

Tenant Services Authority Revised Regulatory Judgement

Eden Housing Association Limited L4140

Date of publication: December 2011



Tenant Services Authority

Revised Regulatory Judgement

The Tenant Services Authority (TSA) has prepared this report to set out its overall assessment of the provider's compliance with the Governance and Financial Viability standard for registered providers (RPs). These requirements are set out in the Regulatory Framework established by the TSA.

Overall Conclusion

In relation to Eden Housing Association (Eden), we consider that:

- **Viable:**

The provider meets the requirements set out in the Governance and Financial Viability standard of the Regulatory Framework in relation to financial viability.

This assessment upgrades the provider's previously published viability rating.

- **Properly Governed:**

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

Our assessment of the provider's performance rating remains unchanged since the previous publication.

Eden has been through a process of considerable change and the continuing challenge for the organisation is to ensure that improvements in viability and governance are maintained. The TSA is satisfied that the provider complies with regulatory requirements in terms of the effectiveness of its governance arrangements. Its structure, quality of board and the manner in which it oversees the work of the management team are all appropriate to an organisation of this size.

Description of the provider

Eden was established in September 1997 to take the transfer of Eden District Council's housing stock of about 1,500 homes. The association now owns 1,619 homes and manages a further 250 for two smaller local providers, Mitre Housing Association, and Lowther and District Housing Association; and an almshouse, Allonby Almshouses.

Its homes are mostly located in the Eden District Council area, but it also has some homes in the neighbouring local authorities of Carlisle, Allerdale and South Lakeland. Eden's area of operation is predominantly rural with many small isolated settlements. Eden District has the lowest population density of any English local authority district.

Eden operates in areas of strong demand and high market values. Most of its homes are for general family needs but it has around 125 homes specifically for older people and recently completed a 60 unit extra care village in Carlisle. Nearly 800 of its homes are in Eden District's principal market town, Penrith, and other homes are in the settlements of Appleby, Alston, Kirkby Stephen and Shap, and a series of rural villages and hamlets.

Eden owns one unregistered subsidiary, Eden Property Developments Ltd, which acts as a tax efficient vehicle for procuring new homes for the association.

Viable

The provider meets the requirements set out in the Governance and Financial Viability standard of the Regulatory Framework in relation to financial viability.

This assessment upgrades the provider's previously published viability rating.

TSA Revised Regulatory Judgement

Over the last financial year Eden has outperformed its business plan, achieved planned cost savings and addressed concerns regarding the lack of headroom between loan facilities and forecast peak debt. In 2010 the business plan was significantly revised to reflect updated information on stock condition and required expenditure is reflected in the forecast. Peak debt is lower as a result of changes in the development programme, combined with lower interest rates and, consequently, significantly lower interest payable in the current forecast. A significant proportion of the association's debt has been arranged on a fixed rate basis, thereby limiting exposure to increased interest rates in the future.

Eden has a fully funded business plan which is based on robust assumptions and which can withstand a range of changes to those assumptions. It has total loan facilities of £52.5m sufficient to fund the 30-year business plan. There is sufficient security available to enable drawdown planned in 2012 and 2013 with further unutilised security available for future loan draw downs. There were no loan covenant breaches in 2010/11 and no breaches are forecast.

Eden is a Homes & Communities Agency development partner in the Isos consortium

and plans to develop 28 Affordable Rent units from 2013 to 2015 inclusive, in addition to 79 units completed in 2011/2012. There is no sales risk associated with the Affordable Rent programme. There is a degree of sales risk within an extra care, mixed tenure scheme which is being developed, but prudent sales assumptions have been incorporated into the business plan.

All of Eden's homes meet the Decent Homes Standard. It is complying with rent influencing expectations and expects to achieve convergence with target rents by 2012 for 96% of its properties. Those rents which are above target are moving towards convergence in accordance with the guidelines.

Properly governed

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

Our assessment of the provider's performance rating remains unchanged since the previous publication.

TSA Revised Regulatory Judgement

The TSA is satisfied that the provider complies with regulatory requirements in terms of the effectiveness of its governance arrangements.

The association's mission is supporting the sustainability and growth of rural and market town communities in Cumbria. The focus of the new three year corporate plan is delivering the organisation's four key aims: improving key services; strengthening the business; supporting and improving the health and well-being of residents and local communities; and valuing staff.

The board, which is unpaid, meets seven times a year and is supported by an audit and risk management committee and a remuneration committee. Prompted by a number of factors, including the changed Regulatory Framework, the board has refreshed and updated its governance arrangements. This started with the adoption of new rules (National Housing Federation (NHF) model rules 2011) and approval of a new overarching governance policy with a process for reviewing procedures within the policy. This review process will be complete by the end of 2011. The manner in which the board oversees the work of the management team is appropriate to an organisation of this size.

The board is undergoing a process of change and renewal. The size of the board has reduced to permit 12 members, although there are currently three vacancies. The chair of Eden stood down in September 2011 and a new chair was elected in November 2011. There have been a number of new board members recruited to replace board members who reached the end of their terms of office and to address skills gaps. Targeted recruitment is also in progress to fill current vacancies, prioritising specific technical financial knowledge, assessed as being required by the board.

The board has adopted the NHF's Excellence in governance code and confirmed its compliance with the provisions of the code. As part of the board's annual review of its own effectiveness, continued compliance against the code will also be reviewed. The board recently agreed its appraisal system and is committed to complete this process by the end of the current financial year.

Eden has recently undergone a fundamental organisational review to ensure its management structure and organisational culture is fit for purpose to meet the challenges that lie ahead. This has resulted in a more appropriate and streamlined two tier management structure with five key posts forming the leadership team. There is a supportive and co-operative relationship between the board and the new leadership team.

Previous judgements have noted concerns regarding business planning processes. The provider has now overhauled these processes to produce more robust financial plans. The review of the three year corporate plan for 2008/11 demonstrated that the provider has successfully delivered most of its key projects. It also highlighted some areas not achieved but still of a high priority. The established business planning processes are now being further developed to enhance the board's co-regulatory role, particularly further development of the performance management framework.

There are appropriate arrangements in place to manage risk. The risk and audit committee assesses the strategic risk register at every meeting whilst the leadership team review it monthly. The committee also reviews the operation of control systems such as internal and external audit and follows up on progress of any recommendations made. The board has received assurance, via internal audit, that the system of internal controls is working effectively.

There are a range of options for tenants to be involved which are set out in a menu of involvement, an approach which takes account of the board's co-regulatory role. Eden Community Homes and Organisations (ECHO) is the umbrella body overseeing involvement activities. It meets six times a year and a member of ECHO is always involved in the recruitment and selection process for EHA board members. ECHO has a tenant scrutiny sub-group which performs the formal scrutiny functions. Members of this sub-group may not be board members. A priority for the forthcoming year is to widen membership of all these groups.

Profile Table	
RP Code	L4140
RP Name	Eden Housing Association
Selected Indicators	
Tenant satisfaction with landlord services	92.3%
National average tenant satisfaction with landlord services	83.5%
Tenant satisfaction that views are taken into account	78.8%
Tenant satisfaction with repairs & maintenance service	91.2%
% Homes that comply with Decent Home Standard	100%
Average weekly rent levels	
Weighted average weekly rent of all general needs homes	£84.08
Number of homes by type	
General Needs	1,671
Housing for older people	125
Supported housing	0
Shared ownership properties	73
Total	1,869
No. of LAs in which RP operates*	4

* relates to owned stock

Please note: A reduced set of data requirements applies for those RPs with less than 1,000 units, hence some information is not available centrally (NA) for these providers. Latest PI data available is at March 2011

Sources of information and regulatory activity

The following information is generally received from all providers and is reviewed by the TSA (and prior to 1 December 2008, the Housing Corporation) for each provider:

- Audited annual accounts, including the internal controls assurance statement
- External auditors' management letter
- Financial forecasts
- Performance indicators
- Regulatory and Statistical Return

In addition to the above, the following specific activities were carried out for Eden Housing Association:

- Meetings with executive team (November 2011);
- Attendance at board meetings (November 2011);
- Viability Review (October 2011) based on 5 year financial forecast (March 2011);
- Quarterly credit and housing market survey.

Additional information about the provider can be accessed on the TSA website and other websites and may include:

- Landlord comparison (<http://portal.tenantservicesauthority.org/FindAndCompare.aspx>)
- 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)

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 Providers. Our report makes clear to the provider's board the conclusions we have reached regarding the provider's governance and viability.

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 provider and other parties. The TSA accepts no liability for the information contained, and third parties must make their own investigations or enquiries.

This information was used to inform our risk-based approach to regulation and to identify areas of possible non-compliance with the governance and viability standards of the Regulatory Framework for further investigation. Our risk-based approach also results in low levels of regulatory engagement with some providers, for whom the information provided in this assessment could necessarily be in less detail.

Key to TSA regulatory judgement straplines and equivalent summary

Viability

The provider / group meets the requirements set out in the Governance and Financial Viability standard of the Regulatory Framework in relation to financial viability. meets expectations

The provider / group meets the requirements set out in the Governance and Financial Viability standard of the Regulatory Framework in relation to financial viability, however exposures exist which make it vulnerable to deterioration. meets expectations but with exposures

The provider's / group's financial viability is of concern. concern

The provider's / group's financial viability is of serious concern. serious concern

Governance

The governing body gives effective leadership and control, has a wide range of skills and experience and, supported by appropriate governance and executive arrangements, is improving its own performance and that of the organisation. effective leadership

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

The governing body needs to take further action to ensure capable leadership and control of the organisation. further action needed

The governing body does not demonstrate effective control of the organisation. Accordingly the provider / group is in breach of the Governance and Financial Viability standard of the Regulatory Framework. lacks effective control