



# FUNDAMENTUM

PROPERTY

## Further Housing Association comes under review 12 October 2018

### This week

Westmoreland Supported Housing has become the fifth Housing Association to be placed on the GUR (Grading under Review) list by the Regulator of Social Housing this week. The non-profit company is under review for an issue regarding their compliance with the RSH's **Governance and Financial Viability Standards**. The list, which is publicly available on the RSH's website, will deliver a regulatory decision in the coming months, which may result in a change to a non-compliant grading for the provider. Over the last 6 months, 5 providers have been placed on the GUR list.

Since First Priority earlier this year came up against financial difficulties, the actions of the Regulator have focused on the smaller providers due to the close relationships between private funding partners and the housing associations. A focus on this area is due to the possible conflicts of interests between the parties, which has the potential to affect the terms of the leases. The providers typically pay inflation-linked rents to the private funds to provide a return to investors. The Regulator consequently has asked these smaller providers for details on **due diligence practices, board relationships and assurances process**.

Specifically, Westmoreland has numerous long term leases with both Supported Housing REIT bodies, Civitas Housing and Triple Point Housing. In June 2018, Westmoreland accounted for 35% of Civitas' annual rental income, making it the REIT's biggest partner. The Regulator's findings may result in the leases, which the funders have with Westmoreland, needing to be transferred to other providers.



### What does this mean for the Sector?

Over the last 24 months the sector has become increasingly familiar to those in the social impact investing arena. Due to the framework of the sector and accessibility to government funds, **transparency and governance are becoming crucial**. The 'New Deal', Green Papers released by the government in August acknowledged that the Regulator's role needs to 'ensure that the **economic regulatory regime remains strong**'. The verdict of those on the GUR list remains to be seen, however it can be strongly argued that any implications are certainly for the good of the sector long term.

### Also, this week

This week marked Housing Day 2018, celebrating the 6th year of the social media campaign to raise the profile of the social housing sector. The theme for the campaign this year focused on the tenants 'to have a voice', particularly following the events of the Grenfell disaster.

Signatory of:



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