



Housing Corporation Assessment

Wessex Housing Partnership (L4452)

Kingfisher Housing Association (LH4067)

HVHS Housing Group (LH0682)

Bere Forest Housing Association (L3933)

Date of publication: October 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

Green

The group 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 group

Wessex Housing Partnership (WHP) was registered in January 2006 and is the non-asset holding parent for Kingfisher Housing Association and HVHS Housing Group. WHP provides strategic direction and services for the group subsidiaries. The group aims are to provide high quality services, high quality homes and deliver new homes through growth and partnership.

The three registered members of the group are:

- Kingfisher Housing Association (KHA) was registered in 1995 to take a partial stock transfer of some 4,500 homes from Basingstoke and Deane Borough Council in Hampshire. This represented 50% of the council's stock. The association's main area of operation is Hampshire, with a limited amount of development in Wiltshire and Berkshire. It operates in an area of high capital values and low unemployment, which lead to high demand for its property. The black and minority ethnic (BME) population in its main area of operation is 4.5%. The association has, through development, increased its stock numbers to 5,400, this despite high levels of Right to Buy sales in the early years. Core objectives for KHA include growth and diversification. It achieves these through developing and managing social housing, through initiatives such as shared ownership, market renting and a subsidiary providing repairs and maintenance services.
- HVHS Housing Group (HVHS) is based in Winchester and operates throughout most of Hampshire. It owns general needs, leased, sheltered and supported housing stock, totalling around 1,500 homes. It has a particular niche in care and support services and around 22% of its stock is sheltered housing accommodation. The BME population in its areas of operation is generally low at around 3%. Paramount, a supported housing specialist, amalgamated with HVHS in 2007.
- Bere Forest Housing Association is a small non-charitable association with 17 homes in the New Forest.

Kingfisher Building Services (KBS) is a joint venture with a building firm that provides responsive repairs and maintenance for all of the group. Pennyfarthing Building Services monitors the activities of KBS and reports to KHA.

Kingfisher Homes is a subsidiary that carries out speculative housing development for the group, with three sites currently under construction. Halcyon Property Services owns and manages housing and office blocks and acts as a vehicle to deliver market rented and non social housing activities.

WHP is planning to join the Sovereign Housing Group through an amalgamation process and Kingfisher and HVHS will amalgamate at the same time. Provisionally this is planned for April 2009.

WHP is currently part of the Sappling development partnership.

Viable – Regulatory Code part 1

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

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The group's 2008 financial plan shows that Wessex's financial condition is satisfactory. This position will continue as operating margins are returned within the medium quartile for South East RSLs and surpluses are expected to remain stable after debt servicing. Its financial performance and cash-flow strengthen over the short to medium term. The financial forecast projects that its total turnover will increase at an average of 3.5% per annum throughout the 30-year forecast with a larger increase within the first few years of the forecast. This is primarily due to new units being developed, as well as the impact of rent restructuring.

Debt levels are expected to increase to fund its development activity and Wessex has recently renegotiated its funding requirements in anticipation of this increase and currently has funding for the next five years. The EBITDA interest cover (which the Housing Corporation uses to assess an associations' ability to meet interest payments) while in the lower to medium levels is satisfactory and EBITDA MRI, which eliminates the impact of different accounting treatments for works to existing properties, is at acceptable levels.

Wessex has made an assumption that its cash flow will be further strengthened by shared ownership sales. At the end of September 2008, Wessex reported that 42 homes remained unsold after three months with 16 unsold after six months. However, against the background of adverse housing and financial markets, it will continue to be a significant challenge for the group to deliver its new homes targets whilst ensuring that the projected improvement in its financial strength is not put at risk. In light of this, Wessex is updating its business plan and reviewing its economic assumptions to better reflect the challenging market conditions and falling asset values.

The board continues to monitor Wessex's financial position closely in order to manage the increased risk that the current uncertainty within the housing and capital markets presents. This review, together with the fact that the association has cash at the bank, as well as recently securing additional loan facilities should enable remedial measures to be adopted at an early stage, if necessary.

The group's financial plans show that funds are available to carry out the necessary work to meet Decent Homes Standard by 2010. 95% of stock now meets the standard.

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 of WHP consists of the group board with subsidiary boards

for KHA and HVHS. There are other boards for the non registered subsidiaries. Group-wide committees cover audit and remuneration. WHP has a memorandum of understanding with the constituent parts of the group to ensure all parts of the group understand their roles and responsibilities.

The WHP board of ten is made up of four KHA nominees, two HVHS nominees and four independents. The WHP board has a relevant mix of skills and experience. The gender balance on the board is eight male and two female. One board member is from a BME background. Although the board could benefit from more diversity it meets our requirements.

At subsidiary level, KHA has a board of 12, with a range of skills and experience. The current membership includes two councillors, three KHA tenants and six independents. The HVHS board has a mixture of relevant skills and experience and has recently integrated new members from Paramount.

WHP has demonstrated a commitment to tenant involvement. KHA supports a tenants' federation, resident groups, resident forums and an annual tenants' conference. Resident involvement impact assessments have been developed further and resident auditors have been used to review services such as response repairs. HVHS is committed to involving tenants and has tenant board members and a tenants panel. A group-wide residents' conference was held in early 2008.

WHP has an established risk management framework which identifies and assesses risk and puts in place actions to manage risk. The group undertakes a full annual review of the risk map, with quarterly updates. Part of the control environment is a cross check between the risk map to the business plan. The controls are also linked to the internal audit programme. The group has reviewed risk as a result of the current operating environment and identified sales and disposals as key risks. As a result there are revised assumptions about development and sales and increased board scrutiny of key risks.

WHP's self assessment of compliance for 2007/08 concluded that the group complies with the Regulatory Code. The statement was comprehensive, well evidenced and clear about compliance. The performance of the members of the group was identified.

WHP has an equality and diversity policy and action plans, which include training that is being delivered across the group. The group chairman is the equality and diversity champion and there is a staff group which has a remit to provide internal challenge on equality and diversity performance. Equality and diversity across the group will be subject to a best value review in 2008.

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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WHP has an experienced and qualified executive team. It places a strong emphasis on staff development as a means to providing high quality services.

Housing management performance is generally satisfactory and improving. However, there are two areas where performance within the group is less than satisfactory. The HVHS response repairs performance fell to only 85% completed within target for 2008 but an improvement to 90% has been reported recently. This brought the overall group score down for the period in question and puts WHP below the national average whereas it was previously above the average. The other performance indicator which shows continuing weak performance is resident satisfaction with opportunities to participate at KHA.

WHP works closely with local authorities and other agencies in its areas of operation. KHA works with Basingstoke and Dean council to tackle anti-social behaviour. KHA and the council have a neighbourhood warden scheme in the borough.

HVHS has good relationships with local authorities in its areas of operation. It has assisted local authorities with the reduction in the use of bed and breakfast accommodation and also provides a specialist housing service to women who have experienced domestic violence.

Since the group was formed it has made satisfactory progress in the delivery of service improvements. A group wide customer care policy has been adopted and work is underway to improve response repairs performance, particularly at HVHS. The group has had a rolling programme of best value reviews for some years and has a forward programme for the next few years.

Development with Housing Corporation funding

The group 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.

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WHP is a member of the Sappling partnership which is a Housing Corporation investment partnership. Sappling received a total allocation of £35m for 2006/08. HVHS received an allocation of £3.1m and KHA an allocation of £0.4m for 2006/08.

In 2007/08 KHA exceeded its allocation target by achieving a total allocation take-up of £6.3m. The extra allocation take-up was due to a number of new schemes agreed during the year. The total expenditure for 2007/08 was £3.6m against a target of £1.2m. This led to the completion of 211 homes which exceeded the target of 60.

HVHS achieved its target spend of £1.2m and completed 49 homes which exceeded the target of 47.

In 2007 a scheme audit was carried out on a KHA scheme at the Osborne School site in Winchester. The results showed that the scheme met the Housing Corporation requirements in terms of build quality and procedural compliance.

An impact assessment was also carried out on the Osborne School site. This concluded

that it was well designed and built to a high standard and that the residents were very satisfied with the location and external appearance of the properties.

WHP will continue to be considered for allocations, providing schemes are desirable, meet regional priorities and offer value for money.

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 WHP:

- Meetings with the chief executive (June 2008 and August 2008)
- Meeting with the executive team and chair (January 2008)
- Annual Viability Review (March 2008)
- Compliance audit (2007/08)
- Impact assessment (2007/08)

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)