



Housing Corporation Assessment

Peabody Trust (L0014)

**Waltham Forest Community Based Housing Association
(L4143)**

Date of publication: November 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

Green

Measuring compliance with the 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.

PROPERLY GOVERNED

Green

Measuring compliance with the Regulatory Code part 2

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

PROPERLY MANAGED

Amber

Measuring compliance with the Regulatory Code part 3

The group's performance is below the standard expected given the context in which it works and the available resources.

DEVELOPMENT

Green

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.

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 group

The Peabody Trust group (the group) comprises two registered associations and several unregistered bodies and is one of the largest groups in London.

The Peabody Trust (Peabody, the trust) is the parent body in the group structure. It was set up in 1862 and is a charity and regeneration agency. It has been registered with the Corporation since 1974. The trust develops homes, tackles social exclusion and builds sustainable communities, and does so by seeking to address the wider causes and symptoms of poverty and social deprivation.

The trusts owns or manages nearly 18,000 homes across London, with stock in twenty seven boroughs, though over 60% of these homes are in only six local authorities: Islington, Southwark, Tower Hamlets, Waltham Forest, Wandsworth and Westminster. The majority of this stock is general needs accommodation although the trust has almost 900 units of supported housing. It also provides homes for sale, on both a shared ownership and outright sale basis, and rented homes for key workers.

The subsidiaries are:

- Waltham Forest Community Based Housing Association (CBHA) which was set up in 1996 and registered with the Corporation in 1997. It was the successor to the Waltham Forest Housing Action Trust and all of its 1,600 homes are in that local authority area;
- Peabody Enterprises Ltd, an unregistered company which is a holding company for a number of special purpose vehicles used to develop housing for sale and commercial property;
- Safe in the City, a joint initiative established as a separate company, which was created by the trust and Centrepoint, a charity which is also registered with the Corporation.

In August 2005 the Trust received the statutory transfer of the stock of Clays Lane Housing Co-Operative. The 450 units are now managed by CBHA.

Around 36% of the population in the trust's six core boroughs is from a range of ethnic minorities.

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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Peabody has identified significant challenges ahead in bringing its stock up to the Decent Homes Standard, following an assessment by the group of the financial implications.

As grant funding is limited, the trust is currently implementing substantial changes in its business strategy in order to focus the necessary resources on improving its existing stock.

These measures have included reducing and re-profiling the development programme and delivering a substantial programme of operating efficiency savings over the last year. It is accelerating its stock disposal programme to generate capital receipts to fund the asset management strategy.

The group has also renegotiated some bilateral loans and disengaged from financially marginal projects.

Updated long term financial projections submitted by the trust in October 2005 demonstrate improving financial capacity to deliver its asset management strategy. However the trust will need to continue exercising considerable financial prudence and will be particularly dependent upon a five year stock disposal programme to meet the Decent Homes Standard by 2010.

Our assessment of the group's viability reflects our concern that the trust's financial performance is vulnerable to deterioration if its planned disposal programme is not delivered and if it fails to secure alternative sources of funding.

CBHA's financial projections indicate its ability to achieve full compliance with the Decent Homes Standard by 2010.

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 board of governors of the trust consists of thirteen people with a good range of skills and expertise relevant to the governance of a large housing association. The trust has recently carried out a governance review which has resulted in a number of changes. The committees supporting the board more closely reflect the service areas of the trust with separate Resident and Community and Property committees. The trust has also appointed a second resident governor and has been seeking additional governors to ensure that the board has the skills to meet the changing needs of the business. These changes are all being supported by a development and appraisal programme for new and existing governors.

The trust has recognised that it needs to do more to ensure that the board reflects the diverse nature of the communities it supports and has recently appointed consultants to look at ways to encourage and increase the opportunities for members of black and minority ethnic (BME) communities to apply and succeed as governors. As at 31 March 2005 the BME representation on the board was approximately 18%. The current census figure for the BME population in London is 32%.

The trust is working towards further improvements in resident involvement and representation by developing a customer panel, holding a residents' conference and including representatives from the home owners' forum within the governance framework.

Peabody has now consolidated the substantial changes to the senior management team that took place with the appointment of the new chief executive in March 2004 and with the refocusing of the structure to include a director of resident services and director of property services.

The group's risk management strategy is supported by an Officer Risk committee which reports to the Audit and Risk committee. We have reviewed the group's risk management strategy and consider the group's approach to risk management to be satisfactory.

The group is committed to equality and diversity. Our review of the group's performance against the race equality and diversity requirements of the Regulatory Code in the early summer of 2003 found that it was making satisfactory progress towards meeting our expectations. The group is now producing a consolidated 'valuing diversity' report to the board on an annual basis and is working with both resident and staff diversity working groups.

The board's 2005 self-assessment of compliance with the Regulatory Code identified the group as compliant, with areas for improvement. Although this is not consistent with our current view of the group as reflected in our assessment of its management performance, we welcomed the improvements that have been made by the group during the year. The self-assessment was received on time and was informative and well presented.

Properly managed – Regulatory Code part 3

The group's performance is below the standard expected given the context in which it works and the available resources.

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Separate management structures exist for Peabody and CBHA.

The Audit Commission's inspection of the group in autumn 2003 found that, overall there was scope for considerable improvement in the services delivered by the trust to its residents. The inspectors highlighted repairs and maintenance, customer service, asset management and services to leaseholders as being below the required standard. However, they considered the trust to be committed to continuous improvement in the way it operates, and to be raising standards in service delivery. CBHA was found overall to be providing a satisfactory service, whilst demonstrating some weaknesses in its commitment to improvement.

The group is putting considerable corporate effort into addressing the issues identified, and a detailed action plan is being implemented, following discussions

with the Corporation and the Audit Commission. During the year we have monitored progress against the action plan and have recently carried out an evidence based review. The trust has made substantial progress towards achieving the action plan, however the review identified some areas which require further clarification before we are in a position to sign off the plan as complete. We are currently completing an evidence review for CBHA.

Full data is not yet available to compare the trust's performance on key indicators for the year ended March 2005 with other similar sized associations based in London. Results to March 2004 show that most indicators compared unfavourably, putting the trust in the fourth quartile position. However the trust has improved its performance in respect of re-let times. CBHA improved its performance in key indicators for the year ended March 2004, although rent arrears remain high at 16.4%.

The Decent Homes Standard presents a particular challenge to the group. CBHA's redevelopment programme will ensure its homes meet these requirements; however it remains a major issue for the trust as currently 30.9% of its stock does not meet the Standard. The trust has over the last year reviewed its asset management strategy in stages. The review has included an independent options appraisal process which identified a substantial stock disposal programme to fund the stock investment programme to 2010 and beyond. The asset management strategy relies upon the effective delivery of the disposal strategy. We are currently reviewing the trust's finalised asset management strategy and will continue to monitor delivery of this strategy carefully over the forthcoming period.

Development - Delivering the Approved Development Programme

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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Peabody has had a varied development programme across London. Housing Corporation allocations support a range of different scheme types including general needs rent and sale, intermediate rent for key workers and works to Peabody's own stock. Peabody also delivers the Housing Corporation funded Homebuy programme in the London boroughs of Islington and Hammersmith and Fulham.

The group did not perform well against its Approved Development Programme (ADP) targets for 2004/05. Peabody's ADP cash-planning target of £16.6m was not achieved and take-up amounted to £5.8m. The completions target of 141 new homes was also not met, with Peabody achieving a final total of 77 units. However these shortfalls in targets were due to three specific schemes, which all had a varying degree of problems that were outside the control of the group. The field office was kept informed at all times. Targets for the Approved Development Programme Key Worker (ADPKW) programme of £0.9m and Safer Communities target of nearly

£0.2m were achieved.

The trust has received allocations to the value of £14m for 2005/06 which will provide 156 new homes in London for affordable rent, sale and intermediate rent.

The Corporation carried out a compliance audit on three schemes. The overall assessment was good and that the required standards were met.

We will continue to consider the group for funding provided that schemes are value for money, deliverable and meet our investment priorities.

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
- Annual efficiency statement

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

- Attendance at a board meeting of the trust in October 2004, and a meeting with CBHA board members in September 2004;
- Meeting with the chair of the trust October 2004;
- Regular contact with the chief executive and senior staff of the group;
- Review of financial projections – October 2005;
- Asset management review – ongoing with the trust since September 2004;
- Quarterly follow up work on Audit Commission inspection – (inspection October 2003, report published May 2004);
- Compliance audit – March 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)
- Rent information and other key facts and figures (www.rsrsurvey.co.uk and www.dataspring.org.uk)

