



Housing Corporation Assessment

Progress Housing Group (LH4189)

New Progress Housing Association (LH4032)

Progress Care Housing Association (LH4188)

Date of publication: March 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'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

Progress Housing Group (PHG) was formed in 1998 and comprises:

- PHG - the registered parent body for the group which provides administrative, development and financial services to the group, operates the Property Services Division and provides shared ownership and market rent properties.
- New Progress Housing Association (NPHA) - a charitable registered association established in 1993 to take the transfer of South Ribble Borough Council's housing stock. It currently owns and manages all of the group's general needs and sheltered housing stock of approximately 3,700 properties.
- Progress Care Housing Association (PCHA) - a charitable registered association established in 1998 which owns and manages non grant funded supported housing stock for people with learning difficulties and a women's refuge in Leyland, a total of approximately 2,000 units.

The group generally operates in areas with a low black and minority ethnic (BME) population with the majority of stock being in areas with a BME population of less than 2%. Demand for the original transfer properties continues to be satisfactory.

PCHA is a leading national provider of non grant funded supported housing through the development of a model of independent living for individuals with learning difficulties. This is an alternative form of supported housing where the housing association carries out the landlord function and external care and support providers are responsible for the tenants' personal support. PCHA's stock is geographically widespread. Activity is currently concentrated in the North West, Yorkshire, Scottish Borders, Lincolnshire, Norfolk and Suffolk and Devon and Cornwall. PCHA, has secured new business in this area through its work with a consortium that successfully bid to work with Leeds City Council on an independent living private finance initiative (PFI) project. The scheme involves the re-provision of 340 units of accommodation for people with learning disabilities and mental health needs across Leeds.

PHG is further involved in non-grant funded activities providing over 500 units of NHS key worker accommodation in Lincolnshire. PHG is also continuing to develop other business opportunities through expansion of the work of its Property Services Division to other housing associations and private households, market rent and extra care provision. The generation of new business through partnerships and the provision of services continue to be key business aims.

PHG's vision is 'to be a leading organisation, providing high quality housing and related services for all customers; we value diversity and are dedicated to serving and involving customers, partners and staff.'

PHG is a member of the Riverside partnership which is led by the Riverside Group.

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 current financial projections demonstrate a sound financial position with the group continuing to project strong growth over the life of the forecast. Comfortable levels of operating surplus mean that key financial ratios such as operating margin and EBITDA interest cover, which the Housing Corporation uses to assess the group's ability to meet its interest payments, are both in the upper quartile range of northern associations and groups. The EBITDA ratio is still high after adjusting for capitalised major repairs reflecting that the level capitalised is low relative to overall expenditure. In cashflow terms, the group will generate ample cash in order to be able to service its debt.

Changes to the group, made during 2006/07, have produced a far more tax efficient structure with resultant savings of around £50 million in corporation tax over the life of the business plan. Only nominal levels of tax are expected over the next 5 years and this, coupled with amounts transferred from reserves, will enable the group to build up much higher levels of accumulated surplus than had been anticipated in the previous forecast.

Over the next 5 years, the group is predicting growth of over 300 units, the majority of these being new supported housing properties. The build phase of the key worker scheme for NHS employees in Lincolnshire will shortly be completed, bringing the total number of units in the scheme to 590. The group has made extensive use of Section 106 schemes and will add a further 75 units via this route. A small amount of grant funded development is also planned. However, no further market rented properties will be added to the portfolio and the group is planning to gradually divest itself of the market rented stock.

Further growth over and above that in the current forecasts is also likely. PCHA is a member of the Leeds Independent Living Accommodation Company consortium selected for a significant supported housing PFI in Leeds. This will be a £60 million multi-site project with financial close expected in April 2008.

The group has sufficient borrowing facilities to fund its development plans. The group also has substantial amounts of unutilised security.

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 boards of PHG and its subsidiaries comprise members with a wide range of skills and experience and a good level of knowledge and understanding of the business. Boards have been strengthened further following the recruitment and induction of an influx of new members across the group. The group board is strategically focused and is actively involved in shaping a long-term vision for the further development of the group. They receive regular reports on progress against business and operational plans. The working relationship between boards and the senior management team is effective.

The group regularly assesses its governance arrangements and has recently reviewed and assured itself on compliance with the National Housing Federation Code of Governance.

Independently facilitated individual and full board appraisal processes are in place.

The board produced a robust and comprehensive self-assessment statement of compliance against the Regulatory Code. The submission included outcomes from all parts of the group that demonstrated both compliance and a clear commitment to continuous improvement.

We are satisfied that the group complies with the Corporation's resident involvement requirements. The group has worked hard to ensure effective tenant participation and a variety of involvement mechanisms are in place. The development of a range of materials particularly suitable to PCHA clients has resulted in larger numbers of PCHA residents becoming involved in decisions affecting their homes. The success of the group's involvement work was supported in the most recent Audit Commission inspection which concluded that PHG was a customer focused organisation that listens to customer feedback and that its residents are increasingly involved in managing and developing services. The current tenant satisfaction level with opportunities to participate falls within the upper quartiles of performance at 79%.

PHG demonstrates a strong corporate commitment to improving equality and diversity. Following an independent review of its equality and diversity activities, the group has now completed the implementation of a series of recommendations aimed at improving its approach. This included setting new targets on employment of, and lettings to, people from BME communities. Updates indicate that good progress towards meeting targets is being made. The group is compliant with the requirements of Good Practice Note 8.

The group has an appropriate approach to risk management. It undertakes annual reviews of risk throughout all levels of the organisation. It has a robust appraisal methodology in place for its non-grant funded supported housing and has provided assurances with regards to its risk assessment of new business activities.

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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PHG has a strong and committed senior management team that has a good understanding of the context within which the group operates. A thorough strategic and operational planning process is in place which is supported by an integrated performance management framework that ensures strategic objectives are effectively delivered through business and operational plans.

The group was inspected by the Audit Commission in December 2006. The inspection concluded that PHG provided a good housing service and had promising prospects for improvement. The inspectors praised several aspects of the group's service including, its approach to anti-social behaviour, the high quality housing support services provided to help residents live independently in the community and the strong emphasis on improving and maintaining homes and making estates sustainable places where people want to live. The inspection concluded that the group has a strong approach to improvement planning and performance management. The group has made timely progress in addressing the inspection report's recommendations for further improvement and work in this area is substantially complete.

A review of published performance indicators for the period to March 2007 indicates generally high levels of performance. Performance meets both local and national upper quartile levels for arrears, relet times and voids levels. Repairs performance falls in lower quartiles but trends demonstrate year on year improvement. The latest published information indicates that approximately 94% of the group's stock meets the Decent Homes Standard. The group has plans and finance in place to ensure full compliance by 2010. Current overall tenant satisfaction levels fall within upper quartiles at 88%.

A review of the suite of strategies and plans that together defined the group's approach to asset management has resulted in the production of a comprehensive asset management strategy and implementation plan. The approach encompasses the capture and management of hard stock condition data, softer housing management related information and external influences that can impact on the management of a sustainable and viable asset base and uses it appropriately to populate investment and business plans.

PHG has recognised anti-social behaviour as a significant challenge and has developed a response based around prevention and control. It has developed a community investment strategy and has set up partnerships with the police and other agencies aimed at combating the causes of anti-social behaviour. The group has adopted the Respect standard for housing management.

PHG works closely with a number of local authorities, and in particular with South Ribble Borough Council, on a variety of issues including community cohesion, community safety and combating anti-social behaviour. Both PCHA and NPHA do a considerable amount of work with vulnerable people, providing valued support to facilitate independent living. The group performs well in terms of assisting local authorities in discharging their duties to homeless people. NPHA utilises a choice based lettings system. The group has a positive and open relationship with the Housing Corporation.

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.

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For the 2006/08 National Affordable Housing Programme (NAHP) the group has chosen to work with the Riverside partnership and within it, received allocations totalling £329k.

For 2006/07 the group achieved a spend of £91k against a target of £109k (this shortfall was due to a cost saving which resulted in a grant reduction of £18k) and completed 2 homes against a target of 2. Not all quarterly targets were met.

This group will be considered for future allocations through the Riverside partnership subject to capacity, and a programme of schemes that meet regional priorities and offer good value for money. The Riverside partnership will be the Housing Corporation point

of contact for all programme management issues.

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 Progress Housing Group:

- Executive management team contacts, (March 2007 and February 2008)
- Attendance at group board meeting, (September 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)