



# **Housing Corporation Assessment**

**North Hertfordshire Homes L4370**

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# 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 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.**

## **PROPERLY MANAGED**

Measuring compliance with the Regulatory Code part 3

Green

**The association demonstrates a strong commitment to continuous improvement and to effective and efficient service delivery. Given the context in which it works and the available resources it achieves high quality outcomes.**

## **DEVELOPMENT**

Development with Housing Corporation funding

N/A

**The association has not received significant Corporation funding in 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.

## Description of the association

North Hertfordshire Homes (NHH) was set up to take transfer of 8,200 homes from North Hertfordshire District Council (NHDC) in 2003. The association converted to an Industrial and Provident Society, registered with charitable rules, in September 2005. NHH employs around 300 staff and operates from its headquarters in Letchworth Garden City and neighbourhood offices in Letchworth, Baldock, Hitchin, and Royston.

Most of the association's properties are located in the four towns of North Hertfordshire, but there are also homes scattered across 33 rural parishes and new development has extended the association's area of operation into St Albans, Stevenage, Mid Bedfordshire and South Cambridge. The housing is generally in good condition externally, but a quarter of the homes were built before 1945 and a further third before 1964, which, combined with other factors, generates significant maintenance needs. NHH is one of the largest landlords in Hertfordshire, owning and managing around 8,200 homes for rent, including over 800 sheltered homes for older people and approximately 200 temporary and supported housing places. In addition, the association manages the freehold for over 500 leasehold and shared ownership properties.

The 2001 Census showed that North Hertfordshire has a black and minority ethnic (BME) population of just over 8%.

Demand for accommodation throughout Hertfordshire is high, particularly for NHH's affordable family housing. The only issues of low demand are in some of the older, sheltered accommodation that no longer meets the changed needs and aspirations of this client group. NHH has conducted a full review of its sheltered housing, including consultation with tenants and their relatives, and is now starting to implement a long term plan to ensure that its housing provision for older people will meet their needs and wishes into the future. The association has set up its own registered care services team to support its extra care activities.

The association is also working in partnership with NHDC to complete the implementation of a temporary accommodation strategy. This is aimed at remodelling temporary accommodation to ensure that it meets local needs.

In its first five years of operation, NHH has made good progress in establishing itself as an independent landlord and has successfully achieved the promises made to tenants at transfer. It is determined to be a leading housing association and its aim is to be recognised as a market leader by listening to tenants, developing staff, and delivering on promises. From this statement flow its six objectives which all emphasise responsiveness, efficiency and excellence.

NHH is not a diverse organisation and focuses on the provision of social housing. It has a development programme aiming to provide new homes across Hertfordshire and adjacent areas. It plans to develop 1,041 new homes by 2014 to meet housing need in its area of operation and to replace homes lost through Right to Buy.

**Viable** – Regulatory Code part 1

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

### **Housing Corporation Assessment**

The results for 2007/08 were better than forecast, with the association achieving a surplus of £4.6m compared to the forecast of £1.6m. Income from lettings was £1m higher than forecast with operating costs £1.3m lower, mainly due to lower management, bad debts and depreciation costs. Interest costs were £1.1m lower than forecast, despite a higher level of debt. The higher level of debt was matched by a higher cost of housing properties.

The margin over cash cost of capital improves over the forecast indicating that the operating surplus is rising faster than interest costs. Turnover also grows steadily at above the level of assumed inflation demonstrating real growth as the association's development of new homes contributes to increased rental income. EBITDA cover which the Corporation uses to assess an association's ability to meet interest payments, grows satisfactorily throughout the forecast period, remaining above the sector norm of 110%. The operating margin at 39% is above the median compared to similar associations.

Adjusted net leverage falls as the cost of properties rises, while debt falls over the 30 year plan. The association's leverage ratio at 75.2%, a consequence of the stock transfer, is above the median when compared to other transfer organisations. Leverage is used to measure the percentage of debt included in the value of assets. Higher levels need more careful monitoring of existing debt and the addition of new debt. However, NHH's assets are included in its balance sheet at historic cost and this is likely to understate the value of the assets when compared to loans. High levels of leverage would only be a problem in a forced sale.

Debt is expected to peak in 2013 at £286m which is above the current facility limit of £237m. The latest forecast shows there is sufficient facility remaining to last until the start of 2009/10, so the association will need to negotiate additional funds if it wants to continue developing new homes.

General needs rents are currently below target levels and, by 2010 average rents will still be 8% below target levels. However, NHH will be able to comply with rent restructuring by the target date.

91% of NHH homes met the Decent Homes Standard (DHS) in March 2008, compared to 89% in 2007. The association has a planned improvement programme to ensure that all homes meet DHS by the government deadline of 2010.

NHH is part of the ARC development consortium, led by Aldwyck Housing Association, a Corporation investment partner for 2008/11. The association's development strategy includes a commitment to developing up to one third shared ownership properties, but it is working to ensure that risk is minimised in relation to market conditions.

**Properly Governed** – Regulatory Code part 2

**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.**

**Housing Corporation Assessment**

The board of NHH has fifteen members, five nominated by NHDC, five independent and five tenant members. The tenant board members are elected from four geographical areas plus one from the sheltered schemes for older people. The board is supported by four committees, human resources and remuneration, finance, audit and development, all of which report appropriately to the full board. Committee chairs, along with the board chair and vice chair, meet regularly to ensure there is good communication between committees on broader issues and to help shape board discussions. There is also a property improvement panel with board, tenant and contractor representatives.

Corporation attendance at a board meeting indicated that board members are fully aware of their responsibilities and very capable of fulfilling these. The commitment and enthusiasm of both board members and staff to work towards improving services for tenants was apparent. As well as achieving its strategic responsibilities, board meetings regularly include a themed item when members receive a presentation and report on developments and improvements in a particular area of the association's work. The board also expects regular feedback demonstrating the impact of its policies and practices on customers. The Corporation is satisfied that NHH has built and maintains a strong, strategically focussed board which provides strong leadership to the organisation and liaises appropriately with the Corporation and other key stakeholders.

Both individual board members and the full board are subject to an annual appraisal and assessment of the board effectiveness that feeds into a board skills audit and informs the board training and development programme. Individual development programmes as well as a collective board programme are implemented. NHH has a strong emphasis on training for new and existing board members with a structured induction process, including a 'buddy' system, as well as appropriate ongoing training and attendance at relevant conferences, seminars and networking events. Recent training days have included strategic responsibilities for equality and diversity and promoting expertise in chairing board and committee meetings.

In line with good practice, NHH regularly formally reviews its governance arrangements and currently has a board working group with a remit that includes a critical review of structures, composition, planning and delegation.

NHH has a well developed process for reviewing the work of the previous year and deciding on the strategic direction for the coming year at the board's annual review weekend. An action plan then ensures that issues considered and decisions taken follow through into operational plans or the board agenda. Similarly the association annually reviews its business plan at a special board meeting and the business plan objectives are incorporated into the three year operational plan that provides the work programme for each team and individual staff objectives and targets.

The association has a procurement strategy with a clear framework and protocols for all

procurement activity. The strategy details the respective responsibilities of officers and the board, which is appropriately involved at the strategic and policy level. One of NHH's targets for 2008/09 is to analyse the findings of its maintenance procurement review with the intention of informing decisions on what maintenance services it will procure from its own depot and what will be commissioned externally.

The association submitted a good self assessment statement of compliance with the Regularly Code in July 2008. It was well and thoroughly evidenced with information on relevant outputs and achievements, and particularly good in providing information on the achievement of improvement plans reported in 2007 and in outlining planned actions for the following year. Information within the statement was well presented, and provided the board with the necessary evidence to confirm NHH's level of compliance with the Regulatory Code.

NHH demonstrates a strong commitment to tenant involvement and has confirmed compliance with our involvement policy for the housing association sector. Tenant board members meet prior to board meetings to discuss reports and prepare in order to contribute fully on debates, strengthening their influence. There is a range of opportunities for involvement, including through focus groups and tenant or resident associations as well as through reading groups, an improvement panel, youth groups or in decisions on the spending of a neighbourhood improvement budget. The board has demonstrated to the Corporation that it considers impact on services to tenants as its prime yardstick of effectiveness.

The association has satisfactory policies, targets and monitoring arrangements for equality and diversity and has confirmed compliance with our requirements. Action points on gender and disability have been reviewed and full schemes published. Further actions arising from consultation will feed into the association's overall equality and diversity action plan that is regularly reviewed and updated. NHH's board composition positively reflects the community it serves. The gender balance is 53% female, including the chair.

The association has a comprehensive risk map and strategy that are regularly monitored and updated by a risk group and reviewed annually by the board. The risk map feeds into the annual internal audit programme.

### **Properly Managed - Regulatory Code part 3**

**The association demonstrates a strong commitment to continuous improvement and to effective and efficient service delivery. Given the context in which it works and the available resources it achieves high quality outcomes.**

### **Housing Corporation Assessment**

NHH's board is supported by an experienced and committed senior management team who communicate with the Corporation in an open, cooperative and informative manner.

A report on the Audit Commission's inspection of the association in May 2008 was published in August. The report judged that NHH is providing a good, two-star housing

service that has promising prospects for improvement. Key strengths included board members showing strong leadership, a structured approach to value for money and a clear performance planning framework. Key areas of weakness included NHH's housing management IT system, and performance regarding void re-let times in sheltered housing. The association has approved an action plan and promptly commenced working to implement the recommendations.

We have reviewed the association's performance indicators for the year ending March 2008. These demonstrate continuing steady improvement in most indicators. Few properties were untenanted with only 0.5% of the association's stock vacant but available for let. A STATUS survey completed in 2008 reported that 88% of tenants are satisfied with the overall service provided, 61% with the opportunities for participation and 83% satisfied with the way NHH dealt with repairs and maintenance. Performance in respect of repairs and maintenance has improved steadily since transfer and the association's own figures for 2007/08 show further improvements with, for example, success at achieving emergency repairs approaching 99%. The inspection report acknowledges that the association can demonstrate that, in most areas, performance is strong and, where it is not, remedial actions are in place.

NHH has successfully implemented the promises made to tenants on transfer. Robust systems to monitor progress were introduced, including through the association's tenant participation network and an improvement panel, which included tenants and contractors. It is intended that these good practices will continue for any future major works or projects. The programme of property refurbishment and upgrades has fed into a property database that is continually updated with stock information, including from maintenance activities and from the association's annual sample stock survey.

NHH has confirmed compliance with our requirements for tackling anti-social behaviour (ASB) and has continued to work to improve its effectiveness. As well as a case work management approach through ASB panels to introduce solutions, the association also strongly promotes a preventative approach. The neighbourhood teams work with partner organisations to introduce diversionary activities for young people on large estates and resources are focussed on providing appropriate support to help modify behaviour and sustain tenancies. The inspection report noted that the measures in place are effective and evidence that cases of ASB are robustly dealt with by NHH.

NHH also complies with our requirements for tenancy management and has a dedicated tenancy support officer who works with vulnerable tenants. The association has also introduced a reward Privilege scheme that promotes incentives for those who comply with their tenancy conditions. Indications are that this is becoming an extremely effective area of the association's work. The Privilege scheme has 2,000 members after its first year.

The association has approved a continuous improvement strategy and toolkit. A programme of reviews is approved annually with each review conducted by a separately convened review team, which is also responsible for the implementation of the resultant action plan and the arrangements for monitoring it. Tenants are appropriately involved in proposing the annual programme, in the review teams and through the consultation process in the toolkit. All tenants are kept informed of reviews and their outcomes in a number of ways, including through tenant meetings and the association's tenant newsletter. The association has developed a particularly robust system of performance

management with targets that are challenging but considered realistic. It recognises the importance of being able to measure changes to performance to ensure that the desired result is achieved. The association has a positive track record in delivering improvements that customers would notice.

The association liaises closely with NHDC and has also built good links with other relevant agencies such as the North Hertfordshire Minority Forum and crime and disorder partnerships. NHH does not currently operate a choice-based lettings scheme but is planning to introduce a scheme by December 2009.

#### **Development with Housing Corporation funding**

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

#### **Housing Corporation Assessment**

NHH is a sub-partner of the ARC partnership that is led by Aldwyck Housing Association.

Through the National Affordable Housing Programme for 2008/11, NHH was awarded £840k to provide 32 homes in the London commuter belt sub-region. For 2008/09 its expenditure target within the partnership is £300k, which it is projecting to achieve. For 2006/08 NHH achieved its target of 45 completions and £951k expenditure.

Aldwyck is responsible for the programme management and performance of allocations. Communication with the Corporation on programme issues is through a dedicated programme co-ordinator covering all the partnership's projects. All forecasting and communication with the Corporation has consistently been good.

#### **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 or capacity model;
- Performance indicators;
- Regulatory and statistical return; and
- Annual efficiency statement.

In addition to the above, the following specific activities were carried out for North Hertfordshire Homes:

- Contact with executive team (regular);
- Attend board meeting (November 2007);
- Review of governance (February 2008);
- Audit Commission inspection (May 2008);

- Attend annual general meeting (September 2008);
- Inspection action plan follow up (from September 2008);
- Review of management (September 2008); and
- Annual financial review (September 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](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)).