

Self-assessment against the Governance and Viability Standard July 2020.

| Wording from the standard | Code of Practice extracts | Comments |
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| REQUIRED OUTCOMES | | |
| <p>Governance RPs shall ensure effective governance arrangements that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner. Governance arrangements shall ensure RPs:</p> <ul style="list-style-type: none"> (a) adhere to all relevant law (b) comply with their governing documents and all regulatory requirements (c) are accountable to tenants, the regulator and relevant stakeholders (d) safeguard taxpayers' interests and the reputation of the sector (e) have an effective risk management and internal controls assurance framework (f) protect social housing assets | <p>Boards should take reasonable measures to assure themselves of their compliance to all relevant law.</p> <p>RPs should ensure that they manage their businesses and their risks in such a way that they do not negatively impact on the reputation of the sector.</p> | <p>BCT has fully reviewed its governance arrangements and documents. In March 2019, the Regulator upgraded BCT's governance rating to G1.</p> <p>BCT Board has adopted a rolling programme of reviews to key governance and policy documents which has been adhered to throughout 2019-20.</p> <p>There have been no major governance changes during the year.</p> |
| <p>Financial viability RPs shall manage their resources effectively to ensure their viability is maintained while ensuring that social housing assets are not put at undue risk.</p> | <p>Boards of RPs have the responsibility to satisfy themselves and provide assurance to the regulator that:</p> <ul style="list-style-type: none"> • they have considered the requirement appropriately in relation to their own external and internal operating environment • they are satisfied they will comply with regulatory requirements now and in the foreseeable future | <p>BCT achieved a compliant V2 in its RSH In Depth Assessment and subsequent stability check.</p> <p>No assets have been put at risk during the year.</p> |

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| | <p>Unacceptable outcomes resulting from social housing assets being put at undue risk are:</p> <ul style="list-style-type: none"> • loss of social housing assets and/or tenants losing their home due to lenders enforcing their security or insolvency • sale of social housing assets to make good an unplanned cash shortfall. | |
| SPECIFIC OUTCOMES | | |
| <p>2.1 RPs shall adopt and comply with an appropriate code of governance. Governance arrangements should establish and maintain clear roles, responsibilities and accountabilities for the board, chair and chief executive and ensure appropriate probity arrangements are in place. Areas of non-compliance with their chosen code of governance should be explained. RPs should assess the effectiveness of their governance arrangements at least once a year.</p> | <p>RPs should demonstrate their actions are consistent with both the principles and relevant provisions of their code of governance and overall contribute to sound governance.</p> <p>The assessment of the effectiveness of governance arrangements may vary in terms of depth and scope in line with the internal and external environment within which the RP operates.</p> | <p>BCT has adopted the NHF code of governance (2015).</p> <p>A review of our performance against this code is carried out annually.</p> <p>A statement of compliance will be included in the accounts.</p> |
| <p>2.2 RPs shall ensure that they manage their affairs with an appropriate degree of skill, independence, diligence, effectiveness, prudence and foresight.</p> | <p>This complements the board's responsibilities to act lawfully and responsibly. Compliance will include both behavioural aspects, such as ensuring that the board and executive foster a culture of constructive challenge and debate, and good governance practices.</p> <p>The regulator would expect RPs to:</p> <ul style="list-style-type: none"> • have an appropriate skills strategy to address the needs of the business • regularly assess whether boards and management have the right competencies, experience, and technical knowledge | <p>BCT Board has undertaken a skills matrix exercise to identify skill/knowledge gaps.</p> <p>Recent recruitment to Board vacancies have been targeted to address those gaps.</p> <p>A training schedule during 2020-21 has been agreed to address areas highlighted</p> |

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| | <ul style="list-style-type: none"> • ensure that all material decisions are made with appropriate internal/external expertise or advice • have plans to address any skills gaps identified | <p>during Board appraisals and effectiveness survey.</p> |
| <p>2.3 RPs shall communicate in a timely manner with the regulator on material issues that relate to non-compliance or potential non-compliance with the standards.</p> | <p>The regulator requires RPs to tell it at the earliest opportunity about any material issues that indicate there has been or may be a breach of the standards. This might include, for example, material frauds, liquidity issues, breaches of lenders covenants or failures of governance. This transparency is a fundamental pillar of the co-regulatory approach.</p> | <p>There have been no such incidents in the year, but BCT reported two RIDDOR incidents to Board and the Health & Safety Executive. No further action was taken by the HSE.</p> <p>BCT has been proactive and transparent with the RSH on its potential partnership with another Housing Association.</p> |
| <p>2.4 RPs shall ensure that they have an appropriate, robust and prudent business planning, risk and control framework.</p> | <p>RPs need to ensure their business planning, risk management and control framework is effective.</p> <p>It does not need to be captured in a single document.</p> <p>RPs should have a clear understanding of their risk tolerances and ensure that they are appropriate to the scale and nature of their activities.</p> | <p>BCT Board has reviewed its risk management and control framework which is based on best practice. This includes risk tolerance statements.</p> <p>This is supplemented by the stress-testing policy which includes the business plan process.</p> <p>A full internal audit programme was delivered in the year.</p> |

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| <p>2.4.1 The framework shall ensure:</p> <p>(a) there is access to sufficient liquidity at all times</p> <p>(b) financial forecasts are based on appropriate and reasonable assumptions</p> <p>(c) effective systems are in place to monitor and accurately report delivery of the RP's plans</p> <p>(d) the financial and other implications of risks to the delivery of plans are considered</p> <p>(e) RPs monitor, report on and comply with their funders' covenants</p> | <p>RPs should ensure that they have access to sufficient committed and available liquidity at all times. They should understand the timing of cash flows and any conditions for a drawdown so they can manage cash flow risk.</p> <p>RPs should also look at the relationship between operational and capital cash flows. Non-discretionary expenses, including all major repairs (whether capitalised or not) and interest costs, should be met from operating income.</p> <p>RPs should be able to identify the capital at risk from any investment activities, and ensure that investment is priced at such a level with a rate of return which is commensurate to the level of risk presented.</p> <p>The regulator expects assumptions will be kept under review and updated in the light of changing circumstances. It is important that RPs ensure their plan enables them to meet lenders' covenants.</p> <p>The regulator expects RPs to identify the impact of significant business decisions on viability. It also expects RPs to report these to the board and take remedial action where necessary.</p> <p>RPs need to build their business on robust and prudent assumptions. RPs should assure themselves the assumptions used are reasonable.</p> | <p>BCT Board approves the Business Plan annually and receives a half year update based on forecasts and assumption changes.</p> <p>Assumptions are reasonable and prudent. Not overly pessimistic or optimistic. Budgets and investment plans for 2020-21 have been reviewed in the light of COVID-19 operating conditions.</p> <p>Covenant compliance is a key feature of business plan reporting and approval leading to the Board requesting (and receiving) an easing of covenant conditions.</p> <p>Debt forecasts are presented with and without uncommitted development. Uncommitted development is not a material item in BCT's Business Plan for 2020-21.</p> |
| <p>2.4.2 The framework shall be approved by the RP's board and its effectiveness in achieving the required outcomes shall be reviewed at least once a year.</p> | | <p>Reviewed and approved in July 2020.</p> |
| <p>2.5 In addition to the above RPs shall assess, manage and where appropriate address risks to ensure the long term</p> | <p>Boards are responsible. As social housing is a long term asset, normally funded by long-term debt, it follows that</p> | <p>BCT has an up to date asset register which includes links to relevant documents.</p> |

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| <p>viability of the RP, including ensuring that social housing assets are protected. RPs shall do so by:</p> <p>(a) maintaining a thorough, accurate and up to date record of their assets and liabilities and particularly those liabilities that may have recourse to social housing assets</p> <p>(b) carrying out detailed and robust stress testing against identified risks and combinations of risks across a range of scenarios and putting appropriate mitigation strategies in place as a result</p> <p>(c) before taking on new liabilities, ensuring that they understand and manage the likely impact on current and future business and regulatory compliance</p> | <p>boards need to maintain a long-term perspective on managing risk.</p> <p>RPs should understand their housing assets and security position and have swift access to this information in decision making and risk management. They should be able to produce an overview for the regulator at short notice.</p> <p>The records need to cover the breadth of the RP's activities and identify its assets and liabilities. The regulator expects that a RP's board will oversee the maintenance of these records and that they are readily reconcilable.</p> <p>Asset records should clearly identify social housing assets and where these assets are encumbered.</p> <p><u>Expectations on stress testing</u></p> <p>The regulator expects RPs to stress test their plans against different scenarios. RPs should go beyond simple sensitivity testing and include multi-variate analysis which tests against potential serious economic and business risks.</p> <p>RPs should explore those conditions which could lead to failure of the business, even if planned mitigations and controls are successfully implemented.</p> <p>RPs should consider the implications of this stress testing for its existing business including how the business may need to respond.</p> | <p>The asset register is reconciled to the housing system and loan security documents monthly.</p> <p>Multivariable stress testing carried out at workshop with board in May 2020.</p> <p>Included situations challenging enough to break the business plan. Situations were based on high-scoring strategic risks, including a challenging scenario based on COVID-19 operating conditions.</p> <p>Actions have arisen to improve business plan strength, including covenant change request and detailed mitigation plans developed for key risks.</p> |

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| <p>2.6 RPs shall ensure that any arrangements they enter into do not inappropriately advance the interests of third parties, or are arrangements which the regulator could reasonably assume were for such purposes.</p> | <p>RPs should act in good faith appropriately advancing their own interests and those of their tenants. The focus here is on transactions which, for example, over-price services received so the contractor receives an inflated price or, where services are given without a suitable charge being levied.</p> <p>Where there are conflicts or perceived conflicts of interest, RPs should clearly set out how they effectively manage these.</p> | <p>BCT Board does not believe that any such arrangements apply for this year.</p> <p>All Board Members are required to maintain an up to date register of interests.</p> |
| <p>2.7 RPs shall communicate with the regulator in an accurate and timely manner. This includes returns to the regulator, including an annual report on any losses from fraudulent activity, in a form determined by the regulator.</p> | <p>This includes provision of information, for example data returns. It is the responsibility of RPs to ensure that they submit required data returns in a timely manner and the information provided is of a good quality.</p> <p>It is not the regulator's role to correct or fill in incorrect or missing data and we will view such returns as evidence of a weak control environment.</p> | <p>No material errors in BCT's returns.</p> |
| <p>2.8 RPs shall assess their compliance with the Governance and Financial Viability Standard at least once a year. RPs' boards shall certify in their annual accounts their compliance with this Governance and Financial Viability Standard.</p> | <p>In addition to assuring themselves of compliance with standards on a yearly basis, boards need to assure themselves of their continuing compliance when taking on significant new risks.</p> | <p>This report assesses compliance. A statement of compliance is included in the draft annual accounts.</p> |