



Housing Corporation Assessment

Ekaya Housing Association (LH3940)

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 association 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

Measuring compliance with the Regulatory Code part 2

Amber

The governing body needs to take further action to ensure capable leadership and control of the organisation.

PROPERLY MANAGED

Measuring compliance with the Regulatory Code part 3

Amber

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

DEVELOPMENT

Development with Housing Corporation funding

N/A

The association has not received substantial Corporation funding in the past year.

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 association

Ekaya Housing Association (Ekaya) is a specialist provider of accommodation and support for young, single and predominantly black mothers. The association was founded in 1987 as a result of the merger of three projects: Family Support Services and two hostels, Ifeoma and Kabo. The association now provides services across seven south London boroughs with the majority of the stock being in Lambeth. Demand is high in the areas in which the association operates and there are black and minority ethnic populations totalling more than 35% in most of these areas.

The association owns and manages around 375 homes. Of these, 314 homes are for general needs (of which it owns 278), and around 60 are supported places (of which it owns 50) within ten schemes. In addition, Ekaya provides housing related support to 22 clients in Lewisham and has contracts for 55 floating support clients.

Ekaya's key objectives are to:

- to provide homes that meet Decent Homes standards as a minimum
- to ensure customer satisfaction with its services and homes
- to provide support services that make a positive difference
- to be cost efficient
- to promote growth and diversification of services

The association has adopted a 'holistic' approach to the provision of support to young mothers. It aims to break the cycle of social exclusion through training, education and employment support. The approach is designed to empower young mothers to help themselves. The scope of the association has widened through the provision of a new floating support service which helps to sustain young mothers in their own homes. The association also provides floating support service to people suffering from sickle cell disorder. In addition, Ekaya runs a nursery service on the St Martins estate in Lambeth. The association has set up an unregistered subsidiary, Happy Nursery Days, to run this business.

Viable – Regulatory Code part 1

The association 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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Our recent assessment of the business is based on the annual accounts, audit management letter and five-year business plan for 2008. We have noted a number of exposures that will require specific management by the association and we will continue to monitor the association's performance.

The accounts for the period ending March 2008 show that the association generated a retained deficit of £36k for the year. Specific non-recurring factors contributing to this

deficit were the settlement and one-off cost on the departure of the former chief executive and a higher than anticipated loss within its subsidiary, Happy Nursery Days.

The nursery continues to generate an overall deficit. This is predominately due to higher than budgeted expenditure on agency staff as well as a low take-up of places. Recently the take-up of places has shown an improving trend. The number of permanent staff employed has also now increased. The association has commissioned an external review to determine the viability and sustainability of the nursery. Initial findings suggest that it should remain viable and we will continue to monitor this area of the business.

Operating margins forecast over the next five years average 28%. These could be challenging should the association fail to address its high management costs through planned restructuring. Historic accounts demonstrate that the association has not achieved an operating margin that exceeds 14% over the past five years.

The association's rent arrear level of 13% is attributed to the high turnover of housing management staff. This figure is expected to fall as a result of the staff restructure which is currently underway.

The association's business plan provides for full compliance with the Decent Homes Standard (DHS) by 2010 as well as compliance with rent restructuring requirements by 2012.

The association envisages a modest development programme over the next five years which will require additional funding to be put in place. However, should the association fail to address the exposures and risks outlined above or fail to secure the additional funding, it will need to review its development plans.

Looking ahead over the next five years, Ekaya is expected to generate sufficient surpluses averaging £1.3 million thus ensuring that interest costs can be met and at the same time maintain adequate cash holdings of £2 million.

Properly Governed – Regulatory Code part 2

The governing body needs to take further action to ensure capable leadership and control of the organisation.

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Following a recent review of Ekaya's overall regulatory position, we have downgraded our assessment of the association's performance on governance. This reflects particularly the largely new board which may take time to settle and start operating effectively, and the instability in the leadership team over the past year, at a time when the association needs to make critical decisions about its future and deliver the recommendations of the recent governance and strategic options reviews.

Ekaya commissioned a governance review in early 2008. The recommendations of the review included commencing a strategic options appraisal, appointing at least two additional board members with the strategic skills and experience to support the association over the coming critical months, strengthening the audit and finance

committee, implementing the planned resignations at the next Annual General Meeting (AGM), and continuing to improve board reporting and servicing. The association has made good progress in starting to address these issues.

Ekaya has recently appointed nine new board members, six of whom are women and three men, to replace members who have resigned and the planned retirements at the AGM in September 2008. Two of the new appointees are residents. As a result, the majority of the board is new. The association recognises the challenge of training the new members to form an effective board capable of leading the association through a crucial period in its life. Board members have a range of skills appropriate to the size and scope of the association.

A strategic options review was carried out during the summer of 2008. It concluded that whilst there was no immediate threat from Ekaya remaining independent, this position was unlikely to be sustainable in the longer term (beyond 4-5 years). It therefore recommended that a merger partner should be sought in the medium term and, in the meantime, partnerships and alliances be identified to secure operating efficiencies. The association is developing an action plan to take these recommendations forward and we will monitor progress, along with the governance action plan, as part of our on-going regulatory contact with the association.

The association has a risk management strategy in place, which is due to be updated and strengthened in light of the growing complexity of its business.

The board completed its 2008 self-assessment of compliance with the Regulatory Code within the timescale we set. The statement acknowledges that the difficulties in governance and leadership in the last year have had a detrimental impact on achieving all the association's objectives for 2007/08 and highlights areas where further work is planned to improve performance in 2008/09. We agree with the board's view on the association's level of compliance. Overall we are satisfied that the self-assessment is open and honest, providing a good reflection of our relationship with the association.

The association reviewed its Customer First strategy in 2007 as a result of a best value review of resident involvement. It has started to implement the action plan with further targets set for 2008/09. The main forum for tenant involvement is the customer panel which meets quarterly. Attendance has been dropping recently and the association has been promoting other methods of involving residents and getting feedback, including introducing annual tenant audit home visits and introducing local tenant meetings to address local issues.

The board approved a disability action plan and an equality and diversity action plan in January 2008, both of which are now being implemented.

Properly Managed – Regulatory Code part 3

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

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Ekaya's former chief executive left in September 2007 and since then the association has recruited two interim chief executives pending decisions on the association's future following the strategic options review. This created a period of instability in the leadership of the association. The chief executive is supported by a finance director and an acting operations director. The association is currently reviewing its staff structure to ensure management resources and skills are realigned to provide effective service delivery.

The association's own data on repairs performance shows that there was an improvement in emergency and urgent repairs performance, achieving 93% and 95% respectively in 2007/08 compared to 90% and 84% in 2006/07. There was a small decline in routine repairs performance: 90% was achieved in 2007/08 compared to 93% in 2006/07 and this remains below the sector average. In 2007/08 90% of lettings were to BME households.

A STATUS satisfaction survey was carried out in 2007/08 for general needs residents. Overall satisfaction with services provided is 58% compared to 53% in the last STATUS survey in 2004. 71% of residents felt Ekaya is good at keeping them informed of things that may affect them (2004: 74%) and 43% are satisfied that the association had considered their views (2004: 31%). These results are below the sector average.

We will be monitoring the association's progress in improving its service delivery and resident satisfaction.

The association has a satisfactory asset management strategy. As at 31 March 2008, 99.7% of its homes were compliant with DHS and full compliance is anticipated by 2010.

Development with Housing Corporation funding

The association has not received substantial Corporation funding in the past year.

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

In addition to the above, the following specific activities were carried out for Ekaya Housing Association:

- Regular regulatory contact with chair, other board members and chief executive

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)