

Tenant Services Authority Regulatory Judgement

Wulvern Housing Ltd L4371

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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 association

Wulvern Housing Ltd (Wulvern) was formed in March 2003 to receive a whole stock transfer from Crewe and Nantwich Borough Council (CNBC) and currently owns approximately 5,300 homes. It has recently started to work outside the CNBC area.

The local authority area comprises of two main towns; Crewe and Nantwich, where the majority of the population lives. The remainder of the area comprises of urban villages and rural areas. A high proportion of the population is economically active when compared to many other areas in the North.

Wulvern's homes are mainly concentrated in the two towns and generally there is a strong demand for its stock.

According to the 2001 census, less than 2% of the local authority area population is of black and minority ethnic origin, although in recent years there has been a significant influx of predominantly white migrant workers from middle and eastern Europe and some communities have now become established.

A recent survey shows that over half of the association's tenants are aged 60 years or over, with a significant proportion suffering from a disability or in need of support.

Wulvern has three stated corporate objectives within its existing corporate plan:

- Growth
- Service Delivery
- Sustainability.

These objectives link directly to its purpose which is 'to provide affordable homes against demand that are well maintained and help customers pay and stay'.

Wulvern has one unregistered, wholly owned subsidiary, the recently formed Wulvern Platform Ltd, which will undertake a variety of commercial activities, provide a range of new services for a wider customer base and manage most of Wulverns' development programme. It is intended that profits generated will be gift aided back to Wulvern and used for various community development initiatives.

Viable – Regulatory Code part 1

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

TSA Regulatory Judgement

During 2007/08, Wulvern successfully completed its initial 5 year repairs and improvement programme in line with expectations and within budget. The current business plan is fully funded, and demonstrates that the association is both on target to meet the Decent Homes Standard (DHS) by 2010 on all of its housing stock, and that it complies with the expectations of the TSA on rent influencing. It is forecasting that it will continue to operate within its agreed loan facilities and comply with lenders' covenants.

Wulvern has a track record of delivering its promises to tenants and operating within

the parameters of its business plan. It performed ahead of budget in 2007/08, realising a lower deficit than forecast, partly due to improved income on Right to Acquire, reduced overheads, and savings in the delivery of the improvement programme, although some work was rescheduled to 2008/09. Wulvern's current net deficit position is typical for a relatively new stock transfer association, but is ahead of the original business plan expectations in terms of underlying debt requirements for delivering its initial programme of improvements and meeting promises made to tenants at the point of transfer.

Future turnover growth will reflect real rent increases as it moves towards target rents, coupled with a gradual increase in stock as the planned number of new units more than offsets the projected level of Right to Buy (RTB) sales. Wulvern has no material concerns in complying with TSA expectations on rent influencing as average rents are currently below target levels. Rents on re-let properties are set at target levels and this will have a positive impact on rental income in the business plan.

Despite completing its initial programme of repairs and improvements, Wulvern recognises that there is still a significant amount of work to be done to improve the stock, albeit at much reduced levels than the original programme. The forecasts are supported by a rolling stock condition survey and will ensure that it meets DHS in full by 2010, having increased compliance from 91% to 95% during 2008.

Wulvern is on target to realise operating surpluses from 2009/10 as it moves from an initial improvement programme during which total costs per unit were expectedly high, to an ongoing and prudent level that is in line with the median level for stock transfer associations. The current loan facility is £100m. It has sufficient funding in place to supplement its steadily improving operating cash flows in order to pay interest costs prior to reaching peak debt of £98m in 2014. EBITDA interest cover, a measure that the TSA uses to assess an association's ability to meet interest payments, is in line with expectations, and will steadily rise above 100% as operating cash flows are set to exceed interest payments from 2015.

Wulvern's success in completing an initial 5 year improvement programme without fully utilising its original loan facility has provided it with an opportunity to embark upon a modest development programme that will enable it to offset the impact of RTB sales on overall stock numbers. It is a member of the Engage360 development partnership. Not all of Wulvern's current development plans are contractually committed, and, with a small number of shared ownership units completed during 2008 remaining unsold, the association has been proactive in discussing with the local authority the potential for converting some properties to rent. In addition, Wulvern is re-phasing its remaining development plans to maximise the benefits of the current contracting climate – i.e. taking advantage of lower cost and/or good deals where available, and not progressing shared ownership schemes until the market eases. Wulvern has no concerns at this time with regards to its current facilities or ability to meet covenants.

Wulvern has carried out a detailed sensitivity analysis that identifies long term interest costs and management/repairs as areas where a 1% increase would have just a marginally negative impact on the level of peak debt. Our analysis supports this view. As such, there is sufficient flexibility within the plan to accommodate an adverse outcome in these key areas.

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 Wulvern's governance framework meets our expectations in terms of structure, board experience and skills and in its approaches to risk management, equality and diversity and resident involvement.

In 2008 Wulvern completed a number of changes to its governance arrangements to ensure it was efficiently and effectively governed and had the necessary skills and expertise needed to successfully deliver the future plans for the organisation. These changes involved a reduction in the size of the board, the rationalisation of the sub-committee structure and the setting up of an unregistered subsidiary.

The board of Wulvern was reduced from fifteen members to twelve and it now comprises three local authority nominees, four tenants and five independents. The board is supported by a sub-committee structure, comprising audit, remuneration and nominations sub-committees. Wulvern is compliant with our requirements concerning tenant representation at board level.

In December 2008 an internal audit of the new governance structure was completed and concluded that the changes that had been implemented were satisfactory.

The board has an appropriate range of skills and experience, a clear commitment to continuous improvement in governance and is actively involved in determining the strategic direction of the association. It also has a robust board member appraisal system in place and an ongoing training programme based on the outcome of the appraisals. Independent board members are remunerated.

The unregistered subsidiary, Wulvern Platform Ltd, has its own board comprising of five members.

Wulvern has a risk management framework in place that highlights key risks and how they are to be managed. Risk panels have been established throughout the organisation to review all new projects. Operational and strategic risks are reviewed quarterly and monitored by the board and audit committee.

The Wulvern board produced a satisfactory self assessment statement of compliance against the Regulatory Code for 2007/8. It confirmed it's continuing compliance and demonstrated the effectiveness of its approach to continuous improvement.

Wulvern meets the TSA's requirements on equality and diversity and has gender and disability action plans. Within the organisation, these values are driven by a member of the senior management team and overseen by a board champion. The association's equality and diversity strategy provides the framework for diversity within the organisation and its work in promoting community cohesion was acknowledged, when it became a finalist in the CIH 2007 UK housing awards for its work with partners on a local migrant workers support project.

Wulvern continues to demonstrate a strong commitment to customer focus and engaging with its tenants and has an established framework for customer participation within the organisation. It has a wide range of innovative approaches to ensure the widespread involvement of tenants and a variety of opportunities for

them to input into the development, improvement and monitoring of services. A good illustration of this is the recent creation of a tenants scrutiny panel in the organisation. Wulvern is compliant with TSA requirements in respect of resident involvement.

Properly managed – Regulatory Code part 3

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

TSA Regulatory Judgement

The association has a strong senior management team with a good understanding of the organisational challenges and the context in which the association works. The current team has now been in place for approximately three years and has a good and productive working relationship with its board, the TSA, and with numerous external partners and stakeholders. The board, supported by the team, is now looking at the most appropriate organisational structures to take advantage of opportunities in the current operating climate.

Wulvern has adopted a systems thinking approach across the organisation which puts customers at the centre of all its service provision and shapes services to meet the needs of the customers. Service delivery is one of the corporate priorities of the organisation and a plan is place which sets out how services will be delivered over a three year period. The creation of the new tenant scrutiny panel will review performance and help shape service provision in the future.

2008 performance indicators for Wulvern show continued stability and consolidation for the organisation. Average re-let times continued to be an issue and remained in the lowest quartile, however, there is evidence of ongoing improvement in this area with noticeable reductions in vacant dwellings.

Wulvern has a continuous improvement strategy that is based around the systems thinking approach and progress is reviewed on an ongoing basis as the new approach is rolled out across all service areas. There is a growing evidence base that the systems thinking approach is starting to deliver improved performance.

Customer satisfaction levels for the services Wulvern provides are comparable to that of associations of similar size and background in the North West and overall its tenant satisfaction levels compare satisfactorily with national averages. In late 2008, it carried out its own survey which demonstrates increasing satisfaction levels. Overall tenant satisfaction with the service has increased from 77% in the 2007 status survey to 91%, whilst satisfaction with property condition has increased from 76% to 80% and satisfaction with repairs has increased from 74% to 82%, all over the same period.

Wulvern has an asset management strategy in place and it has now delivered its five year improvement programme on time and in line with original budgetary expectations. A key element of the strategy is a ten year sheltered housing and older person's strategy which includes a mix of refurbishment and redevelopment of existing stock. Progress on the first stage of this has been good, with one sheltered scheme having been demolished and redeveloped to provide extra care apartments. Plans are being progressed to develop a 250 unit retirement village.

Wulvern continues to work productively with a range of other stakeholders in the area and its work in forming partnerships is a key strength of the organisation. This was demonstrated in 2008, when in partnership with CNBC and Pathways Community Interest Company, it won a Sustainable Communities Environmental Initiative of the year award for its work in tackling worklessness. Cheshire County Council will split into two new unitary authorities from April 2009 and Wulvern has already started to build a good working relationship with the newly created shadow East Cheshire local authority.

The association has managed the homelessness service for CNBC since transfer and currently provide and manage homeless accommodation on behalf of CNBC. This has been a successful area of their operations and this was recognised by a Department for Communities and Local Government best practice award for their work in helping tackle homelessness.

Wulvern is working in partnership with other associations and partner local authorities on a choice based lettings initiative and it is envisaged this will be fully implemented later in 2009.

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 Wulvern Housing Ltd

- Meetings with executive team (February 2008 - January 2009)
- Attendance at board meetings (February 2008)
- Annual Viability Review (January 2009 - based on thirty year capacity model)
- Quarterly credit and housing market survey (October 2008)

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)
- Inspection reports (www.audit-commission.gov.uk)
- Extracts from the Public Register (www.tenantservicesauthority.org)
- Rent information and other key facts and figures (www.rsrsurvey.co.uk and www.dataspring.org.uk)