



**NOTES OF THE REGULATOR OF SOCIAL HOUSING (RSH) FEEDBACK ON THE
IN-DEPTH ASSESSMENT (IDA) OF OCEAN HOUSING GROUP LIMITED HELD
ON TUESDAY 9 APRIL 2024**

CONFIDENTIAL

1. Attendance

Representing the RSH:

Richard Foster - Assistant Director, Regulatory Assessment (RF)

David McCormick – IDA Team Leader (DM)

Representing Ocean Housing Group Limited (OHGL):

Jonathan Adlington – Group Chair

Andie Smith – Chair of Ocean Housing Limited (OHL)

Myfanwy Barrett – Senior Independent Board Member (SIBM)

Bernard Rooney – Chair of Gilbert and Goode Limited (G&G)

Mark Gardner – Group Chief Executive (GCE)

Kevin Pearce – Deputy Chief Executive (DCE)

Frances Turner – Managing Director, OHL (MDOHL)

Nikki Forward – Group Director of People and Culture (GDPC)

Apologies – Mike Crabb, Chair of Group Audit Risk and Assurance Committee (GARAC)

2. Introduction

RF confirmed that the Regulatory Judgement (RJ) for OHGL as G1/V2 and that this had been published on 27 March 2024.

The RJ is prepared in summary form and had been agreed by the GCE.

There is no other narrative provided, and the feedback presented is verbal only.

The format of the feedback session is to provide an overview of the G1/V2 assessment, to touch upon elements of the Consumer Standards, and to receive feedback on the process from OHGL.

3. The G1 Assessment

DM provided details of the RSH IDA team approach and assurance findings summarised as follows:

- RSH confident in the Board and Executive Group (EG) understanding of the Group's operating environment and the risks facing it and the wider risks facing the sector generally.
- RSH able to establish a clear alignment of Board/EG skills to address these risks and good assurance was evidenced.
- The external governance review conducted by Campbell Tickell was seen as important, and their conclusion that governance arrangements at Ocean were fundamentally sound matched the RSH view. The RSH needed additional assurance that the improvement plans from the report had been implemented but received the assurance they needed.
- The internal audit plan and GARAC/ Board deep dives added value and were aligned with the strategic risk register. Strong link of annual internal audit plan to the Group Strategic Risk Register was noted.
- Property health and safety (H&S) compliance audits offered substantial assurance, and there was good evidence of Board oversight, and that audit actions had been implemented and are monitored.
- Ocean has a good reporting framework and assures the Board that it is delivering on its strategic objectives, for example, there is good evidence of EPC C progress.
- Tenant satisfaction levels had dropped, and when this happens the RSH expects organisations to put plans in place to address such matters. The RSH were assured that Ocean has such plans in place.
- **VFM** – remains an important issue for the RSH who seek evidence that VFM is embedded in decision making. RSH were assured that this is the case and noted the strong links to the resilience plan.
- **H&S** – good assurance evidenced. 100% compliance across key areas such as gas. RSH noted that not yet at 100% for asbestos surveys and legionella, but steps to move to 100% compliance were clearly evidenced. They noted the requirement for an asbestos survey to be in place before any intrusive works were undertaken.
- **Asset Management** – decent homes standard compliance reported to Board; stock condition survey data statistics were evidenced. Whilst currently stock survey data is not fully complete, there is clear evidence that 100% coverage would be in place over a rolling 5-year period in accordance with its plan which is well tracked.
- **Shared Ownership Disposal** – good evidence of the rationale for the disposal and link to the resilience plan. Good assurance on levels of consultation and advice before Board decision made. Very good example/ case study of effective governance practice.

4. The V2 Assessment

DM confirmed that V2 is a compliant grading accompanied by G1. In reviewing the V2 grading, the RSH perform a wide range of analysis and tests based upon information routinely provided by Ocean to the RSH and via the information provided as part of the IDA.

The assurance findings were summarised as follows:

- The RSH consider Ocean to be fairly well placed in the sector and noted the improving interest cover performance.
- However, when interest cover is calculated without sales income, the position is not as strong, and evidences the reliance Ocean has upon its sales activities, both open market and shared ownership, to fulfil its strategic aims.
- In making the above statement, the RSH acknowledge that Ocean has access to secured funding and has a good cash position, and that there was no risk of a covenant breach at the present time, ie no reliance on sales for covenant compliance.
- Looking forward, the interest cover position continues to improve, and covenants are considered sound.
- It was noted that the revolving credit facility (RCF) was to be renewed and that this was all in hand.
- Ocean had protected itself from interest rate fluctuations with the majority of debt fixed at good levels.
- Unencumbered stock levels were relatively low, and could restrict access to finance in the future, but is considered a relative minor limitation, but something for Ocean to be aware of.
- Ocean's approach to stress testing compares very well with others in the sector. However, a minor area for improvement could be stress testing the stock security position. Something for Ocean to consider.
- Financial reporting is adequate for an organisation of Ocean's size, with clear oversight by Group Board on the activities and finances of its subsidiaries.
- In short, the RSH has no acute concerns about Ocean's viability with areas of feedback not considered in any way material, and the following should be considered in that context:
- **Financial reporting** – the RSH would expect to see the position in respect of covenants to also presented as a forecast, at least to the end of the financial year to ensure Board could identify potential concerns (GCE comment – this is included in the Group Performance Bulletin, but in the documents reviewed by Regulator, this column had not been completed in error. Subsequent Q3 Group Performance Bulletin completed correctly).
- **Cash-Flow forecasts** – noted that 3 month rolling cash flows were presented to Boards. The information was high level rather than more

detailed/ granular analysis. Not a big issue for the RSH as clear evidence of control of this data.

- **H&S Compliance** – the area of fire risk assessments (FRA) is an increasing area of focus for the RSH, and they consider that the transparency of this information can be improved in most organisations, including Ocean. They look for a summary report with FRAs undertaken and actions identified with timelines to complete. Full compliance was evidenced but such a report could be a useful improvement.

5. Consumer Standards

DM confirmed that the consumer standards did not form part of the IDA but the team did review some areas during the assessment as follows:

- **Damp, Mould and Condensation (DMC)** – RSH seeks assurance of a proactive response, with any recommendations for action clearly taken forward. They seek to triangulate DMC/ disrepair/ tenant vulnerabilities and sought Ocean's views on how it approaches this.
- The GCE confirmed that this had been highlighted by EG as an area for improvement and the MDOHL advised as to current practice and improvements made such as: compliance checks now include an inspection of each room for any evidence of DMC; tenant vulnerabilities are recorded as part of this process; and a new 'triage' process has been introduced to accelerate works for tenants identified as vulnerable.
- **Housing Ombudsman Service (HOS)** – HOS determinations are reviewed as part of the IDA process to look at anti-social behaviour (ASB) practices and meeting diverse needs for example. They look for an organisation's response and evidenced that Ocean responds quickly and promptly to resolve HOS determinations, and that they are taken seriously at Board and EG level. RSH noted the action plans presented to Board, and the Boards' commitment to improve was evident. Ocean takes ownership of issues determined and hasn't sought to deflect or avoid dealing with them.

6. Ocean Feedback

The GCE thanked DM and team for the manner in which they conducted the IDA. Instructions and information requirements had been clear, and Ocean had sought to provide that information rather than overload the RSH with paperwork that was not relevant.

The GCE suggested an area for improvement would be an explanation of the quality control process of which he was not aware of in detail, but explained the reasons for the time between the end of the information gathering process and the judgement itself.

RF explained that DM/ team triangulate and sign off on all of the key areas of compliance and risks; that RF takes part in that process; this is followed by the preparation of a full internal report; which is considered by the Director of Regulation, and then by an internal panel. The consumer regulation process will elongate this process further.

The Group Chair and Chair of OHL welcomed the assurance and in person element of the IDA and thanked the IDA team for its work.

7. Further Engagement

RF advised that Ocean was one of the last organisations to go through this style of IDA with the new consumer regulatory regime now in place from 1 April 2024.

He reminded Ocean that the co-regulation regime remains in place, with any non-compliance against the standards to be self-referred, noting that Ocean had done so in the past.

Otherwise, the next inspection would be in four years' time.

Mark Gardner

Group Chief Executive

10 April 2024