



Inspection of South Ulster Housing Association

DELIVERY OF THE DEVELOPMENT PROGRAMME

Final Report

March 2016

Acknowledgement

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

Executive Summary

The objective of the inspection was focused on the development activity of South Ulster Housing Association. The scope included a review of the Association's management of their development programme, delivery against targets and the effectiveness of the associated governance arrangements.

In April 2012, the Department of Social Development's (DSD) Housing Division undertook an inspection of South Ulster Housing Association (SUHA), resulting in a 'No Assurance' grading. Subsequently, the Association was suspended in December 2012 from development activity including the Social Housing Development Programme (SHDP).

A 'Follow-Up' inspection was carried out in September 2013 to assess the outcome of the changes applied to the organisational structure, policies, procedures and processes. This included a fundamental review of the overall governance regime which had been put in place.

As a result of the 2013 findings and the Association's appointment of a Development Manager, the Association was allowed a phased return to the Development Programme in March 2014. This phased return was based on the Association being able to demonstrate significant improvements and a robust testing of the new monitoring and control systems in place.

The evidence provided during this inspection undoubtedly demonstrates the Association's ability to deliver their approved Social Housing Development Programme in compliance with the Department for Social Development Housing Association Guide. Although development activity has been restricted, the Association has demonstrated a measured approach, has put control and monitoring systems in place, combined with a robust senior management overview indicates an organisation fit for purpose to deliver their Social Housing Development Programme.

As a result of the action taken by the Association to address previous short comings and the management systems now in place, it is the opinion of the Team that a grading of **Satisfactory Assurance** is now appropriate for Property Development. Therefore the Team will be recommending to Housing Investment Unit that the previous restriction of a phased return to the Social Housing Development Programme is lifted in full.

TABLE OF CONTENTS

TITLE	PAGE NUMBER
EXECUTIVE SUMMARY	
1 INTRODUCTION	1
2 PROPERTY DEVELOPMENT	3
3 WAY FORWARD	15
Appendix 1 – Inspection Grading System	16
Appendix 2 – Schedule of Recommendations	17

1 Introduction

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.

1.1 Background

South Ulster Housing Association was formed in 1978 as the Portadown Housing Association. The Association was registered with the Industrial and Provident Society in 1978 and with the Department of Environment in 1979. With approximately 1,100 housing units in its ownership, the Association has moved outside the boundary of Portadown to include not only the Armagh Banbridge & Craigavon, but also Down, Mid Ulster, Newry and Mourne areas.

The Association was initially formed to purchase and re-habilitate derelict houses; however, the needs of the community have led to diversification into the provision of bungalows for the elderly and disabled, and apartments and houses for general family needs. The Association also works in partnership with other organisations such as Praxis Care and the Northern Ireland Association of Mental Health.

1.2 Context

The Association was subject to a Round 3 Follow-up Inspection by the Department in 2013/14. The scope of the inspection included Financial Management, Property Development, Property Management, Housing Management and Corporate Governance. As a result of the findings, the Association was awarded an overall grading of Satisfactory Assurance in February 2014. As the Association was suspended from the Social Housing Development Programme at the time of the follow up inspection no grading was given for Property Development. However the Team carried out an examination of the reports and updates to the Board on legacy schemes (those on-going at the last inspection) and the structures in place for future

development, and this demonstrated that improved governance, procedures and controls were now in place, therefore the Team recommended to Housing Investment Branch (of the Department) that the Association be allowed a phased return to Property Development.

This inspection was completed during December 2015/January 2016 and it is a targeted Inspection in which the Department focused on how the Association delivers the Social Housing Development Programme (SHDP).

1.3 Scope

The inspection focused on the Association's development activity and evaluated how they deliver their Social Housing Development Programme (SHDP). The inspection required the Association to demonstrate its ability to deliver the approved Development Programme in full compliance with the Housing Association Guide including Scheme Development Milestones and the Association's standards and timescales.

1.4 Objectives

The objective of the inspection was to examine the approach taken by South Ulster Housing Association in relation to the planning, management, delivery and evaluation of its Social Housing Development Programme. This included assessing the procedures and controls used to identify, assess and manage risk and a review of its performance in meeting key targets.

The following 'Key Areas' were tested as part of this inspection:

- Site / Property Identification / Land Assembly;
- Bidding for the Social Housing Development Programme;
- Monitoring Scheme Delivery / Programme Management; and
- The Outturn / Lessons Learned / Post Project Evaluation.

1.5 Inspection Gradings

The Department currently uses the following gradings: Substantial Assurance; Satisfactory Assurance; Limited Assurance; and No Assurance. An explanation of these gradings is provided at **Appendix 1**.

2 Property Development

2.1 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 Disposals Proceeds Fund.

2.2 Opinion

This inspection revealed a rigorous and structured approach by the Association in the management of their Development Programme. Scheme development is carefully monitored and problems are promptly addressed in order to mitigate any significant risk to the programme delivery.

The Association had an internal audit carried out of Property Development in 2015. Business objectives for scheme development and delivery include a proposed 5% growth per annum over the current Corporate Strategy and Business Plan (2013 – 2018). Although a return to the Social Housing Development Programme was only granted in March 2014, the Association is confident that it can meet the targeted 5% growth per annum.

The following strengths and good practice processes are notable:

- Robust systems and controls are in place to deliver their Social Housing Development Programme;
- Good in-house skills / expertise within the current development team;
- Consultants employed at an early stage of the proposed development process;
- Significant borrowing/long term finance arrangements already in place to fund approved and potential additional development activity;
- A comprehensive set of development Policies and Procedures that reflects the requirements of the DSD HA Guide and that these are followed at all times; and
- A robust and challenging overview of all development activity by the Senior Management Team and Board of Management.

Therefore the evidence provided during this inspection demonstrates the Association's ability to deliver their approved Social Housing Development Programme in compliance with the Department for Social Development Housing Association Guide. Although development activity has been

restricted, the Association has demonstrated a measured approach, has put control and monitoring systems in place, this combined with a robust senior management team overview indicates an organisation fit for purpose to deliver their SHDP.

As a result of the action taken by the Association to address previous shortcomings and the management systems now in place, it is the opinion of the Team that a grading of **Satisfactory Assurance** is now appropriate for Property Development. Therefore the Team will be recommending to Housing Investment Unit that the previous restriction of a phased return to the Social Housing Development Programme is lifted in full.

2.3 Site / Property Identification / Land Assembly

2.3.1 Methods Used to identify Development Opportunities.

Owing to the Association operating a phased return to development their current programme is limited. Nevertheless, evidence would indicate the Association uses a variety of methods to identify suitable and potential development opportunities.

The Association reviews the 'Unmet Social Housing Needs Prospectus' published by the Northern Ireland Housing Executive (NIHE), to determine the locations identified and the type of accommodation required. Input from the Housing Management Group on specific tenant demand would feed into this site/property identification process.

The Association has regular contact with NIHE's Area Planners to establish if any new areas have been identified in addition to the prospectus. A check is made to ascertain if demand has increased the need for social housing properties that are in close proximity to existing Association's developments. A periodic review of any amendments to the Social Housing Development Programme is carried out throughout the year. This exercise would indicate where properties have 'dropped off' the programme and/or where a need now exists that previously had no NIHE support.

The Association also become aware of development opportunities through a number of avenues including:

- Building working relationships with local estate agents, the association becomes aware of potential sites;
- Monitoring property agent websites (e.g. PropertyPal, Property News, etc.) to identify land for sale;

-
- Monitoring planning applications and decision notices;
 - Contact by loan holders offering opportunity properties/sites available through defaulted loans;
 - Discussions with property and land owners who may be willing to sell; and
 - The Association staff who become aware of property/site opportunities that warrants further investigation.

2.3.2 Support from the NIHE Area Planner

When a site is identified, the Association immediately make contact with the appropriate NIHE Area Planner to confirm if the development opportunity is located within an area of unfilled housing need and to establish if there would be NIHE support for this proposal. Pending a positive indication and the scheme appears prima facie viable, the Association will formally register the site through the NIHE Development Programme Group (DPG) process and request an official NIHE 'Letter of Support' before progressing. The Association will also establish if there are any specific housing need requirements in the area e.g. Cat 1 elderly, wheelchair units, bespoke units, etc. before finalising the design brief.

2.3.3 Independent Site / Property Evaluation

To ensure viability of the proposal and to establish a site/property budget figure, the Association appoints independent valuers. The Association has confirmed these competitions are procured in compliance with the DSD HA Guide (which includes a section on procurement). The valuation brief to the valuer follows the indicative template published in the DSD Housing Association Guide i.e. pro-forma VA1 and includes any additional local knowledge that may influence the valuation figure. The Valuer's Report to the Association is based on the best practice guidance as detailed in the most current RICS 'Red Book'.

The valuation forms part of the feasibility report commissioned by the Association for potential development sites included in their programme. In respect of Existing Satisfactory Purchases (ESP), an independent valuation, compliant with DSD Housing Association Guide, is obtained in all instances before progressing to the Project Approval stage.

2.3.4 Community Support

The Association has established a reputation of being a high-quality landlord, as evidenced year on year by the low number of voids and demand for its stock. This is a good position to start from when approaching various community groups about a proposed new build development. The

Associations Chief Executive Officer (CEO) and the Development Manager have built up and maintain pragmatic working relationships with community group leaders, councillors and local politicians. These contacts are used to discuss how best to present scheme proposals to the community. The Association organise Public Meetings as the forum to introduce and present a new scheme overview/details. Meetings are generally held at community type venues to encourage attendance by the local neighbourhood.

In compliance with the DSD Housing Association Guide for development schemes, excluding Existing Satisfactory Purchases' and Off the Shelf (OTS) schemes, the Association advise all stakeholders of proposed scheme detail and proposed timeframe. Any constructive feedback is used to amend/improve those schemes as deemed appropriate.

In the main, this is achieved by:

- Advertising a public meeting;
- Engaging with local community representatives;
- Leaflet drop to local residents informing them of a meeting;
- Holding meetings at a convenient time to suit the local community; Undertaking meeting up in a manner conducive to effective consultation and to encourage relevant feedback;
- Being available for discussion outside of office hours and meeting times; When public information session are undertaken, scheme proposal are displayed, together with other relevant information relating to the proposal.
- During the consultation process, SUHA officially inform local councillors, MLAs and MPs of the proposed development.

2.3.5 Legal Advice

The Association appoint their legal advisors (solicitors) by undertaking their own procurement competitions. The Association has confirmed these competitions are procured in compliance with the DSD Housing Association Guide (which includes a section on procurement). For Existing Satisfactory Purchases, this is on a project by project basis. Going forward the Association is currently running a competition to appoint legal advisors for a two year period.

Solicitors working on behalf of the Association are made aware of the DSD Housing Association Guide requirements. These requirements include assurance that good title is available and that restrictions, easements, covenant, etc. which might adversely affect the proposed scheme or its future use is identified.

Details of restrictions are referred to the NIHE Development Programme Group for notification and discussion, prior to the Association finally committing to the acquisition of the site/property.

2.3.6 **Commercial Viability**

A scheme commercial viability assessment is carried out and reviewed a number of times during inception phase, using the most up to date scheme design information. This includes all matters that may impact on development costs as they evolve e.g. contamination, poor soil conditions, etc.

A commercial viability assessment is achieved through the use of a bespoke financial model to produce a 25/30 year discounted cash flow figure, based on a set of assumptions that are risk assessed. The assumptions include: TCI figure, grant allowances, indicative QS cost estimates, rental income, potential void loss, etc.

The Association's Development Team ensures the commercial viability of each scheme/project is based on realistic evidence prior to presenting to their Board of Management (BOM) a recommendation to progress.

In discussion, the Chief Executive Officer stated borrowing and long term finance arrangements are already in place to fund current and potential additional development activity.

2.3.7 **Feasibility Study**

The Association obtain the services of Planning Consultants via the Abacus Procurement Group's framework for consultants. The Association confirmed this framework has been procured in compliance with DSD's Housing Association Guide, which includes a section on procurement.

When a site or property is deemed to have potential in terms of tenant demand, location, price, etc, the appointed Consultant is instructed to prepare a full feasibility study report. This feasibility report is included in the information package presented to the Board of Management when seeking approval to proceed with the scheme.

2.3.8 **Due Diligence Assessment prior to Acquisition**

In addition to, or as part of the above report, the Association will task the Planning Consultant to carry out a Risk Assessment for each site. The

associated report will include the outcome of public utility searches, flood risk assessment, geotechnical surveys and any other specialist surveys or reports deemed necessary.

As far as practicable, the Association endeavour to minimise the future risk of legal challenges and be reassured the proposed development will require no difficult or expensive construction solutions.

Purchase of the properties/sites are only finalised when the Association is content the site is suitable and has been approved by the Senior Management Team (SMT) and Board of Management.

It is accepted each site acquisition is diverse and a number of contributing factors will dictate the level and extent of due diligence required to be undertaken. The Association, in discussion with their consultants, apply the principle of commensurate effort in undertaking their due diligence exercise when considering development options.

2.4 Bids for the Social Housing Development Programme

2.4.1 Bid Compilation

Business objectives for scheme development and delivery include a proposed 5% growth per annum, as stated in their current Corporate Strategy and Business Plan 2013 - 2018.

The bid is initially compiled by the Development Manager. Bids consist of schemes which have received NIHE Area Manager support and is prepared in line with the guidelines specified in DSD's HA Guide. The proposed number of units is based on and is consistent with the targets set out in SUHA Corporate Plan.

The bid is reviewed and considered by the Senior Management team (SMT) and is approved by the Chief Executive Officer prior to being considered by the Board for approval. Once approved by the Board, it is submitted to the NIHE's Development Procurement Group.

Going forward, the annual Social Housing Development Programme Bid Submission will comprise of both new schemes and schemes where feasibility work has already commenced.

2.4.2 Identifying Sites / Properties throughout the Year

It is acknowledged that the Association is currently on a limited return to the Social Housing Development Programme. Nevertheless, in discussion with the Chief Executive Officer and Development Manager, it is evident that the

Association is continually looking for development opportunities and proactively makes contact with vendors throughout the year.

Owing to delays caused by the planning process and other reasons outside the Association's control, the above action is considered good practice. This activity provides the Association with a contingency plan for dealing with potential programme slippage situations.

This on-going process means the Association's actual Social Housing Development Programme bid submission is based on both identified sites and those development opportunities presented throughout the year.

Updates to the programme will include new projects which are deliverable in the current year e.g. Off the Shelf or Existing Satisfactory Purchases opportunities.

Evidence would indicate the bid process is carried out in accordance with the DSD Housing Association Guide and complies with the procedures as required by NIHE Development Programme Group for bid applications.

2.4.3 **Property Services Committee**

The Property Services Committee meets at least once every quarter. The Committee and Board are kept up-to-date by means of the comprehensive Development Department Report. The associated papers are prepared by the Development Manager and submitted to Committee and Board members prior to the respective meetings.

As this is one of the Association's business critical areas, progress on the Social Housing Development Programme Bid Submission is discussed in detail at every meeting, with approvals being granted to progress schemes or otherwise.

New and/or replacement sites are included in subsequent reports. These schemes are subject to site registration, NIHE support and Chief Executive's approval that it is a viable and deliverable scheme. Occasionally reports include advance notice of potentially new or replacement sites when this is considered appropriate.

2.4.4 **Abandoned Schemes**

Since the Associations re-entry to the Social Housing Development Programme this matter has not arisen. However, the Association recognises and is cognisant there are occasions when it is appropriate to abandon a proposed scheme rather than invest further time/effort/expenditure into its viability.

The final decision to abandon a scheme will be agreed between the Chief Executive Officer and Development Manager and reported to the Senior Management Team and Board members at the next scheduled meeting.

2.4.5 Replacement Schemes

A Scheme Update Form (SUF) reflects the up to date status of projects. The Association communicates regularly with the NIHE's Development Programme Group and attends the scheduled monthly scheme progress meetings to provide updates on their Programme.

2.4.6 Replacement Schemes due to Slippage

This situation has not arisen. However, at the regular progress meetings with NIHE Development Programme Group, the Association can identify schemes that could be used to mitigate programme slippage.

2.4.7 Record of Bid Submissions

There is little evidence the Association holds and maintains a complete historic record of annual Bid Submissions. The Team **recommends** that the Association maintain a historic record of Bid Submissions. This record should contain financial information where management costs and consultant fees have been incurred and include a commentary on the reasons why schemes have been abandoned.

2.5 Monitoring Scheme Delivery / Programme Management

2.5.1 Scheme Development Milestones

In order to meet the Scheme Development Milestones, the Association keeps an up to date record of all the key milestones as set out in the DSD Housing Association Guide. This is achieved by creating and maintaining a key documents file for each live and potential development scheme. The key document file contains a bespoke template which essentially is a comprehensive checklist designed to ensure the milestone requirements are implemented.

The Development Assistant is responsible for keeping the template information up-to-date. A regular review is also carried out by the Development Manager.

Prior to project approval submission, the file is validated by the Development Manager to ensure all the milestones have been met for this stage. Post approval, the project file is updated on a regular basis as the scheme

progresses and this information feeds into the development progress discussions/reports presented to the Senior Management Team and Board of Management.

The Association also hold regular progress meetings with their appointed consultants to discuss: programme, progress, delay issues, contractor difficulties, etc. As required, any solutions and/or action plans on the way forward are agreed with the relevant parties and are formally recorded.

2.5.2 Reviews of the Approved Social Housing Development Programme

The Association's Development Team reviews the progress / delivery of the Social Housing Development Programme at weekly Project Update meetings. These meetings are attended by the Chief Executive, the Development Manager and the Development Assistant. All schemes are discussed, and if required, a contingency plan is established to ensure that the Association has the potential to develop alternative schemes if a programmed scheme slips.

The Property Services Committee reviews the Association's Social Housing Development Programme at their quarterly committee meetings. The review is tabled and further discussed with the Board at subsequent Board meetings.

2.5.3 Indicators used to assess Quality and Target Delivery

The Association has not commenced any new build projects since their return to the Social Housing Development Programme. However, the Association has currently two schemes at Planning Approval stage, namely Canal Street, Newry and Hill Street, Lurgan. A scheme programme with proposed target dates has been set for each project, covering the various stages i.e. tender action, contractor appointment, start on site, etc through to completion and occupation.

Prior to approval, a detailed report is presented to the Property Services Committee and Board of Management on the procurement option for each scheme. In addition, a risk assessment and risk report is developed for all proposed projects.

Going forward, the Association intend to use a detailed report which includes a traffic light system to monitor and record progress against the target dates.

Progress on the Development Programme will be reviewed at the weekly meetings attended by the Development Manager and the Chief Executive.

Development Key Performance Indicators have been introduced and form part of the Corporate Plan and Business Objectives. A Report from the Development Department details the progress against each Key Performance Indicator category and is reviewed at the respective Board of Management and Committee Meetings.

A similar type of report is used to monitor and record the development activity progress where units are procured through the Existing Satisfactory Purchases and Off the Shelf route. If or when agreed a scheme should be aborted and “closed off”, the cost of nugatory work will be assessed and a paper presented to the Board of Management for approval. The paper informs the Board that no further cost will be incurred and requests approval for expenditure to be ‘negated’. Following return to the Social Housing Development Programme, a decision was made to carry out assessment of ‘closed off’ schemes bi-annually and report to Senior Management Team and Board of Management accordingly.

The Board of Management through the Development Manager receives an ‘End of Year’ report; recording actual delivery against the Association’s Social Housing Development Programme originally approved programme. An explanatory commentary detailing reasons for changes is included with each report.

Further to this the Team is of the opinion that it would be prudent for the Development Manager to officially present a full progress report to the Senior Management Team and Board of Management on a quarterly basis. The report should cover all live and potential projects, therefore providing an overview of the Association’s total resource commitment throughout the year.

The Association commissions regular internal audits to give assurance they are complying with the development requirements of the DSD Housing Association Guide. The associated report provides an opinion on the adequacy and effectiveness of the management controls over development activity and includes activities associated with planning, procurement and reporting.

The Association also carries out a ‘Tenant Satisfaction Survey’ at practical completion stage of all projects. Feedback is analysed by the Development Manager with any significant or recurring issues drawn to the attention of the Property Services Committee, the development staff and consultants.

The Team **recommends** that the Association officially present a quarterly progress report to the Senior Management Team and Board of Management. The report should cover all live and potential projects to provide an overview of the Association's total resources committed throughout the year.

2.6 **Outturn / Lessons Learned / Post Project Evaluation**

2.6.1 **Evaluating the Success of the delivery of the Social Housing Development Programme.**

To ensure that the proposed scheme development timetable and the rolling Social Housing Development Programme are both realistic and achievable, the Association carries out the following to monitor progress both during and at the end of the year:

- Measure actual outturn against predicted timetable for key milestones and the critical path;
- Regularly communicates progress of approved schemes and seek advice from NIH's DPG;
- Measure and evaluate the performance of the Consultants and/or Integrated Design Teams (IDT) appointed to produce the project information and contract manage the development schemes.

Going forward, the Association has confirmed that on completion of new-build schemes, they will benchmark and measure outturn costs and delivery timescales against local similar sized development organisations. The Association will establish the most appropriate measures to be included in the benchmarking exercise in discussion with the Abacus Procurement Group.

The test for best value for money is assessed primarily by benchmarking projects against the following: current TCI, final outturn costs of similar completed schemes, a review of the Economic Appraisal using actual costs and a review of the 25/30 year cash flow model. This information is also incorporated in the Post Project Evaluation (PPE).

2.6.2 **Continuous Improvement/Lessons Learned**

The Association employs a continuous improvement system to ensure the accuracy of project information e.g. Site Appraisal and Economic Appraisal, estimated scheme costs, grant available, private finance requirement, etc. This is achieved by carrying out the following:

- Review of financial outcomes against cash flow model provided to the Board of Management;

-
- Review of outturn costs against those estimated and approved at Project Approval stage;
 - Review of grant received against project approved grant sum;
 - Review of the total financial resources required to deliver the scheme;
 - Constructive feedback to the consultants appointed to deliver the projects.

In addition there is the on-going feedback process with information from lessons learnt regularly communicated to:

- The Development Team and the Property Services Committee;
- Consultants carrying out appraisals and those producing specialist reports, project information, etc;
- The Quantity Surveyor consultant appointed to prepare the estimated scheme costs;
- The Senior Management Team and Board of Management (by presenting an end of year lessons learned report principally for information only).

As the Association's programme increases the Team **recommends** that the Association carries out a periodic review to analyse scheme costs. This is to ascertain if there are specific reasons why some schemes meet budget and others exceed budget.

2.6.3 Post Project Evaluation (PPE)

The Association carries out a Post Project Evaluation of all completed schemes. The Post Project Evaluation will contain the following information:

- A record and assessment of what actually happened;
- A comparison with the target against outcome/outturn;
- A comparative assessment of what would have happened if the scheme had not been delivered (or alternative decisions had been made);
- An assessment of how successful the project has been in achieving its objectives or why objectives were not achieved;
- The cost effectiveness of the project; and
- How the results and lessons learned can be utilised to improve delivery of future projects.

3 WAY FORWARD

- 3.1 The inspection has identified recommendations within Sections 2 of this report and the Association has provided a response to these under the Schedule of Recommendations at Appendix 2.
- 3.2 A Schedule of Recommendations has been included at Appendix 2 which shows implementation dates for the recommendations contained in this report.
- 3.3 As the Association has received a rating of **Satisfactory Assurance** 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.
- 3.4 The Team will also be recommending to Housing Investment Unit that the previous restriction of a phased return to the Social Housing Development Programme is lifted in full.
- 3.5 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 and the NI Housing Executive.

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.

AGREED ACTION PLAN

APPENDIX 2

Report Ref	Recommendation	Priority	Accepted/Rejected	Management Response Comments	Implementation Date
PROPERTY DEVELOPMENT					
2.4.7	<p>Record of Bid Submissions The Team recommends that the Association maintain a historic record of Bid Submissions. This record should contain financial information where management costs and consultant fees have been incurred and include a commentary on the reasons why schemes have been abandoned.</p>	M	Accepted		Immediately / in next Bid Submission
2.5.3	<p>Indicators used to assess Quality and Target Delivery The Team recommends that the Association officially present a quarterly progress report to the Senior Management Team and Board of Management. The report should cover all live and potential projects to provide an</p>	M	Accepted		Q1 2016/2017

Report Ref	Recommendation	Priority	Accepted/Rejected	Management Response Comments	Implementation Date
	overview of the Association's total resources committed throughout the year.				
2.6.2	<p>Continuous Improvement/Lessons Learned As the Association's programme increases the Team recommends that the Association carries out a periodic review to analyse scheme costs. This is to ascertain if there are specific reasons why some schemes meet budget and others exceed budget.</p>	M	Accepted		Immediately