

RSH Narrative Regulatory Judgement

- Provider: A2Dominion Housing Group Limited
- Regulatory code: L4240
- Publication date: 3 January 2024
- Governance grade: G3
- Viability grade: V2
- Reason for publication: Governance downgrade and changed basis for viability grade
- Regulatory route: Reactive Engagement

Regulatory judgement

This regulatory judgement downgrades our previous assessment of A2Dominion Housing Group Limited's governance grade from G1 to G3 and confirms its existing V2 financial viability grade. This means that there are issues of serious regulatory concern that the provider is working with us to address.

The regulator has concluded that A2Dominion Housing Group Limited (A2Dominion) has not met all the required governance outcomes and specific expectations in the Governance and Financial Viability Standard.

The regulator lacks assurance that A2Dominion has an appropriate, robust and prudent business planning, risk and control framework and that it has adequately managed and addressed key risks. In addition, we lack assurance that A2Dominion has managed its affairs with an appropriate degree of diligence, prudence and foresight.

A2Dominion implemented a number of changes to its group structure, equity holding and intragroup charging. Investigations by the regulator identified that the board had not adequately managed its financial position in a timely manner nor with the rigour expected.

A2Dominion's risk management, internal controls and assurance framework is not sufficiently robust to systematically drive the board to identify and manage all of its key risks. As a result, risks have crystallised over a breadth of areas that require addressing. This has at times resulted in poor outcomes for its tenants.

The regulator lacks assurance that A2Dominion's data is robust and that systems and processes are adequate to ensure its plans and other key information are monitored and accurately reported. Despite attempts to address this over a significant period of time, A2Dominion has not yet been able to deliver the changes required. This has led to poor quality data, poor reporting and the board not having effective oversight.

The regulator's assessment of A2Dominion's compliance with the financial viability elements of the Governance and Financial Viability Standard is unchanged. The regulator has assurance that the provider has an adequately funded business plan in the short term, sufficient security in place, and is forecast to continue to meet its financial covenants.

A2Dominion's strategy is to improve its financial strength in recognition of the amount of investment required in its stock together with the current economic environment which has seen a reduction in its capacity to respond to adverse events. It is undertaking a transformation programme that is intended to achieve future efficiencies, with plans to reduce its exposure to market sales and strategically divest assets. These changes will require close and effective management.

A2Dominion has acknowledged the regulator's concerns and is implementing improvement plans. A2Dominion is working positively with the regulator to ensure it has the capacity and capability and, in conjunction with external advisers, the support to address the governance issues identified in this regulatory judgement. The current Chief Executive and Chair have been proactive in identifying weaknesses and communicating these with the regulator.

Other providers included in the judgement

A2Dominion Homes Limited, A2Dominion Housing Options Limited, A2Dominion South Limited

About the provider

Origins

A2Dominion is a charitable community benefit society and the non-asset holding parent of the group. The group's strategic focus is on managing and developing social housing.

Registered Entities

There are three stock owning registered provider subsidiaries in the group: A2Dominion Homes Limited (charitable), A2Dominion South Limited (charitable) and A2Dominion Housing Options Limited (non-charitable).

Unregistered Entities

There are four active non-registered subsidiaries within the group. The most significant of these are A2Dominion Developments Limited, which develops and