The Social Housing Regulator

HCA Regulatory Judgement on
Asra Housing Group Limited - L4523

ASRA Housing Association Limited - L3534
Leicester Housing Association Limited - L0409

March 2016
The provider

The Asra Housing Group (the group or Asra) owns in excess of 14,000 homes across the Midlands, Greater London and the South East. It comprises Asra Housing Group Limited, the registered non-stockholding parent company and two stockholding registered subsidiaries:

- Leicester Housing Association Limited (LHA) manages over 8,000 homes in the Midlands.

- ASRA Housing Association Limited (ASRA HA) manages approximately 6,000 homes in diverse communities across Greater London, the Home Counties and the Midlands.

ASRA HA has three non-registered subsidiaries; only Asra Construction Services Limited is active. It provides design and build, development services to other group companies.

The group’s strategic focus is the management and development of social housing. In the year to 31 March 2015 the group employed 401 members of staff and had an annual turnover of £79.8m. It is a Homes and Communities Agency investment partner and also plans to develop 348 new affordable homes as part of the Mayor of London’s Housing Covenant 2015-18 Programme.

Reason for publication: Governance upgrade.

Regulatory Ratings*

- **Properly Governed: G2**

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

- **Viable: V2**

  The provider meets the requirements on viability set out in the Governance and Financial Viability standard but needs to manage material financial exposures to support continued compliance.

*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.*
Regulatory Judgement

This judgement updates the regulator’s previous assessment of Asra published in April 2015.

The regulator’s assessment of Asra’s governance has been upgraded because the regulator now has assurance that its governance arrangements are supporting the organisation to meet its objectives. However, Asra still needs to improve some aspects of its governance to support continued compliance.

Asra’s governance was downgraded in April 2015 because of serious concerns about its business planning and control frameworks. In particular, Asra had failed to ensure access to sufficient liquidity at all times, and had not sufficiently considered the financial implications of risks to the delivery of its plans. In addition, its published self-assessment on Value for Money only provided limited assurance. Since then Asra has worked with the regulator to review what went wrong, develop action plans to address weaknesses, and has offered a voluntary undertaking to provide assurance to the regulator of its intention to return to compliance.

The regulator is satisfied that Asra has delivered the commitments it made in the voluntary undertaking and we now have assurance that the group has demonstrated compliance with the governance elements of the Governance and Financial Viability standard.

In completing the action plans, Asra has carried out a series of diagnostic reviews to understand what went wrong and has taken the steps required to address the problems. This has included a specialist review of the treasury function and reviews of governance, the internal controls framework, compliance with both the NHF code and the HCA Regulatory Framework, and an analysis of the organisation’s culture.

Asra has strengthened its board of management. It has appointed four new members to the board and new chairs to the risk and audit and investment sub committees. A new operational structure has been implemented at leadership team level and a new operating model adopted. Both the finance and treasury functions have been restructured, with revised controls and policies implemented and new reporting arrangements in place.

Asra’s board is committed to organisational and cultural change and has agreed a new training programme on risk management and implemented a new approach to whistleblowing. Additional audits are planned to validate the effectiveness of the changes made in treasury to provide assurance that the new approaches are being embedded successfully.

The board reviewed its approach to Value for Money and the regulator concluded that the published information and 2014/15 self-assessment provided assurance that the requirements of the standard had been met.

The regulator’s assessment of Asra’s compliance with the financial viability element of the Governance and Financial Viability standard is unchanged. Based on evidence gained from contact with the executive, reviews of financial returns and the annual stability check, the regulator has assurance that Asra’s financial plans are consistent with and support its financial strategy. It has met and forecasts continuing to meet funders’ loan covenants.
While Asra has the financial capacity to deal with a reasonable range of adverse scenarios, it needs to manage material risks to ensure continued compliance. Its new business plan, developed following the Government’s announcement on future rent reductions assumes the adoption of a new operating model delivering substantial efficiency savings, an increase in income from sales and the adoption of a new asset management approach. The LHA subsidiary is most affected by the rent reductions and has mitigating strategies in place to manage the risk should efficiencies and sales income not materialise as planned. Asra also needs to ensure effective management of its treasury management to achieve best use of security across the subsidiaries, and its hedging instrument and re-financing positions.