



Housing Corporation Assessment

Catalyst Housing Group Limited (L4344)

Catalyst Communities Housing Association (L0699)

Kensington Housing Trust (L0265)

Fortunegate Community Housing (L4168)

Date of publication: October 2008

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 group meets the expectations set out in the Regulatory Code in terms of financial viability.

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

DEVELOPMENT

Development with Housing Corporation funding

Green

The group'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 group 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. 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. We increasingly rely on associations' self assessment.

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.

Catalyst Housing Group (Catalyst,) is a non-asset holding parent association which registered with the Corporation in July 2002. Catalyst was formed as a result of a partnership between the previously existing Ealing Family Group and Kensington Housing Trust. Catalyst provides a range of central services for the group including development, finance and treasury management, ICT, HR, business development and marketing, communications and company secretarial functions.

In April 2006, the group reorganised its structure through a combination of a merger and stock rationalisation. The merger of Ealing Family Housing Association and Keystart Housing Association has created Catalyst Communities Housing Association (CCHA), a single mixed tenure association. Previously, Ealing Family mainly focussed on providing rented homes whilst Keystart had for over 20 years been active in a range of home ownership initiatives. The rationalisation of the group's housing stock between subsidiaries has given each a defined geographical area of operation.

Catalyst is now a leading exponent of intermediate market housing. The Group is the Homebuy Zone Agent for Buckinghamshire, Berkshire and Oxfordshire and is part of the CHASE consortium delivering the My Choice Homebuy equity loan product.

Overall the group owns and/or manages around 15,000 homes in west London and the Thames Valley area. Its subsidiary group members are:

- Catalyst Communities Housing Association (CCHA), which owns and/or manages around 11,000 homes in west and north west London and the Thames corridor. The association is active in both development and regeneration. It provides general needs housing, supported housing, residential care homes, low cost home ownership and key worker accommodation in the London boroughs of Barnet, Ealing, Hounslow, Hillingdon, and Harrow; and outside London in Oxford, Reading, Slough, Wycombe and Wokingham.
- Kensington Housing Trust (KHT), which owns and/or manages around 3,000 rented and key worker homes, predominantly in the Royal Borough of Kensington and Chelsea, and also in the City of Westminster and the London Borough of Hammersmith and Fulham. Stock rationalisation has increased KHT's size and its scope to grow as a mixed tenure association.
- Fortunegate Community Housing, which registered in 1998 to take the transfer of, and to partly refurbish and partly redevelop, three local authority estates totalling approximately 1,500 homes in Brent, north west London. Stock rationalisation has increased Fortunegate's size and has created the platform for it to perform its role as the face of the Catalyst Group across the whole of Brent.

There is high demand for social housing in the group's areas of operation. These are culturally and ethnically diverse, with relatively high representations of local black and minority ethnic (BME) populations. For example, in the London Borough of Brent, BME households represent around 60% of the local population. In the London boroughs of Ealing and Harrow it is around 38%, and in the other London boroughs where the group operates the BME population is either close to or above 20%.

The group's mission is to:

- make good housing accessible to people who cannot afford open market prices;
- create homes that people enjoy living in year after year;
- help create safe, secure and vibrant neighbourhoods.

Regeneration is a key area of work for the Group which has worked with a number of local authority partners and local communities on the regeneration of local authority estates.

The ethos underlying the formation of the group has been to create strong individual subsidiaries which provide a range of housing solutions, but which share common values and disciplines and achieve a high degree of efficiency through the purchase of central services from Catalyst. Catalyst is interested in growing the group through acquisition in order to achieve better value for money and to improve services for residents.

Catalyst is one of the Corporation's investment partners for the 2008/11 National Affordable Housing Programme (NAHP).

Viable – Regulatory Code part 1

The group meets the expectations set out in the Regulatory Code in terms of financial viability.

Catalyst has continued to be a major development partner with the Housing Corporation to meet the demands for affordable housing. Based on the 2008 capacity model the group has projected a thirty-year programme for refurbishment and redevelopment of its estates, development of new units, and land acquisition. The group is committed to developing new affordable housing in West London and the south east and is also involved in community development activities with its residents.

The audited financial results at 31 March 2008 show growth in group turnover to £89 million and an increase in total assets, together with a 25% increase in operating surplus to £20.6 million. The overall group net surplus at £10.9 million is, however, broadly the same as the previous year, due to reduced planned property sales. EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) interest cover, which the Corporation uses to assess an association's ability to meet interest payments, was strong at 123%.

Looking forward, EBITDA is forecast to decline in 2010 and 2011, before recovering in 2012 to exceed the Housing Corporation's benchmark. The decrease is caused by the increase in debt to fund the development programme. However, when repair costs are fully expensed and asset sales, including those from its home ownership sales programme are included, Catalyst is able to meet increasing interest payments and is within loan covenants. The group's financial projection shows that it should be capable of managing its development programme whilst maintaining its viability.

The main risks facing the sector as a whole derive from macro-economic conditions, especially the availability and cost of finance and uncertainty in the future performance of

the housing market. To-date Catalyst group has continued to report that it is selling its properties and its 2008 projection shows that the group is still forecasting sales, albeit at a reduced level from its previous capacity model. Achieving these sales is important if the group is to achieve its development and refurbishment programme. Catalyst has no requirement to seek further funding above its current facilities for two years.

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 Catalyst, which is led by the group chair, comprises nine board members including the chairs of the three subsidiary boards. The group board also includes the respective chairs of the group audit committee, group finance and treasury committee and the group investment development committee. There is also a resident nominated by the group residents' federation, as well as three independents. The group board continues to demonstrate satisfactory control of its subsidiaries through the group membership agreement and standing orders.

The group board and subsidiary board meetings are scheduled to take place six times a year but are planned to ensure subsidiary chairs are able to attend group board meetings. The group board is very much aware of current issues and at its most recent meeting took some time to discuss the ongoing financial climate, the impact it was having on its business and agreed steps that could be taken to further manage the impact of the credit crunch both at group and subsidiary level.

The group has a yearly away day for all board members to discuss and agree strategic direction for the group as a whole. This is also used as an opportunity to agree a generic training programme for all board members. There is a yearly appraisal system for board members through which individual board member's training needs are identified.

Catalyst has a good gender balance on its board but has been working on improving BME representation on the group board and on KHT's board. As a result, KHT's BME board member representation has increased from 30% to 45% over the last 12 months but this increase has not been replicated on the group board. We will continue to monitor this as part of our standard regulatory engagement with the group.

Following the rationalisation of the group structure which was completed in 2006, the group has now effected its rule change and the non asset owning parent is now providing development facilities for the rest of the group. The development decision-making now takes place at the new Group Investment Development Committee.

The group has a good resident involvement strategy and has a resident board member on each subsidiary service board as well as on the group board. This brings the group into compliance with our requirement for a resident on the board providing landlord services.

The group has a satisfactory risk management strategy in place and continues to review this regularly in light of the current economic climate.

The board's 2008 self assessment of compliance with the Regulatory Code was informative and demonstrated broad compliance with our expectations. It provided a thorough assessment of the six specific topics, which we asked associations to include in their 2008 statement. In our feedback to the board on this year's statement, we have highlighted some areas where its quality and content can be improved to evidence the group's continued year-on-year improvement and the positive outcomes achieved. In particular, the board's 2009 statement should include performance and benchmarking information as a means to evidence improvement. Alongside this information, it should include more of an assessment of the benefits achieved arising from the activities planned for completion in 2008/09.

Properly Managed – Regulatory Code part 3

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

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The Catalyst executive management team is led by an experienced chief executive who has direct line responsibility for the managing directors of each of the subsidiaries and the group directors for development, finance, business development and marketing. The executive team is stable and members are longstanding with the exception of the group director business development & marketing and Fortunegate's managing director, both of whom have been appointed in the last twelve months.

The group maintains a good partnership working relationship with local authorities and key stakeholders.

In 2007, CCHA and Fortunegate were both inspected by the Audit Commission. The two associations were both judged to be providing a good, two star service with promising prospects for improvement. Both associations are making good progress with implementing the post- inspection action plans, responding to the inspector's recommendations.

The group reported mixed performance across the board on tenant satisfaction with the average overall satisfaction with landlord service at 64%, satisfaction with participation 60% and satisfaction with repairs at 63%. Rent arrears at Fortunegate are particularly high at 10.1% and KHT and CCHA remaining unchanged at 5.8% and 4.6% respectively. Fortunegate has developed an action plan to address the unsatisfactory performance in respect of its rent arrears and void to relet period. We will continue to monitor the association's progress as part of our regulatory engagement with the group.

The group has made significant progress towards achieving the Decent Homes Standard by the target date of December 2010 and is currently 98% compliant.

The group has a disability action plan and an equality action plan in line with the Corporation's requirements.

The group continues to develop its approach to continuous improvement and as part of

this process has regular service reviews. The group has recently rolled out the systems thinking approach to service delivery, to ensure that it is responding to its tenants needs in delivering services. The group is also developing new performance measures to monitor outcomes.

Development with Housing Corporation funding

The group'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 group keeps the Corporation fully informed of problems and keeps its in-year forecasting up to date.

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Catalyst Partnership is active across the London and south east regions. The Partnership figures take into account all of the members of the Catalyst group who are active and are developing as well as Oxford Citizen Housing Association (OCHA).

Catalyst Partnership and Catalyst Group both performed well against their National Affordable Housing Programme (NAHP) targets set for 2007/2008 and exceeded end of year targets, although performance against in-year quarterly targets was varied and most quarterly targets were not met.

In 2006/08 Catalyst Partnership's allocation was more than £42.7 million to provide 640 homes over the two year period. £18.8 million of this was in the south east for 351 homes and £ 23.9 million was in London, to provide 289 homes.

Catalyst Group was similarly active across the London and south east regions. Excluding the partner OCHA, the group target across both regions was £22 million to deliver 301 homes. The group exceeded both of these targets and achieved £33 million expenditure and completed 447 homes across both regions. The London expenditure target was £11 million. The target was exceeded by £11 million, achieving £22 million. The London completions target was 137 homes and this was exceeded by 130, achieving 267 homes. The south east expenditure target was £10 million which was achieved. The south east completions target was 164 homes and this was exceeded by 16, achieving 180 homes.

Catalyst kept the Corporation informed of any issues arising and communication has been very good.

There was one quality compliance audit carried out in London in 2007/08 and three procedural audits. The site visit demonstrated that good quality schemes were being built and results of procedural audits were satisfactory. Two impact assessments were carried out in London and these received very positive resident feedback. No major areas of concern were identified on either scheme.

In 2008/11 the Catalyst Partnership in London has been allocated £11 million for 109 Rented homes and £3.1 million for 69 Home Buy new build homes. In the South East Catalyst Partnership has been allocated £5.8m for 122 rented homes.

Sources of information and regulatory activity

The following information is generally received from all associations and is reviewed by the 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
- Five year financial forecast
- Performance indicators
- Regulatory and statistical return
- Annual efficiency statement

In addition to the above, the following specific activities were carried out for Catalyst Housing Group Limited:

- Annual Viability Review April 2008
- Follow up on inspection action plans for Catalyst Community Housing Association and Fortunegate (Ongoing)
- Quarterly executive team contact
- Quarterly lead investor meetings
- Attendance at board meeting September 2008

Additional information about the association can be accessed on the Housing Corporation and other websites and may include:

- Performance indicator information (www.housingpis.co.uk)
- Inspection report (www.housingcorp.gov.uk for Housing Corporation reports or www.audit-commission.gov.uk for Audit Commission reports)
- Extracts from the Public Register (www.housingcorp.gov.uk/server/show/nav.489)
- Rent information and other key facts and figures (www.rsrsurvey.co.uk and www.dataspring.org.uk)