



Regulator of  
Social Housing

## Regulatory Judgement on Prospect Housing Limited 4750

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**Withdrawn: Prospect Housing Limited de-registered on 21 January 2022**

October 2020

## Publication Details

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### Reason for publication

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Governance downgrade

### Regulatory process

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Reactive Engagement

### Governance

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#### **G4 (Non-compliant)**

The provider does not meet our governance requirements. There are issues of serious regulatory concern and the provider is subject to enforcement action.

### Viability

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#### **V3 (Non-compliant)**

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

### Key to grades

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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

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### Origins

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Prospect Housing Limited (Prospect) is a not-for-profit registered provider. It is a private limited company by guarantee. The company is a public benefit entity.

In its 2019 Statistical Data Return (SDR) Prospect reported that it has 1,860 supported housing units.

### Registered Entities

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Prospect is the only registered entity.

### Unregistered Entities

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There are no unregistered entities.

### Geographic Spread and Scale

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Prospect operates in the West Midlands.

### Staffing and Turnover

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In its annual accounts (unaudited) for the year ended 31 March 2019, Prospect reported that it employed about 37 full time equivalent members of staff and had an annual turnover of £15.9 million.

### Development

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Prospect does not develop new housing. Its growth strategy is to acquire properties to rent under short-term leases.

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## Regulatory Judgement

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This regulatory judgement supersedes and downgrades the judgement published on 15 May 2020 as a result of further intensive regulatory engagement with Prospect.

Prospect was assessed as non-compliant with the governance and viability elements of the Governance and Financial Viability Standard on 15 May 2020. It remains non-compliant and breaches of the regulatory standards persist.

Following the regulator's engagement, Prospect appointed a new independent board chair and interim chief executive officer, along with several other interim senior leadership staff. The board has worked positively to address the governance and financial challenges it faces, and progress has been made in a number of areas.

The regulator has continued to closely monitor progress and as a result of work undertaken by the board and new leadership team, some further serious issues have been identified:

- A failure to fully understand its assets, contractual arrangements and the needs of tenants in their homes.
- Significant weaknesses in its control framework in respect of its approach to setting and collecting rents.
- Reviews carried out into two serious safeguarding incidents have identified weaknesses in procedures and controls of the landlord over services delivered by third-party managing agents. Prospect identified a range of overdue statutory health and safety checks but had difficulty in ensuring those were remedied through the third-party service providers.
- The contractual arrangements entered into with third parties has fettered Prospect's ability to undertake appropriate consultation with tenants, as required under the Tenant Involvement and Empowerment Standard.

The regulator has concluded that the breadth and depth of the issues currently faced by Prospect are a challenge for the existing governing body to manage effectively. As a result, the regulator has taken steps to increase capacity and skills on Prospect's governing body while it works through the challenging circumstances it faces by appointing three new officers to the board under its statutory powers.

This statutory enforcement action is intended by the regulator to strengthen Prospect's governing body, to ensure that the existing board members have the support needed to address the weaknesses identified in Prospect's governance and financial management. The Prospect board has committed to work with the regulator and the regulator will continue to engage intensively with Prospect while solutions are developed and implemented.

As a result of the circumstances set out above, the regulator has concluded that Prospect's grade for governance should be downgraded to G4.

The regulator is satisfied that the board is taking appropriate action to address the non-compliance issues in respect of the financial viability elements of the Governance and Financial Viability Standard, and its viability grade remains V3. The regulator will continue to monitor the position closely as Prospect develops its options appraisal strategy and implements further strategies to return it to compliance.

## Annex 1: Definitions of Regulatory Processes

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### In Depth Assessment (IDA)

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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

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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

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Reactive engagement is unplanned work which is triggered by new information or a developing situation which may have implications for a provider's current regulatory judgement.

### Stability Checks and Reactive Engagement

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In some cases, we will publish narrative regulatory judgements which combine evidence gained from both Stability Checks and Reactive Engagement.

### Further Information

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

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