

# Tenant Services Authority Revised Regulatory Judgement

**Colne Housing Society Limited (LH1651)**

**Date of publication: February 2011**



# Tenant Services Authority

## Revised Regulatory Judgement

The Tenant Services Authority (TSA) has prepared this report to set out its overall assessment of the provider's compliance with the Governance and Financial Viability standard for registered providers (RPs). These requirements are set out in the Regulatory Framework established by the TSA.

### Overall Conclusion

In relation to Colne Housing Society Limited, we consider that:

- **Viable:**

The provider meets the requirements set out in the Governance and Financial Viability standard of the Regulatory Framework in relation to financial viability.

- **Properly Governed:**

The governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation.

This regulatory judgement confirms the TSA remains satisfied that Colne's financial viability and governance meet the expectations set out in the regulatory framework.

Colne Housing Society Limited (Colne) has appropriate governance and staffing arrangements in place, which together with a robust and viable business plan provides a solid foundation for the organisation.

Colne demonstrates a positive approach to co-regulation, supporting its engagement with its customers through a wide range of methods of involvement and empowerment. As well as having resident members on its board, Colne has a resident forum which is attended by board members and by the chair. The equality and diversity focus group also feeds back to the board.

### **Description of the provider**

Colne Housing Society Limited was established in 1973 under the Industrial and Provident Societies Act 1965 (20799R), with exempt charitable status. The society now owns or manages about 2,100 affordable homes, concentrated mainly in North Essex.

The society operates in seven local authority areas. It owns and manages a wide range of accommodation, including houses and flats for rent to individuals and families; sheltered and supported housing for older people; young parents and people with learning and physical disabilities; leasehold properties, many of which are retirement housing schemes, temporary accommodation and rural housing and home-buy and intermediate rent schemes. Additionally, it acts as corporate trustee to a number of almshouses.

The society is also a joint owner with Hundred Houses Society and Suffolk Housing Society of an unregistered joint venture development company. The company, Icen Homes Ltd (Iceni), undertakes all development work on behalf of all three partners. Icen and the three associations have formed a development partnership with the Key Communities partnership led by Bedfordshire Pilgrims Housing Association (bpha), which is a Homes & Communities Agency (HCA) investment partner.

### **Viable**

**The provider meets the requirements set out in the Governance and Financial Viability standard of the Regulatory Framework in relation to financial viability.**

### **TSA Revised Regulatory Judgement**

This judgement represents no change since the previous published assessment.

The latest financial results for the period ending March 2010 showed that the society continues to demonstrate a sound financial position, delivering year end surpluses.

Colne has presented a business plan that shows it can remain viable and is forecasting to operate within its agreed loan facilities and to comply with lenders' covenants with comfortable headroom tolerance levels for both interest cover and gearing ratio. The business plan is built on prudent planning assumptions and has sufficient financing for a minimum of two years.

Colne is meeting the TSA's expectations on rent influencing and has now met the Decent Homes Standard for all its stock.

The society is able to meet interest payments without reliance on income from asset sales and therefore is not reliant on voluntary sales to generate a surplus.

Colne uses its surpluses to maintain and improve existing properties and supplement the acquisition of further properties for social housing and is forecasting growth of 525 units by 2015. In the year ended March 2010 Colne achieved a surplus of £2.2m on a turnover of £10.1m. The forecast assumes that rates will rise rapidly from next year and that interest payments will increase accordingly. Nonetheless interest cover is met

by a large margin throughout the plan. EBITDA (MRI), which the TSA uses to assess a provider's ability to meet interest payments and which eliminates the impact of different accounting treatments for works to existing properties, is more than 130% for the next twenty years. Colne has total funding facilities of £65.4m of which £16.5m is available for its acquisition and development requirements over the next 2 years.

The current committed programme is for 217 general needs and 68 intermediate rental properties, for which social housing grant of £13m has been allocated by the Homes and Communities Agency (HCA). Development is carried out in partnership with Icen Homes Ltd and will be adjusted according to grant availability and market demand.

### **Properly governed**

**The governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation.**

### **TSA Revised Regulatory Judgement**

This judgement is unchanged since the previous published assessment.

The TSA remains satisfied that Colne complies with regulatory requirements in terms of the effectiveness of its governance arrangements.

Colne is governed by a board of 14 members including three tenant representatives and two co-optees, and meets four times each year. Colne has adopted the National Housing Federation, 'Excellence in governance' codes. Payment for the chairman was introduced in 2010. Colne does not fully comply with the code as its board size exceeds that recommended.

Board members have a range of skills and experience which are appropriate for an organisation of this size. The board is supported by a number of committees including operations, finance and general purposes and audit committees.

There is a stable and experienced management team currently in place. Colne maintains an open and co-operative relationship with the TSA.

The provider's mission statement is 'a forward-thinking, resident focused housing association, providing, managing and maintaining excellent homes and making a positive difference to the neighbourhoods in which we work'. It is supported by several objectives which include provision, management and maintenance of high quality, affordable homes, grow as an independent Society to meet housing and associated needs, work with customers to deliver a responsive high quality service and to work in partnership to improve efficiency and maximise the opportunities available to our customers

Colne has a structured and continuous approach to risk management. The board receives assurance on the management of risks through a variety of internal and external sources. A risk map linked to the business plan objectives is reviewed by the board quarterly. Risk is regularly discussed by the executive and management teams, and a wide range of staff at different levels are involved in risk management and control. The April 2010 annual internal controls assurance report assessed the risk framework as appropriate. There were no significant control failings reported during 2009/10.

The TSA is satisfied that Colne has been working to engage its customers and has taken a positive approach to engaging with the co-regulatory agenda, and has a strong approach to tenant involvement. The residents' forum is an open forum for tenants to review Colne's policies and performance and raise concerns, Colne has also recently established a resident-led repairs group to review the repairs service with staff and contractors.

Colne has an annual budget supporting its resident involvement and community development strategy and carries out an annual impact assessment to measure what difference it has made to the services residents receive.

Colne conducted its most recent STATUS survey in 2010 and the results have been considered by the board and publicised to tenants in the annual report. Generally tenant satisfaction with landlord services has improved over the 2007 results and is now typically top quartile performance when compared to national averages for housing associations. Satisfaction with the repairs and maintenance service is 83%. Tenants satisfied their views are being taken into account has risen from below average performance to 67%, and overall satisfaction is now 88%. The operations committee is monitoring an action plan which addresses other areas where satisfaction declined.

Colne is making good progress towards agreeing local offers with its tenants and is involving tenants in a revamp of its website.

The society meets our requirements in respect of equality and diversity. During 2009 it adopted a single equality scheme, combining the six equality strands, and all action plans are reviewed quarterly. Colne has a good awareness of the new Equality Act, it has established an equality and diversity forum with tenants and is working to incorporate the Act's requirements into its single equality scheme. Colne has carried out a community census exercise and has obtained a good level of profile information on its residents. It is using the data to inform and improve the delivery of its services, to ensure that they are tailored to its customer's needs.

<b>Profile Table</b>	
RP Code	LH1651
RP Name	Colne Housing Society Ltd
<b>Selected Indicators</b>	
Tenant satisfaction with landlord services (2010)	88.1%
National average tenant satisfaction with landlord services	82.3%
Tenant satisfaction that views are taken into account (2010)	67.0%
Tenant satisfaction with repairs & maintenance service (2010)	83.3%
% Homes that comply with Decent Home Standard	100.0%
<b>Average weekly rent levels</b>	
Weighted average weekly rent of all general needs homes	£85.93
<b>Number of homes by type</b>	
General Needs	*1549
Housing for older people	*190
Supported housing	134
Social Leased Housing less than 100%	129
Non-social	30
<b>Total</b>	<b>169</b>
<b>No. of LAs in which RP operates</b>	<b>7</b>

**Please note:** A reduced set of data requirements applies for those RPs with less than 1,000 units, hence some information is not available centrally (NA) for these providers. Latest PI data available is at March 2010

\*Colne also manages 109 (GN) properties, (28 properties for older people) for other landlords therefore the total number of homes owned and managed is 2169

### Sources of information and regulatory activity

The following information is generally received from all providers and is reviewed by the TSA (and prior to 1 December 2008, the Housing Corporation) for each provider:

- Audited annual accounts, including the internal controls assurance statement
- External auditors' management letter
- Financial forecasts
- Performance indicators
- Regulatory and Statistical Return

In addition to the above, the following specific activities were carried out for Colne Housing Society Limited:

- Meetings with executive team (February 2011);
- Meeting with chair (February 2011);
- Viability Review (based on 30 year capacity model July 2010);
- Quarterly credit and housing market survey.

Additional information about the provider can be accessed on the TSA website and other websites and may include:

- Performance indicator information ([www.housingcorp.gov.uk](http://www.housingcorp.gov.uk))

- Inspection reports ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk))
- Extracts from the Public Register ([www.tenantservicesauthority.org](http://www.tenantservicesauthority.org))
- Rent information and other key facts and figures ([www.rsrsurvey.co.uk](http://www.rsrsurvey.co.uk) and [www.dataspring.org.uk](http://www.dataspring.org.uk))

The TSA is the Regulator of Social Housing. This report has been compiled to assist the TSA in its statutory duty of regulation of Registered Providers. Our report makes clear to the provider's board the conclusions we have reached regarding the provider's governance and viability.

In preparing this report the TSA has placed reliance on the completeness and accuracy of information supplied to us, and prior to 1 December 2008, to the Housing Corporation, by the provider and other parties. The TSA accepts no liability for the information contained, and third parties must make their own investigations or enquiries.

This information was used to inform our risk-based approach to regulation and to identify areas of possible non-compliance with the governance and viability standards of the Regulatory Framework for further investigation. Our risk-based approach also results in low levels of regulatory engagement with some providers, for whom the information provided in this assessment could necessarily be in less detail.

## Key to TSA regulatory judgement straplines and equivalent summary

### Viability

The provider / group meets the requirements set out in the Governance and Financial Viability standard of the Regulatory Framework in relation to financial viability. meets expectations

The provider / group meets the requirements set out in the Governance and Financial Viability standard of the Regulatory Framework in relation to financial viability, however exposures exist which make it vulnerable to deterioration. meets expectations but with exposures

The provider's / group's financial viability is of concern. concern

The provider's / group's financial viability is of serious concern. serious concern

### Governance

The governing body gives effective leadership and control, has a wide range of skills and experience and, supported by appropriate governance and executive arrangements, is improving its own performance and that of the organisation. effective leadership

The governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation. satisfactory control

The governing body needs to take further action to ensure capable leadership and control of the organisation. further action needed

The governing body does not demonstrate effective control of the organisation. Accordingly the provider / group is in breach of the Governance and Financial Viability standard of the Regulatory Framework. lacks effective control