

# **Tenant Services Authority Revised Regulatory Judgement**

**Peabody Trust L0014**

**CBHA L4143**

**Date of publication: March 2010**



# Tenant Services Authority

## Revised Regulatory Judgement

The Tenant Services Authority (TSA) has prepared this report to set out its overall assessment of the association's compliance with the regulatory framework for registered social landlords (RSLs). These requirements are set out in the Regulatory Code and Guidance established by the Housing Corporation which will remain in place until new standards are determined by TSA.

The report sets out the TSA's view as to whether the organisation is:

- **VIABLE**
- **PROPERLY GOVERNED**
- **PROPERLY MANAGED – SERVICE DELIVERY**

### Overview

This Revised Regulatory Judgement has been produced following the latest review of Peabody Trust's financial performance in November 2009 and a Short Notice Inspection conducted by the Audit Commission in December 2009. In this report, we have upgraded our judgement to reflect Peabody's improved financial position.

As part of its efforts to modernise, Peabody has revised its mission which is supported by clear business plan objectives and challenging performance measures.

Overall, the TSA's judgement is that Peabody is viable and has satisfactory governance and service delivery arrangements. It faces the challenge of improving the repairs service and our judgement is that Peabody is able to meet that challenge.

### PROFILE TABLE

<b>Group members</b>		
RSL Code	L0014	L4143
RSL Name	Peabody Trust	CBHA
<b>Selected Indicators</b>		
Tenant satisfaction with overall service	66.5	88.0
<i>National average tenant satisfaction with overall service</i>	<i>80.4</i>	<i>80.4</i>
Tenant satisfaction with opportunities for participation	53.1	73.0
Tenant satisfaction with repairs & maintenance service	58.6	88.0
% Homes that comply with Decent Home Standard	89.9	100.0
<b>No. of homes by type</b>		
General Needs	14,423	1,339
Housing for older people	422	55
Supported housing	458	0
Shared ownership properties	453	32
<b>Total</b>	<b>15,756</b>	<b>1,426</b>
<b>No. of LAs in which RSLs operate</b>	<b>24</b>	<b>1</b>

\* A reduced set of data requirements applies for those RSLs with less than 1,000 units, hence some information is not available centrally (NA) for these associations. Latest PI data available is at March 2009

## Description of the group

Peabody Trust (Peabody) is the asset owning parent body in the group structure. It was set up in 1862 and is a charity and regeneration agency. It registered with the Housing Corporation in 1974 and owns almost 17,500 homes.

Peabody has one subsidiary, CBHA, which was set up in 1996 and registered with the Housing Corporation in 1997. It was the successor to the Waltham Forest Housing Action Trust and all of its 1,600 homes are in that local authority area.

Peabody owns or manages over 19,000 homes across London, with stock in 25 boroughs, although over 60% of these homes are in only six local authorities: Islington, Southwark, Hackney, Waltham Forest, Wandsworth and Westminster. The majority of this stock is general needs accommodation, although Peabody has over 900 units of supported housing. It also provides homes for sale, on both a shared ownership and outright sale basis, and rented homes for key workers.

**Viable** – Regulatory Code part 1

**The group meets the expectations set out in the Regulatory Code in terms of financial viability.**

## TSA Revised Regulatory Judgement

This judgment represents an upgrade since the previous Regulatory Judgement dated March 2009, due to improvements in Peabody's financial position. The main risk exposure highlighted in the previous judgement were exposures to its refurbishment programme in relation to Decent Homes Standards (DHS) and the need to ensure that it met its forecast level of property sales.

Peabody's latest financial plan is based on fewer property disposals and a reduction in sales values. Further analysis shows that Peabody can still generate an overall surplus after funding the DHS programme and meet loan covenants even where no sales are achieved. Peabody has also been outperforming its sales forecast therefore the exposure to asset sales is now considered to be low.

Peabody has a total loan facility of £530m that is sufficient financing for a minimum of 3 years and has met and forecasts to meet its strictest loan covenants with considerable headroom throughout the 30 year plan. It has stress tested its plans against a number of scenarios with no material adverse effects and still achieves sufficient headroom above its loan covenants.

Ninety percent of Peabody's properties were compliant with DHS as at March 2009. Peabody is forecasting significant investment on its asset management programme for 2009/10 and is confident that 99% of homes will meet DHS by December 2010.

We are discussing options for the regeneration programme of Peabody's Clapham estate (325 units). However, regardless of the outcome of the discussion, we are confident Peabody has sufficient financial capacity to carry out the necessary maintenance work to ensure that the estate can meet the DHS deadline.

CBHA continues to make a positive contribution to Peabody. It is undertaking a small development programme and generating sufficient cash flows to cover interest payments. CBHA is 100% compliant with DHS.

At present, most Peabody rents are below the affordable rent targets. Although rents on new lettings and properties brought back into management will be set at target rent levels, Peabody's existing rents have historically been set below those of its peers and cannot reach target rents under the existing guidance on rent restructuring. Peabody complies with our expectation that rents are set in accordance with the rent restructuring formula, although it still expects some 50% of its properties to be below target rent by 2012.

#### **Properly governed – Regulatory Code part 2**

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

#### **TSA Revised Regulatory Judgement**

The TSA is satisfied that Peabody's governance arrangements meet our requirements in terms of board structure and quality, and that Peabody has appropriate arrangements for risk management, equality and diversity, and resident involvement.

Peabody regularly reviews the range of skills required on its board to ensure it continues to meet the needs of the business. The board operates a development and appraisal programme for new and existing governors. Board members are not paid for their services.

Peabody changed its mission statement in 2008. The statement is now to 'make London a city of opportunity for all by ensuring as many people as possible have a good home, a real sense of purpose and a strong feeling of belonging.' To achieve this Peabody is working towards four key aims which are to provide excellent customer service, to create thriving communities, to provide desirable homes, and to be a first class organisation.

Peabody's board is supported by appropriate committees, comprising audit and risk, finance, nominations and remuneration, property, and resident and community. Committee members are either board member or co-optees, including Peabody residents. CBHA is governed by a 12-member board, including 7 residents, one of whom holds the chair position.

Peabody has an experienced executive team with appropriate skills and experience. A new chair with experience on the board of Peabody started a three year term in January 2010. A new finance director started in February 2010.

An Audit Commission Short Notice Inspection (SNI) in December 2009 found strengths and weaknesses in balance with regard to diversity. Peabody's Single Equality Statement was designed with residents and Peabody works locally to ensure that hard to reach and under- represented groups are able to engage with Peabody and their local community. The board shows clear leadership in the approach to diversity and is largely reflective of the community it serves.

The Audit Commission also found that strengths outweighed weaknesses with regard to resident involvement, although satisfaction with views taken into account remains low at 53.1% as per the 2009 RSR against an average of 62.8%. Peabody has made significant changes to how it engages with residents, and we will be monitoring the effect of these changes with regard to satisfaction with views taken into account. Peabody now uses a range of methods to consult and involve tenants, including a new resident review committee that makes service improvement recommendations, a customer inspection team, a diversity forum that reviews policies and strategies, surveys, an annual conference, estate walkabouts and quarterly repairs focus groups. In February 2009, Peabody employed a youth participation worker to contribute to the range of customer feedback. A new resident board member was appointed in December 2008 and there are an increased number of resident representatives participating on committees.

Peabody maintains an open and co-operative relationship with the TSA. It submitted a good self-assessment statement of compliance with the Regulatory Code for 2009 that was focused on outcomes for tenants and supported by details of actions taken on issues during the previous year and planned changes for next year.

We are satisfied with Peabody's approach to risk management. Peabody's risk management strategy is supported by an officer risk panel which, together with the ARC, monitors business-critical risks quarterly. Risk management has been strengthened by focusing on key strategic risks.

#### **Properly managed – Service Delivery - Regulatory Code part 3**

**The association generally meets the standard of service delivery expected given the context in which it works and the available resources.**

#### **TSA Revised Regulatory Judgement**

The TSA is satisfied that Peabody's service delivery is adequately resourced and meets our expectation in terms of continuous improvement and local cooperation.

Peabody's operational area is limited to London by statute, and 99% of its residents live within 6 miles of Smithfield Market in central London. Resident satisfaction with overall service is average at 66.5% compared to the London average of 66%.

Peabody has reviewed its whole approach to customer services and has made some improvements on its estates. It has improved its lettings service and opened a central service providing customers with information and services. It has introduced resident led 'walkabouts' from which action plans to improve the estate environment are developed.

Peabody's community regeneration arm spends £3 million every year on community support projects, helps more than 300 people into employment each year, and over 1,500 people to take up training opportunities.

In December 2009 Peabody launched 21<sup>st</sup> Century Peabody, a new vision for Peabody's communities which will expand resident involvement in the design of new buildings, the landscaping of estates and the services provided to residents.

The SNI of Peabody in December 2009 looked at performance in relation to responsive repairs, gas servicing and resident involvement. The outcome of this inspection was favourable with regard to gas servicing and resident involvement, where strengths outweigh weaknesses.

The SNI found that in responsive repairs, weaknesses outweigh strengths. Repairs are not consistently completed to a high standard, with only 80% of repairs passing post inspection checks in October 2009. Year to date tenant satisfaction with repairs and maintenance is low at 58.6%, satisfaction with last completed repair is 69.8% against a target of 85% and only 60.2% of tenants feel they are kept informed about their repairs.

Peabody has been aware of its repair service performance issues and prior to the SNI has improved its repair service by creating a maintenance turnaround team, which focused on delivering improvements to its repairs service. The extent to which further improvements can be made through in-house delivery are limited, and the board has approved the awarding of an entirely outsourced maintenance contract, with specified service improvements for residents and streamlined client contract management.

The Audit Commission found that strengths and weaknesses are in balance for access and customer care, diversity and value for money.

Peabody has written an action plan to address the Audit Commission's specific recommendations in consultation with tenants. The Audit Commission found that strengths outweigh weaknesses for Peabody's track record of delivering improvements and managing performance in the inspected areas, and that strengths considerably outweigh weaknesses for Peabody's capacity to improve. We will be monitoring both Peabody's action plan and the implementation of the new maintenance contract.

CBHA, which operates in a different context to Peabody, has higher levels of resident satisfaction. Data for 2009 shows 88% of residents are satisfied with the overall service and 73% satisfied that their views are taken into account.

CBHA has developed an extensive tenancy support service that ensures care packages are in place for all known vulnerable or elderly residents.

In 2008 Peabody changed its mission statement, which is supported by four business plan objectives and introduced a new website to improve customer service.

Peabody has a homelessness action plan and a homelessness prevention strategy. It is working with the London borough of Hackney on a joint homelessness strategy and has signed up to a reciprocal agreement relating to the regional homelessness prevention strategy in West London.

Peabody works well with local authorities where it has stock and is working to build strong relationships with all its partner local authorities.

## Sources of information and regulatory activity

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

- Audited annual accounts, including the internal controls assurance statement
- External auditors' management letter
- Annual self-assessment of compliance with the Regulatory Code
- Financial forecasts
- Performance indicators
- Regulatory and Statistical Return

In addition to the above, the following specific activities were carried out for Peabody Trust:

- Meetings with group executive team and group chair (October 2009 and January 2010);
- Viability Review conducted in November 2009 based on the 30 year capacity model;
- Quarterly credit and housing market survey.

Additional information about the association can be accessed on the TSA website, the Housing Corporation legacy 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))

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 association 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 Regulatory Code for further investigation. Our risk-based approach also results in low levels of regulatory engagement with some associations, for whom the information provided in this assessment could necessarily be in less detail.

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 Social Landlords. Our report makes clear to the association's board the conclusions we have reached regarding the association's compliance with the Regulatory Code.

## KEY TO TSA REGULATORY JUDGEMENT STRAPLINES AND EQUIVALENT SUMMARY

### VIABILITY

The association meets the expectations set out in the Regulatory Code in terms of financial viability. meets expectations

The association meets the expectations set out in the Regulatory Code in terms of financial viability, however exposures exist which make it vulnerable to deterioration. meets expectations but with exposures

The association's financial viability is of concern. concern

The association'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 association is in breach of the Regulatory Code. lacks effective control

### HOUSING MANAGEMENT AND SERVICE DELIVERY:

The association demonstrates a strong commitment to continuous improvement and to effective and efficient service delivery. Given the context in which it works and the available resources it achieves high quality outcomes. high quality

The association generally meets the standard of service delivery expected given the context in which it works and the available resources. meets expectations

The association's performance in service delivery is below the standard expected given the context in which it works and the available resources. below expectations

The association's performance in service delivery fails to achieve the outcomes specified in the Regulatory Code. fails to meet the Regulatory Code