

# **Tenant Services Authority Regulatory Judgement**

**Bournville Village Trust Group**

**Bournville Village Trust L0702  
Bournville Almshouse Trust A2149**

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# Tenant Services Authority Regulatory Judgement

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 group

Bournville Village Trust (BVT) is a registered charity, founded in 1900 by the Cadbury family (chocolate manufacturer) and registered with the Housing Corporation in 1975. It owns over 3,000 properties and acts as a managing agent for a number of other organisations. Its key areas of operation are in Birmingham and Telford where the black and minority ethnic (BME) populations recorded in the 2001 census are 22% and 7% respectively.

BVT is the principal member of the Bournville Village Trust Group. The group also comprises of two subsidiaries, Bournville Almshouse Trust which has 101 almshouses, flats and houses all located on the Bournville Estate in Birmingham; and Bournville Village Developments established to oversee the ten year development of a new urban village. This will comprise approximately 800 new homes of mixed use and tenure at Lightmoor in Telford, Shropshire. It will be achieved via a joint venture with the Homes and Communities Agency (HCA) and has the support of the local authority. Work commenced in the summer of 2005.

BVT manages or provides a range of services to approximately 8,000 properties of mixed use and tenure. Based in the Bournville area of Birmingham, it has a high demand for its properties with the principal activities being to:

- manage the Bournville Estate which comprises over 7,500 freehold and leasehold properties and various community facilities;
- manage approximately 600 properties in other areas of Birmingham, Telford and Redditch;
- manage approximately 2,500 acres of agricultural land around the south west of Birmingham; and
- provide architectural, management and maintenance services to a number of housing associations and other organisations.

BVT works with Birmingham City Council in the development and delivery of the City's housing strategy. This work reflects the strong presence the group maintains in Birmingham and builds upon its work with the communities in areas such as Selly Oak, Bournville and Weoley council wards.

In 2002 BVT began its major development initiative to regenerate its Shenley estate within the Bournville area. Phase 1 was completed in 2004 providing 54 new homes including 12 bungalows together with refurbished shops and a large purpose built medical centre, all in a landscaped setting. It is envisaged that the redevelopment of the Shenley estate will be a 10 year initiative with work due to be completed by 2012.

BVT's mission statement is 'To create and sustain flourishing communities where people choose to live.

- By promoting new social housing of good quality which enhances the

environment.

- By managing housing stock and estates to the highest standard for all residents.
- By encouraging residents to share in decisions affecting their communities.'

**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.**

### **TSA Regulatory Judgement**

The assessment has changed from last year. The increasing cost of managing and maintaining the Bournville estate has resulted in a deterioration in key financial ratios in recent years. In addition, BVT has embarked upon an ambitious development and improvement programme over the next few years, and accepts that its exposure to the risks inherent in delivering these objectives will result in the deterioration of some financial indicators over the next few years. However, BVT's business plan demonstrates that it is on target to comply with the Decent Home Standard (DHS) by 2010 and complies with the TSA's expectations on rent influencing. BVT is forecasting that it will operate within its agreed loan facilities and comply with lenders' covenants.

Although BVT has historically enjoyed a track record of sound financial performance, its operating surplus for 2007 was marginally lower than forecast as turnover grew at a slower rate than expected and maintenance and repair costs exceeded budget. With demand for BVT's housing remaining strong, voids and bad debts remain low despite a slight increase in 2007. The latest forecast assumes that current levels will be maintained over the long term. However, BVT has approximately 1,000 secure tenancies, and this continues to constrain rental income.

There are a number of key challenges facing the association that need to be successfully managed:

- delivering the improvement programme
- managing the development programme including the cash flow impact of any delays arising from the sale of shared ownership properties
- generating profit on the sale of fixed assets
- maximising income from other non-social housing activities, including estate maintenance

BVT accepts that it will need to effectively manage these risks, and it has the resources and experience to do so. The TSA acknowledges that BVT is utilising its financial capacity to help contribute towards delivery of the Government's affordable housing programme. The group has recently arranged two new funding deals and

this should satisfy its funding requirements for the next five years.

Following an independent review of its repairs and maintenance function in 2006, BVT's current business plan recognises that the cost of maintaining and improving its existing properties will rise in real terms over the next few years. As such, and in order to address issues arising from the age of its stock in general, BVT is committing significant financial resources to its maintenance and improvement programmes, including capitalised major repairs. BVT has now completed a comprehensive stock maintenance survey on all of its stock, and with 96.9% of its stock meeting DHS at March 2008, BVT remains confident that it will fully achieve the Standard by 2010. BVT has a 30 year maintenance plan approved by the board.

In addition to the improvement programme, the 2008/12 business plan reflects BVT's plans to develop new social housing homes. Following a competitive selection process organised by a consortium of developers in collaboration with English Partnerships (now the Homes and Communities Agency), BVT was selected, together with the Beth Johnson Housing Group (subsidiary of Sanctuary Housing Association) as the affordable housing provider for a major development of a new village comprising 3,300 homes together with a range of community facilities at Lawley, in Telford. There will be 800 affordable new homes split equally between Beth Johnson and BVT which is intended to be equally split between rent and shared ownership. As the units are to be developed without Social Housing Grant, the group would switch to assured shorthold tenancies if current market conditions persist. The funding implication for BVT is reflected in a significant increase in loan debt over the next five years.

The TSA uses EBITDA MRI, a cash flow based interest cover ratio, to assess an association's ability to meet interest payments by taking into account all expenditure on works to existing properties. For BVT the measure remains weak over the next five years, reaching 100% only in 2023. However, scenario testing on the information provided to the TSA demonstrates that the group would achieve this benchmark by 2014 if new development were to cease after 2012.

Over 50% of projected net surplus levels before 2012 will come from the profit on the sale of fixed assets mainly from the sale of freehold interests. Nevertheless, based on its own sensitivity analysis, BVT recognises that, should the need arise it will sell void properties on the open market. This is a strategy that may prove challenging over the next few years given current market conditions.

Following the completion of an improvement programme on the agricultural estate, BVT is now realising a net revenue surplus in this area of activity. However, income from other non-social housing activities, including estate maintenance, remains insufficient to cover costs. This area of activity will have an ongoing negative impact on the overall operating margin.

**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**

BVT's charitable trust deed requires the appointment of twelve trustees, nine of whom normally have to be direct descendants of the Cadbury family with the remaining three representatives from the City of Birmingham, the University of Birmingham and the Society of Friends. The board has the skills and experience appropriate for an organisation of the size and complexity of BVT. There are no tenants on the board of trustees but there is tenant representation on all its committees concerned with housing services that meets our requirements.

The group submitted a satisfactory self assessment of compliance statement with the Regulatory Code. It will need to show more detail of improvement plans in future submissions to enhance its submission.

BVT is active in encouraging resident involvement and has recently conducted a Best Value review of tenant participation in order to refresh its service. As a result of the review BVT is bringing together tenant participation, wider resident involvement and community activities to ensure a more holistic approach. In 2008, BVT organised its fifth one day tenant conference which has now become an established annual event. The event was well organised and provided a platform for residents to present views to the board and management as well as the opportunity to learn about other ways of getting involved. BVT meet TSA requirements in tenant participation.

The group's internal equal opportunities and diversity steering group monitors diversity performance. Quarterly reports on performance are provided to the housing services committee.

BVT has a risk management framework that includes the grading of risk in the current market conditions. Major risks are reviewed at the finance, audit and general purposes committee of trustees. A comprehensive programme of audits is in place and the findings are reported directly to the trustees. It has a satisfactory risk management approach.

### **Properly managed – Regulatory Code part 3**

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

### **TSA Regulatory Judgement**

BVT has an experienced management team with the appropriate skills for an organisation of its size and complexity.

A programme of continuous improvement and value for money reviews are planned using best value methodology and inspection frameworks. BVT benchmarks its performance against other associations and uses a sector benchmarking organisation.

Performance indicators for the year ended March 2008 show a small improvement on the average days to relet properties from 44.2 days to 43.2, below the national

average of 40.2 days; and a slight increase in void properties at 0.9% but better than the national average of 2.4%. DHS compliance was recorded as 96.9% and is on target to meet the government DHS target. Tenant satisfaction statistics produced in 2006 using STATUS show above average results in all areas. We are satisfied BVT is working towards improving performance.

BVT meets TSA's requirements on diversity. It has had its approach to equality and diversity independently reviewed and is working to improve its performance and will continue to monitor the improvement plan. The racial harassment procedure has been reviewed and more emphasis has been put on victim support. BVT has recently adopted a gender equality scheme and also a disability equality scheme.

BVT developed a revised asset management strategy in 2008 that offers tenant involvement in improving letting standards. The tenant maintenance panel is consulted on all key decisions relating to maintenance services. An annual maintenance exhibition is held for tenants whose properties are part of BVT's capital works programme.

BVT receives nominations from Birmingham City Council and is part of the Telford choice based lettings scheme. We are satisfied BVT meets the TSA requirements for housing management. BVT operates a starter tenancy scheme called PROSPECTS that provides assured short hold tenancies and supports new tenants in danger of tenancy failure.

### **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
- Financial forecasts
- Performance indicators
- Regulatory and Statistical Return

In addition to the above, the following specific activities were carried out for Bournville Village Trust:

- Meeting with executive team (August 2008)
- Attendance at the tenant conference (May 2008)
- Annual Viability Review based on 30 year capacity model (October 2008)
- Quarterly credit and housing market survey (January 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](http://www.housingcorp.gov.uk))
- Inspection reports ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk))

- Extracts from the Public Register ([www.tenantservicesauthority.org](http://www.tenantservicesauthority.org))
- Rent information and other key facts and figures ([www.rsrsurvey.co.uk](http://www.rsrsurvey.co.uk) and [www.dataspring.org.uk](http://www.dataspring.org.uk))