



Housing Corporation Assessment

**Nottingham Community Housing Association
Limited LH0273**

**Nottingham Community (Second) Housing Association
SL3169**

**Norris Homes Charity
A3871**

**Blyth Cottages Charity
A4196**

Date of publication: June 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, however exposures exist which make it vulnerable to deterioration.

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 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. 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

Nottingham Community Housing Association Ltd. (NCHA) was formed in 1973. Within ten years the association had developed over 1,000 homes. It now owns and manages nearly 7,000 homes across the East Midlands.

NCHA is an Industrial and Provident Act society with charitable rules. It is based in Nottingham, and works in 27 local authority areas. Almost half of its homes are in Nottingham and the surrounding area, which has a high proportion of its population (15%) drawn from black and minority ethnic (BME) communities. Demand for housing in the area is generally good, although there are some pockets of low demand and tenancy turnover is relatively high.

The stock is mostly general needs, but there are approximately 1,200 homes providing support for tenants with a diverse range of special needs. NCHA is the biggest provider of supported housing in the East Midlands and has an in-house care and support team. It also has managing agency and partnership arrangements with 15 specialist care providers.

NCHA has a registered subsidiary, Nottingham Community (Second) Housing Association which is not an active developer but manages a small number of shared ownership properties. NCHA has set up a commercial unregistered subsidiary, LETS Select Ltd., to manage 347 market rental units and undertake development for sale. In addition, NCHA acts as corporate trustee for a number of small local charities which provide almshouse accommodation, of which two (Norris Homes and The Blyth Cottages Charity) are registered with the Housing Corporation.

NCHA's mission is 'to provide quality housing and support for people in need throughout the East Midlands'. This is supported by a commitment to:

- meeting customers' needs
- achieving quality solutions
- work well together
- innovation and to be adaptable to change and
- the business and its environment.

These are underpinned by the association's commitment to equal opportunities for all.

Viable – Regulatory Code part 1

The association meets the expectations set out in the Regulatory Code in terms of financial viability, however exposures exist which make it vulnerable to deterioration.

Housing Corporation Assessment

The analysis is based on financial forecasts for the association, as the significant member of the group, rather than the consolidated group, although a significant inter-company surplus was generated on the transfer of market rented stock to an unregistered subsidiary. Future analysis will be undertaken at group level.

The association has increased its turnover by 7% as a result of continuing new development, however, as a significant provider of supported housing a large proportion of the turnover is from revenue grants, including Supporting People grant. This income can be threatened by reviews undertaken by external bodies based on the efficiency of schemes.

NCHA's operating costs have increased and the Housing Corporation's operating cost index, an index that predicts costs based on the profile of an association, suggests that costs are higher than would be expected. The association is also predicting higher than average rent arrears and management costs are forecast to increase in the current financial year. This may be partly due to incorrect apportionment of costs as both service costs and support costs appear to be over recovered. Although the increased costs have resulted in a reduction in the operating margin in 2005/06 with a further reduction in 2006/07 the minimum level is an acceptable 15% and forecasts then indicate a continuing period of improving margins.

The association is anticipating a significant increase in development activity and in the long term this enhances most of the key financial ratios, however some sensitivity analysis on the long term assumptions suggest that without a continuing development programme the association's viability may deteriorate.

The increased development will lead to large increases in debt, however the financial ratios suggest that the association should comfortably be able to meet the additional interest costs.

Although the association has a relatively small percentage of stock failing the Decent Homes Standard (DHS), the age profile of its stock means that it is still spending significant amounts on repairs and this is reflected in interest cover ratios in the short term. After 2006/07 there is continued improvement in interest cover, rising to very healthy levels by 2010/11.

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 of NCHA is able to demonstrate a range of skills and expertise which are relevant to the group's business activities and appropriate to its size and complexity. The board is also suitably diverse in terms of age range and ethnicity. The board meeting we attended was well chaired, with a good level of strategic discussion and appropriate questions from members.

The board carries out an annual review of skills and board effectiveness and considers published best practice in evaluating its governance arrangements. A suitable training programme is devised each year to meet identified needs. The association's business is considered to be professionally conducted and effective with an appropriate focus on strategic and performance issues. NCHA works co-operatively with the Corporation,

readily sharing information.

We are satisfied with the board's self assessment statement of compliance with the Regulatory Code for 2006. This confirmed that the Code's requirements are being met and cited evidence for its conclusions.

The association has comprehensively reviewed its policies and strategies in relation to equality and diversity in line with regulatory requirements and current good practice. A strategic framework incorporating performance targets for key activities across the organisation is being implemented. This is driven by an equality and diversity forum which draws its membership from across the organisation and the board. The forum has proved to be successful and NCHA has made considerable progress against a wide range of targets. 36% of board members are from a BME background.

NCHA's revised resident involvement strategy provides a range of opportunities for customers to engage with the organisation; for example, it has established customer advisory panels for maintenance, design, allocations, estate management and supported housing. The association has confirmed that it complies with the Corporation's requirements for resident involvement and has carried out an impact assessment to gauge progress.

NCHA has a risk map with a good balance of internal and external focus with controls in place to minimise risk. A risk panel introduced mechanisms for risk assessments to be consistently applied across all disciplines and board reports.

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

Once again, the majority of NCHA's performance indicators for the period to March 2006 demonstrate an improvement in performance against the previous year, although half are still in the lower quartiles. Re-let times and rent loss due to voids compare favourably with national performance. Lettings to BME households for the year were nearly 18%, which is above the black and minority population within the group's area of operation. 95% of the association's stock now meets the DHS, which is above the national average.

Performance on rent arrears remains well below the national average; however, it has improved steadily over the last 10 years within a strategy that aims to keep tenants in their homes. Rent collection has declined, but this has been adversely affected by the timing of housing benefit payments.

NCHA conducted a full tenant satisfaction survey in 2005, the outcome of which confirmed that 79% of tenants were satisfied with the overall service provided. Satisfaction with participation was 59%; both of these are lower than the national average. This information was supplemented by a survey of 100 tenants in their own homes to obtain focussed feedback on recent service improvement initiatives. This

demonstrated that the tenants surveyed were generally very happy with the service provided but flagged up a number of issues for the association to address as part of its continuous improvement strategy

The association's continuous improvement strategy encompasses the key aspects of best value. This includes systems for collating and utilising feedback from residents, staff and other stakeholders. NCHA makes use of a number of mechanisms to monitor service standards and achieve continuous improvement, including benchmarking. For example, it will continue to progress its equality and diversity action plan to achieve continuous improvement. NCHA has adopted formal procurement and value for money strategies.

NCHA complies with the Corporation's requirements on tenancy management. The association has choice based lettings policies in many areas and also makes use of local lettings plans. NCHA sets and monitors targets for local authority nominations and re-housing homeless people. In 2006, 61% of lettings went to local authority nominations, of which 19% were to statutory homeless households.

NCHA complies with the Corporation's requirements on anti-social behaviour and is working to meet the Respect agenda.

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

NCHA is one of the key providers of affordable housing in the East Midlands region. It has extensive coverage in terms of its geography, product type and contact base.

For 2006/08 it is working as a joint consortium lead partner with the Longhurst Group. The two organisations have formed a bespoke company to deliver, inter alia, development services to the consortium. The consortium has a total grant allocation of £54.2m. This is principally in the East Midlands region but increasingly in Yorkshire and Humberside, West Midlands and East of England.

In 2006/07 NCHA through the joint consortium delivered 117% of its cash target of £16.7m. It completed 192% of its completions target, delivering 125 homes against a target of 65.

The association will continue to be considered for allocations provided schemes meet regional priorities, offer good 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 Nottingham Community Housing Association Ltd.:

- Meeting with executive management team (April 2006)
- Meeting with chair (September 2006)
- Attendance at board meeting (September 2006)
- Review of equality and diversity (September - October 2006)
- Annual Viability Review (February 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)
- 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)