



Inspection of Clanmil Housing Association Round 2

Final Report

August 2010

Acknowledgement

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

EXECUTIVE SUMMARY

An inspection of Clanmil was carried out during February and March 2010. The aim of the inspection was to ascertain how well the Association met the regulatory requirements of the Housing Association Guide, legislative and professional requirements and the needs of the service users.

The inspection reviewed four key areas, Finance, Property Development, Property Management and Corporate Governance & Housing Management.

In all four areas the inspection Team were impressed by the high standards of performance of the Clanmil staff. The Association has comprehensive procedural guidance for all aspects of the work, clear and effective leadership from senior management and the Board, supported by dedicated, well trained staff. All four areas received a Substantial Assurance rating resulting in an overall Substantial Assurance rating for the Association.

Best Practice

The Inspection Team was particularly impressed with the performance of Finance and Property Management. The systems in place are well documented, focussed on customer service and among the best the Team have experienced. We would recommend that NIFHA should consider using Clanmil processes as a base for advising/training other Associations with difficulties in these areas.

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1. INTRODUCTION

BACKGROUND

- 1.1 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.

An inspection of Clanmil Housing Association was carried out during February and March 2010

CONTEXT

- 1.2 Clanmil Housing Association was first registered with the Department for Social Development as a Housing Association in 1969 under the name 'The Royal British Legion Housing Association Northern Ireland Ltd'. On 2 October 1996, the Association was re-registered as a non profit making Industrial and Provident Society as Clanmil Housing Association Limited (to be known as Clanmil Housing).

Clanmil Housing has the following mission:-

"Clanmil Housing aims to be a primary provider of high quality homes at the lowest possible economic rent for everyone in housing need. It is committed

to providing an open and professional service, which is all embracing and sensitive to the needs of the individual”

Clanmil Housing has 2200 units of accommodation comprising of the following:-

- Sheltered housing
- Non sheltered
- General needs housing
- Housing with Care
- Supported Housing - for people with dementia
- Special Needs (i.e. housing for people with mental health problems, dementia and learning disabilities)

In the year ending 31st March 2009, Clanmil Housing had an annual turnover of £9.407m and a surplus before transfers to reserves of £2.068. With net current liabilities of £9.811m and total assets less current liabilities of £35.167m, the Association achieved a return on capital employed of 11.2%

PREVIOUS INSPECTION & GRADINGS

- 1.3 Clanmil Housing Association was previously subject to an inspection by the Department and a final report issued in January 2008. The Inspection Team concluded that Clanmil Housing Association established a good internal control environment overall. The Inspection however highlighted a lack of continuity across all the four areas as there was a variance in the individual grading of the four main areas. These ranged from an “Exemplary” grading for Financial Management to “Good” for Corporate Governance, “Exemplary” for Property Management to “Acceptable” for Property Development. As a more balanced focus is required across all areas, an overall grading of “**Good**” was awarded.

It should be noted that the inspection gradings for Round 2 of the Inspection Programme have changed from Exemplary, Good, Acceptable and

Unacceptable to Substantial Assurance, Satisfactory Assurance, Limited Assurance and No Assurance. An explanation of these gradings is provided at [Appendix 1](#).

SCOPE

- 1.4 This is a Round Two inspection. Whilst this inspection will take forward assurances from the previous report, this inspection will also focus on Customer Service and Outcomes. This will enable the Team to determine whether the Association is a viable organisation, operating a framework that effectively identifies and manages risks and is striving for continuous improvement in the services it provides to its customers.

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 Housing Associations in relation to delivery of the social housing development programme and assessing the controls used to manage risk, their performance in meeting key targets, the procedures adopted in relation to procurement and the development process including the use of the disposal proceeds fund.

Property Management

To examine the approach taken by Housing Associations in relation to the procurement of repairs, maintenance, miscellaneous works and adaptations, ensuring that their strategy is to maximise planned and cyclical maintenance

in order to reduce response maintenance while improving the services to meet tenant's needs.

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 and seeks to be responsive to the needs and view of its residents.

FINDINGS

- 1.5 Sections 2, 3, 4 & 5 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. A space has been provided below each recommendation for management comments which will be considered and printed in the Final Report.

2. Financial Management

Objective

- 2.1 To ensure that the 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.

Opinion

- 2.2 The scope of the finance work encompassed a review of the following areas:
- Financial Performance
 - Financial Regulation
 - Cash Management
 - Management Information

The Inspector was impressed by the controls in existence throughout the work of the Finance Department and the extent to which these are followed by staff. It was also clear that there is a strong system in place for budgeting and management reporting. All necessary information is provided to the Board and sub-committees in a clear and timely manner and relevant approval and / or authority for decisions made is obtained from the sub-committee or Board where necessary. The recommendations from the Departments Round 1 Inspection were all implemented.

During this inspection a number of minor issues were identified, details of which have been left with management for their action. There were two medium level issues which are detailed below. It is the opinion of the Inspector that these issues do not however have a material impact on our assessment of the performance of Clanmil Housing Association. Given the strength of the policies, procedures and controls evident throughout the finance area we consider that **Substantial Assurance** is appropriate in this case.

Findings

Segregation of Duties

- 2.3 The Association has an adequate segregation of duties in the Finance function. In relation to payments however, three members of staff are responsible for distinct areas of the business and can process a transaction from invoice to payment.

Recommendation – Medium

The Team **recommends** that the Association amend their process for the processing and payment of invoices to mitigate any risk inherent in the current system.

Management Comment

Agreed – Finance Manager appointed in June 2010 and this additional resource will (amongst other key tasks) be utilised to enhance the control environment over purchase ledger payments by initiating all payments on the Kypera accounting software.

DSD Response

Accepted

2.4 **Annual Budget**

The Association has a well structured and managed procedure for the preparation of the annual budget. This procedure requires input of assumptions from all relevant areas of the business and is agreed with the Management team before presentation to the Finance Committee in February. Rates multipliers required for the budget are not usually received until late February and results from the Stock Condition Survey are received in March. This could mean that final approval for the Budget is not received until April at the start of the financial year to which it relates.

Recommendation – Medium

The Team **recommends** that the Association obtains final approval for the Budget from the Board in March, in advance of the new financial year.

Management Comment

We request that the Inspection Team reconsiders this recommendation. The annual budget 2010/11 (prior to finalisation of rates income and expenditure) was considered in detail by the Finance Committee at its meeting held on the 4th February 2010 and was recommended for approval by the Board of Management. The budget was approved at the Board of Management meeting held on the 24th February 2010. The amended amounts of rates income and expenditure (which do not significantly impact on the overall surplus for the year) along with a minor amendment to the amount of rental income (once the rent accounting system had been updated into the new financial year) were presented in a revised final budget 2010/11 for approval by the Board of Management at its meeting held on the 30th April 2010. We do not consider that this timing re approval impacts on the overall comprehensive budgeting processes operated by Clanmil. However, if the Inspection Team feels that we need to arrange a Board meeting specially in March for this purpose, please advise us accordingly.

DSD Response

We understand the issues with timing and difficulties associated with having the budgeting process completed prior to the last Board meeting in advance of the year end. The Department would expect the Association to call an extra Board meeting in March only if there were significant movements from the figures presented to the Board in February.

3. Property Development

Objective

- 3.1 To examine the approach taken by Housing Associations in relation to the delivery of the social housing development programme and assessing the controls used to manage risk, their performance in meeting key targets, the procedures adopted in relation to procurement and the development process including the use of disposal proceeds funds.

Opinion

- 3.2 The scope of the Property Development inspection encompassed a review of:
- Compliance with previous inspection report
 - Current development programme and resources including examination of scheme files and site visits
 - Disposal Proceeds Fund
 - Compliance with policies and procedures

The Association has comprehensive, wide ranging and robust policies, procedures, templates and checklists on all aspects of Property Development that are regularly reviewed and updated.

The Association has a dedicated development team that oversees the Development programme, including supervision of consultants and contractors and from the evidence provided that staff are given continual and appropriate training on development issues

Having assessed the Associations performance during this inspection it is clear that the Association has in place suitable controls and procedures and taking forward assurances from the previous inspection we consider that **Substantial Assurance** is appropriate in this case. The Inspector did not have any recommendations to make.

4. Property Management

Objective

- 4.1 To examine the approach taken by Housing Associations in relation to the procurement of repairs, maintenance, miscellaneous works and adaptations, ensuring that their strategy is to maximise planned and cyclical maintenance in order to reduce response maintenance while improving the services to meet tenants needs.

Opinion

- 4.2 The Association has comprehensive, wide ranging and robust policies, procedures, templates and checklists on all aspects of property management that are regularly reviewed and updated.

The Association has in place programmes, projections, budgets and financial resources allocated to planned and cyclical maintenance and it is clear that the Management in Clanmil Housing are committed to meeting all regulatory requirements and ensuring all housing stock remains fit for purpose. In addition to the Government's Decent Homes Standard, Management are particularly focused on energy efficiency, improved thermal comfort for tenants and the alleviation of fuel poverty. Management also benefits from the support of a fully staffed and dedicated Maintenance Department with experienced staff who are very well trained, highly motivated and equally committed to providing a first class service to the Association's tenants.

The Director of Property Services provides written detailed annual reports and regular update reports on the delivery of maintenance services to Clanmil tenants. These reports and updates are issued to the Finance and Audit sub committees. Apart from performance updates on response maintenance, these reports provide detailed information on the current cyclical redecoration.

Having assessed the Associations performance during this inspection it is clear that the Association has in place suitable controls and procedures and taking forward assurances from the previous inspection we consider that **Substantial Assurance** is appropriate in this case. The Inspector did not have any recommendations to make.

5. Corporate Governance

Objective

- 5.1 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 the Housing Association Guide, regulations and constitutions and seeks to be responsive to the needs and views of its residents.

Summary

- 5.2 The scope of the Corporate Governance inspection encompassed a review
- Strategic and Business Planning
 - Board
 - Policies and procedures
 - Performance
 - Customer Focus

The Inspector was impressed by the overall management and control of the Association. The Association is headed up by an established Board with a wide range of skills and expertise and there is evidence that the Board is fully interactive.

There is an appropriate structure in place for the delegation of work from the Board down through to the staff at operational level. There is evidence that the Board receives all relevant information in a timely manner to enable them to challenge and make decisions.

A strategic and business plan with clear measurable targets is approved by the Board and is monitored on a monthly and quarterly basis. It is evident that the Association has appropriate controls and systems in place to assist with the identification and the management of risk.

At the time of the inspection the Association was piloting a new approach to capturing the views of tenants through a Tenants Satisfaction Survey. The results of these surveys are collated and analysed and an action plan drawn up for issues to be addressed with the results of these presented to the sub-committee and Board.

A number of minor issues were identified, details of which have been left with management for their action. There were also two medium level issues raised which are detailed below. It is the opinion of the Inspector however that these issues do not have a material impact on our assessment of the performance of Clanmil Housing Association. The Association has in place appropriate governance arrangements for the Board to fulfil its responsibilities and given the strength of the policies, procedures and controls in place we consider that **Substantial Assurance** is appropriate in this case.

Findings

Service Level Agreements

- 5.3 The Association has in place Service Level Agreements between Clanmil Housing Association and Clanmil Ireland, Clanmil Properties and Skerry Court Services Ltd. None of these agreements have been signed by representatives from either party. There is no Service Level Agreement in place for Milbreen Ltd despite the fact that the Association are identifying and pursuing development and income generating opportunities for Milbreen Ltd to undertake.

Recommendation – Medium

The Team **recommends** that the Association should ensure that it has in place a Service Level Agreement that has been signed and agreed by both parties and which clearly outlines the roles, responsibilities of each organisation.

Management Comment

A Service Level Agreement outlining the responsibilities of Clanmil to Skerry Court Services is now in place and has been signed by both parties

DSD Response

Partly accepted. The Association has not confirmed if the SLA's with the other parties have been signed nor have they clarified if an SLA has been drawn up and signed by the HA and Milbreen LTD.

Governance Committee

- 5.4 A Governance and Membership Committee meeting was held on 11 November 2009. Within the minutes of this meeting there were specific issues that were agreed by this committee even though only one member of the Board was present and three members of staff were in attendance.

Recommendation – Medium

The Team **recommends** that all meetings, both Board and sub-committee meetings must be quorate, especially if any decisions are taken and recorded in the minutes of those meetings.

Management Comment

We are the aware of the desirability that meetings are quorate and efforts are made to find times that suit Members. However, on some occasions this is unavoidable.

In relation to this meeting – the meeting was recorded as a record of the meeting as opposed to a minute. The only reference in the record to any agreement relates to the opinion expressed by the Chair rather than a decision being made in the absence of a quorum. We are aware of a requirement of a quorum to make significant decisions.

DSD Response

The Team accepts the difficulty in getting meetings quorate however they would ask why the meeting went ahead with only one member of the committee in attendance. No decisions should be made at any meeting that is not quorate.

In the Record of the meeting referred to there were three references where an agreement was recorded – at points 5.1, 5.5 and 5.6.

6. NEXT STEPS

- 6.1 The Inspection has identified recommendations within Section 2 and 5 of this Report and the Association has provided a response to these which is shown under the title “Management Response”.
- 6.2 An Action Plan has also been included at Appendix 2 which includes your management response and implementation dates have been inserted in the relevant columns.
- 6.3 As the Association has received an overall grading of “**Substantial 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.

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
FINANCE					
2.3	Segregation of Duties The Team recommends that the Association consider amending their process for the processing and payment of invoices to mitigate any risk inherent in the current system.	M	Accepted	See comment in main body of report	July 2010
2.4	Annual Budget The Team recommends that the Association obtains final approval for the Budget from the Board in March in advance of the new financial year.	M	Rejected – pending further consideration by the Inspection Team	See comment in main body of report	TBA
PROPERTY DEVELOPMENT					
	No recommendations				
PROPERTY MANAGEMENT					
	No recommendations				
CORPORATE GOVERNANCE					
5.3	Service Level Agreements The Team recommends that the Association should ensure that it has in place a Service Level Agreement that has been signed and agreed by	M	Accepted	A Service Level Agreement outlining responsibilities is in place and has been signed by both parties – Skerry Court Services Ltd and	Partly Complete

Report Ref	Recommendation	Priority	Accepted/Rejected	Management Response Comments	Implementation Date
	both parties and which clearly outline the roles and responsibilities of each organisation			Clanmil Housing	
5.4	Governance Committee The Team recommends that all meetings, both Board and sub-committee meetings must be quorate, especially if any decisions are taken and recorded in the minutes of those meetings.	M	Accepted	See comment in main body of report	Complete