

Tenant Services Authority Revised Regulatory Judgement

**Rosebery Housing Association Limited
LH4026**

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 Rosebery Housing Association Limited (Rosebery), 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 judgement represents no change from the previous published assessment and confirms that TSA remains satisfied with the provider's governance and viability.

Rosebery has emerged from a period of significant change and restructure with a revised strategic plan, a strong risk management framework and a demonstrable commitment to service improvement and resident involvement. The association is in a comfortable financial position for the future and the business plan is based on clear objectives and prudent financial assumptions. The board's key challenge is to ensure that the changes to board membership and senior management settle into an effective team to enable staff to focus on delivery following the restructure.

Description of the provider

Rosebery is a charitable provider set up in 1994 following the transfer of stock from Epsom & Ewell Borough Council. Rosebery owns and manages about 2,500 homes and 650 garages mainly in Epsom & Ewell, with some stock in five other neighbouring local authorities. Accommodation is primarily general needs, with 560 low cost home ownership homes, 200 homes for the elderly (mainly sheltered housing) and six supported housing units. Rosebery also provides about 150 units of temporary housing and has a small number of intermediate rent properties. Rosebery's joint venture subsidiary with Connaught, Rosebery Homecall Property Services, was wound up prior to the contractor's collapse with no adverse effects.

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 from the previous published assessment.

Financial results for 2009/10 were broadly in line with forecast based on projections provided in last year's viability return. The association made a surplus of £1m (£300k 2008/09) primarily due to increases in rental income, combined with a reduction in core operating costs. The operating margin was 36%, which is consistent with last year's performance. Interest payments on loan debt remained relatively static, as there was no requirement for additional funding during the year.

The association has agreed loan facilities of £110m. As at October 2010 £85m has been drawn, leaving a balance of £25m available for future drawdown. The facility is sufficient to fund the association's proposed activities throughout the period of the plan. Loan debt is expected to peak at £96.5m in 2013.

The covenants used to monitor the association's performance are asset cover and interest cover. All covenants were comfortably met during 2009/10 and forecasts indicate that the group will remain compliant.

The business plan approved by the board in March 2010 and supported by the association's financial forecast return is achievable and is based on assumptions which have been sensitivity tested and are prudent in the current economic climate. Rosebery's long term business plan primarily focuses on delivering its committed development over the next five years, value for money and investing in its staff and board.

Rosebery forecasts a decline in financial performance over the medium term, due to prudent assumptions about projected losses across its first tranche shared ownership sales programme. As a consequence interest cover (EBITDA MRI which the TSA uses to assess a provider's ability to meet interest payments while eliminating the impact of different accounting treatments for work to existing properties) is forecast to fall to

94% by 2012/13. Nonetheless this will not impact on the association's ability to comply with covenants which are set annually by the lenders. Despite an anticipated fall in net surpluses, operating margins are forecast to remain above 30% apart from 2011/12 when margins fall to 27.5%. The association's operational performance demonstrates that the contribution from Rosebery's core general needs operations will be more than sufficient to service interest payments on loan debt over the projected period.

During 2009/10 Rosebery developed 26 general needs units as a sub-partner of the Sappling Housing Partnership with the Homes & Communities Agency, however no new units or outright sale units were completed during the year. The association's development pipeline comprises 230 committed units on a cluster of ex-hospital sites in Epsom, which will deliver a mixture of shared ownership and affordable housing for rent. Rosebery is currently assuming no further development when the Epsom cluster is complete in 2015.

Rosebery was fully compliant with the Decent Homes Standard in 2009 and is compliant with rent influencing, forecasting to meet target rents for all properties by 31 March 2012.

Properly governed

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

TSA Revised Regulatory Judgement

This judgement represents no change from the previous published assessment.

Rosebery's corporate strategic aims for the period 2011-15 identify its core purpose as providing a choice of quality homes to those who find the open market beyond their reach, with delivery designed to meet customers' changing needs and to help shape a place where people want to live and work. Rosebery's priorities will focus on consolidating and strengthening its business plan and bringing added value through improving service partnerships, with a planned assessment of the viability of the provision of temporary accommodation for local authorities.

The association is governed by a board of ten members. Three of these are residents who have health and safety, community involvement and voluntary group experience. The non-executive independent chair is a very recent appointee with human resource skills, and the remaining independent members have financial, audit, construction and regeneration skills. The board has four sub-committees for audit, hedging, development and remuneration; additional forums are a consumer review panel and a complaints panel. The former is intended to reform into a customer committee in the near future. The board has adopted the 2010 revised National Housing Federation Codes of Governance and Excellence in Standards of Conduct and is compliant.

Rosebery has restructured its operations during the past year with the objective of improving strategic and operational control. The association goes forward with a new chair, chief executive, and finance and operations directors after a period of interim management. The heads of customer service and asset management are relatively long serving and bring some stability and historical perspective to the senior

management team. The executive team maintains an open and cooperative relationship with the TSA.

As part of its improvement plan, Rosebery has embarked on a programme of review for a number of key policies, many of which have now been completed. Among these has been a comprehensive assessment of the approach to risk management, which has resulted in an evidenced robust and thorough framework which will support the association's capability to respond to an increasingly challenging external environment.

The association regularly reviews its customer profiling information to ensure that services are tailored to individual needs. The association approved a Single Equality Scheme in November which highlights its commitment to promote equality across all customer groups. The equalities strategy, supporting action plans and guidance notes have been developed in consultation with tenants and are monitored by the board.

Rosebery offers a range of tenant involvement mechanisms including consumer review and service improvement panels. A full review of service standards and complaints handling is planned. Trends show continued improvement across key performance areas. The association's recent (2010) STATUS survey reports that resident satisfaction with overall services has increased by 5% since the previous survey. Tenant satisfaction with repairs and maintenance increased in 2010 to 76%. However satisfaction with tenant views being taken into account has decreased by 3% to 50% which is below the national average and is being addressed as part of involvement improvements. Resident empowerment is supported by training and capacity building. The annual report to tenants has been published. Rosebery is progressing the development of local offers with its tenants, with the expectation that these will be in place by April 2011. The association has a stated commitment to the environmental, social and economic well-being of its neighbourhoods and is involved in a number of local partnerships.

| Profile Table | |
|---|----------------------------------|
| RP Code | LH4026 |
| RP Name | Rosebery Housing Association Ltd |
| Selected Indicators | |
| Tenant satisfaction with landlord services | 80% |
| National average tenant satisfaction with landlord services | 82.3% |
| Tenant satisfaction that views are taken into account | 50% |
| Tenant satisfaction with repairs & maintenance service | 71% |
| % Homes that comply with Decent Home Standard | 99% |
| Average weekly rent levels | |
| Weighted average weekly rent of all general needs homes | £98.5 |
| Number of homes by type | |
| General Needs | 1,735 |
| Housing for older people | 215 |
| Supported housing | 7 |
| Shared ownership properties | 160 |
| Total | 2,117 |
| No. of LAs in which RP operates | 6 |

Please note: Latest PI data available is at March 2010

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 Rosebery Housing Association:

- Meetings with executive team: December 2010
- Financial review meeting: December 2010
- Viability Review based on 30 year financial forecast return: November 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)
- Inspection reports (www.audit-commission.gov.uk)
- Extracts from the Public Register (www.tenantservicesauthority.org)
- Rent information and other key facts and figures (www.rsrsurvey.co.uk and 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 association's provider's board the conclusions we have reached regarding the association's 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 association 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