



# **Housing Corporation Assessment**

**Three Valleys Housing Ltd**

**L4333**

**Date of publication: March 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

Amber

**The association's financial viability is of concern.**

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

## **DEVELOPMENT**

Development with Housing Corporation funding

N/A

**The association has not received Corporation funding during the past year.**

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.

<p><b>Description of the association</b></p> <p>Three Valleys Housing Ltd (Three Valleys) was registered with the Housing Corporation in March 2002 to receive the transfer of approximately 5,800 homes from Erewash Borough Council.</p> <p>The stock is mostly general needs however a significant proportion, about 1,800, is sheltered housing. The association's stock is located in urban and rural areas around Long Eaton, Ilkeston and Sandiacre, on the Nottinghamshire/Derbyshire border. Demand for rented affordable housing in these areas has been reasonably constant. Black and minority ethnic (BME) communities in 'Three Valleys' area of operation comprise 2.6 % of the total population.</p> <p>As a stock transfer association, Three Valleys has focused on delivering its transfer guarantees to tenants in the first five years. These included a major programme of works to homes, environmental improvements, improved services and the regeneration of Hopewell Farm, its main estate and listed within the top 10% of the most socially deprived areas of England.</p> <p>Having completed its five year post transfer period in March 2007, the organisation undertook a fundamental review of its strategic direction and corporate plan. Its revised mission statement is to 'seek to be a vibrant, successful organisation that provides high quality homes and services, offers choice and invests in the community that it serves'. The corporate plan 2007/10 was published in July 2007. It focuses upon three key themes: to develop an improving service; build a better business; and to create Three Valleys' future. These are underpinned by measurable targets for achievement over the next three years.</p> <p>Three Valleys' values are:</p> <ul style="list-style-type: none"> <li>• to value staff and residents;</li> <li>• to be accountable to stakeholders;</li> <li>• local delivery and access;</li> <li>• to use resources to create prosperity and to provide more homes;</li> <li>• to ensure equality for all; and</li> <li>• to be supportive and caring.</li> </ul> <p>The organisation now wishes to pursue its development aspirations. It has an existing development agreement with the Eastern Shires Housing Group, which is a Corporation investment partner.</p>
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<p><b>Viable – Regulatory Code part 1</b></p> <p><b>The association's financial viability is of concern.</b></p>
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<p><b>Housing Corporation Assessment</b></p> <p>Our concerns regarding viability relate to continued failure in the past to achieve business plan targets, particularly in two key areas of asset sales and costs of estate renewals. The</p>
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position has now improved following funders' approval of a new business plan allowing access to the required loan facility. The plan includes a number of challenging assumptions which Three Valleys will need to manage, particular areas requiring careful attention being maintaining services within cash flow parameters, managing efficiency requirements, and controlling repairs and maintenance costs whilst achieving the Decent Home Standard (DHS) for all its properties.

We continue to have concerns over whether the association can maintain adequate services to its tenants whilst remaining within the terms of the funding syndicate's loan agreement, particularly relating to cash flow.

The association has spent substantial sums on improving and maintaining its housing stock. However its forecast housing asset to loan value ratio, a measure used by the Corporation as a proxy for security, is low and we will want to see evidence that investment in its property portfolio has the desired enhancement in its stock valuation. Also, Three Valleys' forecast level of operating profitability is based on some challenging assumptions. We wish to see the association achieve a track record of delivering on its business plan in order to resolve our concern about its long-term viability.

Part of Three Valleys' financial strategy is to increase its turnover by maximising its rental income stream. Rental income is expected to grow substantially in real-terms, despite the decline in total assets from voluntary and right-to-buy sales. Although it is the dominant social landlord in its area of operation, it has the lowest current actual and target rents. Its strategy is to make full use of the rent tolerances for general needs and supported housing. Even by using the maximum allowed annual rent increase the association does not expect most of its properties to reach target rent plus tolerance by 2012. However, it is applying rent increases according to government rent guidelines.

In October 2006 the association commissioned an independent stock condition survey which included an assessment of the level of DHS compliance. As at March 2007, 74% of properties met the standard. Three Valleys has suspended its improvement programme during the year to March 2008 pending appointment of new contractors following a tendering process. It is confident that on continuation of the programme all its properties will meet the standard by the government deadline of 2010.

#### **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 association has made significant progress over the last two years to improve its governance arrangements. The improvements made include a revised business plan which incorporates an up to date stock condition survey and revised assumptions. It has strengthened its overall governance arrangements by reviewing the skills and experience of the board; conducting a robust process of board appraisal, training and development (which has included members undertaking an external governance qualification); introducing succession planning arrangements; reviewing the structure of board and committee meetings; improving information to the board and adopting sector

governance good practice. Both the board and staff are more risk aware, and a satisfactory risk management framework is now in place.

Over the last two years there has been significant turnover of board members. The board has been strengthened through the appointment of new members and a new experienced chair. The local authority no longer requires representation, and the association has recently reviewed its board composition, increasing the number of independent members. Three appointments to further strengthen the board and improve diversity were made at the Annual General Meeting in September 2007. An active recruitment exercise has been undertaken to appoint a member with strategic financial experience to add to the skills and experience of the board.

We have attended a number of board meetings over the last two years, most recently in February 2008. We are now satisfied that meetings are effective, papers are clear and presented well and members demonstrate effective leadership and control of the business. Board attendance levels are high.

Three Valleys provided a good self assessment statement of its compliance with the Regulatory Code in July 2007. It incorporates our feedback from its previous assessment and focuses on the improvements made in the last year, confirms that planned improvements have been achieved and sets out further improvements together with timescales for delivery during 2007/08.

Three Valleys is working towards full compliance in respect of our requirements for resident involvement. It has conducted a comprehensive review of its approach, in conjunction with the Tenant Participation Advisory Service, and approved a new resident involvement statement and strategy in September 2007. The documents set out the organisation's key priorities for 2007/08 and will be subject to an impact assessment in March 2008.

Equality and diversity was assessed as an area of significant weakness by the Audit Commission inspection in October 2006. Inspectors considered that the association had a weak strategic approach with only embryonic signs of progress. Three Valleys has since made significant progress in meeting the recommendations set out in the inspection report. It has appointed a diversity and equality manager and board champion to raise the profile and lead in this area, and diversity is now an integral part of the vision of its revised corporate plan. Other areas of key progress include: a revised equality and diversity strategy; an action plan to achieve full compliance with the Equality and Human Rights Commission's code of practice; increased diversity of its board; and improved diversity information held in relation to its customers.

The board agreed a disability equality action plan in November 2007 and the association is working on a gender equality action plan which will be agreed by April 2008, in accordance with the Corporation's requirements. The organisation is also seeking to attain accreditation for its diversity work. We consider that Three Valleys meets the requirements of the Regulatory Code.

**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**

Our previous assessment of Three Valleys took account of three issues which continued were of concern. These were: the need for service improvements to be delivered following a restructure of the executive team; completion of a further restructure below executive team level; and the challenge of delivering an action plan following an Audit Commission inspection in 2006. We are now satisfied with the progress made and have revised our overall judgment on the management of Three Valleys accordingly.

Three Valleys recruited a new chief executive and finance director in August 2006. A further management team restructure was agreed by the board early in 2007 which resulted in the four director posts of finance, operation, property and asset management and corporate services, being replaced with two: a resources director and customer services director. A full and open recruitment process was undertaken. The former finance director was appointed as the director of resources, with an external appointment being made to the director of customer services who took up post in October 2007. We are satisfied that the executive team provides an appropriate range of skills and experience and works well together. The team also works pro-actively and openly with the Corporation. Now that the restructure at this level is complete the team is focusing on delivering improvements in service.

In 2007 the board approved a wider restructure of the business, aiming to create a structure that is fit to deliver improved services and is sustainable in the long term. This restructure was concluded in December 2007. The external recruitment to vacancies is now complete with all post holders due to be in place by the end of March 2008.

The repairs and improvement service has been subject to a separate value for money exercise. The outcome has resulted in Three Valleys concluding that it needs to carry out full market testing of the service. This work is now underway.

Three Valleys was inspected by the Audit Commission in October 2006. The report issued in January 2007 rated the service as poor, no stars with uncertain prospects for improvement. Key areas of weakness identified included a lack of strategic approach, which has led to inconsistent customer focus and poor outcomes across the services inspected, including access, customer care, diversity and value for money.

Its prospects for improvement were assessed as uncertain, due to the limited track record of improvement under previously ineffective leadership. The executive management team and board reacted positively to the report and are implementing an action plan to address the recommendations within the report. This work is progressing well and the action plan is on schedule for completion by April 2008. Three Valleys will be re-inspected by the Audit Commission in July 2008.

The board approved a new continuous improvement strategy and framework in June 2007. It has taken the decision to defer its programme of individual comprehensive

service reviews, in recognition that all services will be reviewed in order to deliver its new structure. These reviews are being developed in consultation with tenants.

We have reviewed the performance indicators for the year ending March 2007. Performance is mixed with repairs completed on time being in the top national quartile and tenant arrears in the second quartile, at 3.4%. Re-let times had reduced to 38.4 days. More recent reports to the board show a further improvement with the figure down to 28 days but this remains below the association's target and this is now a key priority for the restructured team. The key area where performance remains below average is compliance with the DHS.

Customer satisfaction with the overall service provided by the association is high. Its 2005 STATUS survey showed that 83% of tenants were satisfied with the service, with 63.2% satisfied with opportunities to participate in management and decision making. Three Valleys also undertakes telephone surveys of a sample of residents and its 2006 survey demonstrates continued high recorded satisfaction. Three Valleys is currently commissioning a STATUS survey which will be analysed in 2008.

Three Valleys has confirmed that it is fully compliant with the Corporation's guidance in relation to anti-social behaviour (ASB) and tenancy management within its 2007 self assessment statement. The association has taken a positive approach to tackling ASB and associated estate management issues effectively. Information to tenants about the service is clear, and has been supported by details within its tenants' newsletter. Three Valleys is in the process of conducting a full review of its ASB policies and procedures with the assistance of specialist consultants, it is aiming to sign up to the Respect Standard by March 2008 and meet the Audit Commission's 'excellent' standard.

Three Valleys does not currently operate a choice based lettings scheme. However, in conjunction with Erewash Borough Council it has secured grant funding to support the introduction and is seeking to link with an existing scheme to form a county wide scheme.

**Development** with Housing Corporation funding

**The association has not received Corporation funding during the past year.**

#### **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; and
- Annual efficiency statement.

In addition to the above, the following specific activities were carried out for Three Valleys:

- Regular meetings with the chair and executive management team (monthly between April 2006 and September 2007, and December 2007);
- Review of board's financial management report (monthly);
- Attendance at board meetings (February, April, May and November 2006, January, April and May 2007, February 2008);
- Audit Commission inspection (October 2006); and
- Inspection action plan follow up (from March 2007).

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](http://www.housingpis.co.uk));
- Inspection report ([www.housingcorp.gov.uk](http://www.housingcorp.gov.uk) for Housing Corporation reports or [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) for Audit Commission reports);
- Extracts from the Public Register ([www.housingcorp.gov.uk/server/show/nav.489](http://www.housingcorp.gov.uk/server/show/nav.489)); and
- 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)).