

# **Tenant Services Authority Revised Regulatory Judgement**

**Sentinel Housing Association (LH4066)**

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# 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 Sentinel Housing Association (Sentinel) we consider that:

- **Viable:**

The association 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 confirms the TSA remains satisfied with Sentinel's viability and governance performance.

Following a substantial impairment charge the previous year, the financial results for the period ending March 2010, with a net surplus of £8.3 million, were the strongest in Sentinel's history. Sentinel has adopted the National Housing Federation code of governance, with slight variations in three areas. In one other area it is developing its approach. The association has a strong commitment to resident involvement, with five resident board members and high resident satisfaction rates.

### **Description of the provider**

Sentinel is a charitable housing association based in North Hampshire. It was originally a housing group, formed out of a merger in April 2000 between Oakfern Housing Association, a partial stock transfer from Basingstoke and Deane Borough Councils in 1995, and Hart Housing Association, a stock transfer from Hart District Council in 1994. In August 2005, the association consolidated its activities into a single association. Sentinel operates in nine local authorities, primarily within the original stock transfer areas.

Housing is its principal activity. In addition a separate trading division, Sentinel Communicare Service, provides a 24-hour community alarm and communications service to tenants, private individuals and other social housing providers. A development company, Vestal Developments Limited, is a wholly owned unregistered subsidiary that develops properties for sale or letting on the open market.

Sentinel owns and manages over 7,500 homes, 3,400 garages and 20 shops.

### **Viable**

**The association 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 is unchanged from the previously published assessment.

The financial results for the period ending March 2010 were the strongest in Sentinel's history with a surplus of £8.3 million, after a net impairment charge of £124k. This compares to £4.1 million the previous year, where the results were reduced by a £3 million impairment charge. The association's forecast EBITDA MRI to March 2011, (which the TSA uses to assess a provider's ability to meet interest payments whilst eliminating the impact of different accounting treatments for works to existing properties), is 256% due to a significant reduction in repairs and maintenance spend. The results for Vestal Developments Limited are not material in the overall financial performance of the association.

Based on the October 2010 quarterly survey, the association has sufficient financing in place to meet its business plan objectives for the next 23 months. It plans to start negotiations during 2011 for additional facilities to meet its development aspirations.

In our view, the assumptions within Sentinel's business plan, approved by the board in June 2010, are reasonable and are based on a prudent assessment of the economic outlook. Financial performance over the medium term is forecast to remain strong with EBITDA MRI falling significantly but still remaining healthy. Operating margins are forecast to average more than 30% over the next five years.

It is currently meeting all financial loan covenants with a good tolerance and the forecast indicates continued compliance. The association has stress tested its base case business plan across key scenarios. Tested scenarios include a fall in property prices

and no rent increases for three years. Neither impacted on compliance with covenants. The association is undertaking further sensitivity testing across additional key scenarios identified from an updated risk map.

Sentinel is fully compliant with the Decent Homes Standard. It is also compliant with rent influencing.

Sentinel is a Homes & Community Agency investment partner through its leadership of the Sappling Partnership.

### **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 from the previously published assessment.

Sentinel's 2010/13 corporate plan sets out its vision of 'making a real difference to the communities where it works by being a great landlord and providing good new homes'. Allied to the vision are six objectives and a statement of supporting principles. The association can demonstrate achievements and good progress against a number of the objectives it has set itself. The plan seeks to deliver a key objective of building 1,500 new homes by 2012/13. This will be challenging given public sector spending constraints.

Control of the association rests with the board supported by two committees for audit and remuneration and nominations. A new chair was appointed externally and took up his role in September 2009. The board consists of 12 members. Sentinel positively encourages the involvement of residents in its governance. Hence there are five resident, and seven independent, board members. Sentinel's tenants and residents association nominates four out of five of the association's resident board members, with one resident board member recruited independently. None of the executive are members of the board.

Members of the board possess a wide range of skills, competencies and experience. Board members are paid and there are regular individual and whole board assessments. In line with the partnership agreements with the transferring local authorities, three local authority councillors can attend and speak at board meetings, but are not board members.

Following the introduction of the TSA Regulatory Framework, the association has adopted the National Housing Federation (NHF) code of governance. There are three areas where the board has adopted a different approach to the code.

Firstly, Sentinel has decided not to limit the number of board members who are paid staff or board members of other housing providers. Instead, arrangements are in place to manage any actual or potential conflict of interest for board members.

Secondly, the board has retained its existing arrangement for a maximum period of ten

year's service. Rather than the nine years, as set out in the code, Sentinel's board members serve a probationary year, followed by a maximum of three terms of three years.

Thirdly, Sentinel has concluded that a strategic risk working party is more effective in evaluating strategic risks for board consideration, rather than its audit committee, which the code suggests.

The board is also developing its approach in one area of governance where it will be adopting a revised code of conduct and probity guidelines. It has adopted a single equalities scheme and action plan that the group is delivering on, to take account of the recent implementation of the Equality Act 2010.

As part of the approach to co-regulation the association has assessed itself against the TSA standards and is satisfied that it meets all key parts of the Regulatory Framework.

The board risk working party reviews Sentinel's strategic risks annually and these are discussed and agreed by the board. Given recent economic uncertainty it has increased the frequency of such reviews. The board is updated on key risks and on changes to the business environment. Risks are assessed against the group strategy and objectives to assist in identifying the need for any necessary corrective action to ensure objectives can be met.

Sentinel has incorporated the achievement of value for money into its customer standards and has set some specific measurable targets. It has already taken practical steps to reduce costs.

Sentinel recently issued its first annual report to residents under the new Regulatory Framework. A key aim for the association is to ensure that it delivers services that meet, and exceed, TSA standards. In striving to achieve this aim, the association held a series of workshops and focus groups. Sentinel's commitment is also illustrated by the lead it has taken in the establishment of the Hampshire & District Residents' Forum. This forum has brought together the residents and key providers of all the affordable housing providers in Hampshire to develop local standards. In particular it has produced a Hampshire wide involvement and empowerment standard.

The association offers a range of options for residents to become involved. These include participating in the residents' forum or becoming a customer services inspector. Training opportunities are being arranged for residents to build capacity. These options enable residents to influence and scrutinise the performance of their provider and to be involved in its governance. They also help the board to review performance against its corporate plan objectives.

Sentinel operates a continuous approach to capturing feedback from residents, and uses this to monitor performance and improve service delivery. It is developing a programme of customer inspection of services in partnership with other local providers to validate performance, benchmark to its peers and provide tenant scrutiny of services. The board has developed a new series of performance measures as a result.

The single equality scheme sets out how Sentinel as a provider of housing services intends to improve equality and diversity during 2010/12. This includes a commitment to ensuring that all customers and prospective customers can access the services and homes that Sentinel provides.

The association continues to gather information on the customer profile of its residents to ensure that service delivery takes account of individual needs. It is making good progress in achieving this and has established the diversity profile of around 83% of its residents. Resident satisfaction is good, with the rate well above 82% national average. Information provided at 31 March 2010 records satisfaction by residents that their views are taken into account, at 69%, is just below the rating of the top 25% of providers. More recent survey information by the association records improved tenant satisfaction rates of 91% and satisfaction by residents that their views are taken into account, at 74%.

<b>Profile Table</b>	
RP Code	LH4066
RP Name	Sentinel Housing Association Ltd
<b>Selected Indicators</b>	
Tenant satisfaction with landlord services	86.7
National average tenant satisfaction with landlord services	82.3
Tenant satisfaction that views are taken into account	69.2
Tenant satisfaction with repairs & maintenance service	81.6
% Homes that comply with Decent Home Standard	100.0
<b>Average weekly rent levels</b>	
Weighted average weekly rent of all general needs homes	94.4
<b>Number of homes by type</b>	
General Needs	6,421
Housing for older people	483
Supported housing	24
Shared ownership properties	320
<b>Total</b>	<b>7,248</b>
<b>No. of LAs in which RP operates</b>	<b>9</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

### 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 Sentinel:

- Viability Review - December 2010 based on 30 year capacity model
- 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