



Housing Corporation Assessment

**Richmond Housing Partnership L4279
Co-op Homes (South) C3675**

Date of publication: August 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

Green

The group 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 group 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 group has not received 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.

<p>Description of the group</p> <p>Richmond Housing Partnership (the partnership) is a local housing company with charitable status, registered with the Housing Corporation in July 2000. The partnership owns and manages almost 8,500 homes, which were transferred from the London Borough of Richmond-upon-Thames. Of these, around 2,000 homes are leasehold and nearly 500 homes are for elderly people in sheltered and frail elderly accommodation. The remainder are social housing for rent.</p> <p>The partnership's properties are situated mainly in the London Borough of Richmond-upon-Thames and just over the borough boundary on a large estate in the London Borough of Hounslow.</p> <p>There is high demand for housing in these boroughs and the population is becoming increasingly diverse. The 2001 census showed that 12% of the population of the London Borough of Richmond described themselves as black or minority ethnic (BME) and the local authority has identified that the percentage of those in housing need describing themselves as BME is 16%.</p> <p>The partnership's vision statement is:</p> <ul style="list-style-type: none"> • To aspire to be a leader in its field, setting the standard for great customer service in housing and gaining a reputation for this in the wider business world. • To provide more homes and a wider range of services to match the needs and aspirations of its existing and future customers. • To create real opportunities for customers, employees and communities to fulfil their potential. • To provide a customer and employee experience that people want to recommend to their friends. <p>Co-op Homes (South) joined the partnership in a group structure in January 2006 as a subsidiary. It is a secondary housing co-operative registered with the Corporation in 1986. Co-op Homes predominantly manages housing stock on behalf of other housing associations. It manages around 330 permanent and 270 shortlife homes, which are spread across a wide geographical area. The majority of its permanent stock is in west London, while the short-life stock is mainly in west London and East Anglia. Co-op Homes also provides housing and support services for 750 homes owned by 22 independent co-operatives.</p>

<p>Viable – Regulatory Code part 1</p> <p>The group meets the expectations set out in the Regulatory Code in terms of financial viability.</p>
<p>Housing Corporation Assessment</p> <p>The partnership's financial results for the year ended 31 March 2007 exceeded performance levels anticipated in last year's financial return. The association made a net</p>

surplus of £1.16m as turnover showed strong growth in comparison to operational costs. However Co-op Homes which joined the group in January 2006 reported a net deficit of £64k following a significant increase in debt amounting to £7.3m on-lent by the partnership to fund the acquisition of 231 properties.

Operating margins are expected to average 19% for the projected five year period, which is marginally above the median for stock transfer associations. Although the partnership has exceeded performance levels anticipated in its original transfer plan net deficits, are anticipated from 2008 onwards as the effect of higher interest payments associated with loan debt required to help fund its development programme starts to take effect. In addition, the partnership is predicting above-inflation increase in costs, particularly in relation to depreciation charges and ICT. As a consequence, operating margins are forecast to decrease between 2008 and 2010 but nonetheless remain above sector averages for stock transfer associations.

The partnership has had a rent guarantee agreement in operation since transfer, which restricts rent increases to a maximum of inflation + 1%. The partnership expects 59% of tenants still on a transfer rent to be below target rent when the ten year rent guarantee expires in 2010/11, at which point it plans to fully adopt rent restructuring in accordance with government guidelines. Once implemented this will effectively increase the partnership's income generated from core activities.

Based on information provided in 2007 approximately 95% of the association's stock meets the Decent Homes Standard (DHS). The partnership plans to invest up to £35m over the next five years to ensure its stock complies with DHS by 2010 and to continue to deliver the pledges made to existing tenants under the original transfer agreement.

The partnership expects to deliver 21 new units over the next five years through its development programme. The programme will be financed by recycling receipts from the Right to Buy sales and the balance will be funded from new loans within the partnership's existing loan facility. Land valued at £5.2m has been bought for a new head office site. The cost of this and major repairs will be met entirely from operating cash and new finance. This will effectively see the partnership's loan financing increase by more than £30m over the next five years. Whilst this will impact on the partnership's I & E performance, interest cover is forecast to remain well above the Corporation's benchmark of 110%. Projected cashflows show that the partnership expect to generate sufficient cash from operations across all years to meet the additional cost of debt.

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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The governance structure continues to reflect the close relationship between the partnership and the London Borough of Richmond-upon-Thames. The partnership has a 14 member board, split equally between independent members, local authority appointees, and those elected by the tenants and leaseholders plus two executives (chief executive and one other executive director).

The quality of the board papers is good and referenced to assess their impact on the partnership's financial objectives, risk management, and diversity. The attendance levels of board members continue to be high, achieving an average figure of 88% in 2006/07.

The board is striving for continuous improvement and undertook a review of its governance function in March 2006. This included an assessment of the partnership's practices compared to good practice guidance. The board's current governance improvement plan builds on the work already undertaken in response to an earlier review. A number of positive outcomes were identified in the board's self assessment of compliance with the Regulatory Code for 2007/08.

The board has a process in place to evaluate its own effectiveness each year, and during the most recent review, this involved the input of an external consultant. It holds regular awaydays to review its performance, discuss strategy and agree business objectives. The board has an understanding of the partnership's operating environment and continues to maintain a good working relationship with the executive team.

During 2006/07, changes were made to improve the sub-committee structure resulting in the replacement of the audit and performance review with two new sub-committees. The group audit committee is responsible for internal controls assurance and risk management. The finance committee is responsible for scrutinising financial performance and treasury management. The terms of reference of the remuneration sub-committee have been changed to meet our good practice expectations and the operation of the service delivery sub-committee has been improved to enhance its performance monitoring role.

The board of Co-op Homes continues to report to the partnership's board. We are satisfied that the partnership board has the mechanisms in place to exercise parental control in accordance with our good practice expectations.

We are satisfied with the partnership's approach to risk management. The board is involved in risk determination, and ongoing review of risk is integrated in the partnership's planning cycle and management strategy. Further work is planned to strengthen internal controls by developing a system for formally identifying, documenting and analysing control failures. In addition, the board agreed to focus its attention in 2006/07 on four key areas, which it has identified as the highest risks to the partnership. These key risks are: failing service standards; risks associated with growth including the integration of Co-op Homes into the group; health and safety and senior management succession planning.

The partnership has approved a resident involvement strategy to meet all our requirements on involvement. It is currently in the process of implementing an action plan flowing from a best value review of resident involvement. The partnership has a flexible approach to resident involvement. It uses a range of methods to involve its residents across all tenures including formal structures such as its service delivery sub-committee, area housing panels, residents' associations and a resident compact agreement, alongside feedback from various focus groups and regular satisfaction surveys. It is also developing and supporting the introduction of local estate agreements.

The partnership's service delivery committee comprises eight residents including four

resident board members, and the chairs of the area housing panels. Training and development opportunities are available for residents including an initiative, which started in 2005/06, to provide induction training to new chairs of area housing panels. The partnership also supports resident participation in wider community based projects and training and apprenticeship schemes.

Overall, the partnership continues to meet our expectations regarding the equality and diversity requirements set out in the Regulatory Code and GPN8. The board has agreed a strategy and established an overall framework for collecting and reporting information on equality and diversity. Performance targets and monitoring systems are routinely reviewed for all areas specified in the Regulatory Code and, where the partnership has not met these targets, it is taking steps to change this.

Currently, the board's membership, the percentage of lettings to BME people and satisfaction levels amongst BME residents is either consistent with or better than the targets set by the partnership. However, the board has recognised the need to review its approach to recruiting board members from the various local BME communities and provide training for front-line staff dealing with instances of racial harassment. Its work on resident involvement has led to new initiatives with emerging communities. The partnership has held two focus groups with residents from the local Afghan and Kosovan communities. The partnership plans to improve the effectiveness of its equality audit process and to ensure an effective response to the Disability Discrimination Act.

The board completed its 2007 self-assessment of compliance with the Regulatory Code within the timescale we set. We agree with the board's view on the partnership's level of compliance. The statement was very detailed and raises no areas of concern. It highlighted areas where further work is planned to improve performance in 2007/08. Overall we are satisfied that the self-assessment is open and honest, providing a good reflection of our relationship with the partnership.

Properly Managed – Regulatory Code part 3

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

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The partnership has an experienced senior management team providing appropriate executive support and leadership for the organisation.

Our review of its key general needs performance indicators for the year ending 31 March 2007 shows a trend of consistent improvement that is either better or comparable with a peer group of similar sized associations. The year-on-year improvement in re-let times has continued in 2006/07 and performance is in the first national quartile. Compared to 2004/05 the partnership let its vacant homes considerably quicker, taking on average 12.6 days compared to 38 days. The partnership participates in a choice based lettings scheme and has agreed a local lettings plan on a hard-to-let estate with local residents.

Lettings to tenants from BME backgrounds increased to 37.5% in 2006/07, which exceeded both the 2001 Census figure and BME housing needs data for the London

Borough of Richmond-upon-Thames.

On joining the partnership in January 2005, improving the performance of Co-op Homes was identified as a priority for the group. The Audit Commission inspected Co-op Homes and the report published in April 2007 found a poor service that had promising prospects for improvement, although the inspectors concluded that Co-op Homes has benefited from joining the partnership. Co-op Homes responded positively and promptly to the findings of the report and considerable work has been undertaken by staff to improve services and redress a history of poor performance. In January 2008, we signed off the post inspection action plan and agreed that Co-op Homes has completed the necessary actions to fulfil the requirements of the Audit Commission's inspection. Some of this work is on-going and we have asked the partnership to report on its progress in the 2008 annual self-assessment of compliance.

The board receives a regular report to benchmark performance with other housing associations and the partnership has participated in benchmarking clubs to compare performance on specific service areas.

During 2005/06 best value reviews appraised the partnership's work on resident involvement, voids and lettings and debt recovery. The board reviewed its approach to continuous improvement in March 2006 and concluded that it is embedded within the partnership's operations and service delivery performance. However, the board's review identified further work to improve its approach including increasing the involvement of residents in planning the programme of service reviews and monitoring the process. This is to include best value reviews of estate services, anti-social behaviour, leasehold services, older persons services and grounds maintenance.

The partnership's most recent STATUS satisfaction survey was completed in 2007; 88% of the respondents were satisfied with the overall service provided compared to a rating of 76% in the 2005 survey. This figure was better than the partnership's peer group. 84% of respondents were satisfied with the opportunities for participation, which was an improvement on the previous survey and the above the peer group performance.

The partnership expects to achieve the DHS before the 2010 target date. The board reviews the partnership's asset management strategy each year to assess progress and agree future priorities. The asset management strategy and the rolling programme of stock condition surveys, which regularly update it, informs the group business plan.

The partnership continues to work closely with the London boroughs of Richmond-upon-Thames and Hounslow. This extends to joint work involving other organisations such as health authorities, youth organisations and the police, to assess the wider needs of its residents, to reduce anti-social behaviour and to work towards sustainable communities.

Development with Housing Corporation funding

The group has not received Corporation funding in 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
- Financial forecast
- Performance indicators
- Regulatory and statistical return
- Annual efficiency statement

In addition to the above, the following specific activities were carried out for Richmond Housing Partnership:

- Inspection follow up - (Co-op Homes)
- Executive team contact

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)