



Homes &  
Communities  
Agency

The Social Housing Regulator

**October 2017**

# **HCA Regulatory Judgement on Yorkshire Coast Homes Limited LH4401**

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## Publication Details

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### Reason for publication

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Governance downgrade

### Regulatory process

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Stability Check and Reactive Engagement

*Please see the definitions in Annex 1 for more detail*

### Governance

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#### G2 (Compliant)

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

### Viability

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#### 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

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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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Yorkshire Coast Homes is a registered company and registered charity. It was established in 2003 to take a whole stock transfer from Scarborough Borough Council. Its main focus is the management and maintenance of its homes.

### Registered Entities

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The only registered entity is Yorkshire Coast Homes.

### Unregistered Entities

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Yorkshire Coast Homes has no unregistered entities.

### Geographic Spread and Scale

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Yorkshire Coast Homes owns and manages about 4,400 homes, predominantly for general needs, in the Scarborough district.

### Staffing and Turnover

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Yorkshire Coast Homes employs the full-time equivalent of 247 staff and reported a turnover of £23.2m for the year ending 31 March 2017.

### Development

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Yorkshire Coast Homes plans to develop between 50 and 80 homes per year in the period up to 2023/24.

## Regulatory Judgement

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This regulatory judgement downgrades the previous published assessment of YCH's governance.

The regulator has concluded that YCH meets our governance requirements but needs to improve some aspects of its risk management and internal controls assurance framework to support continued compliance.

Following the departure of the chief executive in April 2017, the board commissioned external advisers to prepare an options appraisal to assist its consideration of the organisation's future direction. The advisers' report, which was shared with the regulator, identified a number of weaknesses relating to risk management which we have considered in relation to the regulatory standards. We have concluded that YCH needs to improve the quality of its risk assessment and recovery planning to enable the board to gain assurance that risks are adequately managed and monitored.

YCH's risk assessment processes identify and prioritise risks but do not identify the controls or other mitigations to manage them. Mitigation strategies, in response to scenario testing, are underdeveloped. Work has not considered how the board would be alerted to a need to implement mitigating actions or how effective those actions would be. Some mitigating actions are out of date and include elements outside of YCH's control.

The board is working with an interim chief executive to make the necessary improvements to risk management and internal controls and is exploring a strategic partnership with another provider.

The regulator's assessment of YCH's compliance with the financial viability element of the governance and financial viability standard is unchanged. Based on evidence gained from a Stability Check, the regulator has assurance that YCH'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 scenarios.

## **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 intelligence 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 intelligence 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 <http://www.gov.uk/hca>.