



Housing Corporation Assessment

**Cotman Housing Association
L0284**

Date of publication: August 2005

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’s financial condition is presently acceptable but 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 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.

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.

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

Cotman Housing Association is an Industrial and Provident Act Society with charitable rules, founded in 1970 and registered with the Housing Corporation in 1975.

Based in Norwich, the association owns and manages approximately 1,200 properties within eight local authority areas. Its stock consists of rented general needs and sheltered homes, shared ownership, and leasehold schemes for the elderly.

The association operates in areas where there is a small black and ethnic minority (BME) population, ranging from 0.78% to 3.17%. Demand for properties is generally strong across all areas.

The association's mission statement is to maximise the housing options available to people in housing need, to provide residents with the highest standard of appropriate, high quality, well designed and maintained affordable homes, and to ensure they are given such specialised housing care and support as required.

The association's 2004-2008 business plan details its aims and objectives. These include:

- developing housing in areas where demand is recognised as being greatest;
- maximise the options of high quality housing available to people on low incomes; and
- co-operating with other housing oriented agencies and providers of social housing to ensure that those most vulnerable are provided with appropriate housing and support as a matter of priority.

Cotman aims to develop housing that meets the priority housing needs it perceives in Norfolk and Suffolk with a development programme of 31 units per year. The association has formed a joint venture company, in association with Colne Housing Society and Suffolk Housing Society. The company, Icen Homes, intends to undertake development on behalf of all three partners. It was incorporated in March 2004 and became operational in July 2004.

Viable – Regulatory Code part 1

The association's financial condition is presently acceptable but exposures exist which make it vulnerable to deterioration.

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Cotman Housing Association has a strategy to implement a planned programme of stock investment. This follows a comprehensive in-house evaluation of its maintenance programme during 2004. The association has planned for a period of development growth that sustains the pressures seen last year on its profitability and other operating margins. These pressures are expected to exist for the medium term. Cotman's forecast growth in turnover is insufficient to maintain its operating surplus

and with additional interest payments, negative cash cost of capital is forecast. Cotman's long-term financial projection provides evidence that the association can remain viable at the level of planned-for deficits.

Cotman has agreed a revised interest cover covenant with its lender to reflect its planned maintenance programme. This covenant will come under pressure as additional loans are taken on to fund the development and maintenance programmes. Development is now supported by assumed higher average grant rate than in the past. In order to maintain interest cover compliance, the association will need to carefully monitor performance and take appropriate early action on its housing management operations.

The association plans to converge rents to target by 2012. However, the application of the rent formula to some properties will necessitate wide variations to those rents over the implementation period. Cotman should enjoy a small financial benefit, because average actual rent is currently below target.

It is a business objective of Cotman to maintain its housing stock to a high standard. Most of its rented housing stock was built after 1974. Over 99% of the association's stock currently meets the Decent Homes Standard, and its programme of planned maintenance is designed to continue this level of compliance until 2010, when 100% compliance will be achieved. In maintaining its properties to a high standard the overall programme cost seems appropriate. However, careful management of cash flows will be required as the age of the property portfolio means a number of components will need to be refurbished at about the same time. The pattern may be repeated in future years when the components need replacing again.

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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Cotman Housing Association has a governance structure appropriate to its size and complexity, with a range of skills on the board, and includes representation from the BME community. Board members, who include tenants, participate in an annual training programme and attendance at board meetings is at a satisfactory level.

The board has adopted a board development plan and reviewed the association's committee structure. Improvements as a result of the review were implemented in May 2005. These include a streamlined committee structure consisting of a board and audit committee, a reduction in the number of board members and appointment of board champions to lead on specialist areas. We attended a board meeting in 2004 and found it to be professionally conducted and effective, with good standards of discussion on strategic matters. The quality of board papers was good and minutes clearly record decisions taken.

The association's risk management matrices are a collection of identified risks against

five management areas. The risks are categorised by likelihood of the event occurring, potential impact and responsible officer for action. The association's business objectives are not easily assimilated into its risk management matrices; linking the two together would create a more holistic and robust approach to risk management.

Cotman has made good progress in meeting the regulatory requirements on race and cultural diversity within a relatively low BME context. The association revised its BME policy in 2003 and comprehensive action plans and targets are in place. The board monitors performance on an annual basis.

Cotman has recently revised its tenant participation structure and has established a tenant's forum. Through a more relaxed structure the association intends to reach a wider audience, particularly encouraging the involvement of younger tenants. Tenants will continue to be represented on the association's board. The association meets the Corporation's requirements on resident involvement.

We are satisfied with the board's 2004 self assessment of compliance and areas for improvement identified in the statement have been actioned.

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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Cotman Housing Association benefits from an experienced executive management team who work in an open and co-operative way with the Housing Corporation.

An inspection of Cotman in June 2002 concluded that the association was providing a satisfactory service to its tenants. Its lettings service was rated as good, as was its tenant participation structure. The association welcomed the inspection as an opportunity for an independent review of the services it provides and has now fully implemented all recommendations of the inspection findings.

The association is fully compliant with the Housing Corporation's statutory guidance in relation to anti-social behaviour. Statements in relation to its policy and procedures are readily accessible, well publicised and included in the association's tenant handbook.

The association participates in a choice based lettings scheme and works with local authorities in meeting priority need. Its approach to tenancy management meets the requirements of the Housing Corporation.

The association is part of the New Alliance benchmarking club, working on best value initiatives and good practice with two other housing associations in the East Anglia area. Cotman's 2000/2004 best value programme has seen all major service areas reviewed and a new five-year review program is currently being developed.

We carried out an assessment of the association's performance indicators for the period ending 31st March 2004. Performance indicators were generally in the upper quartiles and in line with national averages. Lettings to BME households exceeded the percentage of local BME population in the association's area of operation. Following best value reviews both repairs and voids performance had improved significantly from the previous year. Rent collection and rent arrears performance had also improved and 2005 performance figures show that further progress has been made following a recent review of this service.

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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In 2003/04, Cotman had a new programme allocation of £225k and achieved cash expenditure of £937k, against a cash planning target of £1.117m. The association only completed 2 units out of an anticipated 22 unit target.

For 2004/06, Cotman has no new allocation but has a committed programme of £706k over 2 years to deliver 35 completions. In 2004/05 the majority of forecast targets were met and project management had improved.

Communication with the Housing Corporation has also improved both verbally and in use of IMS. We would like to see this more pro-active approach maintained to ensure that committed programmes are delivered to target.

Cotman are now part of the Iceni joint venture group, comprising Suffolk Housing, Colne and Colchester Quaker. Iceni are in the process of entering into a development partnering agreement with Bedfordshire Pilgrims Housing Association.

Sources of information and regulatory activity

1. The following information is generally received from all associations and is reviewed by the Corporation for each association:

- Audited annual accounts;
- External auditors' management letter;
- Annual self-assessment of compliance with the Regulatory Code;
- Internal controls assurance statement;
- Business plans;
- Financial returns;
- Performance indicators;
- Regulatory and statistical return; and

- Annual efficiency statement (July 2005).

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

- Attendance at board meeting (March 2004);
- Meeting with chair and chief executive (March 2004);
- Inspection action plan follow up (March 2003 – June 2004); and
- Annual Viability Review (April 2005).

3. 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); and
- Rent information and other key facts and figures (www.rsrsurvey.co.uk and www.dataspring.org.uk).