

Tenant Services Authority Revised Regulatory Judgement

Coast and Country Housing Limited (L4342)

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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 Coast and Country Housing Limited, 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.

- **Properly Governed:**

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

Our assessments of both viability and governance at Coast and Country remain unchanged from the previous published judgement. The association has a robust business plan and sufficient finance in place to meet requirements well into the future. The association is developing new homes and current plans are fully funded. The association has aspirations to undertake further development and is seeking additional funding in order to achieve this.

The organisation's corporate plan sets out a clear work programme for the three year period it covers. Appropriate performance management and reporting frameworks are in place to ensure delivery is driven and monitored. The board and senior management team are operating effectively and risks are being well managed. Tenant satisfaction levels are satisfactory and the association is fully engaged in managing its business in a co-regulatory manner.

Description of the provider

Coast and Country Housing (Coast and Country) was formed in July 2002 to receive a whole stock transfer from Redcar and Cleveland Borough Council. It owns around 10,200 homes. The association has an in-house property maintenance division which undertakes its routine repairs and maintenance works. It runs a number of services to support elderly and vulnerable people to continue to live independently in their own homes. It also provides homes for sale via a range of purchase options aimed at making home ownership more affordable. These homes are marketed through Coast and Country's times4 brand.

Redcar and Cleveland is geographically diverse, including areas of heavy industry in and around Redcar, other urbanised areas, seaside towns and rural settlements. Although many of its towns and neighbourhoods are thriving, some experience extreme levels of deprivation, with low housing demand, high levels of crime and unemployment, poor health and low educational attainment. The borough is ranked as one of the most deprived in the country. These factors add to the complexity of the successful management of Coast and Country's business.

Coast and Country acknowledged low demand as a key risk pre-transfer. A number of estates were identified as requiring more than routine improvements to ensure their long term sustainability and the transfer business plan included a programme of demolitions to re-balance supply and demand. Demolition plans have been supplemented with redevelopment proposals and major schemes are now underway in those identified neighbourhoods.

In the meantime demand remains a risk. Stock turnover is high and some areas are becoming increasingly hard to let. Demand for family homes continues to outstrip availability. Choice based letting has slightly increased demand but has also exacerbated low demand in areas that were already less popular.

Viable

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

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This judgement remains unchanged from the previously published judgement of Coast and Country's viability.

Coast and Country has a robust business plan. It has sufficient funding in place to meet business plan requirements for 21 years. It has a total loan facility of £175m of which £149m has been drawn. There have been no covenant breaches and none are forecast. The association is currently in negotiation with lenders to access an additional £40m facility to finance uncommitted development. The proposed increased margins for both existing and new borrowing are considered reasonable and the new finance will enable the association to significantly increase the level of social housing development it undertakes in the future.

The association's EBITDA MRI ratio, which the TSA uses to assess a provider's ability to meet interest payments whilst eliminating the impact of different accounting treatment for work to existing properties, has improved to 39% in 2009/10 from 28% the previous year. This is consistent with expectations of a stock transfer association of this age. EBITDA MRI is forecast to improve to 129% in 2011/12 following completion of the improvement programme and taking account of increased sales income.

The association has undertaken robust sensitivity testing of the financial forecasts within its business plan which demonstrate the plan's ability to remain viable and meet covenants under a range of adverse scenarios.

The association is a member of the Spirit development partnership through which it accesses funding from the National Affordable Housing Programme from the Homes & Communities Agency to deliver new homes. Forecasts for future development are considered affordable. The association anticipates developing 265 homes in the period to March 2013, including 36 for shared ownership and 83 for outright sale. Future plans, using new finance, are to develop around 1,125 social rented and shared ownership homes within the Redcar and Filey areas. Coast and Country is aware of, and effectively managing, the risks associated with developing homes for sale. This involves individual scheme risk registers and a phased approach to development and sales, providing time to sell homes before further properties are developed for sale. A team specifically covering regeneration and development has recently been appointed. The board receives regular reports on sales performance on current developments.

Coast and Country achieved full compliance with the Decent Homes Standard in December 2010. The association is compliant with the rent influencing regime and is on target to meet rent restructuring by March 2012.

Properly governed

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

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The TSA is satisfied that Coast and Country's governance arrangements meet the required outcomes and expectations of the Regulatory Framework and our judgement remains unchanged from the previous assessment. It has well developed strategic planning and monitoring processes and is effectively managing the risks associated with delivering its plans. The board and senior management team operate effectively. It is fully engaged with developing a co-regulatory approach to managing its business.

Coast and Country's mission, 'to provide homes that people choose to live in' is set out in its three year corporate plan. This mission is underpinned by corporate aims that fall into four overarching themes; providing a quality product which is accessible to all, creating a better future for tenants and other customers by assisting in the development of sustainable homes and neighbourhoods, developing and expanding core business and being viable, well governed and well managed.

Coast and Country's board comprises 12 members made up of equal numbers of tenants, independents and local authority nominees. Members come from a range of

different backgrounds and bring an appropriate range of knowledge and expertise. Members are not remunerated. The board is supported by an experienced senior management team which has a sound understanding of the challenging environment the association operates in. The team has recently been strengthened by the appointment of a business support director. Coast and Country has self assessed against the National Housing Federation Excellence in governance code. It is currently fully compliant.

A three year corporate plan details timetabled deliverables which demonstrate successful delivery of corporate aims. Appropriate reporting mechanisms are in place which enable the board to drive and monitor plan progress. The latest reports on corporate plan progress and associated performance indicators demonstrate that most targets are being met and give assurance to the board on the few areas of underperformance.

The TSA is satisfied that Coast and Country's risk management framework is effective. Risk management processes were assessed as providing good assurance by internal auditors during 2009/10. Key strategic risks are identified and assessed as part of annual business planning processes. The board receives appropriate assurance on the effectiveness of controls through various reports and confirmations. The association's risk profile is changing as it steps up its neighbourhood regeneration work and takes on greater exposure to development and housing market risks. Early indications suggest these risks are being well managed.

The association has a wide range of well publicised involvement opportunities that allow residents to be involved at both strategic and operational levels. At a strategic level formal resident input is achieved via tenant board membership and through a tenant executive panel which has regular access to the board and the senior management team. Tenants can opt to be involved in scrutinising performance in a number of ways. This includes assessing information on the association's website which contains a comprehensive and up to date set of easy to read performance indicators. It also includes historical data and current year targets to provide context to enable tenants to assess performance trends. The information could be made more co-regulatory if it displayed comparisons with other providers where data was available. As well as embracing tenants in co-regulation the board also uses external accreditations as a means of gaining assurance in a number areas of its business including resident involvement, customer services and its telecare service.

The association has produced a strategy and action plan which covers inclusion, equality and diversity, and incorporates the requirements introduced in the new 2010 Equality Act. The strategy aligns with the association's corporate aims. Actions will initially focus on ensuring tenant profile data collection covers all the equality strands. In relation to inclusion, the plan prioritises financial and social inclusion, the young and the elderly and tenants with low literacy skills.

| Profile Table | |
|---|-----------------------------------|
| RP Code | L4342 |
| RP Name | Coast and Country Housing Limited |
| Selected Indicators | |
| Tenant satisfaction with landlord services | 83.0% |
| National average tenant satisfaction with landlord services | 82.3% |
| Tenant satisfaction that views are taken into account | 64.9% |
| Tenant satisfaction with repairs & maintenance service | 78.7% |
| % Homes that comply with Decent Home Standard | 96.2% |
| Average weekly rent levels | |
| Weighted average weekly rent of all general needs homes | £67.60 |
| Number of homes by type | |
| General Needs | 10,124 |
| Housing for older people | 0 |
| Supported housing | 0 |
| Shared ownership properties | 29 |
| Total | 10,153 |
| No. of LAs in which RP operates | 2 |

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 2010

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 Coast and Country Housing Limited:

- Meetings with executive team (April 2009 and February 2010)
- Attendance at board meetings (February 2010)
- Viability Review based on 30 year financial forecast (December 2010)
- Quarterly credit and housing market survey.

Additional information about the provider can be accessed on the TSA 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)

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