



Housing Corporation Assessment

Wulvern Housing L4371

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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 association meets the expectations set out in the Regulatory Code in terms of financial viability, however exposures exist which make it vulnerable to deterioration.

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

DEVELOPMENT

Development with Housing Corporation funding

Green

The association's performance is satisfactory. It delivers housing that meets our standards but has not met all its targets over the past year. However, the shortfall was relatively small and was caused by circumstances outside its control. The association 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 association

Wulvern Housing was formed in March 2003 to receive a whole stock transfer from Crewe and Nantwich Borough Council and currently owns approximately 5,300 homes.

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. There were some pockets of low demand, in the West End area of Crewe for example, however, good progress has been made in this area and there is now evidence of much higher occupancy rates, lower turnover and healthier waiting lists. On average, Wulvern currently receives 150 new applications per month and now tracks properties in great detail enabling them to advise applicants on the turnover of individual properties and the likely waiting time for properties in specific villages or roads.

According to the 2001 census, less than 2% of the population is of black and minority ethnic origin (BME), although in recent years there has been a significant influx of predominantly white migrant workers from middle and eastern Europe.

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 employs an occupational therapist to provide advice on health issues and aids and adaptations to ensure that its customers benefit faster and with greater choice to improve life and wellbeing.

Wulvern has recently set out new corporate objectives within its existing Corporate Plan. These objectives are:

- Growth
- Service Delivery
- Sustainability.

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

A new non-registered subsidiary has recently been established as a wholly owned limited company. It will be known as Wulvern Platform Ltd and undertake a variety of commercial activities, provide a range of new services for a wider customer base and manage most of Wulverns' development programme. Profits generated will be gift aided back to Wulvern.

Wulvern is a member of the Engage 360 development partnership.

Viable – Regulatory Code part 1

The association meets the expectations set out in the Regulatory Code in terms of financial viability, however exposures exist which make it vulnerable to deterioration.

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Our assessment of the association's viability has not changed from the previous year and

is that the association is operating with adequate recourse to financial resources to meet its current and future business commitments. The plan is sensitive to increases in long term interest and inflation rates and forecast savings will need to be met if the proposed development is to go ahead.

The association's model predicts that approximately 1,500 units will be below rent restructuring targets at 2012 due to limitations on annual rent increases. In reality this figure will be much lower as re-let stock will be at target rent.

The latest forecast anticipates operating surpluses which are more than double those of the previous plan in the early years. This is largely due to re-phasing of the improvement programme costs and achieving significant savings on repairs and maintenance costs in comparison to earlier forecasts. These costs are predicated on an annual rolling stock condition survey based on a 20% sample of stock. Management and repairs and maintenance costs per unit are forecast to increase at a higher than inflationary rate throughout the plan, however, operating margins from 2012 are strong and surpluses improve throughout the plan.

Repairs and maintenance cost inflation in recent years has been higher than the prevailing rate of inflation and the current plan assumes cost increases in this area will remain at the same rate as the assumed rate of inflation at 2.5%. A 1% increase in real inflation would result in a peak debt of £111.8m and push repayment back six years. The risks within the plan have been recognised and there is sufficient flexibility to accommodate future adverse variances by curtailing costs where necessary.

The improvement programme is scheduled to be completed in 2008 and the association is now considering its future strategic direction, in particular new opportunities for growth. Planned development is mostly general needs housing but 61 units will be schemes for shared ownership. Development costs are expected to be £30.8m with approximately £4.5m of shared ownership revenue and Social Housing Grant of £9.3m. This will be funded from existing facilities.

Cash interest cover improves steadily throughout the plan with peak debt of £98.7m expected in 2014. Surpluses are expected to start to exceed interest payments from 2017 onwards. The association has loan facilities of £100m of which £58.1m has been drawn and £42m (72%) is fixed. Rates incurred on the variable balance have increased and borrowing for future development will also be sensitive to future interest rates.

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 association has recently carried out a review of its governance to ensure Wulvern is efficiently and effectively governed and has the necessary skills and expertise needed to successfully deliver the future plans for the organisation. The proposed changes were accepted by tenants and a variety of stakeholders and were formally accepted at the annual general meeting in September 2007.

The review proposed a variety of changes many of which had constitutional implications. These included changes in the size of the board and the regularity of its meetings, the rationalisation of the sub-committee structure and the setting up of a non-registered

subsidiary for the organisation.

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

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.

The newly created non-registered subsidiary, Wulvern Platform Ltd, will have its own board comprising 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 revised structure should help the board gain an even greater understanding of risk, particularly those concerning growth issues.

The association's self assessment statement of compliance against the Regulatory Code indicates that it is compliant. We consider this to be a robust self analysis and consistent with our judgement.

Wulvern meets the Corporation's requirements on equality and diversity. Within the organisation, these values are driven by a member of the senior management team and overseen by a board champion. A previous Audit Commission report in 2005 was very positive about its work in this area and during 2007 it has undertaken a review of their approach to equality and diversity, which has resulted in a new disability action plan and an equality, diversity and fairness strategy being agreed in late 2007. Its work in promoting community cohesion was acknowledged, when it became a finalist in 2007 for its work with partners on a migrant workers support project.

Wulvern has a ten year sheltered housing and older person's strategy, which includes a mix of refurbishment and clearance and redevelopment of existing stock. Progress has been good, with one sheltered scheme having been demolished and redeveloped to provide extra care apartments and plans in place to complete a 250 unit retirement village within the next five years.

Wulvern has always demonstrated a strong commitment to customer focus and the Audit Commission report in 2006 commended Wulvern on how it engaged with its tenants. It has always adopted a range of innovative approaches to ensure widespread involvement and these have been increased even further since July 2007, when it appointed a customer involvement manager. One noticeable development here is the setting up of a new tenant's scrutiny panel. The recently finalised 'Involving Customers 2008/09', provides the framework for resident involvement and complies with the Housing Corporation's resident involvement policy.

Properly managed – Regulatory Code part 3

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

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The existing senior management team has now been in place for nearly three years and has a good and productive working relationship with its board, the Housing Corporation and with numerous external partners and stakeholders.

The Audit Commission carried out an inspection of the association in 2004 and in its report assessed the service provided to tenants as fair, with uncertain prospects for improvement. The inspection flagged up various strengths, but was particularly critical of aspects of its repairs service. An inspection follow-up action plan was agreed which was successfully implemented and signed off in 2006.

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 three new corporate priorities of the organisation and a service plan has recently been agreed by the board which sets out just how this will be delivered over the next three years. Tenants will be very much at the heart of this, with the creation of the new tenant scrutiny panel that will review performance and help shape service provision in the future.

2007 performance indicators show continued stability and consolidation for the organisation. Performance on income collection continues to be a noticeable strength and there have been improvements in repairs since the implementation of the systems thinking approach. Average re-let times continue to be an issue and remained in the lowest quartile. However, more recent figures show an improvement in this area with significant reductions in vacant dwellings.

A revised continuous improvement strategy was approved by the board in April 2007. This covered all service and operational areas and was shaped around the systems thinking approach. Progress is being reviewed on an ongoing basis as the new approach is rolled out across all areas of service provision.

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. It has continually remained on course to deliver all the promises made to tenants at the point of stock transfer and the most recent survey, carried out in 2007, shows continued good satisfaction levels by tenants across a range of areas.

Wulvern has an asset management strategy in place and by the end of 2008, it is expected they will have completed its improvement programme ahead of schedule and in line with original budgetary expectations. Housing stock is currently 90.8% compliant with the Decent Homes Standard and by 2010 expected to be fully compliant.

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 February 2008, in partnership with Crewe and Nantwich Council and Pathways Community Interest Company, it won an 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 relationship with the newly created

shadow East Cheshire local authority.

Development with Housing Corporation funding.

The association'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 association keeps the Corporation fully informed of problems and keeps its in-year forecasting up to date.

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For 2008/11, Wulvern is continuing to develop as part of the Engage 360 partnership.

They will be considered for future allocations through the partnership, subject to meeting agreed targets, having sufficient capacity and a programme of schemes that meets regional priorities and offer good 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 Wulvern:

- Meetings with executive management team - March 2007, July 2007 and February 2008
- Attendance at tenants conference - July 2007
- Annual Viability Review - December 2007
- Attendance at board meeting - February 2008

Additional information about the association can be accessed through the "Resources" section of the Housing Corporation website and may include:

- Performance Indicator information (www.housingpis.co.uk)
- Inspection report (www.housingcorp.gov.uk/resources/inspection.htm for Housing Corporation reports or www.auditcommission.gov.uk for Audit Commission reports)
- Extracts from the Public Register (www.housingcorp.gov.uk/resources/register/select.htm)
- Rent information and other key facts and figures (www.rsrsurvey.co.uk and www.dataspring.org.uk)