



Housing Corporation Assessment

Aster Group (L4393)

Sarsen Housing Association (LH4074)

Testway Housing Limited (L4263)

Mendip Housing Limited (LH4304)

Ridgeway Community Housing Association (LH4394)

Date of publication: October 2008

Housing Corporation Assessment

The 'traffic light' system used below illustrates our overall assessment of the association's compliance with the Regulatory Code and development performance. A green symbol indicates no material concerns about performance, the association is either complying with the Regulatory Code or taking sufficient steps to comply with the Code within a reasonable timescale; an amber symbol indicates some material concerns about performance, resulting in Corporation action above the minimum; a red symbol indicates serious concerns about performance.

VIABLE

Measuring compliance with the Regulatory Code part 1

Green

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

PROPERLY GOVERNED

Measuring compliance with the Regulatory Code part 2

Green

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

PROPERLY MANAGED

Measuring compliance with the Regulatory Code part 3

Green

The group generally meets the standard expected given the context in which it works and the available resources.

DEVELOPMENT

Development with Housing Corporation funding

Green

The group's performance is satisfactory. It delivers housing that meets our standards but has not met all of its targets over the past year. However, the shortfall was relatively small and was caused by circumstances outside its control. The group keeps the Corporation fully informed of problems and keeps its in-year forecasting up to date.

In preparing this assessment the Corporation has placed reliance on the completeness and accuracy of information supplied to us by the association and other parties. 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. We increasingly rely on associations' self assessment.

The assessment has been compiled to assist the Housing Corporation in its statutory duty of regulation of Registered Social Landlords. Our assessment makes clear to the association's board the conclusions we have reached regarding the association's compliance with the Regulatory Code and its suitability to receive public funding. The Corporation accepts no liability whatsoever for the accuracy or completeness of any information or assessment contained herein. No third party may rely on its contents, but must make its own investigations or enquiries.

Description of the group

Aster Group Ltd (Aster) is a non charitable, non asset holding group parent. The group was formed out of Sarsen Housing Association in May 2003 under the name of the Silbury Group. It changed its name to Aster Group in April 2005 when it joined with Testway Housing Ltd.

Aster provides strategic leadership, executive and support services to the various subsidiaries reflecting and tailored to their needs. The services provided include strategic business planning, financial management, information and communications technology, personnel services and board and committee administration. Aster's role is also to promote and support risk management, continuous improvement and sharing of best practice across the group.

Aster's vision of 'passion for excellence, pride in performance' is encapsulated in its mission to be a leading provider of high quality affordable homes and services and to help create thriving and successful communities. Its business objectives for 2008/13 are:

- achieving excellent customer and community focussed services;
- delivering high quality affordable homes;
- developing its people to achieve their potential;
- forging strong partnerships and maintaining robust businesses; and
- reducing its carbon footprint.

The group has adopted a set of values that underpins how it operates. These are to be customer responsive, honest, open and true to their word and fair to all. Within this there is a strong emphasis on involving and responding to the needs of customers, empowering staff and sharing knowledge and expertise.

Aster leads the development partnership, New Futures, selected as HomeBuy Agent for part of the south west region's low cost home ownership element of the National Affordable Housing Programme from April 2006 onwards.

Assettrust, a national development company, is working with Aster as its preferred partner in the counties of Hampshire, Dorset, Wiltshire, Somerset and Devon. Nationally Assettrust proposes to acquire or build up to 10,000 affordable homes over the next five years across England without the need for social housing grant. Aster has entered into a 30 year contract with Assettrust to manage up to 1,000 of these properties, with the first homes to be handed over in Bournemouth shortly.

Aster's subsidiaries are:

- Sarsen Housing Association Ltd (Sarsen) is a stock transfer association based in Devizes, which received stock from Kennet District Council (KDC) in 1995. In total the association owns or manages over 6,200 properties. KDC is a mainly rural authority with three significant settlements. The area has a relatively low but growing black and minority ethnic (BME) population at 3.1% (5.1% including 'white other'). Sarsen also has a growing number of properties in Wiltshire, Swindon, Plymouth, Devon and East Cornwall, and is a strategic

partner for the West of England sub-region. During the last year it has also worked closely with a number of local authorities delivering private sector leasing schemes for homeless households. Demand for accommodation is high, with some previously low demand sheltered schemes in Kennet having been redeveloped. Sarsen has recently changed its rules and converted from a non-charitable to a charitable Industrial and Provident Society, enabling significant tax savings to be made. Sarsen has an unregistered subsidiary called Sarsen Community Development Ltd, set up prior to Sarsen's recent rule changes. This subsidiary receives gift aid from Sarsen to spend on community development activities.

- Testway Housing Ltd (Testway) is a charitable stock transfer association based in Andover, which received stock from Test Valley Borough Council in 2000, and currently owns or manages over 5,800 properties. The majority of the stock comprises general needs, with sheltered housing amounting to 5% of the homes. Demand for stock across Test Valley is high, however, there is one difficult to let rural older persons' scheme which is being redeveloped. The BME population within Testway's area of operation is 3.8% (including 'white other'). Testway joined the group in 2005 as an asset holding subsidiary. It has a charitable, fundraising arm, Transform, and an unregistered subsidiary called Testway Developments Ltd, which is currently dormant.
- Mendip Housing Ltd (Mendip) is a stock transfer association which received stock from Mendip District Council in 2001. It owns and manages nearly 4,400 properties across central Somerset. The BME population is 3.0% of the total (including 'white other'). Average house prices are just below the national average and rising, with high demand due to inward migration, and there is strong demand for social housing. Mendip's stock comprises a range of general needs and sheltered housing, including 429 precast reinforced concrete dwellings. It has a number of leasehold properties and extra care homes, and is a major provider of care and support services. It has an unregistered charitable subsidiary, Pidnem Limited, which receives gift aid from Mendip to spend on community development schemes.
- Ridgeway Community Housing Association Ltd (Ridgeway Community) is a charitable subsidiary of the Aster Group, registered in 2003 and based in Devizes. It was created to focus on housing services and flexible care and support to allow vulnerable people to stay in their own homes. It currently owns and manages over 250 supported and extra care properties. Additionally, the organisation is responsible for Ridgeway Care (provider of domiciliary care) and Kennet, North Wiltshire, West Wiltshire and Swindon care and repair agencies. From April 2008 Ridgeway Community has also provided a care and repair service in West Berkshire, Wokingham and Reading.
- Aster Property Management Ltd (APM) is a subsidiary of Aster. It is a company limited by shares, not registered with the Housing Corporation. It undertakes response repairs for Sarsen, Testway, Ridgeway Community (and, from January 2009, for Mendip) and other housing associations, commercial activities such as market renting, contract maintenance work and repairs, with a view to developing trading activities that will contribute to the group's wider activities. The organisation owns and manages a portfolio of around 35 market rented

properties, primarily in Swindon.

- Mossfern Limited is a subsidiary of Aster. It is a dormant company limited by shares, not registered with the Housing Corporation. It has been set up to develop properties for outright sale and other non-charitable activities on behalf of the group, should the circumstances be right for the group to undertake such activities.

Viable – Regulatory Code part 1

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

Housing Corporation Assessment

As at March 2008 the group managed over 16,500 properties, with an annual turnover of £66m and employed over 750 staff.

Aster's business plan shows generally positive cash flows before investing activities with debt peaking in 2013 and being repaid by year 32. Accounting deficits are forecast over the first seven years of the business plan, mainly due to the inclusion of relatively high major repairs spend relating to Mendip and high interest costs relating to the funding of a relatively large short term development programme across the group. In addition Aster companies capitalise very little major repairs spend.

Despite the increased repair costs and the rise in debt used to develop, projected interest cover is satisfactory over the short term and rises in line with median levels for the sector over the term of the plan. Operating margins are relatively strong over the short/medium term before declining to the lower quartile into the longer term, due to increased repairs costs relating to Mendip and also the latest stock condition surveys. Both debt/EBITDA and debt per unit are relatively high but predicted to reduce over the term of the plan as debt is assumed to be repaid.

There is no development activity forecast after 2014/15 with interest payable reducing as debt is repaid, leading to steady increases in surpluses over the remainder of the plan.

The majority of the group's financial assumptions are in line with sector norms. There are a number of contingencies in the business plan, including the comfort of generally not having utilised the +5% and 10% permitted rent tolerances. Aster is also anticipating continuing efficiency savings resulting from the enlargement of the group.

The association has confirmed compliance with the Decent Homes Standard by 2010 and rent restructuring by 2012.

Properly Governed – Regulatory Code part 2

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

Housing Corporation Assessment

There have been some structural changes to the governing body of Aster during the past year. Its size has reduced from fourteen members to twelve (including co-optees who are the group chief executive and deputy, together with the chair of APM) to reflect best practice. Sarsen, Mendip and Testway representation on the board has reduced from two members to one member, with Ridgeway retaining one member. In addition the chair of the board is an independent member who does not serve on any subsidiary boards. This has increased the independent members of the group board to five, with four operating company members, the chair of APM and the two executives comprising the twelve.

The group and its subsidiary boards have members with the competencies and expertise necessary to support the size and complexity of the business. The boards contain members with a wide range of backgrounds. Key areas of skill and experience include building and development, financial management, and strategic planning. All subsidiary boards within the group include tenant board members, representing the interests of service users.

The group has developed a comprehensive and robust approach to board member appraisal, the key objective being to identify individual and collective effectiveness and identify areas for improvement, within the overall context of board renewal and regeneration. The most recent board member effectiveness self assessment identified minor areas for improvement (such as the ability to contribute effectively to the agenda) and was considered by all boards. The appraisal is supported by a detailed board member skills and experience questionnaire which includes areas of expertise such as organisational management and strategic leadership, financial management or accountancy, risk management and control, property development and construction, and community development and resident involvement. Changes to the appraisal process have been proposed to increase its usefulness.

We attended a board meeting in May 2008. The quality of board papers was high. There is a supportive relationship between the board and the executive team, with members acknowledging where strong performance had occurred and providing positive feedback, but also querying, clarifying and directly challenging in some instances. In general, the quality of debate and discussion at the meeting was high, demonstrating a good level of preparedness and subjects were covered comprehensively and robustly. At the meeting, the board demonstrated self-awareness of areas where continuous improvement could be applied. The board has taken the approach of applying self assessment of compliance with our Regulatory Code across all parts of the group, including APM. The self assessment shows direction of travel and where improvements have been made.

The Aster board clearly demonstrates that it is providing strategic leadership within the context of its vision, values and objectives. A twice yearly board conference, centred around the business planning cycle, is held which allows members to debate topical issues, hear from influential speakers and set objectives for the following year. A comprehensive and timely management and performance briefing on all key areas of activity is produced on a quarterly basis, keeping members in touch with news in the housing sector as well as organisational performance. The briefing is being revised following suggestions from board members on how to make it more useful and so that performance across subsidiaries can be more readily compared. Aster also provides governance support in the form of briefings and guidance to an association that is not

part of the group.

The group has implemented the National Housing Federation's code of governance in all key respects and has recently reviewed its compliance. Members are paid to serve on all boards.

Aster's annual self-assessment statement of compliance confirmed compliance with the Regulatory Code. The 2007/08 submission builds on the innovative format of the previous year, is outcome focused, and records direction of travel. Feedback from the 2006/07 self-assessment has been incorporated, and plans for further improvement are in evidence. This is an area of good practice.

The group operates a comprehensive risk management framework, reviewing and reporting on the major risks and risk appetites, for all organisations within the group and across functions, to the audit committee and the board on a quarterly basis.

During the course of the past year, the board recognised that APM's repairs performance was not satisfactory and instigated a change management programme, led by a project team, to transform the service. Progress was closely monitored by the board and the programme is now complete, with early indications being that performance is steadily improving.

All members of the group remain fully committed to achieving equality and diversity objectives in respect of all activities. During 2007 the group undertook a 'Busperson's Holiday' on equality and diversity, following which an action plan was drawn up. This work is being championed by a member of the executive team. This year's staff conference focused on the need for all staff to embrace equality and diversity when dealing with customers. A recent internal audit of the group's equality and diversity approach found adequate assurance on compliance with good practice and made some recommendations for improvement. We are satisfied that the group's approach meets our requirements.

There is a focus on resident involvement throughout the group encompassing a range of involvement options including focus groups and tenants' fora. Examples of these include a resident inspectors project at Sarsen that trains residents to audit services and oversee improvement plans, and an 'Am I Bovered' campaign that successfully engaged with key stakeholders in reviewing its community development strategy. Testway also runs an incentive scheme for customers and Mendip works closely with residents to decide how efficiency savings should be reinvested.

Properly Managed – Regulatory Code part 3

The group generally meets the standard expected given the context in which it works and the available resources.

Housing Corporation Assessment

Aster has an experienced management team, bringing together a blend of experience, at a strategic level, from other housing organisations and the private sector. The group continues to work with the Corporation in an open and co-operative manner.

The group employs over 750 people and during the past year has taken further steps to ensure that human resource management has a high profile within the organisation. Human resource activities have been centralised and a group human resources director appointed, along with a group head of learning and development. There is a well established 'management academy' which involves over 60 managers from across the group, promoting intra-group relationships and enhancing leadership and management skills. Staff turnover is relatively high at around 20%, although turnover within APM has stabilised recently.

Performance indicators for 2006/07 repairs performance for Sarsen, Testway and Mendip are mixed. Mendip has above average performance in respect of routine repairs completed in target (96.8%) compared to both South West and national associations. Sarsen's performance has weakened and at 83.8% is in the bottom quartile for both comparators; Testway is above average at 93.4% when compared to associations in the South West but below average when performance is benchmarked nationally. During the year the group recognised that the operating performance of APM had deteriorated and a significant change management programme was implemented. This programme included the introduction of a new call centre and work allocation technology to improve response maintenance processes, and was completed in May 2008. More recent repairs indicators for 2007/08 show improvement although satisfaction levels with how Sarsen and Testway deal with repairs and maintenance have fallen at both associations.

2006/07 performance indicators show an otherwise good performance at Sarsen with performance being in the top quartile (nationally and regionally) for overall levels of tenant satisfaction and satisfaction with opportunities for participation. Re-let times for general needs stock were 22.9 days, and there were low levels of vacant dwellings. Rent arrears stood at 2.8% and this performance is above average regionally and in the top quartile nationally. The percentage of homes failing the DHS was bottom quartile at 25.6% at the end of 2006/07; however, recent figures show that following an insulation programme, this has improved substantially to less than 5% in 2007/08.

2006/07 performance indicators show a continued trend of top quartile performance at Testway (nationally and regionally) in relation to overall tenant satisfaction, re-let times, arrears and vacant dwellings. The percentage of homes failing the DHS (11.7%) was below the national average at the end of 2006/07, however recent figures show this has improved to 9.2%.

Mendip is in the final stages of completing its action plan following a re-inspection in October 2006 which found that it provided a 'fair' one star service with promising prospects for improvement. We continue to monitor progress.

2006/07 performance indicators show consistent above average or top quartile performance for tenant satisfaction (85%), routine repairs and vacant dwellings at Mendip. Other performance is more mixed. General needs re-let times at 28 days is below average regionally but above average nationally, and rent arrears performance for Mendip (3.7%) was average and above average respectively.

Performance indicators for the same year show that 17.3% of Mendip's stock failed to meet the DHS, and figures for 2007/08 indicate that this has increased to 26.4%. In November 2007 we carried out a review of asset management at Mendip. A 100% stock condition survey, carried out in 2004 by the association, has been externally validated and

there is a clear link between this and work programmes. We concluded that Mendip generally meets the requirements of the Regulatory Code and we are monitoring the outcomes of the work we identified as being in progress during the review.

The group has a focus on continuous improvement and carries out group-wide service reviews.

There is strong partnership working demonstrated throughout the group, including working with two district councils to examine options to improve the provision of sites for gypsies and travellers in Somerset.

Development with Housing Corporation funding

The group's performance is satisfactory. It delivers housing that meets our standards but has not met all of its targets over the past year. However, the shortfall was relatively small and was caused by circumstances outside its control. The group keeps the Corporation fully informed of problems and keeps its in-year forecasting up to date.

Housing Corporation Assessment

The New Futures partnership is led by Aster. In addition to Sarsen, Testway, Mendip and Ridgeway Community, New Futures includes Gloucestershire Housing Association, Severn Vale Housing Society, Elim Housing, Wiltshire Rural Housing Association, Wydean Housing Association, Tamar Housing Association and United Housing Association.

Nationally and excluding Open Market HomeBuy, and taking into account adjustments for any in year additions, the partnership achieved the following outcomes. For 2007/08, New Futures partnership performance achieved targets of £24.9m (102%) for start of period cash spend; 491 homes (96%) for rent start on sites; 270 homes (96%) for sale start on sites; 404 homes (100%) for rent completions, and 201 homes (123%) for sale completions. Final performance for 2006/08 was £33.5m start of period cash spend (106%); 613 homes (106%) rent completions and 517 homes (110%) sale completions.

Within the partnership, Sarsen achieved a very good delivery performance. Excluding Open Market HomeBuy, it achieved 99%, 170% and 101% respectively of its adjusted (for any in year additions) 2007/08 start of year cash spend, rent completions and sale completion targets of £8.4m, 140 homes and 70 homes.

An impact assessment was carried out on the association's recently completed scheme at Elmbridge Road Phase 1 in Gloucester, and it confirmed that the association met its original objectives and successfully delivered good quality housing schemes. The partnership achieved the highest grade on its self assessed compliance audits.

To date, Sarsen has received allocations in the 2008/09 bidding round totalling £16.2m (344 units), via the New Futures partnership route. The association will continue to be considered for allocations via this route in the future, provided schemes meet regional priorities, offer value for money and are deliverable.

Sources of information and regulatory activity

The following information is generally received from all associations and is reviewed by the 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
- Five year financial forecast
- Performance indicators
- Regulatory and statistical return
- Annual efficiency statement

In addition to the above, the following specific activities were carried out for Aster Group:

- Executive team contact - various dates
- Asset management review, Mendip – November 2007
- Inspection action plan monitoring, Mendip - May 2008
- Attendance at board meeting – May 2008
- Impact assessment - August 2007
- Annual Viability Review - March 2008

Additional information about the association can be accessed on the Housing Corporation and other websites and may include:

- Performance indicator information (www.housingpis.co.uk)
- Inspection report (www.housingcorp.gov.uk for Housing Corporation reports or www.audit-commission.gov.uk for Audit Commission reports)
- Extracts from the Public Register (www.housingcorp.gov.uk/server/show/nav.489)
- Rent information and other key facts and figures (www.rsrsurvey.co.uk and www.dataspring.org.uk)