

# **Tenant Services Authority Regulatory Judgement**

**Progress Housing Group Limited, (LH4189)**

**New Progress Housing Association, (LH4032)**

**Progress Care Housing Association, (LH4188)**

**New Fylde Housing, (LH4284)**

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# Tenant Services Authority Regulatory Judgement

The Tenant Services Authority (TSA) has prepared this report to set out its overall assessment of the association's compliance with the regulatory framework for registered social landlords (RSLs). These requirements are set out in the Regulatory Code and Guidance established by the Housing Corporation which will remain in place until new standards are determined by TSA.

The report sets out the TSA's view as to whether the organisation is:

- **VIABLE**
- **PROPERLY GOVERNED**
- **PROPERLY MANAGED**

In preparing this report the TSA has placed reliance on the completeness and accuracy of information supplied to us, and prior to 1 December 2008, to the Housing Corporation, 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.

The TSA is the Regulator of Social Housing. This report has been compiled to assist the TSA in its statutory duty of regulation of Registered Social Landlords. Our report makes clear to the association's board the conclusions we have reached regarding the association's compliance with the Regulatory Code.

The TSA 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 was formed in 1998 and comprises:

- Progress Housing Group (PHG) - the registered parent body which delivers administrative, development and financial services across the group and provides shared ownership and market rent properties. PHG is also responsible for running the Property Services Division which delivers repairs and maintenance services across the group and to other housing associations and private households.
- New Progress Housing Association (NPHA) - a charitable association registered in 1994 to take the transfer of South Ribble Borough Council's housing stock. It owns and manages approximately 3,700 general needs and sheltered homes.
- Progress Care Housing Association (PCHA) - a charitable registered association established in 1998 which owns approximately 720 stock which are mainly non-grant funded supported homes for people with learning difficulties and a women's refuge in Leyland.
- New Fylde Housing (NFH) - a non-charitable registered association established in 2000 to take the transfer of Fylde Borough Council's housing stock. It owns and manages approximately 1,850 homes. Sheltered and supported homes make up around a third of its stock, the rest are general family accommodation. It joined PHG in April 2009.

The group generally operates in areas where the Office for National Statistics population estimates for 2006 showed that the black and minority ethnic (BME) populations were less than 6%. Demand for the group's properties is generally strong but with pockets of lower demand for some sheltered housing units.

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 and mental health issues. 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 is currently expanding its operations in Leeds. It is a key member of a consortium that is part way through delivery of a £65m private finance initiative scheme. 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 600 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, market rent and extra care provision. The generation of new business through partnerships continues to be a key business aim.

PHG agreed its new vision in April 2009 as, 'to be the housing provider of choice.'

**Viable** – Regulatory Code part 1

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

### **TSA Regulatory Judgement**

The group is financially strong with good levels of operating margins and EBITDA, which the TSA uses to assess an association's ability to meet interest payments. Cashflows from operating activities are anticipated to continue to cover interest costs. Gearing levels across the group are high (+60%) but are forecast to reduce over the next five years. No issues of concern were raised in the 2007/08 annual accounts or management letters for the group.

Group members comply with the requirements of the rent influencing regime and will achieve convergence by 2012. The majority of PCHA's properties are exempt from rent restructuring. At the end of December 2008, Decent Homes Standard (DHS) compliance was almost 100% across the group with the exception of NFH which was 87% compliant. Financial and operational plans are in place to achieve full compliance by 2010.

The entry of NFH into the group in April 2009 means a significant increase in its stock holding and the opportunity to improve efficiencies and cost effectiveness across the group through the sharing of central services. In particular the anticipated cost savings to NFH should improve its financial position and ensure covenant compliance. However, the financial forecasts provided demonstrate that the merger will result in a short-term deterioration in the group's performance, due to the need to meet DHS within NFH and to fund group set-up costs. After two years the group's financial strength is forecast to improve following the completion of the DHS works and with the impact of efficiency savings.

All members of the group complied with their lenders' loan covenants for 2007/08 and forecast continued covenant compliance for 2008/09. The group's lenders have given consent to the inclusion of NFH into the group and have not required a review of existing funding arrangements. NFH's lenders have given consent to the proposals however they have imposed a significant increase in margins on the existing debt.

The group is a member of the Riverside Development Partnership and NPHA has been awarded allocations of £1.3m by the Homes and Communities Agency from the 2008/11 National Affordable Housing Programme, (NAHP). The TSA considers these plans affordable. Owing to NPHA's modest development aspirations and the nature of the development activity (schemes for rent), conditions in the housing market do not currently present a threat to the group. The net cost of the schemes will be funded through a combination of gift aid and loan finance. The group has loan facilities available to fund NPHA's 2009/10 development aspirations and it is confident that gift aid proposals can still be achieved.

NFH is a member of the Northern Lights development partnership and has been awarded an allocation of £1.3m in the 2008/11 NAHP. A further bid for grant of £5.4m, to fund a major refurbishment programme, has been approved. The most recent credit market survey shows that the necessary funding is in place to cover the association's borrowing requirements and there is adequate security available to

enable the drawdown of loans.

PCHA is forecasting the development of 262 non-grant funded supported housing units over the next five years at a cost of £23m. This development will be funded from loan facilities. PCHA had £37m of unutilised loan facilities at the end of June 2008. In addition NFH is forecasting the development of 320 units over the next five years.

The group has sufficient amounts of unutilised security available and does not have any financial derivatives in place.

#### **Properly governed – Regulatory Code part 2**

**The governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation.**

#### **TSA Regulatory Judgement**

The TSA is satisfied that PHG's governance framework meets our expectations in terms of structure, quality of board and in its approaches to equality and diversity, risk and resident involvement.

The membership of the group board has been expanded to accommodate the inclusion of NFH nominations. It now has 15 members comprising 8 independents, 2 nominees from each of NPHA and PCHA and 3 nominees from NFH. The group has indicated that it will review governance arrangements in the future with a view to reducing the overall size of the group board and ensuring that recruitment becomes increasingly skills driven.

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 their businesses. The group board is strategically focused and is actively involved in shaping a long-term vision for the further development of the group. It receives regular reports on progress against business and operational plans. The working relationship between boards and the senior management team is effective.

Independently facilitated individual and full board appraisal processes are in place. Each board member has a personal development plan. All board members are remunerated. There is tenant representation on all boards except PCHA where an exemption has been granted because of the nature of the association's client group. PCHA has put a number of appropriate alternative mechanisms in place to ensure that its tenants can still influence at a strategic level.

The board produced a reasonable self-assessment statement of compliance against the Regulatory Code in 2008. The submission focused on in-year improvements. Performance information and details of in-year activity were, in the main, used well to demonstrate compliance and continuous improvement.

The TSA is satisfied that the group complies with its resident involvement requirements. Subsidiaries utilise a variety of involvement mechanisms to maximise tenant engagement. The group's most recent Audit Commission inspection report published in 2007 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. PCHA has developed a range of materials which

are particularly suitable to its client group and this has resulted in larger numbers of PCHA residents becoming involved in decisions affecting their homes. Tenant satisfaction with opportunities for involvement at PCHA is high at 87%. However 2007 status survey results show satisfaction with opportunities for involvement within NPHA at 60% which is third quartile performance. NPHA is responding to this result by reviewing, improving and increasing various elements of its involvement framework and enhancing the methods it uses to publicise the impact of its involvement work to tenants. Satisfaction with opportunities to participate within NFH stands at 66% which falls into the national second quartile.

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 TSA requirements in this area.

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.**

#### **TSA Regulatory Judgement**

PHG is meeting TSA expectations on management. It is committed to providing good quality homes and services and makes a significant contribution towards assisting local authorities to fulfil their duties to various groups of vulnerable people. Services within the pre-April 2009 group are good and work is now focussing on improving services to tenants at NFH.

PHG has a strong and committed senior management team that has a good understanding of the context within which the group operates. The group has a positive and open relationship with the TSA.

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.

PHG, then comprising NPHA and PCHA, was inspected by the Audit Commission in December 2006. The inspection concluded that it 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 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. A number of areas for improvement were identified, these included, making service standards more comprehensive, increasing the number of appointments for repairs and extending

service cost and quality information to ensure value for money improvements. The group completed the implementation of an action plan addressing the inspection report's recommendations for further improvement in June 2008.

A review of published performance indicators for the period to March 2008 indicates generally good levels of performance across the group. Performance in NPHA meets national upper quartile levels for DHS, arrears, re-let times voids levels and satisfaction with repairs and maintenance. Overall satisfaction at NPHA falls into the top quartile at 85.1%. Performance at NFH is mixed with voids, arrears and satisfaction with repairs and maintenance all within upper quartiles but DHS, re-let times and overall satisfaction in lower quartiles. Part of the rationale for NFH joining PHG is to use consolidated resources and group expertise to improve services to tenants. Targets for improvement have been set and boards and tenant forums are set to review progress on a six monthly basis. The latest 2008 status survey of PCHA tenants indicates that overall satisfaction is within national upper quartile levels at 91%.

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. All members of the group are involved in the development of new homes.

### **Sources of information and regulatory activity**

The following information is generally received from all associations and is reviewed by the TSA (and prior to 1 December 2008, the Housing 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
- Financial forecasts
- Performance indicators

- Regulatory and Statistical Return

In addition to the above, the following specific activities were carried out for Progress Housing Group:

- Executive management team contacts, (August and November 2008);
- Assessment and approval of incorporation of New Fylde Housing into the Progress Housing Group structure, (January and February 2009);
- Quarterly credit and housing market survey.

Additional information about the association can be accessed on the TSA website, the Housing Corporation legacy website and other websites and may include:

- Performance indicator information ([www.housingcorp.gov.uk](http://www.housingcorp.gov.uk))
- Inspection reports ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk))
- Extracts from the Public Register ([www.tenantservicesauthority.org](http://www.tenantservicesauthority.org))
- 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))