



# **Housing Corporation Assessment**

## **Somer Housing Group**

**Somer Housing Group Ltd (LH4336)  
Somer Community Housing Trust (LH4209)  
Redland Housing Association (L0419)  
Bath Self Help Housing Association (LH3918)**

**Date of publication: October 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 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

Green

**The group'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 group 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 group

Somer Housing Group Ltd (SHG) is a non asset holding parent company, registered in 2002. It provides central services to a group structure comprising:

- Somer Community Housing Trust (SCHT), a charitable registered stock transfer association formed in 1999. SCHT owns and manages 9,000 units, including 1,700 sheltered stock, and manages a further 850 leased dwellings. SCHT operates principally in Bath and North East Somerset (BANES), owning 86% of the social housing stock in that area. SCHT has its own repairs team, which carries out works to homes within the group using neighbourhood based multi-skilled trade staff.
- Redland Housing Association (RHA), a charitable registered traditional housing association formed in 1973, that joined the group in 2005. RHA owns and manages 1,200 units and manages a further 200 leasehold and shared ownership properties. RHA operates mainly in and around Bristol.
- Bath Self Help Housing Association (BSHHA), a charitable registered specialist housing association formed in 1983. BSHHA owns and manages 178 units of mainly supported housing, including two hostels for single homeless people. BSHHA operates in Bath, Somerset and Wiltshire.
- Lantern Homes Ltd (LH), a non-registered company limited by shares. LH currently manages a portfolio of around 80 intermediate rent (for key workers) and market rent properties.

SHG's vision is to support successful communities, through the provision of housing, other quality services and enhanced partnerships. The group is committed to:

- valuing tenants and other customers;
- equality and diversity;
- an expectation of high standards;
- a culture of quality;
- working in partnership;
- being open and accountable;
- listening and learning;
- valuing and developing staff; and
- prudence and value for money

The grouping enables the organisation to maintain focus on the core business of meeting the transfer commitments to tenants, whilst developing new and diverse activities including short-life leasing; market and sub-market renting; care services and repairs contracting. The group also provides a ready structure for other organisations to join and for other non-social housing activities to be undertaken. It is intended that each member of the group be self-financing and there are no inter-company guarantees between group members.

SHG operates in areas with high property prices. SCHT dominates the market in Bath and North East Somerset for social rented housing and demand is buoyant, except for

some sheltered properties. RHA faces greater competition from other providers in Bristol; whilst there are currently no issues of low demand a significant proportion of its stock is in one bed properties, which has, at times, been shown to be hard to let other associations. The black and minority ethnic (BME) population in SHG's area of operation ranges from 9.31% in Bristol to 1.38% in West Somerset.

SCHT is the lead partner in the Somer Housing Partnership.

**Viable – Regulatory Code part 1**

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

### **Housing Corporation Assessment**

The group's financial profile is dominated by SCHT. Upon the original transfer of stock in 1999, SCHT put in place a ten year programme of catch-up major repairs and improvements. Following an update of the stock condition data in 2004 some of this planned expenditure was smoothed into later years, resulting in an improved operating cash flow over the short term coupled with an extended period of weaker financial ratios (until 2009/10).

The business plan includes assumed ongoing development of 350 units per annum to maximise use of available financial capacity, whilst maintaining debt at levels that are fully funded within the current loan facility. This assumption depresses key financial ratios over the medium/long-term with, for example, debt per unit rising from £12k currently to £46k in 30 years time. Nonetheless, interest cover is adequate from 2009/10 onwards and cash flow leverage remains consistently at reasonable levels. In addition, there is clear headroom within loan covenants, which are reset annually with 10% tolerance from business plan calculations.

The group's inflation assumptions are considered optimistic, with RPI only increases shown for major repairs expenditure throughout and for management costs from 2011/12. This exposes the group to a higher level of inflation risk than that faced by the majority of its peers. Some crystallisation of this risk has already been acknowledged in SHG's 2007 annual efficiency statement.

However, our capacity model testing shows that the group's business plan has an underlying strength stretched to maximise the level of ongoing development. In particular, significant adverse movements against planning assumptions could be absorbed by reducing planned development in order to maintain the group's financial viability. Moreover, the assumption used for medium/long-term real interest rates is relatively prudent and no use has been made of permitted tolerances from target rents (+5% for general needs), both of which also represent significant contingencies.

The group has confirmed compliance with the Decent Home Standard (DHS) by 2010 and with rent restructuring by 2012.

**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 SHG board consists of nine members. The constitution of SHG allows for all member registered associations within the group to be represented on the group board. Currently SCHAT has three nominees, RHA two and BSHHA one, with three members independent of the subsidiaries. This structure is currently in the process of being changed so that SCHAT, RHA and BSHHA will each have one nominee, with five members independent of the subsidiaries and one designated place for a resident. In addition, there will be 3 independents and 3 places for either independents or additional member nominees. The new structure will more readily and equitably enable a new joiner to be represented.

SCHAT's board consists of three constituent groups: five tenants, one local authority nominee and five independent members, plus one co-optee. Consents were obtained for the changes to SCHAT articles to reduce the number of local authority board members from five to one. BSHHA board has ten members including one tenant board member. RHA's board has increased to eleven members including three residents.

SHG and its members have clear governance structures in place, including a good code of conduct and intra group agreements, which enable the group to exercise control of its subsidiaries. The subsidiaries' board membership of the SHG board enables their perspective to be expressed and for them to influence the group.

All boards have undertaken board self assessment, individually and collectively, with the chairs of the boards undertaking 360 degree appraisal and assessment against objectives set at the start of the year. A board effectiveness review is in progress which is examining the information presented to the boards and how this can be used to set continuous improvement targets for the boards themselves.

New independent board members for all boards have been recruited within the last year, through national advertising and the National Housing Federation's 'Get on Board' scheme. New members were chosen on the basis of skills and experience brought to complement the other two constituent groups. Board induction, training and development programmes are in place. Additionally, the group holds an annual conference to provide the opportunity for training, networking and discussing the future strategic direction.

In June 2007 we attended a board meeting. The board demonstrated it had the skills and experience to direct and control the organisation within the context of the group structure.

SHG's 2006/07 self-assessment compliance statement (SACS) with the Regulatory Code is comprehensive. It explicitly demonstrates compliance with the Code and identifies planned improvements, progress against which is monitored by the executive and the individual boards. Clear action plans for the coming year have also been included to investigate areas requiring further improvement.

There is a comprehensive group-wide equality and diversity strategy in place, which has been adopted by all members of the group and is due to be reviewed in 2007. Both the group and SCHAT boards include membership from the BME community.

SCHAT, RHA and BSHHA all have a strong ethos of resident involvement, with residents participating on all boards within the group. SCHAT's main consultative body is the Somer residents committee. A major review has been undertaken of the committee's role with a view to strengthening its influence on the trust's work. As a result, the composition of the committee is to become more representative of the residents population, support is to be provided by the group's company secretariat, meetings are to be synchronised with board meetings to ensure consultation on all significant issues and an accredited training programme for resident representatives in leadership, management and board member skills will be in place from January 2008. Now that 46% of the trust's board is made up of residents who are in turn drawn from the Somer residents committee, this will also help prepare and empower potential resident trustees for their role in the governance of the organisation. A consumer panel of 360 residents was established in 2005. RHA's main consultative body is the tenants liaison committee. BSHHA has residents groups at each of its projects and in the last year has recruited a tenant to its board. An accredited training programme for resident representatives in leadership, management and board member skills will be in place from January 2008.

SCHAT's tenant satisfaction overall is 80%, a slight increase on previous satisfaction levels but still slightly below the regional average of 81%. RHA's tenant satisfaction overall is high at 86%, but this represents a decrease from 90% in 2005. There has been a significant improvement in tenant satisfaction with participation, up from 55% in 2005 to 65% in 2007 for SCHAT, and up from 62% in 2005 to 78% in 2007 for RHA. However, satisfaction levels were slightly lower for under represented groups in both SCHAT and RHA.

SHG has developed a group-wide risk management strategy underpinned by risk maps for each organisation. The risk maps identify key risks, probability, current strength and capability, mechanisms to manage and the overall net risk. An annual risk day takes place with board members and senior staff.

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

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

#### **Housing Corporation Assessment**

There have been some changes to the executive team recently with the group chief executive and group director of finance leaving. The SCHAT managing director has been appointed as the new group chief executive and an external candidate appointed to the group director of finance position. The post of SCHAT managing director is currently being recruited to. SHG works openly and cooperatively with the Corporation.

Overall performance is satisfactory. Performance in most key areas has improved in 2006/07 on previous years and is generally above the regional average, with some

exceptions.

General needs re-let times at SCHAT have improved to 40 days from 41 days in 2005/06 but are higher than the regional average of 31 days. RHA re-let times have improved from 30 days in 2005/06 to 26 days. SCHAT lettings to the BME population has been broadly in line with census figures for the past three years running at 2.2%, 3.1% and 4.6% in 2006/07, but below the regional average of 6.2%. RHA lettings to the BME population are higher, at 12.5%, 23.9% and decreasing to 13% in 2006/07. SCHAT rent arrears are 2.63%, a reduction from 2005/06 and RHA arrears stand at 2.24%.

Routine repairs performance at SCHAT has shown year-on-year improvement to 96.4% in 2006/07, which is above the regional average of 92.6%. RHA's routine repairs performance has shown a dip of nearly 3% since 2005/06, but at 92.7% is still just above the regional average.

SCHAT has revised its asset management strategy to link in better with its other related policies, for example in relation to sheltered housing and garages, and to explore estate based strategies considering the options of remodelling, reinvestment, redevelopment or disposal. Subject to consultation with residents, some intra-group stock rationalisation has now been agreed, with RHA and SCHAT agreeing to manage up to 150 of each others' units over the next three years. Pre-cast reinforced concrete properties are scheduled for works in the second half of the ten year improvement programme, which is scheduled to complete in 2009. The three members of the group are at different points in the delivery of the DHS and remain confident of being able to meet the 2010 deadline. At March 2007 the proportion of stock already complying with the DHS was reported as 79% for SCHAT, 99% for RHA and 94% for BSHHA.

During the year SCHAT completed all remaining actions agreed following the Audit Commission inspection undertaken in 2004.

The group complies with the requirement to work with local authorities to enable them to fulfil their duties, as evidenced in the SACS. SHG also aims to ensure good working relationships with other statutory and voluntary agencies including the police, health providers and probation.

There is a five year programme of service reviews to achieve continuous improvement. The programme for 2007 includes group-wide reviews of equality and diversity and fundraising, together with SCHAT reviews of housing services, resident involvement and new homes and business development. The group is particularly good at external benchmarking and providing support to other associations. Performance indicators are now benchmarked against projected upper quartiles for the year in question rather than the most recent published figures. The projections are based on past trends in the relevant peer group. SHG's view is that this makes them tougher and more relevant. Back office costs have been benchmarked and self assessments of performance against the Audit Commission's key lines of enquiry have been carried out by both SCHAT and RHA. A group-wide procurement strategy has been developed following an appraisal of current methods by a purchasing specialist. SCHAT is the accountable body for the Westworks procurement consortium which covers over 90,000 homes belonging to all the major social landlords in the sub-region. The group has played a lead role in looking at cost savings through co-operative procurement practices over the next five to ten years. SCHAT and RHA have also carried out audits of their tenants in order to find out

their requirements; the results are being used to drive improvements in services that take into account the needs of the individual, for example communicating with tenants in the manner and ways that they want to communicate.

**Development** with Housing Corporation funding

**The group'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 group keeps the Corporation fully informed of problems and keeps its in-year forecasting up to date.**

### **Housing Corporation Assessment**

In 2006 SCHAT became the lead partner in the Somer Housing Partnership and has received allocations totalling £12m (480 units) for the 2006/08 period. It will be considered for future allocations via the partnership route, provided schemes meet regional priorities, offer value for money and are deliverable.

SCHAT achieved 94%, 192% and 100% respectively, of its adjusted (for any in year additions) 2006/07 start of year cash spend, rent completion and sale completion targets of £6m, 71 homes and 40 homes.

### **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 SHG:

- Meetings with the executive team and senior staff (various)
- Attendance at SHG board (June 2007)
- Monitoring of the Audit Commission inspection plan (ongoing)

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))

- 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))