



Department for

Communities

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Follow-Up Development Programme Inspection

Of

HABINTEG HOUSING ASSOCIATION LTD

By

Department for Communities NI

Housing Regulation Branch

February 2018

Acknowledgement

The Inspection Team wishes to express their thanks and appreciation for the assistance, and co-operation shown by the management and staff of Habinteg Housing Association in completing this Follow-up Inspection.

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1. INTRODUCTION

In accordance with the Department for Communities (DfC) Inspection Programme 2016/17, a Property Development inspection of Habinteg Housing Association (Ulster) Ltd was carried out in May 2017. After considering the original evidence presented and discussions with the Association's Development Team, the DfC Inspection Team decided that a **Limited Assurance** grading was appropriate. As a result of the Limited Assurance rating, the Inspection Team made a number of recommendations to address these concerns and weaknesses. The Association were recommended to progress implementation of the recommendations as a matter of urgency. The Department also advised that if a follow up inspection showed that sufficient progress had been made, and that recommendations had been implemented, the Department would consider raising the assurance rating to **Satisfactory**.

The Association has now taken steps to address these matters which has resulted in a follow-up inspection to review the arrangements and processes that have been put in place to address these weaknesses.

2. BACKGROUND

Habinteg Housing Association (Ulster) Ltd was registered with the Industrial & Provident Society (IP172) on the 14th October 1976 and DoE (NI) R17 on the 24th May 1977. The aim of the Association is to deliver high quality homes and services to enhance the lives of residents and strengthen communities. The Association's Mission Statement is 'Homes for All'.

Overall, the Association has in excess of 2,000 homes and bedspaces and continue to build on this through the new build Social Housing Development Programme. The Association's integrated schemes combine a number of house types, including two storey general needs houses, older persons' bungalows and specially designed wheelchair user bungalows.

The Association also works in partnership with a range of organisations providing specialised accommodation to suit a variety of housing needs. Projects include sensitively designed and carefully managed housing with care schemes, temporary move-on accommodation for people who are homeless, and challenging housing initiatives for people with supporting needs. Some of the partnerships include Simon Community Northern Ireland, The Cedar Foundation, Northern Ireland Association for Mental Health and Health and Social Care Trusts etc.

3. SCOPE OF THE INSPECTION

This is a follow up inspection that will enable the team to:

- Seek to revisit the areas of concern and weaknesses that were raised in the initial inspection in May 2017;
- Determine whether any new procedures implemented have produced results; and
- To establish if the Property Development processes / procedures required from Habinteg to effectively manage their Social Housing Development Programme (SHDP) are being maintained to a satisfactory standard;

4. INSPECTION OBJECTIVES

To examine whether the actions taken by Habinteg Housing Association (Ulster) Ltd in response to the recommendations made have addressed the weaknesses identified.

5. INSPECTION GRADINGS

This follow-up inspection was completed in accordance with the DfC 2016/17 Inspection Programme. Therefore the grading system used prior to the introduction of the 2017 Regulatory Framework will apply on this occasion. These are:

- Substantial Assurance
- Satisfactory Assurance
- Limited Assurance
- No Assurance

An explanation of these gradings is provided at **Appendix 1**.

6. EXECUTIVE SUMMARY

The Inspection Team recently carried out a follow-up review to determine the actions taken by Habinteg's senior management team in relation to the eight recommendations arising from the previous inspection relating to the *'Delivery of the Development Programme'* report in July 2017. The Final report contained three 'High' recommendations, four 'Medium' recommendations and one 'Low' recommendation.

Based on the information reviewed during this follow-up inspection, the Inspection Team are confident there is evidence of improvement. All of the listed recommendations highlighted in the Property Development final report have now been implemented.

The Inspection team has revisited the areas of concern and weaknesses which were highlighted in the initial inspection report. It was evident from the information reviewed that the new procedures established are proving successful with positive results being achieved.

The Development team and Finance team are now working collaboratively which has improved communication channels within the organisation. This allows the Association to effectively manage their SHDP to a satisfactory standard.

Habinteg has shown a willingness to improve by introducing a more structured and formalised approach to deliver their Property Development management functions. The Inspection Team concludes that sufficient improvement has been made to award a raise to **'Satisfactory Assurance'**.

The rationale for this uplift in grading is that the:

- I. Association has demonstrated that they have taken positive steps to improve their management of their SHDP;
- II. Association's Director of Development (DOD) and Director of Finance and Corporate Services (DOF&CS) now attend all Development and Finance Committee meetings demonstrating greater collaboration. Both Directors are also signing off each bid prior to submission to the committee/Board of Management (BOM). This reflects a greater level of scrutiny and accountability within the Association;
- III. Association now has a more formalised process in place which reflects that the DOD and DOF&CS are sharing information regarding the Association's financial status. Both Directors are also signing off the cashflow analysis for schemes prior to submission to the Development Committee. This again demonstrates a greater level of scrutiny and accountability within the Association; and
- IV. Evidence has revealed an improved level of collaboration between the Finance and Development teams in management of its housing schemes by attending each other's respective meetings.

Detailed findings and rationale in respect of each recommendation are provided in **Section 7**.

7. SCHEDULE OF RECOMMENDATIONS

Recommendation	Priority	Management Response (July 2017)	Housing Regulation Branch Evaluation (Feb 18)
<p>Cashflow Meetings The Team recommends that a formalised process to share information on the financial status of the Association’s Development Programme is introduced immediately between the Finance Team and the Development Team.</p>	<p>H</p>	<p>Accepted</p> <p>Although these meetings take place regularly, the Association recognises the need to introduce more formal processes immediately.</p>	<p>Implemented</p> <p>Evidence reviewed has identified that in depth discussions in relation to the Association’s Development programme are held where both the Director of Development (DOD) and Director Of Finance and Corporate Services (DOF&CS) attend.</p> <p>The cash-flow process was also reviewed which confirmed that the cashflow models are now being signed off by the DOD and DOF&CS</p> <p>It is evident to the Inspection Team that Habinteg now have a more formalised process and are effectively sharing information regarding their financial status.</p>

<p>Bid Compilation In order to promote greater collaboration between separate business areas within Habinteg the Team would strongly recommend that a member of the Finance Team attends each Development Committee meeting.</p>	<p>H</p>	<p>Accepted</p> <p>The Director of Finance and Corporate Services now attends the Development Committee Meetings. The Director of Development will also attend the Finance Committee Meetings.</p>	<p>Implemented</p> <p>The Inspection Team has reviewed minutes that confirm that the DOD attends the Finance Committee meeting and the DOF&CS attends the Development Committee meetings.</p> <p>The Association is currently carrying out a review which will reinforce the Terms of Reference regarding roles/ responsibilities of Directors in relation to these Committees.</p> <p>From the evidence presented, the Inspection Team are content that greater collaboration between the two areas is being achieved.</p>
<p>Bid Compilation The Team recommend that any bid be formally approved by both the Director of Development and Director of Finance and Corporate Services prior to going to the relevant committee and subsequently the Board.</p>	<p>H</p>	<p>Accepted</p> <p>The Bid will be formally approved by the Director of Finance and Corporate Services and the Director of Development, and reported to the Finance and Development Committees.</p>	<p>Implemented</p> <p>A bid selected for inspection has clearly demonstrated sign off by both the DOD and DOF&CS prior to Development Committee and Board approval</p>

<p>Stress Testing The Team recommends that in order to provide reassurance to the Development Committee and the Board regarding the financial viability of schemes, consideration should be given to developing an enhanced financial stress test to include the incorporation of different interest rates. This stress test should require the signatures of the Director of Development and the Director of Finance and Corporate Services respectively to demonstrate accountability and governance.</p>	<p>M</p>	<p>Accepted</p> <p>The Association has been reviewing its methodology of accessing the Financial Viability of Schemes. A new appraisal model was approved by the Board on 29 March 2017 and subsequently acquired. We are in the process of implementing this. In the meantime we have formalised the stress testing of our current model to include sign-off.</p>	<p>Implemented</p> <p>The Inspection Team selected sample schemes to assess the level of stress testing now being completed. A financial modelling tool has now been implemented by the Association which produces a cashflow analysis on a scheme-by-scheme basis.</p> <p>There was also evidence which demonstrated that financial stress testing is being included in the business cases for new development schemes.</p> <p>The Inspection Team also noted that business cases are now being prepared by the Development Officer, reviewed by the Director of Development and then forwarded to the Development Committee for approval.</p> <p>There is clear evidence that Habinteg are adequately assessing the financial viability of schemes and are now being signed off by the appropriate Directors.</p>
<p>Key Performance Indicators (KPIs) The Team recommends that the Association introduces more detailed and expansive KPIs</p>	<p>M</p>	<p>Accepted</p> <p>The Association is</p>	<p>Implemented</p> <p>Evidence has been presented to the Inspection</p>

<p>that accurately report progress against the Association's development activities.</p>		<p>expanding the KPIs for development activities. Initially these will look at:</p> <ul style="list-style-type: none"> • Monthly/Quarterly Accounts – Actual/Budget • Handovers – Actual/Projected • On-site starts – Actual/Projected • Abandoned Costs – Actual/Budget 	<p>Team which clearly demonstrates detailed and expansive KPIs which are clearly presented via a dashboard to the Board of Management.</p>
<p>Abandoned Schemes The Team recommend that the Association review the process of compiling and sanctioning the Closeout Reports to fully implement the previous recommendation including defining the roles of the Director of Development and the Director of Finance and Corporate Services in the abandoned schemes process.</p>	<p>M</p>	<p>Accepted</p> <p>The Association will review the process of compiling and sanctioning the close-out reports to fully implement the previous recommendation, including defining the roles of Director of Development and Director of Finance and</p>	<p>Implemented</p> <p>The Inspection Team has seen evidence that enhanced close out reports are in place for all development schemes post July 2017.</p>

		Corporate Services in the Abandoned Schemes process.	
<p>Abandoned Schemes</p> <p>To enable the Association to track and monitor how much expenditure regarding resource is being spent on potential 'lost' causes when pursuing acquisitions, the Team recommend that the Association compile an Abandoned Scheme budget with appropriate audit procedures including but not limited to sign off/approval processes and an appropriately maintained budget monitoring process.</p>	M	<p>Accepted</p> <p>The Management Accounts already have a line of expenditure for Abandoned Schemes, and an Aborted Scheme budget was set for 2017/18 of £35,000. We will review our current processes in line with the inspection team's recommendations.</p>	<p>Implemented</p> <p>Evidence has been presented to the Inspection Team which shows an Abandoned Scheme process is now in place which helps track and monitor expenditure of potential 'lost' causes.</p>
<p>Site Valuations</p> <p>The Team would recommend that consideration be given to developing the valuer's brief to include a detailed analysis of the local housing market including prices of site/properties of a similar build.</p>	L	<p>Accepted</p> <p>The Association will consider developing the Valuer's brief to include a detailed analysis of the local housing market, including prices</p>	<p>Implemented</p> <p>The Inspection Team has been presented with evidence which clearly demonstrates that Valuer's briefs are now completed and include local housing market analysis.</p>

		of site/ properties of a similar build.	
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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:

Rating 1 - 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.

Rating 2 - 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.

Rating 3 - 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.

Rating 4 - 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.