



October 2017

HCA Regulatory Notice

Registered Provider

Enham Trust (LH0526) is a 281 unit provider of general needs and specialist supported care for people with disabilities. Its stock is primarily based in Hampshire but Enham also provides services across Somerset, Leicester, Plymouth, Slough, Bournemouth and Berkshire

Regulatory Finding

The regulator has concluded that:

- a) Enham Trust has failed to meet the Governance and Financial Viability Standard.
- b) The regulator does not have sufficient assurance of compliance with both the governance and financial viability elements of the Governance and Financial Viability Standard.

The Case

Enham Trust incurred a net deficit of £2.4m in 2015/16 and also expects to report a significant loss for 2016/17. The losses were due to a range of factors including: the impact of the deficit recovery plan of the pension scheme, losses on non-social housing activities; predominately in the social enterprise part of the business, and following the impairment of a development scheme. Weaknesses in accounting records also contributed to the delays in the production of the accounts. As a result lender loan covenants have not been met and associated debt reclassified as current liabilities. The external auditors have issued a qualified opinion relating to Enham's ability to continue to operate as a going concern.

In response Enham has taken corrective action and been proactive in engaging with key stakeholders including its lenders and the regulator. Parts of the business have been restructured including exiting from loss making non-social housing activities, and areas of major expenditure with development schemes paused. A new long term business plan is in preparation.

Enham has commissioned an external review of its governance arrangements and is working constructively with the regulator to address the issues. The board has been strengthened and new executives including a new Chief Executive and Finance Director appointed.

The Regulator's Findings

Governance

The Regulator has concluded that the board lacked sufficient oversight to identify and monitor Enham's delivery of its financial plans. The board has failed to ensure that there is an effective risk management and internal control framework. The board's approach to the management and control of risks facing the business is weak and lacked oversight of financial management at a basic level to ensure compliance.

Financial Viability

Enham has failed to ensure it complied with its funder covenants. The regulator has also concluded that if Enham's lenders chose to require immediate repayment of their loans, Enham does not currently have sufficient cash reserves to meet its obligations. The restructuring of the business and return to generating a surplus will take time and can only be achieved with the continued goodwill and support of its lenders.

Conclusion

The regulator is of the view that Enham Trust is not compliant with the Governance and Financial Viability Standard.

Actions

The current board has responded positively and proactively in its approach to resolving the presenting issues and demonstrated that it is prepared to work with the regulator to address the challenges that the business is facing.

The regulator has concluded that the use of its statutory powers of enforcement is not proportionate at this time given the commitments made to improvement but will keep the position under review and continue to monitor Enham closely until it is fully assured that it is compliant with the regulatory standards.