



Housing Corporation Assessment

Trent & Dove Housing Limited

L4311

Date of publication: November 2007

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

DEVELOPMENT

Development with Housing Corporation funding

Green

The association'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 association 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 association

Trent and Dove Housing Limited (Trent & Dove) was registered in March 2001 to receive the transfer of approximately 5,500 properties from East Staffordshire Borough Council.

The majority of the stock is concentrated in Burton-on-Trent and Uttoxeter, with the remainder in the surrounding rural areas. Trent and Dove has a head office in Burton-on-Trent and two district housing offices. Most of its properties were built before 1970, with flats and maisonettes comprising approximately 40% of the stock. Demand for its stock remains healthy.

By April 2005 Right to Buy (RTB) sales had reduced Trent and Dove's stock to approximately 5,000. Since this time stock numbers have remained fairly static. The association is seeking to develop additional family housing to offset sales and improve the variety of homes available to rent. To facilitate this Trent and Dove has joined the Sanctuary Housing Group development partnership to bid for new schemes with the Housing Corporation.

Census 2001 data shows a 7.6% black and minority ethnic (BME) population within East Staffordshire.

The association's mission statement is 'transforming homes, lives and neighbourhoods'.

Viable – Regulatory Code part 1

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

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Trent and Dove's performance for 2006/07 was generally in line with its business plan that provides for full compliance with the Decent Home Standard (DHS) by 2010. It also reflects the Corporation's expectations on rent influencing, including the achievement of target rents by 2012.

The association generated a surplus of nearly £500k in comparison to a prior year forecast deficit of £2.7 million. However, this resulted mainly from an underspend on planned improvements due to delays in contracting with new kitchen and bathroom suppliers, and lower expenditure than planned on doors and central heating. In addition, rental income reflected the higher number of properties in stock than that originally projected due to lower RTB sales and demolitions.

The association's performance has been weak historically, with annual deficits resulting from its ongoing major improvements programme as is typical for a stock transfer organisation. However, the association's latest business plan forecast, in the form of a capacity model, indicates a number of anticipated improvements in future financial performance following the completion of this work.

A key indicator of how these improvements will be quantified is the EBITDA MRI ratio - earnings before interest, taxation, depreciation and amortisation after capitalised major repair and improvement expenditure. This provides an accurate measure of the likely cash flow that an association will generate in order to meet interest payments. For Trent and Dove, the ratio is expected to exceed the Corporation's 110% benchmark by 2011/12 despite the additional loan debt required to fund the completion of a development programme of over 100 units by 2009.

Changes to the business plan also point to improved operating margins due to tighter control of costs, together with higher forecast revenue streams. Properties re-let from April 2007 will be at target rent levels that are now higher following a recalculation that incorporates higher property valuations since the major improvement programme. In addition, service charges have been disaggregated and increased as appropriate to ensure that they are self-financing. These changes have resulted in the projected loan repayment date being brought forward by five years from 2034/35 to 2029/30. The association will also reach peak debt 4 years earlier as it accelerates expenditure on the improvement programme in the early years, and benefits from its higher forecast revenue streams. The association remains fully compliant with associated loan covenants.

Other key ratios are expected to improve over the next 5 years at a faster rate than previously anticipated but will still fall below Corporation benchmarks. The association's operating margin, for example, will remain weak for much of the forecast. In comparison to other associations submitting a capacity model in 2007, the operating margin will remain in the lowest quartile, particularly for the first ten years.

The association's business plan reflects an assumption that all rents will converge with target rent levels, and not make use of the tolerance to charge rents at either 5% above or below the target level. Although target rents have not been adjusted in the capacity model, the board has agreed that, for the 2008/09 business plan, it will take advantage of the 5% upper tolerance. The board believes this will help to strengthen the financial capacity of the association.

Trent and Dove's capacity model incorporates an assumption that inflation will be 2.5%, but unlike most associations, assumes no real inflation (i.e. over and above inflation) on repairs and maintenance expenditure, build costs and management costs. A sensitivity analysis carried out on the association's capacity model points to the significant negative impact that a 1% real increase in repairs and maintenance costs would have on key financial ratios.

Properly Governed – Regulatory Code part 2

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

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Trent and Dove's board comprises twelve members. It has six residents on the board with an equal split of tenants and independent board members. There is the option to co-opt up to three board members with specialist skills and expertise. The board is supported by four functional committees: operations, finance, remuneration and audit..

Trent and Dove have appointed a Governance Officer to promote excellence and continuous improvement in all areas of governance. It has further developed its governance improvement plan to strengthen its governance function in terms of both processes and membership. Arrangements for collective board appraisals and 360 degree individual board appraisal are now in place. During 2007 a system of peer assessment has been developed.

Trent and Dove has developed the first nationally accredited governance qualification aimed at enhancing board members' effectiveness. The association has recently introduced a structured six month training programme verified by the National Housing Federation and leading to a nationally recognised qualification for tenants who are interested in joining the board.

The association's board submitted a satisfactory self assessment statement of compliance with the Corporation's Regulatory Code in July 2007.

Trent and Dove has recently reviewed its race and diversity policy with performance against targets reported to the board. It has two BME board members. Staff representation (from BME groups) has also increased to just above 5%. However, further work is necessary ensure that staff composition reflects the community it services.

Trent and Dove's resident involvement policy is comprehensive and provides a range of ways in which residents can influence the management of the association. These include appointment as a board member, being a key member of a service review group, the tenant participation working group or small forums which look at specific areas of service delivery. The tenant participation working group annually reviews the association's resident involvement policy. A tenant involvement impact assessment was carried out and reported to the board in June 2006. Trent and Dove was also a finalist in the 2007 Housing Corporation Gold awards, tenant empowerment category. Its devolved governance project had produced community cohesion, financial inclusion, supply chain diversity and environmental improvements as well as tackling domestic violence and community safety.

The association's current risk assessment identifies key risks which are reflected within its business plan. It has reviewed its risk management policy to separate strategic and operational risks.

Properly Managed – Regulatory Code part 3

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

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Trent and Dove has an appropriately skilled senior management team. There are three directorates. These are: resources, housing, and property services. Its senior management team works in an open and co-operative way with the Corporation.

The association's performance management framework is regularly reported to the

board. Performance monitoring information and reporting is detailed and includes benchmarking data to assess how Trent and Dove is performing against its own targets as well as making comparisons with peer groups. These arrangements for reporting to the board were reviewed in March 2007 to ensure that information was relevant, clear and meaningful. The association has introduced the 'businesses excellence model' framework to strengthen its approach to continuous improvement and were accredited 'Investor in Excellence' status in 2005.

A number of Trent and Dove's performance indicators for 2005/06 demonstrated significant improvements in performance however the majority remained in the third national quartiles. All three categories of repairs improved, in particular emergency repairs and urgent repairs completed in target moved up to second national quartile. Routine repairs completed in target increased from 84.1% to 94.8%, moving up into the third national quartile. Re-let times improved considerably from 58 days to 36 days and was above the national mean average but remained in the third national quartile. Dwellings vacant and available to let, rent collection and rent lost due to voids showed some improvement however remained in the third national quartile. Lettings to BME applicants continued to improve achieving 7.9% of lettings during 2006. The number of homes meeting DHS rose from 89.1% to 94.6% during the year 2006/07.

The association conducted a tenant satisfaction survey in 2005, which found that 82% of tenants were satisfied with the overall service and 69% were satisfied with the opportunities to participate. This places Trent and Dove in the upper national quartiles for both.

Trent and Dove has certified that it meets the Corporation's requirements on tenancy management and anti-social behaviour.

Development with Housing Corporation funding

The association'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 association keeps the Corporation fully informed of problems and keeps its in-year forecasting up to date.

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Trent and Dove is a sub partner of the Sanctuary Housing Group development partnership. As the lead partner, Sanctuary Housing Group is responsible for the programme management and delivery performance of the allocation to Trent and Dove.

Through the partnership for the 2006/08 programme, the association was awarded £553k to develop 7 homes for rent and 59 homes for new build Homebuy.

The association will continue to be considered for allocation within its partnering arrangements, provided schemes meet regional priorities, are sustainable, 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

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)