



Housing Corporation Assessment

Shoreline Housing Partnership (L4442)

Date of publication: September 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

N/A

The association 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.

Description of the association

Shoreline Housing Partnership (SHP) was formed to receive a whole stock transfer from North East Lincolnshire Council, which took place in March 2005. The association owns and manages 8,000 homes throughout the local authority area, concentrated in the urban centres of Grimsby, Immingham and Cleethorpes. Whilst the majority of the stock is for general needs housing, 1,400 homes are for older people. About 60% are houses and bungalows with the majority of flats low rise. However 540 homes are in high rise blocks.

The association is a registered charity and company limited by guarantee. It has an unregistered subsidiary, Shoreline Property Services Ltd. (SPS), established to receive a transfer of the direct labour organisation and responsible for responsive repairs. SPS also carries out work for external organisations, primarily North East Lincolnshire Council.

SHP has adopted a vision which is reflected in key objectives as follows:

- investing in both the housing stock and neighbourhoods
- providing for the future needs of local communities
- giving a neighbourhood focus to all activities
- being customer-friendly in all activities
- keeping promises to tenants
- building effective partnerships with tenants, leaseholders and key agencies
- developing committed staff
- continuous improvement of standards and services

The local authority is ranked as the 54th (out of 354) most deprived in England and ranked within the top 10% nationally. Whilst Grimsby and Immingham are major ports and Cleethorpes is a popular seaside resort, North East Lincolnshire includes areas within the top 1% most employment deprived in the country. It is now receiving Neighbourhood Renewal Funding (from 2006 to 2008) and is included in Yorkshire Forward's Urban Renaissance programme. Population projections forecast a 3.5% decline over the next five years with major reductions in the under-45's and the number of over-65's increasing by 20% within the next 15 years. House prices have risen significantly over the last three years and increased demand for social and privately rented housing. The association faces the challenges of replacing a stable but ageing tenant base, providing properties and services appropriate to an older population, and the maintenance of sustainable mixed communities.

2001 census data shows that about 2.5% of the population was of black and minority ethnic (BME) origin. The largest communities are Irish and other minority white population groups (about 1% of the census population). The next largest BME community is of Asian origin (about 0.5%). Ethnic diversity is also likely to have increased since 2001 by the presence of asylum seekers in the area.

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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SHP was the first stock transfer association to receive gap funding from the ODPM. Without the support of the £17m the business plan would be neither viable nor fundable. The pre-transfer business plan produced a negative valuation because of the amount of expenditure required on the housing stock and accordingly the stock was transferred at nil value. This serves to illustrate the scale of the task facing the new organisation. The planned major works programme is forecast to take 10 years and cost around £95m.

Performance in 2007 overall was below business plan expectation, with increased restructuring costs and lower RTB proceeds than anticipated. As a result, cash flow was lower and more borrowing required, generating greater interest costs. However the first two estates were brought up to the Decent Homes Standard (DHS) within budget and timetable.

SHP's 2007/08 business plan, approved by the board in May 2007, is significantly different from the 2006/07 version. Peak debt is increased from £33m in 2006/07 to £60.4m, leaving little headroom in agreed facilities of £62.2m. Peak debt in the transfer business plan was £55m.

The main reason for this increase is that future borrowing has been assumed at higher floating rates. Other contributing factors to the increase in peak debt include buying back former RTB properties to enable changes to estate regeneration programmes and the decision to upgrade properties to an enhanced standard more quickly.

SHP has made a substantial investment in a programme of internal restructuring with the aim of improving operational efficiency and raising operating margins from current low levels. This programme has not yet been fully implemented and the forecasts do not take account of proposed efficiencies. It remains essential that efficiencies are realised to enable effective delivery of the business plan.

SHP's short-to-medium term viability is sound. Sufficient facilities are available to enable it to complete its major improvement programme, though it is exposed to risks in this period which may result in financing issues further in the future. However there should be sufficient time to put in place measures to mitigate these risks before viability is threatened.

Key risk exposures include the delivery of promises to tenants, the quality of information about the stock and the management of major works contracts. The programme has been structured on a 'worst first' basis, which should result in lower unit costs towards the end of the programme, but the original stock condition survey did underestimate the level of non-compliance by up to 24% in some areas. Consequently there is a risk that more units than planned will require investment, impacting on unit cost savings.

Peak debt has also been increased by the decision during 2006/07 to upgrade properties to a higher standard than DHS. These works have been compressed into the first four years of the revised plan, rather than 10 years in the original.

It is essential that performance management information supporting the major improvement programme is robust and accessible. We consider that at present this information is not presented in an easily understood format, which increases the risk of the board not being in full control of a changing programme.

The business plan is currently highly sensitive to movement in inflation and interest rates, principally because the potential to fix debt at current relatively low rates has not been taken into account. Upward movements in either inflation or interest in the early stages would cause peak debt to exceed available facilities in the latter part of the forecasts. Positive interest cover would also be delayed.

Sensitivity analysis suggests that if the agreed policy of 70% fixed rate borrowing was applied, peak debt would reduce to around £51m and movements in inflation and interest rates could be absorbed. This would also reduce the probability of movements in costs threatening viability. SHP intend to put further interest rate fixes in place in the near future.

SPS carries out void repairs and day-to-day maintenance for SHP. There have been ongoing performance and efficiency issues with SPS which have culminated in a new general manager being appointed to improve performance within the year.

SHP has experienced a decline in the number of RTB sales as rising prices and interest rates have reduced affordability. RTB sales for the current year are already behind forecast, though receipts are increasing. Sales receipts make a significant contribution to the funding of the plan, which increases the risk of exceeding facilities in the longer term if sales do not occur as anticipated.

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 board has recently reduced its membership to 12, composed of four tenants, four independents and four local authority nominees. The chair is an independent.

The board has strengthened its skills shortfall with the appointment of 3 co-optees who have considerable financial and business management experience. A review of the committee structure has taken place and changes made to make better use of the sub-committee structure. These changes should ensure the skills available to the board are fully utilised.

Board development and training has been externally supported by a consultant who previously facilitated the board appraisal process and provided SHP with

recommendations following a review of board performance. This self assessment process has highlighted some areas where attention will improve effective leadership and control. The board is taking action to develop its strategic focus, improve performance management, strengthen operational understanding and develop board members individual functionality, through improved access to IT, teambuilding and training.

The association has a risk management strategy overseen by the audit and risk sub-committee. A risk management group, involving staff at all levels within the association, is functioning and is responsible for updating the association's risk map. Board reports contain sections on risk implications and the proposed management of these. The association is still developing the reporting function to enable robust progress monitoring of steps taken to address internal audit recommendations. Whilst this remains an important risk management function where controls need to be improved, the association is actively working to deliver a functioning system.

SHP confirms it complies with the Regulatory Code with regard to equality and diversity. It has an equality and diversity workplan, against which progress is assessed by an equality and diversity group. An external consultant is also supporting and reviewing the process. The association's 2007/08 key performance indicators include diversity targets and progress is reported to board on a quarterly basis. Performance is generally in line with targets at the end of the first quarter in 2007/08, however the association recognises the need to address the ethnicity and gender imbalance at board level. The association is also still to develop its requirements for working with suppliers, contractors and consultants, and this is planned for 2007/08.

There remains a close regulatory engagement with SHP facilitated by an open and co-operative relationship with the Corporation. It is responsive to regulatory requirements and guidance, however progress against identified issues has been hampered by senior management resources having to respond to unforeseen events, such as gap funding negotiations, flooding and the impact of planning delays for the new offices.

The associations self assessment of compliance with the Regulatory Code was concise, demonstrated compliance and provided a clear update on progress where partial compliance was identified in 2006.

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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An effective working relationship exists between the board and senior management team as the association continues with its plans to deliver promises to tenants following the transfer from the local authority.

SHP has undergone organisational change in housing management services and central resources. A third phase of change involves a restructuring of sheltered and supported housing. These changes are intended to better allow the association to deliver long term strategies and objectives.

The association's unregistered subsidiary SPS has also been restructured (December 2006) to better achieve delivery of its business plan. The importance of achieving this business plan is of significant importance to SHP.

The association is now entering a critical period where it expects to deliver improvements. Clear targets have been established for key operational areas and performance is regularly reported to board. The association recognises in its regulatory self assessment that service performance is currently unsatisfactory. Whilst some service areas are starting to improve, other areas such as void turnover still need significant improvement. This reinforces the need to ensure performance management systems are appropriate. Additional staffing and IT resources have been allocated to this area.

To further facilitate this improvement the association has devised a new approach to continuous improvement, and has undertaken external scrutiny in the form of peer reviews and a mini-mock inspection ahead of the planned Audit Commission inspection.

Progress against promises to tenants is reviewed quarterly by the operations committee. The association is on track to deliver the majority of promises, however has currently self assessed delivery of home improvements to be behind forecast. The intention is that this position will be rectified as the programme continues, as the works are phased on a 'worse first' neighbourhood basis. At March 2007, 67% of stock meets DHS against a target of 79%. The Corporation has agreed DHS waivers for 156 properties beyond 2010 to facilitate regeneration projects.

SHP has a wide-ranging community involvement statement, drafted in consultation with tenants and a service level agreement with the association wide tenants' organisation in place. The association undertook its first community participation impact assessment in December 2006, which recognised the importance of supporting the independence of the borough wide tenants organisation, the growth in tenant and resident associations and the outcomes delivered by offering community, neighbourhood and investment grants. Examples are the funding of community wardens, youth diversionary programmes and supporting educational and the extended schools initiatives. Tenants are also involved in the association's stock improvement programme, with tenant representation on neighbourhood delivery teams.

SHP is involved with North East Lincs Homelessness Forum. 34% of general needs lettings in 2006/07 were to people nominated by the local authority, with the majority to homeless households. The association is involved in the provision of temporary crisis accommodation. Work is underway, in partnership with the council, to develop both a common waiting list and a choice based lettings scheme.

Development with Housing Corporation funding

The association 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
- 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 Shoreline Housing Partnership:

- Annual Viability Review, August 2007
- Attendance at a board meeting, March 2007
- Meetings with executive management team, November 2006, July 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)