

Tenant Services Authority Regulatory Judgement

Lee Housing Association Ltd (L0456)

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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

Lee Housing Association (Lee) was founded in 1969 and is registered with the TSA. It has 305 rooms in shared accommodation, and 46 self-contained flats. With the exception of ten flats in Hertfordshire, which it manages on behalf of Riversmead Housing Association, the properties are located in Enfield.

Occupancy of shared accommodation is evenly split between university students and single people nominated by the local authority. Lee operates in a challenging environment, with tenants sharing with up to four other flatmates, with shared bathroom and kitchen facilities. Lee experiences a high level of resident turnover (40% in 2007/08)

Three quarters of tenants are from black and minority ethnic (BME) backgrounds; this is more than double the proportion of BME residents within the London Borough of Enfield.

Lee's mission statement states that it 'seeks to provide a high quality and accessible service to its existing tenants and to provide accommodation for single people in Enfield and the surrounding local authority areas'.

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.

TSA Regulatory Judgement

Lee broke even for the year ended 31 March 2008 in contrast to generating a surplus of £109k for the 2006/07 financial year. Financial results were below expectations due to a £31.5k shortfall in projected turnover coupled with an £85k increase in operating costs. As a consequence operating surpluses fell to £80k compared to £195k in the previous financial year.

Projections in the five year forecast submitted in May 2008 show steady growth in turnover, which is in line with assumed inflation of 2.5%, taking into consideration the association's development aspirations. However the projected net surpluses are marginal, averaging less than £80k per annum over the next five years.

The projected financial performance may be further affected by changes in inflation. Whilst the agreed level for inflation reported in 2007/08 is 5%, future inflation levels may fall below the assumed 2.5%, which will ultimately impact on forecast revenues. As a consequence the association may need to identify efficiencies to maintain its projected results.

EBITDA (which the TSA uses to assess an association's ability to meet interest payments) interest cover was 149% for 2007/08 and is expected to rise to above 200% over the next two years.

As at 31 March 2008 Lee had £2.1m of loan facilities in place of which £1.54m was drawn. Over the next two years leading up to the decent homes deadline the association's long term loan debt is expected to fall to below £1.45m. However, in 2010/11 loans are projected to rise to £2.34m reaching £3.9m by 2012/13 in support of Lee's development aspirations. The association is considering developing up to 60 new units between 2010/13, subject to board approval. The assumed funding for its proposed developments is a mixture of social housing grant and loan finance with the balance made up from cash reserves.

Lee carried out a comprehensive stock condition survey in March 2005, which has been used as the basis for planning its programme of works over the last few years. As a consequence less than 5% of Lee's properties fail to meet the Decent Homes Standard (DHS). The bulk of failures relates to two properties that require remodelling. The association expects to fully comply with DHS by 2010.

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

Lee's management board has 12 members and meets six times per year. The board is supported by two subcommittees, which meet quarterly. The finance and audit committee is responsible for reviewing financial performance and controls, and for risk management. The housing management and maintenance committee monitors tenancy and maintenance issues.

The management board is effective in setting the direction of the association and managing its operations. The board has a wide range of skills. Members have experience in finance, housing management, legal issues and in the voluntary sector. New members have been recruited to address skills gaps, and the association is actively promoting board membership to tenants. There are currently two tenant board members.

At board level, there is a robust system of identifying skills gaps, and the chair of the board carries out appraisals of other members and of the chief executive

We are satisfied with Lee's compliance with the equality and diversity requirements of the Regulatory Code.

Lee's 2008 self assessment statement of compliance was informative and demonstrated general compliance with our expectations. As for other organisations with less than 1,000 homes, Lee was not required to submit a self assessment statement of compliance during 2009.

Lee's board has provided effective strategic leadership to the organisation in addressing the recommendations from the Audit Commission inspection carried out in 2008.

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 Audit Commission inspection, carried out in June 2008, concluded that Lee provided poor services but had promising prospects for improvement. Since then, Lee has implemented an action plan, agreed with the TSA, to address the recommendations from the inspection. The TSA has monitored progress against the plan at regular intervals and the last review, in July 2009, concluded that Lee had implemented the recommendations in the plan.

Lee has improved the provision of information to residents, information on the needs of tenants, its approach to complaints handling and compensation and checking the quality of gas servicing. It has reviewed its strategic approach to value for money and procurement, its policies for equality, diversity and anti social behaviour and improved its performance against void and rent collection targets.

The areas of strength at Lee identified by the inspection are continuing. There is a good level of personal customer care and there is provision of floating support for vulnerable tenants. Lee has achieved 95% compliance with the DHS, repairs are being carried out quickly and servicing of all gas appliances has taken place within the last twelve months. Lee's management costs are low compared to its peers.

Lee carried out a STATUS survey in 2005 which showed that 70% of tenants were satisfied with the overall service provided by the association. It has not carried out a detailed assessment of satisfaction since then and this weakness was reflected in the inspection report. Lee will carry out a new STATUS survey during the autumn of 2009.

Lee works effectively with its principal local authority, the London Borough of Enfield. Lee provides short to medium term accommodation to single homeless people nominated by the London Borough Enfield as well as to students at Middlesex University.

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 (not required if association has less than 1000 homes)
- Financial forecasts
- Performance indicators
- Regulatory and Statistical Return

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

- Follow up work on the inspection action plan (July 2008 to date)
- Annual Financial Health Check (March 2009)

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)