



Housing Corporation Assessment

**Selwood Housing Society Ltd
LH4097**

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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, 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'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

Selwood Housing Society (Selwood), was established in 1989 and registered in 1996. It expanded through a three stage transfer process of West Wiltshire District Council's housing stock, which was completed in 2001. On 31 March 2008 the association changed its name from West Wiltshire Housing Society. The association owns and manages approximately 5,200 units of social housing, of which approximately 70% are general needs housing. The remainder of its stock is designated supported housing for older people and people with disabilities. Currently, most of the association's stock is located in West Wiltshire, but it is looking to grow into other areas within one hour's travelling time of its office in Trowbridge.

West Wiltshire is an area of high demand for social housing, as the area is part of the rural hinterland supporting the economies of Bath, Bristol and Swindon, with relatively high property prices. West Wiltshire has an estimated black and minority ethnic (BME) population of 3.3%.

The association's mission is to develop, manage and maintain quality affordable housing and provide support services for the benefit of people in housing need.

Selwood is a member of the Jephson Housing Partnership, which is a Housing Corporation investment partner.

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.

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At 31 March 2008, Selwood had a turnover of £21m and employed 132 staff. The association has an unusual funding profile. Works to 794 negative value pre-reinforced concrete units, transferred in 1996, were funded by loans secured against forward valuations of the association's assets. The 2001 stock transfer agreement included a 10-year programme of catch-up major repairs works accompanied by a 10-year rent guarantee of inflation + 1% rent increases and no sharing agreement with the sponsoring council for right to buy (RTB) sales receipts. RTB sales are now tailing off, so it is unlikely that they will have a material impact on the future business of the association.

Selwood's 2006 financial forecast reflected a downturn from previous projections and, although results for both 2006/07 and 2007/08 were better than previously forecast, the 2008 future projections remain broadly in line with this. The downturn highlighted in 2006 was attributable to the inclusion in the business plan of a much higher level of ongoing major repairs expenditure, which resulted in lower operating margins and an extended period of substantial deficits.

An overall surplus of £1.4m was achieved in 2007/08, mainly due to a large underspend on major repairs that has been re-profiled over following years, when deficits of over

£2m per annum are now forecast. Due to a relatively high level of forecast major repairs spend (£7-8m per annum), short term operating margins are low (11-19%). Consequently, interest cover (EBITDA MRI basis, which the Corporation uses to assess an association's ability to meet interest payments) is weak (60-90%) and does not reach a break-even level (100%) until 2014/15. The trend is for growing operating surpluses as major repairs spend levels off, with positive overall surpluses being generated from 2015/16 onwards. Peak debt is forecast at £114m in 2014/15, within a total loan facility of £124m, and loan repayment is forecast during year 27 of the plan period. Debt per unit, peaking at £15k in 2013/14, is relatively low for a large scale stock transfer association. The association considers that satisfactory headroom above loan covenant requirements exists at all times.

The association's board believes that an element of discretionary spend had been included in the major repairs forecasts, although the Corporation's 2007 review noted that this contingency needed to be quantified before it could have an effect on our viability judgement. The association is working accurately to quantify this contingency. Also, a more prudent set of assumptions has been adopted for the 2008 forecast, which has built some contingency into the plan. However, most key financial ratios remain at a relatively weak level when compared to the sector as a whole, particularly over the short term, and there are a number of exposures that could leave the association's financial position vulnerable to deterioration. These include:

- a very tight planning assumption for repairs cost inflation of Retail Prices Index only increases, which may make it difficult for an early stock transfer association still undertaking catch-up repairs and with relatively high levels of ongoing spend to contain expenditure within planned levels;
- a relatively tight planning assumption for real floating interest rates of 3.5%, particularly bearing in mind that current fixings are scheduled to run out over the next couple of years and given that market conditions are no longer benign since the onset of the credit crunch;
- a weak underlying financial profile over the short to medium term, which reduces capacity to absorb even relatively modest adverse financial impacts that may arise;
- an absence of contingencies that can be readily implemented; particularly given that only short term development is included in the business plan and that the permitted rents tolerance has already been utilised.

The association has confirmed compliance with the Decent Home Standard (DHS) by 2010 and rent restructuring by 2012. In 2007/08, 94% of its stock met the DHS.

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 association's board comprises 15 people, with an equal representation of independent, tenant and local authority members. The skills, expertise and training needs of board members are assessed through the annual appraisal process.

The board is supported by a remuneration committee, a development committee and an audit committee. There are also panels and working groups in place, which assist with detailed issues as needed.

Selwood has now substantially completed all strands of work arising from a comprehensive review of its governance arrangements, and this has resulted in more effective governance of the association. The review was initiated after the Corporation identified a number of areas for further improvement in early 2007. The areas reviewed included committee structures, board appraisal and skills audit, delegated authorities, the format of board papers, performance reporting to the board, probity policies and controls and board remuneration. The board has increased the frequency of its meetings to monthly and has recruited new members to broaden its range of skills and expertise.

The association has a risk management framework in place which identifies the key strategic and operational risks. The strategic risk map is reviewed by the board every three months, and high risk areas reported to the board along with control procedures and mitigating actions.

Selwood meets our requirements in terms of commitment to equality and diversity, and has an updated diversity strategy in place which applies to all areas of its operation. The Selwood Tenants' Voice disability working group was involved in developing the association's disability equality scheme and action plan. Performance against targets is monitored on a regular basis through general performance monitoring. The association achieved lettings to BME tenants of 6.9% in 2007/08.

Tenant involvement is a key feature of Selwood. The association demonstrates a commitment to tenant involvement, and has confirmed full compliance with Housing Corporation requirements in this respect. The association has undertaken a full review of its tenant involvement and has agreed a new tenant involvement statement with Selwood Tenants' Voice, an umbrella tenant body that meets monthly and largely comprises people nominated from Selwood's tenant and resident associations.

In November 2007 the association recruited a full time involvement worker to promote tenant involvement and capacity building, with a particular focus on tackling low levels of involvement amongst young people, working tenants, tenants with young families and BME tenants. In addition, an action plan will be developed to facilitate increased options for involvement with tenants who have learning difficulties and those living in care homes. Opportunities for participation via the internet, text message and telephone are being developed to help increase involvement amongst these hard to reach groups.

The association's last STATUS survey at January 2006 showed that tenant satisfaction overall was above average at 86%, but tenant satisfaction with participation was below average at 57%. The association anticipates that the figure for tenant satisfaction with participation will improve after its next STATUS survey, scheduled for January 2009.

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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The executive team works in an open and co-operative way, readily sharing information with the Housing Corporation. The association strives to incorporate continuous improvement in all areas of its work. Selwood measures the sustainability of its neighbourhoods through its neighbourhood planning model that contains ten key indicators and assists in deciding investment priorities on estates. Selwood has also recruited a customer care co-ordinator whose focus is to gain feedback and learning for service improvement. In addition, the association has introduced the ability for tenants to make rent payments online via its website and has reviewed and reissued its tenant handbook.

Published key performance indicators for 2006/07 show that average relet times for general needs stock (at 65 days) and the percentage of routine repairs completed within target (90%) were below average. The association has put in place measures to improve its performance in these areas and has taken steps to benchmark its performance against similar associations to provide it with a clearer picture of its level of performance and processes compared to peers. The association has recruited a procurement specialist to help it deliver value for money across its services.

The association has an asset management strategy in place, which is informed by a rolling five year stock condition survey. The information obtained is used as part of the association's estate management and estate improvement plans.

The association complies with the requirement to work with local authorities to enable them to fulfil their duties. This includes working with local authorities in the area in the delivery of choice based lettings.

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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Selwood has demonstrated a very good programme delivery performance. The association achieved 97% for start of year cash spend and 100% for rent completions against its adjusted (for any in year additions) 2007/08 start of year targets of £1.8m and 65 homes respectively. The association did not have a start on site target.

Selwood is a partner in the Jephson Housing Partnership, which nationally and excluding Open Market Home Buy, achieved 76% for start of year cash spend, 78%, for rent start on sites, 145% for sale start on sites, 143% for rent completions and 358% for sale completions against its adjusted (for any in year additions) 2007/08 targets of £12.5m, 335 homes, 89 homes, 238 homes and 31 homes respectively.

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 for 2007/08
- External auditors' management letter for 2007/08
- Annual self-assessment of compliance with the Regulatory Code
- 30 year capacity model financial forecast
- Performance indicators
- Regulatory and statistical return
- Annual efficiency statement

In addition to the above, the following specific activities were carried out for Selwood Housing Society:

- Meetings with representatives of the board and senior management team in November 2007, December 2007, March 2008 and September 2008
- Attendance at board meeting in March 2008
- Annual viability review, October 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)
- 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)