



Regulator of
Social Housing

Decision

Withdrawn regulatory judgement: Origin Housing Limited (14 December 2023)

Updated 13 June 2024

Applies to England



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Withdrawn on 13 June 2024: The issues giving rise to Origin Housing Limited's Regulatory Judgement have been resolved.

RSH Narrative Regulatory Judgement

- Provider: Origin Housing Limited
- Regulatory code: L0871
- Publication date: 14 December 2023
- Governance grade: G3
- Viability grade: V3
- Reason for publication: Governance and viability downgrades
- Regulatory route: In Depth Assessment and Reactive Engagement

Regulatory judgement

This regulatory judgement downgrades our previous assessment of Origin Housing Limited's governance grade from G1 to G3 and downgrades its financial viability grade from V2 to V3. This means that there are issues of serious regulatory concern that the provider is working with us to address.

Following investigation, the regulator has concluded that it lacks assurance that Origin Housing Limited (Origin) has an appropriate, robust and prudent business planning, risk and control framework. Origin has failed to ensure appropriate monitoring, reporting on and compliance with its funders' covenants. Inadequate resourcing and data errors in financial reporting to the board were such that Origin has not been managing its affairs with an appropriate degree of skill, diligence, prudence and foresight.

In May 2023, Origin identified material errors in its reporting on interest payable for the financial year 2023, which significantly reduced the available headroom above its covenant requirement. A review commissioned by Origin has confirmed weaknesses in its internal controls relating to the accuracy of its budget setting, reporting on financial performance and forecasting. These weaknesses led to errors in covenant calculations at year end and therefore exposed Origin to serious and material risks.

In July 2023, one of Origin's funders identified that Origin had miscalculated its covenant requirements resulting in a potential breach for the financial year 2023. Origin failed to ensure it properly understood its covenant requirements and consequently had to seek agreement for a loan variation and meet refinancing conditions set by the funder. Origin failed to promptly notify the regulator of the potential covenant breach.

Origin's financial position is weak and requires close and effective management. In September 2023, a further review of budget assumptions and in year performance resulted in additional adverse variances that impact Origin's ability to meet funders' covenants for the financial year 2024. There is a reliance on uncertain cashflows such as fixed asset disposals and a lack of assurance that Origin has appropriate, robust mitigation strategies available. Poor financial governance and weak internal controls have impacted Origin's future financial viability, putting its social housing assets at undue risk.

Origin is working with the regulator to address the issues in this judgement as well as working to avoid covenant breaches and to ensure access to sufficient liquidity. Origin is developing an action plan to strengthen board oversight, its internal controls and financial reporting. Origin continues to pursue a potential partnership with another registered provider to improve its financial resilience.

Other providers included in the judgement

Origin Housing 2 Limited

About the provider

Origins

Origin is a charitable registered provider of social housing incorporated under the Co-operative and Community Benefit Societies Act 2014. Its principal activities are the development and management of housing and the provision of care and support services.

Origin develops new homes with its own financing and grant funding from the Greater London Authority as a Strategic Partner.

Registered Entities

Origin is the parent and main stockholding registered entity within the group. There is a further registered entity, Origin Housing 2 Limited, which is also a social housing provider.

Unregistered Entities

There are four unregistered entities in the group. Origin Finance Limited and Origin Finance 2 plc are financing vehicles. Origin Housing Developments Limited and Origin Properties Limited undertake property development. The latter also provides management services for investment property lettings.

Geographic Spread and Scale

Origin owns and manages around 7,700 homes primarily in London and Hertfordshire.

Staffing and Turnover

For the year ended 31 March 2023 Origin reported a turnover of £68.4m and employed 279 full-time equivalent staff.

Development

Origin aims to deliver 1,112 new homes by 2028, comprising a mix of social rent (66%) and shared ownership (29%) and open market sale (5%).

About our judgements

Key to Grades

Governance:

Compliant

- G1** The provider meets our governance requirements.
-
- G2** The provider meets our governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance.
-

Non-compliant

- G3** The provider does not meet our governance requirements. There are issues of serious regulatory concern and in agreement with us the provider is working to improve its position.
-
- G4** The provider does not meet our governance requirements. There are issues of serious regulatory concern, and the provider is subject to regulatory intervention or enforcement action.
-

Viability:

Compliant

- V1** The provider meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.
-
- 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.
-

Non-compliant

V3 The provider does not meet our viability requirements. There are issues of serious regulatory concern and, in agreement with us, the provider is working to improve its position.

V4 The provider does not meet our viability requirements. There are issues of serious regulatory concern, and the provider is subject to regulatory intervention or enforcement action.

Note: The use of an asterisk (*) against a grade indicates that the assessment refers to a provider that is designated as being for-profit.

Definitions of Regulatory Routes

In Depth Assessment (IDA): An IDA is a bespoke assessment of a provider's viability and governance, including its approach to value for money. It involves on-site work and considers in detail a provider's ability to meet its financial obligations and the effectiveness of its governance structures and processes.

Stability Checks: Based primarily on information supplied through regulatory returns, a Stability Check is an annual review of a provider's financial position and its latest business plan. The review is focused on determining if there is evidence to indicate a provider's current judgements merit reconsideration.

Reactive Engagement: Reactive engagement is unplanned work which is triggered by new information or a developing situation which may have implications for a provider's current regulatory judgement.

Stability Checks and Reactive Engagement: In some cases, we will publish narrative regulatory judgements which combine evidence gained from both Stability Checks and Reactive Engagement.

For further details about these processes, please see Regulating the Standards.



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