing assets in the group are owned and managed by East Homes Limited which also has charitable status.

The group owns 13,400 homes in North East London and Essex and also manages around 600 homes for others. It carries out a wide range of social housing, care and support and regeneration activities. The group had a turnover of £166.5m in the year to 31 March 2015 and employed 668 full-time equivalent staff at that date.

There are eight unregistered subsidiaries in the group, two are charitable bodies and six are for commercial purposes. The unregistered subsidiaries carry out activities including housing for outright sale, care and support, training and employment, development services for the group and financial vehicles providing treasury services. Through one of its unregistered subsidiaries, East Place, the group has a one-third interest in the Triathlon Homes LLP joint venture.

The group's mission is to make a positive and lasting contribution to the neighbourhoods in which it operates. ETG is an investment partner with the Homes and Communities Agency and expects to deliver 60 affordable homes through the 2015-18 Affordable Homes Programme (AHP) and 1,355 affordable homes through the Mayor's Housing Covenant.

Reason for publication: Governance upgrade

Regulatory Ratings*

- **Properly Governed: G1**

The provider meets our governance requirements.

- **Viable: V2**

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.

In reaching this judgement, the regulator has not proactively sought assurance on all elements of the Governance and Financial Viability standard (as revised in April 2015) but has focused its work on the specific issues described in this report. It should also be noted that the provider is currently considering the implications for its existing business plan of measures announced in the 2015 summer budget. We will reflect any consequential changes in our regulatory assessment in future judgements.

*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.

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Regulatory Judgement

This regulatory judgement upgrades our previous published assessment of ETG's governance in March 2015. Our assessment of viability remains unchanged. Based on evidence gained from contact with board and executive team members and a review of key documents the regulator has concluded that ETG has made further improvement to its governance arrangements and now meets our regulatory requirements.

In our previous regulatory judgement, published in March 2015, we acknowledged that ETG was finishing work to ensure that improvements to its rent setting controls, and processes had become business as usual. It was also addressing weaknesses in organisational data and reporting systems. We now have adequate assurance from evidence provided by ETG's board that these improvements have been implemented and that the provider is now meeting regulatory framework requirements.

The regulator's assessment of ETG's compliance with the financial viability elements of the Governance and Financial Viability standard is unchanged from our last published assessment.

Based on evidence gained from contact with the executive and a review of the latest financial forecast, annual accounts and quarterly survey, the regulator has assurance that the financial plans are consistent with, and support, the financial strategy of the provider. ETG has met, and forecasts continuing to meet, funders' loan covenants and has agreed facilities which are expected to fund the business plan for a period of up to five years.

However, the group still needs to manage material risks to support continued compliance. It has a significant exposure to the housing market with both shared ownership and private sale homes expected to generate large cash receipts. Whilst its track record in these areas of activity continues to be positive, there remains a material dependency upon the continuation of favourable market conditions.

In addition, based upon the group's work on strategic asset management and recent stock condition survey results, the assumptions in future business plans on the cost of investment in existing housing will need to be updated to reflect a significant increase. This will be required to address a backlog of work due to previous under-investment as well as a higher level of future work to maintain properties to ETG's decent homes plus standard. The volume and timing of this additional investment, alongside its overall impact upon the group's financial position, will be included in the next review of viability.