



Housing Corporation Assessment

Presentation Housing Association (L1558)

Gharana Housing Association (LH3957)

Date of publication: September 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



The group's financial viability is of concern.

PROPERLY GOVERNED

Measuring compliance with the Regulatory Code part 2



The governing body does not demonstrate effective control of the organisation. Accordingly the group is in breach of the Regulatory Code

PROPERLY MANAGED

Measuring compliance with the Regulatory Code part 3



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

DEVELOPMENT

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.

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

Presentation Housing Association (Presentation) was formed in 1968 and registered with the Housing Corporation in 1976.

The group owns or manages 6,000 homes across London and the south east, although the majority of its stock is concentrated in the London boroughs of Lambeth, Hounslow, and Southwark and in the Luton and Bedford corridor. Its housing stock is predominantly general needs rented accommodation with a small amount of supported housing and shared ownership. In April 2008 Presentation took into management a stock transfer from the London Borough of Lambeth of 600 homes at Bolney Meadow, following a ballot of tenants in November 2007.

The group works in areas of high demand which are ethnically diverse with over a third of the populations of both Lambeth and Southwark coming from black and minority ethnic (BME) communities. Just over 32% in Luton and over 14% in Bedford identify themselves as belonging to a BME minority community.

Presentation describes itself as a leading social investment agency committed to investing in communities. It has established a group structure for a range of activities which complement its core business of providing affordable housing. It has one registered and four unregistered subsidiaries:

- Gharana Housing Association was registered with the Housing Corporation in 1991. It joined the group in April 2005 and provides, owns and manages 50 affordable homes spread across two sites, both of which are located in Northamptonshire. The schemes comprise a mixture of sheltered housing for Asian elders and a very small amount of general family housing.
- Olmec is a charitable subsidiary which develops and provides community programmes that tackle social and economic needs. These include capacity building initiatives, brokering business involvement in communities and facilitating the sharing of good practice.
- Ajanta is a subsidiary which provides affordable housing for the intermediate housing market, including the provision of accommodation for key workers.
- Touareg Trust is a subsidiary that owns and manages academic space and student accommodation.
- Arawak Developments Limited is a development service company.

Presentation was a Corporation investment partner for the period 2006/08. The group's investment partner status has now been withdrawn.

Regulatory status

Presentation group is currently a supervision case.

An association is placed under supervision if in our judgement it is significantly under-performing against the provisions of the Regulatory Code.

Supervision status applies to associations where serious concerns have been identified, and we believe that *either* the association is either unwilling or unable to deal with them

satisfactorily, *or* the case raises matters of wider concern to the Corporation. Supervision cases generally involve use of the Corporation's statutory powers.

Viable – Regulatory Code part 1

The group's financial viability is of concern.

Housing Corporation Assessment

The financial projections submitted to us in March 2008, which informed our last published assessment in June 2008, showed that the group faces challenges in the medium to long term. As a consequence of our concerns regarding the projections we reviewed, the group does not satisfy the criteria for investment partner status.

Cash flow projections from the 30 year forecast provided by Presentation show that it expects insufficient cash to be generated from operations to cover interest payments and that the group will need to continue to fall back on receipts from disposals of property for social rent. This issue applies for the full thirty years covered by projections. Comparison with other London developing associations shows that Presentation is an outlier in terms of its cash flow performance, even allowing for the increased reliance on property sales amongst London based associations. We expect the group to work towards a position where projections demonstrate that it can generate sufficient cash flows to service interest payments. This projection will need fully to take into account the potential risks of a downturn in the property market and the position if inter bank rates remain high over the longer term.

EBITDA (a measure of interest cover which the Corporation uses to assess an association's ability to meet interest payments) performance is also projected to remain below our benchmarks, and below the London average. This remains the position, even after adding property sales profits.

Presentation's operating margins were projected to improve to a budgeted 38% for 2007/08, with a further one off improvement to 50% projected for 2009/10 with the inclusion of profits on a large development scheme.

In this context close budgetary and cash flow control will be particularly important, as Presentation will have less flexibility to cope with any unforeseen cost overruns. Presentation has experienced difficulty in these areas in the past and we expect the group to demonstrate improved performance in this area.

Since our last published assessment in June 2008, Presentation has been updating its business plan and financial model to reflect the risks of a downturn in the property market and to take account of the board decision in July 2008 to revise its development strategy and not to progress the development of some schemes.

We expect to receive an updated financial projection in the autumn of 2008. We will then review our financial viability rating. In reaching our assessment we will take into account the audited accounts and auditors management letter for 2007/08.

Properly Governed – Regulatory Code part 2

The governing body does not demonstrate effective control of the organisation. Accordingly the group is in breach of the Regulatory Code

Housing Corporation Assessment

We placed Presentation into supervision in July 2008 as a result of concerns about its governance. We were not convinced that the board would be able to direct the association in a manner that would satisfactorily address the issues and risks facing it. Our concerns centred around the effectiveness of Presentation's governance structures, the skills and experience available to the board, the management of risk within the association, effectiveness of the relationships with the executive team, uncertainty as to the future composition of the board, progress in resolving control issues identified in the Audit Management Letter for 2006/07 and progress in addressing the issues relating to financial viability and development strategy.

We made three statutory appointments to the board of Presentation in July 2008 to provide additional skills and experience to assist with development and execution of a plan to address the issues facing the association.

This plan will need to include actions to take forward and where necessary expand the governance review that the board has already commissioned to ensure that the governance systems are fit for purpose and the board has the necessary skills and experience to effectively direct the business of the association.

We also expect Presentation, as part of the recovery plan, to review finances and financial systems so as to ensure ongoing viability and to complete the improvement of financial controls.

The plan will need to provide for a review of the group's development intentions, both strategically and in relation to specific sites. This should then lead to the production of a realistic and deliverable long term strategy and associated business/financial plan.

Properly Managed – Regulatory Code part 3

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

Housing Corporation Assessment

The Audit Commission inspected Presentation's housing management service in May 2006. Following a review process it published its report in April 2007. The Commission assessed Presentation as providing a fair, one-star service that had uncertain prospects for improvement. This is indicative of performance below the standard expected given the context in which Presentation works and the available resources. The service was considered fair as customer service was generally good resulting in higher levels of customer satisfaction across a range of services; clear commitment to promoting and investing in diversity; consultation with residents is expanding and leading to improvements in service delivery and cases of anti-social behaviour are well managed.

The aspects of the service which needed to improve included gas servicing where performance was poor; Presentation's approach to supporting vulnerable people and those with disabilities was not well developed; asset management was weak; some areas of the service such as responsive repairs and empty properties needed to improve and there was no clear strategy for achieving value for money.

In light of the time elapsed between the inspection and publication of the Commission's report we reviewed Presentation's progress in fulfilling the recommendations detailed in the inspection report in June 2007. In the intervening period Presentation had gained external accreditation for service delivery. We were satisfied that some significant progress had been made in fulfilling those recommendations.

Since June 2007 we have continued to monitor Presentation's progress in implementing the action plan agreed with the Audit Commission following the inspection. Satisfactory progress has been made to date but there are five recommendations outstanding which are due to be completed by November 2008. We will review progress again at that time.

Presentation has been proactive in using benchmarking data. It reviews its standards and performance against external models and this process has indicated improvement. The group is now aiming to achieve enhanced standards.

Presentation's performance indicators show a mixed picture. The association performs well in terms of void turnaround, number of vacant dwellings and SAP ratings but poorly in terms of resident satisfaction. We will review Presentation's performance against its peers in the coming months.

Presentation's data for 2008 shows that 90.3% of its stock now meets the Decent Homes Standard (DHS), which represents a good improvement on the previous year and progress is slightly ahead of target. We reviewed Presentation's approach to asset management in April 2007 and concluded that all Presentation's homes should meet the DHS by 2010 provided it delivers its current programme. We will continue to monitor progress against its asset management plan.

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.

Housing Corporation Assessment

Investment partner status was withdrawn in June 2008 due to our current assessment of the group's financial viability. All new programme that does not have a commitment from the Housing Corporation has been withdrawn.

Presentation developed and manages homes for rent and sale in London, the east midlands and eastern regions. Presentation was allocated £59.4m to deliver 860 new homes in the 2006/08 National Affordable Housing Programme.

In 2007/08 Presentation achieved expenditure of £5.4m across London, against a target of £9.5m. In the eastern region Presentation achieved its target of £1.2m. At a national level, Presentation achieved 62% of anticipated expenditure, £6.7m against a target of £10.7m.

In London the group completed a total of 105 homes for rent, missing its target of 183. Presentation however performed well, delivering 92 low cost home ownership homes, exceeding its target of 49 homes. Presentation did not have a completions target in the eastern region. Overall, therefore, Presentation delivered 197 homes against a combined target of 232. The shortfall in completion of homes for rent was due to a 'rights of light' issue on one scheme and only achieving partial completion of another. The association has been good at keeping us informed throughout the year.

We carried out two impact assessments in London during 2007/08 and four compliance audits. In terms of compliance audits, two schemes were assessed for procedural compliance and two for quality. Overall there was a positive outcome from all the assessments. The compliance audit identified a minor procedural compliance issue relating to a right to acquire scheme and a recommendation was made to review the procedures for processing these schemes.

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 Presentation Housing Association:-

- Asset management review (May 2007)
- Regular contact with management team (ongoing)
- Quarterly programme reviews
- Inspection (May 2006, report published April 2007)
- Compliance audit (2007/08)
- Impact assessment (2007/08)
- Supervision (ongoing)

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)