



Regulator of
Social Housing

Regulatory Judgement on Prospect Housing Limited ⁴⁷⁵⁰

Withdrawn: Prospect Housing Limited de-registered on 21 January 2022

May 2020

Publication Details

Reason for publication

First assessment

Regulatory process

In Depth Assessment 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

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

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

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

Prospect is the only registered entity.

Unregistered Entities

There are no unregistered entities.

Geographic Spread and Scale

Prospect operates in the West Midlands.

Staffing and Turnover

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

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

This regulatory judgement is the first published assessment of Prospect's governance and financial viability.

The regulator has concluded that it lacks assurance and evidence that Prospect is compliant with the governance and viability elements of the Governance and Financial Viability Standard. There are issues of serious regulatory concern and, in agreement with us, the provider is working to improve the position.

Prospect has experienced rapid growth in recent years. The model operated by Prospect means that, whilst it has landlord responsibility for its tenants, it enters into short-term leasing arrangements with a number of third parties for properties. A proportion of these third parties then also deliver the landlord and management services on Prospect's behalf under an agreement. Some of these third parties with whom Prospect enters into leasing and management arrangements have themselves leased the properties from a range of head landlords.

Following an In Depth Assessment (IDA) and subsequent investigations the regulator has found:

- significant weaknesses in Prospect's business planning framework;
- inadequate risk management processes and internal controls; and
- that the board has failed to manage its affairs with an appropriate degree of skill, diligence, effectiveness, prudence and foresight.

The regulator has insufficient assurance that Prospect's governance, risk management and internal control frameworks are effective or that business planning is robust. The board has failed to demonstrate it understands and is managing the risks it faces or has appropriate mitigation strategies in place to ensure the long-term viability of the organisation and protect social housing assets.

Prospect has been unable to provide the regulator with a business plan that is based on appropriate and reasonable assumptions. There are significant gaps and inconsistencies between figures contained in its financial plan and key supporting information, and Prospect is unable to demonstrate that its rent assumptions are compliant with the Rent Standard. The regulator has therefore concluded that Prospect is unable to demonstrate that it meets the viability element of the Governance and Financial Viability Standard.

The regulator does not have assurance that Prospect has effective systems in place to give it sufficient oversight of the arrangements it has entered into with multiple third parties, who deliver landlord services on its behalf, and to whom on-going payments are made.

We lack assurance that its financial controls and risk management process are adequate while the under-pinning information systems do not provide accurate and timely information to the board.

A lack of effective board oversight in these areas is a fundamental failure of governance and operational control. The regulator has therefore concluded that Prospect is unable to demonstrate that it meets the governance element of the Governance and Financial Viability Standard.

In response to the regulator's engagement the board, with the support of its advisors, has developed a financial and governance improvement action plan. It has also sought to address the conflicts of interest identified. The board is in the process of implementing this action plan. The board has provided assurance that it has sufficient liquidity to meet its short-term obligations as it considers its future strategic direction.

The board has committed to work with the regulator to address the issues outlined in this regulatory judgement. The regulator is actively working with Prospect and will closely monitor the delivery of the improvement plan adjusting its strategy accordingly while keeping the use of its intervention powers under review.

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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.gov.uk/rsh>.