



Regulator of
Social Housing

Regulatory Judgement on WATMOS Community Homes L4383

November 2018

Publication Details

Reason for publication

Viability regrade

Regulatory process

Stability Check and Reactive Engagement

Please see the definitions in Annex 1 for more detail

Governance

G1 (Compliant)

The provider meets our governance requirements.

Viability

V2 (Compliant)

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.

Key to grades

G1 / V1 Compliant

G2 / V2 Compliant

G3 / V3 Non-compliant and intensive regulatory engagement.

G4 / V4 Non-compliant, serious failures leading to either intensive regulatory engagement or the use of enforcement powers.

Provider Details

Origins

WATMOS Community Homes (WATMOS) was formed by a transfer of eight Tenant Management Organisations (TMOs) from Walsall Council in 2003. In 2012 three TMOs based in Lambeth also joined the group.

WATMOS' board has a tenant majority and its subsidiary TMOs are managed locally by tenants. WATMOS' strategic focus is the investment and maintenance of general needs social housing stock and the provision of services to tenants.

Registered Entities

WATMOS has no registered subsidiaries.

Unregistered Entities

WATMOS has 10 unregistered entities that provides the structure for the TMOs.

Geographic Spread and Scale

WATMOS operates in Walsall and Lambeth and owns about 2,600 homes.

Staffing and Turnover

WATMOS reported a turnover of £16.1m for the year ending March 2018 and employs the full-time equivalent of 104 staff.

Development

WATMOS intends to develop 42 new homes over the next six years.

Regulatory Judgement

This judgement regrades our previous published assessment of WATMOS' viability from V1 to V2.

Based on evidence gained from the annual Stability Check and reactive work, the regulator has assurance that WATMOS complies with the financial viability element of the Governance and Financial Viability Standard and that its financial plans are consistent with, and support, its financial strategy. The assumptions underlying its business plan financial forecast are prudent and WATMOS is forecasting continued compliance with its loan covenants.

WATMOS has the financial capacity to deal with a reasonable range of adverse scenarios but has material risks which it needs to continue to manage. It intends to increase planned maintenance expenditure and is also forecasting declining surpluses from social housing lettings. As a result, WATMOS will have reduced financial capacity to deal with adverse scenarios and needs to manage cashflows to ensure continued covenant compliance.

The regulator's assessment of WATMOS' compliance with the governance elements of the Governance and Financial Viability Standard remains unchanged. On the basis of the Stability Check, the regulator has concluded that there is no evidence to indicate a change to our current governance grading.

Annex 1: Definitions of Regulatory Processes

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 intelligence 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 intelligence gained from both Stability Checks and Reactive Engagement.

Further Information

For further details about these processes, please see 'Regulating the Standards' on <https://www.rsh.gov.uk>