



Regulator of
Social Housing

**Regulatory Judgement on
Cheshire Peaks & Plains Housing Trust
Limited L4472**

March 2020

Publication Details

Reason for publication

Governance downgrade

Regulatory process

Stability Check and Reactive Engagement

Please see the definitions in Annex 1 for more detail

Governance

G3 (Non-compliant)

The provider does not meet our governance requirements. There are issues of serious regulatory concern and in agreement with us the provider is working to improve its position.

Viability

V1 (Compliant)

The provider meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.

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

Cheshire Peaks & Plains Housing Trust (CPPHT) was established in July 2006 following a stock transfer from Macclesfield Borough Council. It is a charitable co-operative and community benefit society. Its principal activity is the provision of housing at rents that are affordable to those in need.

Registered Entities

CPPHT is the only registered entity.

Unregistered Entities

CPPHT has two unregistered subsidiaries, Peaks & Plains Devco Limited and Peaks & Plains Tradeco Limited which is currently dormant.

Geographic Spread and Scale

CPPHT owns 5,256 homes located in Cheshire and Derbyshire.

Staffing and Turnover

CPPHT employed 189 full-time equivalent staff and had a reported turnover of around £29.7m in the year ending 31st March 2019.

Development

CPPHT's strategy is to develop a total of about 750 homes over the next five years.

Regulatory Judgement

This judgement downgrades the regulator's previously published judgement of CPPHT's governance to a non-compliant G3 grade. This means that there are issues of serious regulatory concern but that the provider is working with us to address them.

Following the completion of a Stability Check and reactive engagement resulting from a self-referral from CPPHT, the regulator has concluded that it lacks assurance that the board of CPPHT has been managing its affairs with an appropriate degree of skill, diligence, effectiveness, prudence and foresight. The regulator has insufficient assurance that CPPHT's governance, risk management and internal control frameworks have been effective.

As a result of weaknesses in the provider's financial reporting processes, CPPHT failed to identify that the formal consent of one of its lenders was required for the securitisation of a property to another body. CPPHT's assets and liabilities register did not identify this non-financial covenant and consequently it did not fully understand its contractual arrangements and failed to have appropriate monitoring in place. CPPHT therefore did not seek consent as was required and as a result, breached this non-financial loan covenant. CPPHT was subsequently granted waiver letters from its funders but nevertheless, during this period, CPPHT failed to safeguard its social housing assets as the Governance and Financial Viability Standard requires. CPPHT only became aware of the covenant breach when it was alerted to it by the lender.

Furthermore, the regulator published a regulatory notice in December 2019 stating that CPPHT's management of health and safety compliance had breached the requirements of the Home Standard and this had led to the potential for serious detriment to tenants. The regulator has assurance that CPPHT has a plan to address the full range of health and safety issues and is working to address these matters as a priority.

The Governance and Financial Viability Standard requires registered providers to have an effective risk management and internal controls framework in place. However, both the health and safety matter and the breach of covenant demonstrate serious weaknesses in the operation of CPPHT's internal controls and assurance framework. CPPHT has been unable to demonstrate effective board oversight and management of key risks.

During our engagement, CPPHT has demonstrated its commitment to putting things right, and it has been open and transparent with the regulator. It has taken some initial steps to identify the causes of the presenting issues and has committed to developing a comprehensive recovery plan.

The regulator's assessment of CPPHT's compliance with the financial viability element of the Governance and Financial Viability standard is unchanged. Based on evidence gained from the Stability Check, the regulator has assurance that CPPHT's financial plans are consistent with, and support, its financial strategy. The provider has an adequately funded business plan, sufficient security in place and is forecast to continue to meet its financial covenants under a wide range of adverse scenarios.

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>.