HCA Regulatory Judgement on Bolton at Home Limited – 4568

July 2016
The provider

Bolton at Home Limited (BH) is a charitable registered provider that manages approximately 18,000 homes. It was registered in March 2011 and was formerly an Arm’s Length Management Organisation delivering the housing management responsibilities for Bolton Metropolitan Borough Council.

BH’s core business is the management and maintenance of general needs housing. It employs around 930 full-time equivalent staff and had turnover of £82m in the year to 31st March 2016.

BH is a member of the Bloc Partnership and is undertaking a modest development programme. It is an investment partner with the Homes and Communities Agency and intends to deliver 134 homes as part of the 2015-18 Affordable Homes Programme.

Reason for publication: Updated basis for existing governance and viability grades

Regulatory Process: In Depth Assessment (IDA)

Please see the definitions in Annex 1 for more detail

Regulatory Ratings*

- Properly Governed: G2

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

- Viable: V2

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.

*The regulator’s assessment on compliance with the Governance & Financial Viability standard is expressed in gradings from G1 to G4 for governance and V1 to V4 for viability. For both viability and governance the first two grades indicate compliance with the standard. A G3 or V3 assessment indicates a level of concern with the organisation’s performance that is likely to be reflected in intensive regulatory engagement. A G4 or V4 judgement indicates a more serious failure of governance or viability leading to either intensive regulatory engagement or the use of enforcement powers.
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Regulatory Judgement

This judgement updates the regulator’s previous assessment of both BH’s governance and financial viability published in February 2016. The judgement has been re-issued to reflect action the provider has taken to improve specific aspects of its governance arrangements since our previous judgement.

Based on the evidence gained from the IDA, the regulator has assurance that BH continues to meet the requirements on governance set out in the Governance and Financial Viability Standard, but needs to improve some aspects of its governance arrangements to support continued compliance.

Whilst there is sufficient assurance of compliance with the governance requirements of the Governance and Financial Viability Standard, BH needs to embed recent changes made to its risk assurance framework, including integrating internal control arrangements and improve governance control over a key risk area (data integrity). This underpins continued compliance with our expectations around risk management and internal control frameworks, including the requirement for maintaining a thorough, accurate and up to date record of assets and liabilities.

In October 2015 BH reported to the regulator that, following a planned internal audit, it had identified a significant number of out-of-date gas safety certificates. Through the IDA we have received assurance on progress with the action plan established to address the shortcomings evidenced by the internal audit. Overall we are satisfied with the approach taken at a governance level to the presenting issue, taking immediate action in relation to the outstanding gas safety certificates and commissioning a comprehensive action plan to address the specific data integrity and management issues highlighted. However the longer term elements of the action plan, relating to IT systems, are underway but many are not scheduled for completion until quarter four of 2016/17.

Improving data integrity is a fundamental part of BH’s IT strategy, however governance oversight and hence reporting of progress with implementation of the IT strategy is infrequent. BH needs to embed recent changes made to its risk assurance framework and improve governance control over this key risk area. Data integrity has not been sufficiently considered via the new risk management arrangements, despite being identified by BH as a key risk.

The regulator’s assessment of BH’s compliance with the financial viability element of the Governance and Financial Viability standard is unchanged. Based on the evidence gained from the IDA, the regulator has assurance that the financial plans are consistent with, and support, the financial strategy of the provider. BH has an adequately funded business plan, sufficient security in place, and is forecast to continue to meet its financial covenants under a reasonable range of scenarios, but needs to manage material risks to ensure continued compliance.

Typically for an early year’s stock transfer association BH has a weak financial profile with a positive interest cover ratio still some years away. The rent waiver agreed with the regulator ceased from April 2016. BH now has a business plan which is no longer dependent upon a waiver. Significant efficiencies have been identified to counter-balance the loss of previously projected rental income for the four years ending March 2020.
For the next ten years BH will continue to make significant investment in its existing stock, requiring significant cash outflows. BH needs to manage material risks including the delivery of the anticipated efficiency savings and the continuing financial impact of the Welfare Reform and Work Act 2016. A good start to the delivery of these efficiencies has been made, but there is still much to deliver.
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 work which falls outside our planned programmes of work (i.e. scheduled IDAs or the annual Stability Checks). It involves us responding to 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.

There is a comprehensive list of operational guidance as follows on HCANet accessible by selecting Doing my job > Regulation > Operational Guidance and Reference.