



Round 2 Inspection of Fold Housing Association

October 2013

Acknowledgement

The Team wishes to express their thanks and appreciation for the assistance, and co-operation shown by the Board and Staff of Fold Housing Association in completing this Inspection.

Executive Summary

Previous inspections of Fold Housing Association have all been positive with the Association demonstrating effective governance and control arrangements for a significant period of time. In approaching this inspection the Team derived assurance from past performance and simply sought to establish that the sound practices and procedures embedded within the Association remained in operation. Therefore because of these assurances the Team has limited the scope of this Inspection. The Association was subject to a Targeted Inspection of Property Development and Group Structure and a Follow-up Inspection of Property Management in 2011 which resulted in the Association being awarded an overall grading of Satisfactory Assurance.

An inspection of Fold Housing Association commenced on the 3rd July 2013. The inspection reviewed five key areas, Finance, Property Development, Property Management, Housing Management and Corporate Governance.

The Financial Management inspection of the Association found no cause for concern regarding the financial viability of the Association. The inspection revealed the Association had made good progress in implementing the previous recommendations. In addition there a few other areas identified where the Team felt action could be taken to enhance the current arrangements. Overall the Team considered that the financial management should be graded as Satisfactory Assurance.

The Inspection of the Association's property development activities revealed a very sound and structured approach to both project and contract management. Of the two schemes examined the Team found that they were properly procured and managed thereby reducing the Association's exposure to unnecessary risks. This would demonstrate good governance by Senior Management, the Development Sub-Committee and the Board of Management. Therefore as the Inspection has clearly identified evidence of continuous improvement since the last inspection and with all the previous recommendations having been fully addressed, the Team are of the opinion that a grading of Substantial Assurance would be appropriate.

Having assessed and noted the Association's overall approach to the management of its property service activities, its full implementation of the recommendations from the previous inspection and its obvious commitment to continuous improvement, under the present inspection grading system the inspection findings would indicate that the Association's performance on Property Management would be rated Substantial Assurance.

With regards to Housing Management the Team's objective was to determine how well the Association consults with its tenants in the setting and establishment of the service it provides to its tenants. The Team is pleased to report that the Association has demonstrated continuous improvement in the service that it provides to its tenants. It is also evident from discussions the Team had with Management and tenants that the ethos is that the safety and

security of the tenants is paramount and that its overall aim is to provide a service that “is best for the customer”. Therefore the Team is of the opinion that a grading of Substantial Assurance is appropriate.

In Corporate Governance the Team found that there is evidence that the Association has a robust planning and reporting mechanisms in place. The Team found that the Association’s Senior Management Team and Board are continually reviewing the strategic direction of the organisation. The Association regularly reviews the skills of the Board and they have just recruited a new Chair by testing the market, through a rigorous advertising, short listing and interviewing process. In view of these findings the Team considers that a rating of **Substantial Assurance** is appropriate in this case.

Best Practice

During the Inspection the Team highlighted a number of areas that they would deem to be best practice. These are listed below.

Property Development

Key Performance Indicators

The Team found that the key performance indicators, balance scorecards and spreadsheets used by the Association to monitor performance regarding development were reviewed monthly against the business plan objectives. Both of these documents are reported to the Development Sub-committee and Board on a regular basis. Other tools the Association uses include the Procurement Groups Achieving Excellence indicators that measure client satisfaction, defects at handover and impact on the environment. Lessons from Post Project Evaluations are also included in new projects to ensure continual improvement.

Traffic Light System

The Association uses a traffic light system to identify potential high risk projects that may have to be abandoned or where the delivery may have to be delayed.

Master Timeline Document

The Association uses a Master Timeline Document to assess and monitor programme delivery and risk on a weekly basis. This document highlights individual scheme positions in terms of key milestones completed, to be completed and those behind target.

Abortive Site Record Document

The Association uses an Abortive Site Record Document to monitor sites that have not been progressed. This enables the Association to build up a strong picture on need, preferred location, issues with sites, valuation, land ownership etc.

Property Management

Asset Management Strategy

The Association has a concise but focused Asset Management Strategy.

3 Year Major/Planned Maintenance Programme

The Association has a three year major/planned maintenance programme prepared in advance and reviewed annually.

Scorecard

The Association uses scorecards to prioritise all major/planned, cyclical, servicing maintenance work with monthly updates presented at senior management team meetings.

Business Case for all Major/Planned Maintenance

The Association Property Services Team prepares a business case for all major/planned maintenance works costing £50k or over for approval by the Senior Management Team and Board for approval before the commencement of work.

Management of Voids

The Association is proactive in the management of void units and monitors closely the loss of income. This is reported to the Board.

Housing Management

Arrears Management

Since the last inspection the Association has carried out a fundamental review of arrears management. The Team saw a robust policy and procedures that are being applied. The Association has:

- worked with its IT providers to ensure that reports produced are accurate and enable the Association to monitor and manage arrears effectively;
- provided Housing Management Staff with training on the following
 - The Association's arrears policy and procedures;
 - Basic legal training (this training has reduced the Association's legal fees);
 - Verifying housing benefit forms. (The Association was part of a pilot scheme and received training from the Housing Executive on verifying and approving applications. This process has quickened the payment of housing benefit).

The Team would deem this as best practice.

Corporate Governance

Recruitment of Chair

The Association has just recently recruited a Chairperson by advertising externally. The Team would deem this as good governance as it indicates the willingness of the Board to secure the best candidate for the job.

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1 Introduction

Background

The Governance and Inspection Team, hereinafter referred to as the Team, is a dedicated Inspection body situated in Housing Division within the Department for Social Development. As the regulator, Housing Division is required to exercise supervision and control over Registered Housing Associations (Article 4 (1) (c) of the Housing (N.I.) Order, 1992).

The Team is responsible for providing the Department and the Northern Ireland Audit Office (NIAO) with an assurance on the probity, regularity and integrity of expenditure in the operation and administration of Registered Housing Associations, hereinafter referred to as Associations. The Team reports on how well associations are meeting the regulatory requirements of the Housing Association Guide, legislative and professional requirements and the needs of service users.

Context

Fold Housing Association was established in 1976 and has grown to become one of the leading providers of housing and cares services in Northern Ireland. The Association has over 5000 tenants and residents living in sheltered accommodation, family housing and specialist care schemes across Northern Ireland. Fold Housing Association provides supported housing for the frail and elderly, people with dementia and with learning difficulties as well as general needs. For the first time in 2012 general needs family housing overtook the Association's sheltered housing stock.

In addition to providing development, housing and care services, Fold is also committed to offering services which ensure people continue to live independently and securely in their own homes by using the services of Fold Telecare, Telehealth, Staying Put, Fold Brain Bus and Floating support. It should be noted that the Association is the first organisation in Northern Ireland, in fact the first in Europe, to offer this service; they are also the first in Europe to operate the Brain Bus a mobile cognitive and physical therapy unit.

The aim of the Association is to provide accessible, safe, quality homes which are integrated into existing communities.

Previous Inspection & Gradings

The Association was subject to a Targeted Inspection of Property Development and Group Structure and a Follow-up Inspection of Property Management in 2011 which resulted in the Association being awarded an overall grading of Satisfactory Assurance.

Scope

This Inspection will assist the Team to determine whether the Association is:

- a viable organisation;
- operating a framework that effectively identifies and manages risks;
- striving for continuous improvement in the services it provides to its customers;

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- Checking progress against the implementation of the previous recommendations.

Inspection Objectives

The following objectives of the inspection are to evaluate and provide an opinion on the internal workings and control procedures within the Association:

Financial Management

To ensure that the Association operates a viable business with adequate recourse to financial resources in order to meet its current and future business commitments, in accordance with the Housing Association Guide.

Property Development

To examine the approach taken by the Association in relation to project management, its performance in meeting key targets, the procedures adopted in relation to procurement and contract management.

Property Management

To examine the approach taken by the Association in relation to the management and maintenance of its existing stock and assess the controls used to manage risk, its performance in meeting key targets and the procedures adopted in relation to procurement.

Housing Management

To examine the approach taken by an Association into the services it provides to its tenants and to ensure that it seeks to be responsive to the needs and views of its residents.

Corporate Governance

To ensure that the Association is governed by an effective Board that is operating a framework which effectively identifies and manages risk operates according to statute, regulation and constitutions.

Findings

Sections 2 to 6 of this report contain details of our findings and opinions about systems in place and provide recommendations where the Team believe opportunities exist for improvement. Each recommendation has been allocated a paragraph reference and title. The Team are pleased to note that the Association has accepted all the recommendations of the draft report and that this report has now become final.

2 Financial Management

2.1 Objective

To ensure that Housing Associations operate a viable business, with adequate recourse to financial resources in order to meet their current and future business commitments in accordance with the Housing Association Guide.

2.2 Opinion

The Inspection revealed that the Association has made good progress in implementing the previous recommendations. Seven of the nine recommendations are fully implemented with a further recommendation partially implemented.

In addition there are a few other areas identified where the Team felt action could be taken to enhance the current arrangements. Details of these and the outstanding recommendations are recorded in the following paragraphs. Overall the Team considered the financial management of the Association should be categorised as **Satisfactory Assurance**. The Team has no cause for concern regarding the financial viability of the Association.

Findings

(a) *Financial Viability*

Based on the past financial performance and current financial position of the Association the Team does not have cause for concern regarding the financial viability of the Association.

(b) *Financial Planning and Monitoring*

2.3 Accounts

The accounts produced are of a reasonable standard and meet the core criteria as set out in the guide. "Period to date" management accounts are reviewed by the Board when they meet which includes a narrative of variance analysis and includes an adequate explanation as to why these variances have arisen analysis. However the monthly management accounts lack the narrative detail which is provided in the "period to date" accounts.

The Team **recommends** that the monthly management accounts are brought up to the same standard as those presented at Board meetings i.e. they should include narrative on variances, highlighted items etc.

Management Comment

Accepted – see Schedule of Recommendations at Appendix 2

2.4 Budgets

The annual budget is of a good standard and includes detailed narrative regarding the expectations on the various items of revenue and expenditure for the coming year. It also presents the prior year budget with the movements shown as both amounts and as a percentage change. Budget assumptions are listed and appear reasonable. The 3 year budget is of a similar format, but without the breakdown on the various accounts (i.e. housing, housing with care, general, telecare etc). The budget does not include long term i.e. 25-30 year projections.

The annual budgeted cash flow is not presented on a rolling basis at present i.e. it is not updated for the actual cash position and re-assessed for the next 12 months.

Management has indicated that the annual cash flow projection is reviewed every 6 months. The Association needs to produce at a minimum a 1 year rolling cash flow as required by the Housing Association Guide, and use long term cash flows for a minimum 25 year period.

The Team **recommends** that:

- a) The Association now proceed as indicated with the preparation of long term budgets following the initiation of the Brixx system, as part of its annual budgetary reporting to the Board. The Board should be seen to discuss and approve the strategy as presented in this long term budget. It is envisaged that this function will be available by late 2013.
- b) The 3 year budget should contain more detail in the income & expenditure accounts than at present, as in the annual budgeted income & expenditure accounts. This would assist in the assessment regarding the level of planned maintenance expenditure contained within it and how this compares with the stock condition survey covering the same period.
- c) A rolling cash flow should be prepared. This should utilise the initial budget as a starting position and be updated at least quarterly for the actual cash position as at that period end. The projected cash flow budget should then be updated and cover not less than a one year period. This should be presented to the Board for discussion.
- d) The Association prepare cash flow statements of actual cash movement as part of the management accounting month end, or as a minimum at quarter end. These should be reconciled to the period end cash balance as reported in the bank reconciliations.

Management Comment

Accepted – see Schedule of Recommendations at Appendix 2

(c) Control Environment

2.5 Arrears

Arrears are reasonably well managed and policies and procedures are in place to address the relevant arrears issues. Write offs are being reviewed and authorised by the Board regularly, and there is a very detailed reporting function in place to assess the arrears in a variety of categorised formats.

However, as at the year end the Association has failed to meet the DSD target of 1% on technical arrears over 4 weeks old. Non-technical arrears are well managed and are at 4%, which is within the DSD's 5% target.

The Team **recommends** that the Association continues to strive for improvements in regard to its collection of technical arrears.

Management Comment

Accepted – see Schedule of Recommendations at Appendix 2

2.6 Tenants Service Account

Fold operates a 30 day prompt payment deadline unless instructed otherwise on the invoice. Sample testing confirms that the payments system is in good order.

Overall, the Team has concluded that creditor's balances are in order, with the exception of the Tenant's Services Account (TSA). This has a balance of £490k. This has arisen in main due to recent gains on energy expenses and also the re-classification of communal furnishings under the component accounting rules. However, at present there is no specific plan in place to reduce this amount. This position conflicts with Fold's policy on the holding surpluses on the Tenant's Services Account.

The Team **recommend** that the Association review this matter at the earliest opportunity and put a plan in place to reduce the balance on the Tenant's Service Account to a more acceptable level.

Management Comment

Accepted – see Schedule of Recommendations at Appendix 2

(d) Board Overview

2.7 Management Board & Committee Minutes and Information

Management overview of finance consists of the Board, Finance Committee and Audit & Risk Committee. From inspection of minutes for each of the committees and board it is clear that discussions on the pertinent issues and

major decisions are being made. The Finance Committees responsibilities centre on the period end financial reporting, investment appraisal and borrowing, budgets, rent increases etc. Discussions at this level are in place as a measure to gaining assurance over finance matters & agreement thereon prior to them being proposed at Board meetings.

Management accounts are presented at board meetings, with the most recent period to date being reported on. On occasion the period of time elapsed between management accounts presented to the Board has been excessive. Scheduling of board meetings at which management accounts are discussed and the period being reported on should be more consistent. This should improve the Board's overview of finance.

The Team **recommends** that revised management accounts, including all recommendations for improvement are to be presented to the Board at intervals not in excess of one quarter.

Management Comment

Accepted – see Schedule of Recommendations at Appendix 2

3 Property Development

3.1 Objective

To examine the approach taken by the Association in relation to the management and delivery of the social housing development programme, assess the controls used to manage risk, its performance in meeting key targets and the procedures adopted in relation to procurement and the development process, including the use of the disposal proceeds fund.

3.2 Opinion

The scope of the Inspection included an examination of these key areas:

1. Project Management (Scheme Delivery)
2. Procurement
3. Contract Management
4. Board / Committee Overview

This Inspection of the Association's property development activities revealed a very sound/structured approach to both project and contract management. It also found that the two schemes examined were properly procured and managed in accordance with DSD Procurement Requirements and NI Public Procurement Policy thereby reducing the Associations exposure to unnecessary risks. This would demonstrate good governance by Senior Management, the Development Sub-Committee and the Board of Management. This view would also concur with the last internal audit report by their Internal Auditors in October 2012, that (after assessing the key processes and controls in place on six other recent development schemes), resulted in a grading of Substantial Assurance.

The continued growth in development has been discussed and agreed with the Board of Management and financial projections, budgets and cash flows have been produced by the Association to account for and manage this growth. In essence, the Association's current business objectives on property development are clear and concise while being well controlled and carefully managed.

In conclusion, as this Inspection has clearly identified evidence of continuous improvement since the last inspection in August 2011, and with all previous recommendations having been fully addressed, this would dictate that the previous rating of 'Satisfactory Assurance' should now be raised to **Substantial Assurance**.

The Team has identified two areas where action could be taken to enhance current arrangements therefore:

3.3 Policies & Procedures

The Team **recommends** that the Association's policy/procedure reference number DPR0026 on the Procurement of Consultants should be reviewed / amended to reflect current DSD requirements and the Association's procedures on Framework appointments.

Management Comment

Accepted – see Schedule of Recommendations at Appendix 2

3.4 **Existing Satisfactory Purchase**

The Team **recommends** that on any future Existing Satisfactory Purchase (ESP) the Association should request from the consultant a projected 10-15 year maintenance expenditure profile to assist with assessing financial viability.

Management Comment

Accepted – see Schedule of Recommendations at Appendix 2

4 Property Management

4.1 Objective

To examine the approach taken by the Association in relation to the management and maintenance of its existing stock and access the controls used to manage risk, its performance in meeting key targets, and the procedures adopted in relation to procurement.

4.2 Opinion

The approach taken in order to validate the findings was to examine the following areas:

1. The Asset Management Strategy (AMS);
2. Programme Delivery;
3. Property Management Procurement;
4. Contract Management;
5. Board/Committee overview.

This inspection of Fold Housing Association's Property Management Service has demonstrated continued improvement since the last inspection in December 2011. Since the last report, the Association has appointed a Property Services Manager. Under their direction, the property services 'team' is capable, have the appropriate skills and is focused on the delivery of an effective maintenance service to tenants. This inspection has found sufficient evidence to demonstrate that the Director of the Housing and Property Services Team adopts a focused and diligent approach to managing and maintaining of the current stock to provide the tenants with a high quality maintenance service.

The Association has developed a comprehensive yet succinct Asset Management Strategy. The current and on-going Stock Condition Survey information is regularly uploaded to populate the IBS asset data base. From this information the Association develop its annual planned/cyclic/servicing maintenance programme with projected financial requirement for approval by the Senior Management Team, Housing Sub-Committee and the Board.

The Association has an all-inclusive suite of robust policy and procedure documents underpinning the asset management strategy and property maintenance services. Policies and procedures have recently been updated to align with the Accord Maintenance Procurement Group policies. The procurement of the Association's Property Management consultant was carried out under the auspices of the Accord Maintenance Procurement Group Professional Services Contract. The consultant under the direction of the Property Services Manager; Senior Estates Officers and Estate Officer's project manage the tender competitions and administer the various NEC3 contracts for the Association.

The Association also use the Accord Maintenance Procurement Group measured term contract to carry out response maintenance, servicing, minor adaptations and re-let works. Various servicing contracts are awarded on a

competitive tender basis for a 2/3 year term using contractors registered with Constructionline. Contract management is carried out by the consultant, the Senior Estate Officers and the State Officers. Evidence on the project files inspected would indicate that this is a robust process providing a full record of all correspondence, progress/delays, payments, minutes of meetings, etc.

The Association is very proactive in managing voids with a monthly report being prepared and presented to Senior Management Team. This information is also presented and discussed at the quarterly meetings held by the Housing Sub-committee and Board.

From the minutes it is clear that the Senior Management Team, Housing Sub-committee and the Board are kept fully informed of the Maintenance Programme progress, delays and changes to scope of work, costs, etc. It is also evident that the Housing Sub-committee and Board challenge the proposals and activities of the property services team by requesting more detailed explanation/additional information before approvals are given.

Having assessed and noted the Association's overall approach to the management of its Property Management function, its full implementation of the recommendations from the previous inspection and its obvious commitment to continuous improvement, under the present inspection grading system the inspection findings would indicate that the Association's performance on Property Management would be rated as **Substantial Assurance**. The Team has identified two areas where action could be taken to enhance current arrangements therefore:

4.3 **Measured Term Contractor Invoices**

The Team **recommends** a check on a sample (suggest 5%) of certified invoices from the Measured Term Contractor should be conducted by an independent consultant to provide the Association with good value assurance.

Management comment

Accepted – see Schedule of Recommendations at Appendix 2

4.4 **Business Case**

The Team having recognised that the preparation of a business case in major / planned maintenance works projects costing £50k or over which requires Board approval is good practice (see best practice, Executive Summary), however the Team **recommends** that before going to the Board that more information is provided on the Business case pro-forma to clearly indicate the various options/alternatives considered.

Management comment

Accepted – see Schedule of Recommendations at Appendix 2

5 Housing Management

5.1 Objective

Housing associations must have management arrangements, skills and systems which are appropriate to their circumstances, scale and scope of operation.

5.2 Opinion

The approach taken in assessing Housing Management activities within the Association was to limit the scope. Therefore the Team looked at the following areas.

1. Tenant Involvement
2. Arrears Management
3. Joint Management Agreement
4. Housing Management System

With regards to Housing Management the Team's objective was to determine how well the Association consults with its tenants in the setting and establishment of the service it provides to its tenants. In speaking to Senior Management Team, the tenants and from the evidence seen the Association clearly demonstrates that the safety and security of its tenants is paramount. The Team also noted that the Association is always trying to improve the service it provides and ensure that the information provided to its tenants keeps them well informed. The Association is currently endeavoring to encourage greater involvement from its general needs tenants and has recently reviewed its Tenant Involvement Strategy.

Since the last inspection the Association has carried out a fundamental review of arrears. The Team saw evidence that the Association has very robust procedures in place and each Housing Officer is responsible for arrears recovery of their own patch. Area Housing Managers are responsible for the monitoring of arrears for the Housing Officers of their areas. All actions are recorded on the Association's IBS system. At the time of the inspection non-technical arrears were 4% within the Department's target of 5%. As already mentioned the Team would highlight the Association's arrears recovery as best practice.

The Team also reviewed the Association's Housing Management System and found that allocations are made in accordance with the Common Selection Scheme, the Team noted from the discussion regarding welfare reform that the Association had amended their tenancy agreement to highlight to tenants (who were accepting a property greater than they were assessed for) the implications that under welfare reform all rent may not be paid for. The Team was pleased to note that the Associations review its Joint Management Agreements whenever necessary. The Team noted from the minutes of the Housing Sub-committee that there is evidence to support that Sub-committee Member's challenge and when necessary request further information before approving decisions presented to them.

Therefore taking into consideration all the evidence provided regarding Housing Management, the Team is of the opinion that a grading of **Substantial Assurance** should be awarded. The rationale for this grading is that the Association clearly demonstrated that it is very customer focused, provides a quality service to all its tenants and is continually striving to find better ways to improve the service it provides to its tenants.

6 Corporate Governance

6.1 Objective

To ensure that the Association is governed by an effective Board that is operating a framework which effectively identifies and manages risk, operates according to statute, regulation and constitutions and seeks to be responsive to the needs and view of its residents.

6.2 Opinion

The scope of the Corporate Governance inspection encompassed a high level review of the strategic and business planning process of the Association. As has already been demonstrated in this report Board Members and Sub-committee Members challenge the information that is brought before them. The Team saw evidence that Senior Management Team and Board Members are involved in the review of setting and monitoring of the Corporate Strategy and Business Plan. Board appraisals and skills audits are held annually and the Association has recently revised its code of governance for Board members. The Association has recently recruited three new Board Members and they are the first association that has tested the market and publically advertised for a new Chair. The Association's rationale was that they felt it was a way of bringing/injecting an outside energy into the organisation. The Team would also highlight this as best practice. The Team also saw evidence of that the Association engages with its stakeholders and considers outside agencies business plans when setting its corporate strategy and business plan. A summarised copy of the corporate strategy and business plan is issued to all staff. The Association has a Corporate Scorecard and this is highlighted to staff at the monthly core brief. Each Department has its own balance scorecard and each member of staff is responsible for the targets that are applicable to them and these targets form part of the appraisal process. The Chief Executive holds monthly performance meetings with the Senior Management Team and will challenge them on issues of performance.

Therefore the Team having examined the business setting process of the organisation and haven taken assurance that appropriate risk management and controls are in place are of the opinion that a grading of **Substantial Assurance** is appropriate. The Team found a few areas that if implemented should enhance the performance of the Association.

6.3 Data Retention

The Association has a policy for data retention but this only covers finance the Team **recommends** that the Association reviews this policy to ensure that it covers all aspects of its business.

Management comment

Accepted – see Schedule of Recommendations at Appendix 2

6.4 Performance Review

The Association has a very comprehensive balance scorecard system for all Departments with an overarching corporate scorecard, which it reports on

periodically. The Association formally reports on targets through the Chairman's report. The Team **recommends** that this is enhanced to show clearly what targets have been met or exceeded, what targets have not been met, what they have done well and what has not gone so well.

Management comment

Accepted – see Schedule of Recommendations at Appendix 2

7. Way Forward

- 7.1 The inspection has identified recommendations within Sections 2, 3, 4 and 6 of this report and the Association has provided a response to these under the Schedule of Recommendations at Appendix 2.
- 7.2 A Schedule of Recommendations has been included at Appendix 2 which shows implementation dates for the recommendations contained in this report.
- 7.3 As the Association has received an overall rating of substantial in this report, no further action will be required by the Department. The Department would ask the Association to progress implementation of the recommendations which will be subject to verification at the next inspection.
- 7.4 This report will be published in full on the Department for Social Development's website. A copy of the report will also be issued to the NI Audit Office.

APPENDIX 1

Inspection Grading System

The scoring mechanism is on the basis of an **overall** rating from **1 to 4** being awarded, along with **individual** ratings for the four main areas of focus. The four tier grading system is as follows:

Substantial Assurance

To be given to housing associations where there is a robust system of risk management, control and governance which ensure that objectives are fully achieved. Housing associations in this category serve as an example of best practice. These housing associations will have a well run system of internal control and a risk management programme resulting in all identified risks being addressed and mitigated.

Satisfactory Assurance

To be given to housing associations who have shown they have an effective system of control which will ensure the achievement of objectives. There may be some weaknesses but these would not be regarded as impacting significantly on the overall performance of the association.

Limited Assurance

To be given to housing associations where there is a considerable risk that the Association will fail to meet its objectives or where an Association has previously received an “Unacceptable” or “No Assurance” rating and they have shown progress in addressing previous shortcomings. Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance.

No Assurance

To be given to housing associations where internal systems have failed or there is a real and substantial risk of the Association failing to meet its objectives and where they are also failing to provide any of the following: sound corporate and financial governance, quality housing; value for money. Such housing associations are considered a high risk to themselves and the public funds which they might receive.

Schedule of Recommendations

Appendix 2

Report Ref	Recommendation	Priority	Accepted/ Rejected	Implementation Date
FINANCE				
2.3	<p>Accounts The Team recommends that the monthly management accounts are brought up to the same standard as those presented at Board meetings i.e. they should include narrative on variances, highlighted items etc.</p>	M	Accepted.	Narrative currently provided with all Committee / Board finance reports will be produced monthly from October 2013.
2.4	<p>Budgets The Team recommends that:</p> <p>a) The Association now proceed as indicated with the preparation of long term budgets following the initiation of the Brixx system, as part of its annual budgetary reporting to the Board. The Board should be seen to discuss and approve the strategy as presented in this long term budget. It is envisaged that this function will be available by late 2013.</p> <p>b) The 3 year budget should contain more detail in the income & expenditure accounts than at present, as in the annual budgeted income & expenditure accounts. This would assist in the assessment regarding the level of planned</p>	H	Accepted.	Finance team will be completing their Brixx training to provide the LT budgets forecasts in Qtr1 2014.
		M	Accepted	Whilst this has been developed in previous years, this will be set out in more detail in the 2014/15 Business

Report Ref	Recommendation	Priority	Accepted/ Rejected	Implementation Date
	<p>maintenance expenditure contained within it and how this compares with the stock condition survey covering the same period.</p> <p>c) A rolling cash flow should be prepared. This should utilise the initial budget as a starting position and be updated at least quarterly for the actual cash position as at that period end. The projected cash flow budget should then be updated and cover not less than a one year period. This should be presented to the Board for discussion.</p> <p>d) The Association prepare cash flow statements of actual cash movement as part of the management accounting month end, or as a minimum at quarter end. These should be reconciled to the period end cash balance as reported in the bank reconciliations.</p>	<p>H</p> <p>H</p>	<p>Accepted</p> <p>Accepted</p>	<p>Plan to be available in March 2014.</p> <p>To be implemented along with new Budget and Business Plan for 2014/15 by March 2014.</p> <p>Quarterly cash flow statements to be available commencing January 2014.</p>
2.5	<p>Arrears The Team recommends that the Association continues to strive for improvements in regard to its collection of technical arrears.</p>	M	Accepted	We estimate that Fold's technical arrears cannot be reduced below 2% but will liaise with DSD and other HA's to identify methods for continuous improvement.

Report Ref	Recommendation	Priority	Accepted/ Rejected	Implementation Date
2.6	Tenants Service Account The Team recommend that the Association review this matter at the earliest opportunity and put a plan in place to reduce the balance on the Tenant's Service Account to a more acceptable level.	H	Accepted.	Fold Tenants' Services Account policy to be reviewed by Nov'13 and decision taken on a rebate to tenants by January 2014.
2.8	Management Board, Committee Minutes & Information The Team recommends that revised management accounts, including all recommendations for improvement are to be presented to the Board at intervals not in excess of one quarter.	M	Accepted.	Finance Dept to issue an additional mid-summer finance report direct to board members.
PROPERTY DEVELOPMENT				
3.3	Policies & Procedures The Team recommends that the Association's policy and procedure DPR0026 on the Procurement of Consultants should be reviewed / amended to reflect current DSD requirements and the Association's procedures on Framework appointments.	M	Accepted.	DPR0026 Policy to be reviewed in line with HA Guide & advice from COPE and approved by Board in December 2013.
3.4	Existing Satisfactory Purchase On any future Existing Satisfactory Purchase (ESP) the Association should request from the consultant a projected 10-15 year maintenance expenditure profile to assist with assessing financial viability.	M	Accepted	All future ESP's will see a request for a projected 15 year maintenance expenditure profile.
PROPERTY MANAGEMENT				

Report Ref	Recommendation	Priority	Accepted/ Rejected	Implementation Date
4.3	Measured Term Contractor Invoices The Team recommends a check on a sample (suggest 5%) of certified invoices from the Measured Term Contractor should be conducted by an independent consultant to provide the Association with good value assurance.	M	Accepted.	Fold to review cost of sampling through in-house resource vs bought-in resource and to set up a sampling capability in Qtr1 2014 along with an appropriate sample rate.
4.4	Business Case The Team having recognised that the preparation of a business case in major / planned maintenance works projects costing £50k or over which requires Board approval is good practice (see best practice, Executive Summary), however the Team recommends that before going to the Board that more information is provided on the Business case pro-forma to clearly indicate the various options/alternatives considered.	M	Accepted.	Business Case pro-formas to be revised from November 2013.
CORPORATE GOVERNANCE				
6.3	Data Retention The Team recommends that the Association reviews this policy to ensure that it covers all aspects of its business.	M	Accepted.	Revised policy to be reviewed for approval by Fold Board by December 2013.
6.4	Performance Review			

Report Ref	Recommendation	Priority	Accepted/ Rejected	Implementation Date
	The Team recommends that this is enhanced to show clearly what targets have been met or exceeded, what targets have not been met, what they have done well and what has not gone so well.	M	Accepted.	Year-end report for 2013/14 will include clear details of targets met / not met. June 2014.