

Tenant Services Authority Regulatory Judgement

New Charter Housing Trust Ltd. LH4265

**New Charter Homes Ltd. LH4266
Aksa Housing Association Ltd. LH3917
Gedling Homes Ltd. L4532**

Date of publication: January 2009



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

New Charter Housing Trust Ltd was registered in March 2000. It owns and manages around 18,000 homes in 5 local authority areas and comprises:

- The non-asset owning parent, New Charter Housing Trust Ltd, (New Charter).
- New Charter Homes Ltd (New Charter Homes) which owns and manages around 14,400 homes transferred from Tameside Metropolitan Borough Council in March 2000. These homes were originally split between the now merged and renamed entities, New Charter North and New Charter South.
- Aksa Housing Association Ltd (Aksa) was registered in 1990 to increase access to rented accommodation for black and minority ethnic (BME) communities. It owns and manages around 600 homes in Oldham, Bury, Manchester and Tameside. It joined the group in 2005.
- Gedling Homes Ltd (Gedling Homes), a stock owning charitable company set up to receive the transfer of Gedling Borough Council's housing stock in November 2008. The association owns and manages around 3,400 homes.

New Charter also has one unregistered subsidiary New Charter Building Company which provides responsive maintenance and void repairs. It has also undertaken a significant proportion of capital programme works during the New Charter Homes transfer improvement programme. In addition it provides services to a number of other housing associations and private sector clients.

The group's mission statement is 'great homes, great neighbourhoods, great people'.

The group provides mainly general needs housing for rent, including some sheltered accommodation, in mainly suburban areas. The BME populations of Tameside and Gedling at 5.4% and 3.8% respectively (2001 census) are below the national average. There are no significant demand problems for the group's stock but both New Charter Homes and Gedling Homes have some low demand bed-sit accommodation. Aksa works in areas which have suffered from market decline and are vulnerable to low demand. It primarily works in communities with a higher than local average BME population and, as there is a shortage of appropriate housing for BME groups, its properties are generally not difficult to let.

Viable – Regulatory Code part 1

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

TSA Regulatory Judgement

New Charter has continued to deliver the promises made to tenants at transfer and has outperformed its business plan in a number of areas, allowing additional resources to be devoted to areas such as environmental works. The latest business

plan has been approved by funders and is based on achieving full compliance with both Decent Homes Standard (DHS) and rent influencing requirements. The assumptions underlying the plan are considered reasonable. Some efficiency savings are anticipated in relation to management costs, but sensitivity testing confirms that these are not business critical. The group's current peak debt, including the newly acquired Gedling Homes stock transfer, is estimated to be £314m, against total loan facilities of £338m. Lenders have confirmed that the admission of Gedling Homes to the group will have no effect on the current covenant structure or lending terms enjoyed by New Charter, i.e. there is no material change to the underlying credit of the group.

The entry of Gedling Homes into the group means a major increase in the stock base and hence opportunities for immediate efficiency savings through the sharing of back office services. Further savings in areas such as group-wide procurement should also be possible over time, with Gedling Homes forecast to spend £185m on stock improvement and maintenance over the next thirty years.

The Gedling Homes transfer is based on an independently verified business plan which incorporates gap funding of £13.7m over 6 years and a separate loan facility of £35m. The latter has been hedged through forward fixings and, together with the similar arrangements entered into by the original transfer subsidiary, the group overall enjoys a high level of protection from interest rate fluctuations.

New Charter Building Company continues to be profitable and has succeeded in increasing its income from external sources. During the year to March 2008 it was able to donate £1.1m in gift aid to Aksa.

New Charter is a member of the JV North development partnership and to date has been awarded allocations of £3.1m from the 2008/11 National Affordable Housing Programme. Owing to the modest scale and nature (schemes for rent) of its development activity, conditions in the housing market do not currently present any threat to the business. The group's current loan facilities include some funding for new development and it is not currently impacted by the much tighter credit regime operating in the sector. If these conditions persist the group's medium term development strategy will be more difficult to fund as new loans prove increasingly difficult to access and margins become significantly more expensive.

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 New Charter'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.

On incorporating Gedling Homes into the group and merging New Charter North and South subsidiaries into New Charter Homes the group made a number of changes to governance arrangements.

The parent board remains responsible for setting and monitoring the strategic direction of the group with subsidiary boards focusing on service delivery and specific local issues. The membership composition of the parent board now comprises six independents, two tenants, two local authority representatives and the group chief executive. It is supported by three committees specifically tasked with oversight of operations, finance and audit issues. The parent board now makes downward appointments to subsidiary boards. This is intended to maximise the group's ability to achieve an appropriate skills mix amongst its membership, assist it to exercise control over subsidiary activity and facilitate effective communication between boards. The TSA views this as a positive step forward in terms of effective governance.

The board receives regular updates on corporate plan progress and high level overview performance reports for each subsidiary. More detailed subsidiary performance reports are reviewed regularly by senior managers.

The group board is made up of people with an appropriate range of skills, knowledge and experience to lead the associations within the group. Board appraisal and training processes are in place. Board members on the New Charter, New Charter Homes and Aksa boards are remunerated.

The group complies with the TSA's requirements on equality and diversity. A group wide equality and diversity strategy is in place which is supported by a number of detailed action plans. Specialist staff have been recruited through the Aksa subsidiary to develop and support access arrangements for BME residents. Performance outputs show continuing increases in lettings to BME tenants and in employment of people from BME communities.

New Charter has developed a robust approach to risk management. There are clear links between the risk register and the corporate plan and risk management is monitored regularly by the audit committee. The group regularly reviews its risk management processes against latest good practice and work is ongoing to further embed the responsibility for managing risk throughout the organisation. New Charter's response to the most recent TSA quarterly credit and housing market survey indicates that current housing and financial market conditions have had little impact on the group to date, however, the organisation's leadership is continually monitoring this position as markets change.

The New Charter board produced a satisfactory self-assessment statement of compliance against the Regulatory Code for 2007/08. It confirmed the group's continuing compliance and demonstrated the effectiveness of its approach to continuous improvement.

New Charter remains committed to placing resident involvement at the centre of its business. It has a comprehensive range of formal and informal involvement activities aimed at ensuring residents have the opportunity to develop, improve and raise standards of services. The group is introducing resident-led self regulation into its involvement structure and has set up a tenant management team to lead this initiative. The first stage of implementation has seen the introduction of resident inspectors. Tenants demonstrate a good awareness of opportunities for involvement and the group is investing in training for residents to enable them to engage more effectively. The association has carried out impact assessments of its involvement

work and uses outcomes to inform future activities. Tenant satisfaction with opportunities for involvement remains above the national average at 86%.

The group is actively involved in a number of initiatives aimed at improving efficiency within the organisation. In addition it is anticipating various savings and efficiencies to result from Gedling Homes' incorporation into the group. It is a member of two procurement organisations and aims to utilise membership to make significant savings on elements of procurement.

Properly managed – Regulatory Code part 3

The group demonstrates a strong commitment to continuous improvement and to effective and efficient service delivery. Given the context in which it works and the available resources it achieves high quality outcomes.

TSA Regulatory Judgement

New Charter has a strong senior management team with a good understanding of the organisational challenges and the context in which the group works. There is a strong culture of performance management and service planning that ensures that corporate objectives are effectively translated through team plans and delivered on the ground. The latest status survey indicates that overall tenant satisfaction now stands at almost 92%.

New Charter is committed to providing good quality housing within vibrant communities. To achieve this the group has established a clear performance management framework and an effective approach to continuous improvement. It can demonstrate that it listens and responds to tenant views. It works effectively with partners to support community sustainability.

The group is committed to continuous improvement and published performance indicators, to March 2008, suggest that generally performance is improving year on year and that satisfaction with services is within upper quartile levels. Customer satisfaction with repairs services are high and the group's internal indicators demonstrate that response time performance within the Aksa subsidiary is significantly improved from 2006/07 levels. Improvements in relet times have been sustained and the group's performance in this area of work is around the national average. Reducing relet times remains highlighted as a key area for further improvement in operational plans. New Charter's own internal indicators suggest levels of arrears are high in comparison to peers. The group attributes this to the strong emphasis it places on tenancy sustainability. Recent good performance on rent collection has been maintained. Income management processes place a strong emphasis on arrears prevention and the group is involved in a number of financial inclusion projects.

New Charter Homes is now eight years into a ten-year investment programme, which commenced immediately after transfer. Whilst the delivery of the investment programme remains at the core of its business, increasing focus is now being placed on wider neighbourhood and community management issues. In response to resident concerns about neighbourhoods the group has invested in environmental improvements and estate caretaking services. In addition it is continuing to develop

its response to anti-social behaviour by focusing on prevention and early intervention. The group's own surveys demonstrate that tenant satisfaction with neighbourhoods has risen from 73% in 2006 to 87% in 2008.

At the end March 2008, 98% of homes within the existing group met the DHS. Work is underway on devising and implementing options for the remaining 2% of high turnover stock within New Charter Homes that require more substantial works to give them a sustainable future. In addition the group is pulling together post 2010 long term stock investment plans and is giving consideration to work to ensure existing homes meet appropriate environmental standards wherever possible. Gedling Homes carried out a stock condition survey in 2007 which demonstrated that 84% of its stock met the DHS. Financial and operational plans are in place which anticipate all Gedling Homes' stock will reach the DHS in 2013/14. This target date was agreed by the Department for Communities and Local Government in advance of the stock transfer.

The group maintains good relationships with its key partners including local authorities. It works in partnership with a range of agencies to facilitate the provision of a broad range of integrated neighbourhood services particularly in respect of employment and training, education, health, social inclusion and community safety. The group is sponsoring a new city academy with the aim of improving the educational attainment and future employment prospects of children in Tameside.

New Charter works well with relevant local authorities on tackling homelessness and on providing housing for homeless people. It has a well developed homelessness prevention policy that translates on the ground through activities which include family intervention work, provision of a rent deposit scheme and financial inclusion work. The success of preventative work is reflected in the reducing levels of homeless acceptances within the Tameside borough. New Charter Homes operates choice based lettings. Both Akxa and Gedling Homes operate nominations agreements within their respective local authority areas.

New Charter has a growth strategy in place that envisages the group expanding through merger, transfer and development. It is currently developing new homes in line with local authority priorities. It has also acquired new stock within its core operating areas from other housing associations and through a local Right to Buy 'buy-back' initiative.

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 New Charter Housing Trust Ltd:

- Assessment and registration of Gedling Homes (October 2007 - November 2008)
- Assessment and approval of restructure of New Charter North and New Charter South (May 2008 - October 2008)
- Annual Financial Health Check (December 2008) based on the five year financial forecast
- Quarterly credit and housing market surveys (July and 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)