



Housing Corporation Assessment

**SHAL Housing Limited
LH4035**

Date of publication: October 2006

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

Green

Measuring compliance with the Regulatory Code part 1

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

PROPERLY GOVERNED

Green

Measuring compliance with the Regulatory Code part 2

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

PROPERLY MANAGED

Green

Measuring compliance with the Regulatory Code part 3

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

DEVELOPMENT

Green

Development with Housing Corporation funding

The association demonstrates a good performance by achieving or exceeding its annual targets, maintaining good progress against targets during the year and delivering quality housing that meets our standards.

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.

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 association

SHAL, formerly Sedgemoor Housing Association Limited, is based in Bridgwater, Somerset and was established in 1994 to receive a trickle transfer of properties from Sedgemoor District Council. Following subsequent new development, SHAL had a total of 579 units at March 2006. All of the stock is general needs housing.

The association operates almost entirely in the Sedgemoor area, with 25 units in Taunton Deane and four in West Somerset.

The census shows the black and minority ethnic (BME) community in Sedgemoor to be 2.4%. SHAL operates in an area of relatively high demand.

SHAL's main aim is to provide and manage general needs housing and its goal is to operate efficiently, provide a quality service and to grow. Its subsidiary, Sedgemoor Housing Management Services Ltd, provides letting and housing management services to other landlords in the Somerset area. The association also seeks to directly manage, or manage through its subsidiary, housing stock of all types on behalf of others.

SHAL is a partner in the KeyWest Development Partnership, which is a Housing Corporation investment partner.

Viable – Regulatory Code part 1

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

Housing Corporation Assessment

Following the negotiation of an additional £3m funding facility in 2003, SHAL was able to bring forward a three year programme of repairs and improvements, which resulted in a significant short term reduction in interest cover and operating margin. This has resulted in overall benefit to the association by reducing the cost inflation risk on a major element of necessary expenditure. This was combined with maintaining adequate cash balances. The benefit of this was further supported by the association's projection of inflation +2% cost increases on repairs and maintenance expenditure.

After the fall in the main financial ratios, resulting from the increased major repairs expenditure, interest cover is forecast to be 170% for 2006/07 and remains at this level for the next five years. The operating margin recovers to 37% in 2006/07 and remains at this level.

Rent restructuring is built into the association's financial projections achieving convergence to 105% of target rents by 2012/13. Rent losses from voids and bad debts are running at around ½%, an exceptionally low level.

The association reports being 100% compliant with the Decent Homes Standard.

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

The board comprises ten members, including two tenants. The 2005/06 self assessment compliance statement (SACS) shows the board to have an appropriate mix of expertise, and a skills audit of board members linked to individual appraisals has now been introduced. Regular training sessions are held for board members, with each member having a training programme developed out of the appraisal process.

The association has undergone a period of change in its approach to governance following adoption of the National Housing Federation's code of conduct two years ago. Improvements in attendance levels (which were 73% for year ending March 2006) are expected as this approach to governance is further established.

The board is complemented by a business planning committee, audit committee and appointment committee.

The SACS shows overall compliance with the Regulatory Code, and this is supported by reference to relevant evidence. The statement provides clear information on work that has been done which demonstrates compliance, though this would be further strengthened by including a stronger focus on outcomes and improvement plans, in line with Housing Corporation guidance. We will monitor progress on this.

SHAL has a risk management matrix in place which is reviewed annually. This identifies and scores the key risks facing the association, with actions to be taken to mitigate the risk indicated.

The association complies with the requirements relating to equality and diversity and has a diversity strategy in place. Performance against targets is monitored on a regular basis. Against a BME population of 2.4% in Sedgemoor and 3.4% in Taunton Deane, the association achieved lettings to BME tenants of 7.4% in 2005/06.

The association has a tenant involvement strategy in place and has carried out an impact assessment in November 2005. Performance indicators show overall tenant satisfaction levels are good at 90%. Tenant satisfaction levels with participation are considerably lower at 62%, and SHAL is exploring options to improve this. A number of involvement methods are currently used, including tenant newsletters, a tenant's forum on its website and a small consultation group, but these have resulted in relatively low levels of take up. SHAL is in the processing of reviewing the methods used to involve its tenants, to increase the level of engagement it has with its residents. This will be done by consulting with tenants on what methods would be best for them, and implementing appropriate outcomes.

Properly managed – Regulatory Code part 3

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

Housing Corporation Assessment

SHAL has an experienced senior management team consisting of the chief executive, finance director and housing manager.

The association has a strong focus on asset management, with this being given high priority in its operation. SHAL's asset management strategy is reviewed annually and is overseen by the business planning committee.

Key performance indicators for SHAL for 2004/05 show generally good performance in relation to national and regional averages, with re-let and repairs response times being above average. Performance indicators on the whole show year on year improvements.

SHAL complies with the requirement to work with local authorities to enable them to fulfil their duties, and includes reference to evidence to support this. The association works closely with the local authorities in which it has stock.

The association aims to make continuous improvement an integral part of its work. Regular reviews of working practices and processes are carried out and changes made to improve the quality of service provided. There is a rolling programme of best value reviews, and quality assurance processes are in place. SHAL is a member of a benchmarking group.

Development with Housing Corporation funding

The association demonstrates a good performance by achieving or exceeding its annual targets, maintaining good progress against targets during the year and delivering quality housing that meets our standards.

Housing Corporation Assessment

SHAL has achieved a very good delivery performance on its development programme. It achieved 107% and 100% respectively of its 2005/06 start of year cash spend and completion targets of £299k and 19 units. Over the period 2004/06 it achieved 100% of both its 2004/06 start of period spend and completion targets of £503k and 19 units.

SHAL is a partner in the KeyWest Development Partnership, which is led by Knightstone Housing Association. The partnership achieved 129% and 116% respectively of its 2005/06 start of year cash spend and completion targets of £4.9m and 280 units. Over the period 2004/06 the partnership achieved 112% and 112% respectively, of its 2004/06 start of period cash spend and completion targets of £11.4m and 368 units.

SHAL will continue to be considered for future allocations via the partnership route, provided schemes meet regional priorities, offer value for money and are deliverable.

Sources of information and regulatory activity

1. The following information is generally received from all associations and is reviewed by the Corporation for each association:

- Audited annual accounts
- External auditors' management letter
- Annual self-assessment of compliance with the Regulatory Code
- Internal controls assurance statement
- Business plans
- Financial returns
- Performance indicators
- Regulatory and statistical return
- Annual efficiency statement

2. In addition to the above, the following specific activities were carried out for SHAL:

- Meeting with chief executive in September 2006

3. Additional information about the association can be accessed through the "Resources" section of the Housing Corporation website and may include:

- Performance Indicator information (www.housingpis.co.uk)
- Inspection report (www.housingcorp.gov.uk/resources/inspection.htm for Housing Corporation reports or www.auditcommission.gov.uk for Audit Commission reports)
- Extracts from the Public Register (www.housingcorp.gov.uk/resources/register/select.htm)
- Rent information and other key facts and figures (www.rsrsurvey.co.uk and www.dataspring.org.uk)