

CROWN HOUSING ASSOCIATION

ANNUAL REPORT OF THE BOARD: 2009

1. PURPOSE OF REPORT

- 1.1 This report by the Board on the affairs of the association has been prepared for the AGM in line with the requirements of Rule C17.

2. THE EXTERNAL ENVIRONMENT

- 2.1 The last year has seen profound change, both planned and unplanned, in the operating environment for housing associations.

- 2.2 The Housing Corporation has fulfilled the twin roles of the regulator of the sector, and the route through which government's grant regime has been channelled, since 1974. Whilst this linkage has in many respects worked well, it has left the Corporation exposed to the risk of conflicts of interest between its regulatory and funding roles. With growing evidence of the perils of inadequate regulation, it is perhaps not surprising that government should have decided that separation of these important functions is appropriate.

- 2.3 The mechanics of the desired change have been completed by the end of 2008, with the establishment of the new funding body, the Homes & Communities Agency, and the new regulator, the Tenant Services Authority. However, the implications of the new arrangements are not yet fully known. The TSA continues for the time being to regulate on the basis of the Regulatory Code inherited from the Housing Corporation, but this will undoubtedly change substantially during the coming year, following the TSAs 'national conversation'. The TSA has been established with an explicit responsibility to champion the interests of residents, and promote excellence in service delivery and maximum choice, rather than to be neutral in terms of the landlord/tenant relationship. Whilst we might applaud the sentiment behind the new perspective, we have yet to see how this will be translated into new expectations and challenges, and as always there is the potential for 'the devil to be in the detail'.

- 2.4 With the benefit of hindsight, it is difficult to imagine a more difficult time to implement a fundamental change of this sort. Whilst the collapse in economic confidence and the travails of the financial institutions have of course had a great impact across the board, the housing sector has been hit by particular issues which continue to threaten viability. Most significantly, the collapse of land and property values has impacted on the private sector housebuilders and developing housing associations alike, and many are predominantly

focussed on survival for the time being. The availability of capital finance from the banks has been greatly diminished, and the cost of borrowing significantly increased. The length and depth of the downturn in the housing market is not yet known, but recovery may be some time away.

- 2.5 It is of considerable comfort that Crown is not exposed to the immediate issues threatening some other social housing organisations. We do not have properties developed for sale that we cannot sell, neither do we have capital commitments for which we cannot secure funding. We are not exposed to non-traditional financing instruments, and we do not need to write down the value of our property assets. That is not to say that we are untouched by the global financial crisis. Loan finance is very difficult to secure, if for example opportunities related to the MPA managed stock were to materialise. Crown's income from its financial investments is a fraction of what it was. A period of low inflation may limit our potential for rent increases that would keep pace with our growth in costs.

3. GOVERNANCE & LEADERSHIP

- 3.1 A change of Chief Executive is always a significant event for any organisation, and Crown is no different in this respect. As was reported to the last AGM, Jo Lansdell had decided to retire at the end of 2008, and left her post at Crown in December, after nearly 25 years service. It is no exaggeration to say that her contribution and her commitment have been fundamental to the association's development and performance throughout this time, and the Board was pleased to hold a farewell lunch after the December board meeting to celebrate Jo's achievements. We wish her well in her retirement.
- 3.2 Jo has been succeeded by Nick Wood, who joined us from the Network Housing Group in February. Nick brings a wealth of experience in the social housing sector, and is already making his mark as the association moves forward.
- 3.3 The Board would like to express its thanks for the commitment shown by all staff through the lengthy transition of Chief Executive. It is pleasing to note that our performance and services remained at a high standard throughout.

- 3.4 There are two other staff changes to note:
- Graham Vine has replaced Breda Redmond-Hunt as Scheme Manager at Highbury Terrace & Ronalds Rd
 - Debra Manhire replaces Dawn Whitley as Senior Admin Officer
- We thank the leavers for their contribution, and welcome Graham and Debra to Crown.
- 3.5 The last year has also seen major change at board level. Noel Ing stepped down as Secretary in February, at which point the role of Secretary was combined with that of the Chief Executive, and Noel has decided to retire from the Board at this AGM, after 14 years service. Noel's contribution has been immense – as Secretary, he has been at the heart of all board meetings, and board affairs generally. His guidance on matters of good governance and probity has been of great value to the board, and in his informal role as advisor and mentor to the senior staff and board members, he has been a great support to us all. We are grateful for his important contribution in steering the organisation through its recent fundamental changes at board and executive level, and we hope and anticipate his continuing interest in our affairs as a shareholder. Having enjoyed for many years Noel's lexicon of literary references, we can do no better than to follow Chaucer in declaring Noel to be "a veray parfit gentil knight".
- 3.6 Our thanks also to Jean Cooper, who stepped down from the Board in September. Jean has been a good friend to the association, and we look forward to continuing contact through her role as Chief Executive of the Civil Service Retirement Fellowship.
- 3.7 During the year, the Board has co-opted three new members – Celia Perry, Henry Davidson and David Hinton. All three bring important legal and financial skills to the board, and experience in the social housing sector. We are sure they will make an important contribution to the Board.

4. SERVICES TO RESIDENTS & STOCK INVESTMENT

- 4.1 Housing management performance has remained of a high standard during the year:
- Repairs: more than 1450 repair requests were actioned, with over 95% completed within the association's target response times (which are considerably more demanding than the regulatory standard). Gas safety checks were completed on 100% of our managed homes
 - Rents: current tenant rent arrears are 2.3% (target 2.5%) - 99.4% of rent due was collected (target 97.5%).
 - Void property: 1.3% of rent income was lost through empty property (target 1.0%). Average reletting time was a disappointing 7.1 weeks (target 2 weeks), but progress was made during the second half of the year in improving this figure

- Lettings: a total of 48 lettings, including 6 transfers and 5 local authority nominations. 44% of lettings were made to black/minority ethnic households
- 4.2 Our internal performance management information suggests that tenant satisfaction remains at the high level identified in our last formal tenants survey, although over the coming year we will be putting in place new performance management systems, and new monitoring processes, to improve our knowledge of resident satisfaction. No formal tenant complaints were received during the year.
- 4.3 Our contract to manage Archbishop Coggan House for the Merchant Taylors' Company has bedded in well, and we have had very positive feedback from the Merchant Taylors regarding our management performance. We have reached agreement to extend the contract for a further three years, to November 2012.
- 4.4 During the last financial year, the association spent over £300,000 on stock investment, in addition to expenditure on responsive repairs and the commitment of £160,000 on our annual programme of planned and cyclical maintenance. The stock investment expenditure included:
- £90,000 on kitchen and bathroom replacement
 - £88,000 on installation of new heating/hot water systems
 - £48,000 on improving communal facilities at Huntly Ct and Highbury terrace
 - £36,000 on installing stairlifts at Huntly Ct
 - £35,000 on roof repairs at Highbury Terrace
- 4.5 In addition, a total of £105,000 was spent converting 6 Cheam Ct to provide additional office space and a two bedroomed flat. By agreement with the Metropolitan Police Authority, over £400,000 has been spent from the MPA Sinking Fund on MPA owned property, mostly for electrical works.

5. **FINANCIAL REPORT**

- 5.1 The full audited accounts are tabled at the AGM. In summary,
- Turnover has increased from £2,161,261 to £2,462,980 (+£14.0%)
 - Operating costs are 91.5% of turnover (2008: 95.3%)
 - The surplus for the year is £182,605 (2008: £4683)
 - Reserves carried forward total £2,747,695 (2008: £2,565,090)
 - Total assets less liabilities decreased from £4,360,918 to £4,240,801
- 5.2 Given the very high level of capital expenditure on stock and offices during the year, a net contribution of £37,012 from the association's major works reserve has also been applied.

- 5.3 In line with regulatory guidance, a rent increase of 5.5% was applied from April. No increase was applied at the Shuna St scheme, or at Archbishop Coggan House. Rents are increased on the MPA properties from October. The average rent is £97.47 per week.
- 5.4 Action is underway to improve financial reporting. A new cost centre approach is being introduced, together with a new suite of cost codes. More detailed monthly reports covering management accounts and treasury management, will be introduced.

6. PRIORITIES FOR 2009/10

- 6.1 The association is required to return the MPA managed properties to the Metropolitan Police Authority in phased instalments between 2010 and 2014, as their leases expire. A key priority for the coming year will be to continue dialogue with the MPA regarding any potential role for Crown in the longer term.
- 6.2 A new five year business plan and financial projections will be drafted for a Board Awayday in October. This five year review will be of great significance in terms of the future of the MPA contract, and in terms of assessing capacity and opportunity for other areas of growth.
- 6.3 The Awayday will also review governance arrangements in the light of new guidance on good practice in governance, issued by the National Housing Federation.
- 6.4 Other priorities include:
- Completion of the initiative to improve the collection and reporting of financial and performance data
 - Achievement of the 2009/10 stock investment programme
 - Continued improvement of housing management performance indicators
 - Introduction of improved arrangements for assessing resident satisfaction
 - A new initiative to promote tenant involvement

7. CONCLUSION

- 7.1 Crown continues to be a high performing housing association with an attractive, well maintained stock, effective housing management and high tenant satisfaction. We face challenges, particularly relating to the expected loss of our contracts with the MPA over the next five years, and more generally with the downturn in the economic climate. We will need to respond positively to the requirements of the new regulatory regime. The Board is confident that, having managed a period of substantial change at board and executive level, we are well placed to continue Crown's success going forward.

The Board's Statement of the Values and Objectives of the Association

These may be summarised as

- a) To comply with the objects set out in the Association's Rules and, in particular, to provide rented housing at affordable rents.
- b) To provide for all its residents a high quality equal opportunity based service with advice and support being made available to them where appropriate and, where practicable, their involvement in decisions affecting them.
- c) To manage its affairs, through the Board, the Committees, the Officers, the Chief Executive and the Staff, in an efficient, prudent and, subject to the proper observance of confidentiality, an open manner.
- d) To act as a humane and fair-minded employer, offering competitive terms and conditions of employment and observing fully the requirements of equality of opportunity and non-discrimination.
- e) To maintain its properties to a high standard.
- f) To be vigilant in identifying and taking advantage of any suitable opportunity to develop or increase its properties.

Statement of the current obligations of Board members, and of the skills, qualities and experience required from them

As regards obligations, Board members may reasonably be expected to observe a high degree of personal and professional probity. More specifically, they must of course comply with the Rules and act consistently with Standing Orders, the Code of Governance and any other regulatory instruments relevant to their duties as such members. They should attend regularly at meetings of the Board and of any Committees of the Association on which they have been appointed to serve.

The Code of Governance provides instances of the probity mentioned above, particularly, and in some detail, as regards conflicts of interest. More generally, the Code (Section B7) refers to a Board member's responsibilities as further including the following:

- 1) to uphold the values and objectives of the Association;
- 2) to uphold the Association's core policies, including those for equality and diversity;

- 3) to contribute to and share responsibility for the Board's decisions;
- 4) to prepare for and attend meetings, training sessions and other events;
- 5) to attend and participate in reviews linked to individual performance or that of the whole Board;
- 6) to represent the Association as appropriate;
- 7) to declare any relevant interests;
- 8) to respect confidentiality of information; and
- 9) to uphold the Association's Code of Governance.

Turning to skills, qualities, and experience, Board members should collectively possess the qualities required to take decisions and monitor the Association's performance with experience and understanding of most or all of the following:

- 1) the housing needs met by the Association;
- 2) general business skills, including the management of staff and property;
- 3) finance;
- 4) tenants' issues and concerns;
- 5) community relations and needs, including equal opportunities;
- 6) working with local authorities;
- 7) making public presentations;
- 8) development and buildings;
- 9) legal matters.

Summary of the Association's policy for admitting new shareholders

- 1) The approach is, of necessity, closely governed by the Rules, for example, C1-15.
- 2) Within the Rules, membership may be held by an individual or a body; in the case of a body, membership will, in practice, be exercised through a nominee.
- 3) To comply with the Housing Corporation's Performance Standards, as regards the maintenance of an association's independence from other bodies, membership of the Association by a body will normally be limited to two shares.
- 4) The Board encourages the membership of tenants by individual shareholding, but is, at present, of the view that a separate category of tenants' membership should not be created. It may be noted that not more than one third of members of the Association may be tenants (Rule C11).
- 5) The Board endeavours to increase the Association's shareholding membership and, where appropriate, to bring into membership organisations which support the objectives of, and are involved with, the Association.
- 6) In considering membership issues, the Board necessarily has regard to the Association's Equal Opportunities policy.

Note: The Board has agreed to review the association's shareholding policy in October 2009, and does not propose to recommend any new shareholding members until this review is completed and a revised Shareholding Membership Policy agreed.