



Regulator of
Social Housing

Regulatory Judgement on Lincolnshire Housing Partnership 4877

October 2019

Publication Details

Reason for publication

Changed basis for Viability and Governance grades.

Regulatory process

In Depth Assessment

Please see the definitions in Annex 1 for more detail

Governance

G2 (Compliant)

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

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

Lincolnshire Housing Partnership Limited (LHP) is a charitable Community Benefit Society, a registered provider and parent of the group. It was formed in April 2018 following the merger of Shoreline Housing Partnership and Boston Mayflower. Its core business is the development and management of general needs rented housing.

Registered Entities

LHP is the only registered entity.

Unregistered Entities

LHP has two active unregistered subsidiaries, Speedwell Homes Limited (SH) and Boston Mayflower Finance Plc (BMF). SH manages LHP's market rent stock and also undertakes management for private landlords of seven properties under lease. BMF is a non-trading Special Purpose Vehicle for issuing notes and bonds.

A further two unregistered subsidiaries are currently dormant, Humber Homes Limited and Shoreline Property Services Limited.

Geographic Spread and Scale

LHP owns and manages about 12,500 homes. The majority of its stock is concentrated in and around Grimsby and Boston.

Staffing and Turnover

LHP employs 313 full time equivalent staff. Its turnover for the year ended 31 March 2019 was £53.5m.

Development

LHP's latest business plan includes the development of 254 homes over the next three years.

Regulatory Judgement

This regulatory judgement confirms our previous G2/V2 interim judgement of LHP's financial viability and governance grades, following completion of an IDA.

On the basis of the IDA, the regulator has assurance that LHP complies with the governance elements of the Governance and Financial Viability Standard. However we have concluded that LHP needs to improve some aspects of its governance arrangements to ensure continued compliance, specifically in relation to the quality of data in its internal documents and regulatory returns and stress testing.

Our IDA work identified two significant data errors in LHP's 2019 Financial Forecast Return and supporting business plan. The errors resulted in the misstatement of forecast covenant compliance and major repairs expenditure. The regulator has engaged with LHP previously regarding the quality of data supplied in regulatory returns. Whilst LHP has now corrected the errors, it is undertaking further work to provide adequate assurance on the effectiveness of the internal controls to ensure data integrity. The board acknowledges that improvement is required and has taken steps to understand the cause of the issues in order to improve the quality of its internal data and oversight of its future returns.

Our IDA work also identified gaps in the robustness of LHP's stress testing and recovery planning. Board reporting did not evidence a link with the organisation's strategic risk register or consider the impact of stresses on cash and security; scenario testing and the identification of mitigating strategies were limited. Whilst LHP has subsequently addressed the majority of these gaps, we are seeking further assurance that LHP's board has strong ownership of the group's stress testing and is fully sighted on the detail it requires to use it effectively to manage the organisation's risks.

The Regulator has assurance that LHP complies with the financial viability element of the Governance and Financial Viability Standard. LHP's financial plans are consistent with, and support, its financial strategy. It has an adequately funded business plan, sufficient security and is forecast to continue to meet its financial covenants.

Performance of LHP's core social housing business remains weak due to digital investment and regeneration costs which negatively impact levels of interest cover over the next three years. Whilst some of these costs are discretionary, they are linked to the achievement of LHP's corporate objectives and as such represent financial risks that it needs to manage.

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>