



Housing Corporation Assessment

Trans-Pennine Housing Limited L4464

**Pennine Housing 2000 Limited LH4307
Green Vale Homes Limited L4462**

Date of publication: February 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 group 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 group generally meets the standard expected given the context in which it works and the available resources

DEVELOPMENT

Development with Housing Corporation funding

N/A

The group has not received Corporation funding in the past year

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. 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 group

The Trans-Pennine group was established in March 2006 and comprises:

- Trans-Pennine Housing (TPH), the registered parent body which is non-asset owning and provides strategic direction, corporate services and other specialist services for members of the group.
- Pennine Housing 2000 (PH2K), a stock owning subsidiary and founder of the group. It was registered in March 2001 to take the transfer of Calderdale Council's housing stock. It has recently taken the direct transfer of a number of individual estates from Sheffield City Council, totalling around 1,400 properties. PH2K is now responsible for managing and maintaining about 12,500 homes.
- Green Vale Homes (GVH), a stock owning subsidiary registered in March 2006 to take the transfer of Rossendale Council's housing stock. It is responsible for improving, managing and maintaining about 3,700 homes in Rossendale.

The group's stock is a mixture of general needs and supported sheltered housing, mostly located in the urban areas in Calderdale and Rossendale. It is predominantly one and two bedroom homes and there are some tower blocks in Calderdale. In November 2006 the Sheffield estates of Wisewood, Wadsley, and Loxely were acquired by PH2K by direct transfer; followed in March 2007 by the Manor Park estate and Harold Lambert Court.

Stock in Rossendale at Bacup and Stacksteads falls within the boundary of the East Lancashire Housing Market Renewal area. Stock at Manor Park and Harold Lambert Court in Sheffield falls within the South Yorkshire Housing Market Renewal area.

Demand for the group's stock remains healthy in most locations. There are some homes, particularly flats, which require more imaginative marketing to attract occupants. Around 500 of PH2K's properties are awaiting demolition as part of regeneration programmes.

The ethnic minority population of Sheffield is 10.8%, of Calderdale about 7%, and of Rossendale 3.8% as recorded at the last census. The ward with the highest proportion of ethnic minority people in the group's area of operation is West Central Halifax where the group has little stock.

TPH is a member of the Synergy partnership which has been formed, and is led by, Chevin Housing Group to deliver new housing through the Corporation's investment partnering programme. Both GVH and PH2K received funding for projects from the 2006/08 National Affordable Housing Programme (NAHP).

The group's vision is to provide affordable homes and services that people want. The group's values are:

- Open and honest
- Fair and accountable
- Innovative
- Value diversity and treat everyone with respect
- Only making promises we can keep
- Community and customer driven

Viable – Regulatory Code part 1

The group 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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The group consists of two major stock transfer housing associations. Whilst the first, PH2K, has successfully delivered its transfer promises to its tenants in Calderdale, there is still a significant amount of improvement work to complete for the tenants of Rossendale and the Sheffield estates. Thus exposures exist in terms of delivering these programmes on time and to budget, and achieving the business plan targets. The viability judgement reflects these risk exposures and is not an indication of the group's ability to manage these risks. Our expectation, based on PH2K's track record in delivering its own investment programme, is that the remaining improvement programmes will be successfully achieved.

In addition to the exposures detailed above the GVH subsidiary has relatively high management costs per unit resulting in its operating margin and interest cover being lower than the sector average. GVH will need to keep its management costs under review and implement efficiencies wherever possible in order to ensure the viability of the organisation. We also consider that some of the assumptions included in its business plan will be challenging to deliver.

A change in accounting policy for repairs expenditure within the group has meant an increased percentage treated as revenue expenditure, whereas previously it was treated as capital expenditure. This has resulted in some deterioration in ratios from last year but this does not indicate a worsening in financial condition.

The forecasts include only a small amount of development expenditure which represents the completion of the 2006/08 programme. However the group does aspire to continue with a small programme and has submitted bids to the 2008/11 NAHP. The impact of this on the business plan has been reviewed and we consider that the group's development plans are affordable and fundable within its current facilities.

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 parent board has six members, comprising two nominated by each subsidiary, one of each pair having dual membership with the nominating subsidiary, and two independents. The board is strong in the areas it is responsible for, namely, finance, human resources and strategic leadership.

We attended the first full meeting of the parent board, and another a year later. Members demonstrated the ability to provide incisive comment on, and effective constructive challenge to, the material put to them. Our assessment is that the board is providing strong leadership for the group. It spent its first year consolidating its position, establishing the separate identity of TPH, and working on the group business plan and associated group strategies such as treasury management, IT, equality and

diversity, and its growth strategy.

There has been some amicable movement of nominees between boards to balance skills, location preference and time commitment, and this serves to facilitate the incremental refreshing of the boards, and is additional to the scheduled retirements.

PH2K's board has 12 members with the usual 'one third' constituencies. GVH also has a board of 12, made up of six tenants, four independents and two local authority nominees.

All board members meet together at least once annually, usually for an overnight conference. The group is developing an appraisal method, with external assistance, to cover all group board members and we will take an interest in this as it progresses.

Each of the two Sheffield transfers has its own operations committee, partly to facilitate local governance arrangements, and partly to maintain the separate identity of the individual transfers at a local level. Although these are committees rather than boards, members have delegated responsibilities, and also join the annual members' conference.

We regard TPH as meeting the requirements of our Good Practice Note 8 regarding equality and diversity. The group is working towards having a group-wide equality and diversity strategy in place over the coming year.

The subsidiaries meet the requirements of the Regulatory Code in respect of tenant involvement. This has been a particular strength of PH2K and we expect GVH to be a beneficiary of this expertise. GVH has been negotiating with the prospective Bacup and Stacksteads Tenant Management Organisation (TMO) to agree a proposal on which tenants could be balloted. These negotiations have not reached a mutually acceptable conclusion and in December 2007 the board of GVH took the decision to terminate the negotiations. The board remains willing to consider other options for involvement and decision making, or to proceed on the basis of the terms offered to the TMO. We will continue to keep this matter under review.

We believe TPH has the necessary controls and skills to manage risk effectively. A detailed risk assessment has been undertaken by both GVH and PH2K resulting in a risk analysis which sets out key risks and strategies to manage them. The group board has been involved as well as the group's insurers. The intention is to have a group risk map in place later in the year.

The 2007 self assessment statement of compliance reflected the picture at the end of the group's first year of operation and it provided comprehensive and robust assurance of compliance with the Regulatory Code.

Properly Managed – Regulatory Code part 3

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

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The group has a strong management team comprising a group chief executive and a director of corporate services. The two subsidiaries are headed by executive directors who also form part of the management team. The director of corporate services is supported by specialists in finance, human resources, information technology and asset management. The team works well together and has a good working relationship with the boards in the group. It is open with the Housing Corporation and readily shares

information. The Sheffield estates operate as a ring-fenced division within PH2K under an operations manager based in Sheffield.

PH2K has successfully completed its investment programme in Calderdale, bar refusals and stock awaiting demolition, and has begun delivering promises to tenants to the 1,400 homes in Sheffield acquired in November 2006 and March 2007. Overall it had achieved 88% Decent Homes Standard (DHS) compliance at March 2007.

GVH is about to complete the second year of its investment programme in Rossendale. At March 2007 it had achieved 43% DHS compliance, and it aspires to achieve full compliance by 2010.

The focus of our regulatory engagement has been designed primarily to seek assurance that GVH is making progress in accordance with our expectations of a new transfer organisation, and is integrating successfully into the new group. Our view is that progress is satisfactory and that where issues have been identified, appropriate action has been taken speedily to rectify matters. The group achieved the harmonisation of terms and conditions across the group at the end of 2006.

PH2K has established itself as more than a landlord in its areas of operation by leading on, or becoming involved in, initiatives that impact on peoples' life chances stemming from, for example, education and employment. It is a vibrant and dynamic association. Examples include sponsoring an annual job fair; 'silver service' sessions in sheltered schemes open to the wider community; and support for small business start ups. Core services, such as those provided by its involvement team and its anti-social behaviour team are of a quality that enable those skills to be sold to other organisations. It is also taking the lead on the local choice based lettings system that was launched in September 2007 in Calderdale.

Officers from both PH2K and GVH are involved with their respective Local Strategic Partnerships and are involved more widely in strategic regeneration structures.

PH2K has developed a strong culture of continuous improvement. It has applied a systems thinking methodology to the delivery of its responsive repairs service with striking results. End to end times for repair completions have fallen from, on average, twenty-eight days to about five days. PH2K has resolved to adopt the methodology as its preferred approach to continuous improvement and will apply it, over time, to those services to which it is appropriate. Currently the methodology is being applied to the management of voids.

PH2K was inspected by the Audit Commission in November 2004, and the report was published in May 2005. The inspectors concluded that PH2K provided a good 'two star' service, with promising prospects for improvement. PH2K addressed a number of weaknesses identified in the report with an action plan which we monitored. This action plan was successfully concluded during 2006.

PH2K's performance indicators for the year ending March 2007 continue to present a picture of uneven performance, with key indicators for re-let times and arrears falling in the fourth quartile. We will want to explore with PH2K what lies behind these outcomes. The equivalent indicators for GVH fall in the first quartile.

Development with Housing Corporation funding

The group has not received Corporation funding in the past year

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TPH is a development partner within the Synergy partnership which is led by the Chevin Housing Group. The partnership has eight members.

The partnership received an allocation of £38.2m to produce 886 homes in Yorkshire and the Humber, and £700k to produce 20 homes in the North West for the 2006/08 NAHP. Of this, £9.2m and 229 homes were for TPH. In the first year of this programme the partnership achieved £19.1m cash spend, 108% of target, and completed 367 homes, 111% of target.

The most recent schemework compliance audit carried out for PH2K, in January 2006, was satisfactory. The audit highlighted that the association provides good quality housing with particular attention being paid to security and space standards.

TPH will be considered for future allocations subject to capacity, and a programme of schemes that meet 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 Trans-Pennine Housing Limited:

- Meetings with the executive team - January, July and November 2007
- Meetings with the executive team prior to the two Sheffield transfers - November 2006 and February 2007
- Attendance at a group board meeting - April 2007

Additional information about the association can be accessed on the Housing Corporation and other websites and may include:

- Performance indicator information (www.housingpis.co.uk)
- Inspection report (www.housingcorp.gov.uk for Housing Corporation reports or www.audit-commission.gov.uk for Audit Commission reports)
- Extracts from the Public Register (www.housingcorp.gov.uk/server/show/nav.489)
- Rent information and other key facts and figures (www.rsrsurvey.co.uk and www.dataspring.org.uk)