

Assurance Statement



Managing Director – Sovereign Housing Association

Purpose of this Statement

In December 2008 the Housing Corporation (HC) was succeeded by two new statutory bodies, the Tenant Services Authority (TSA), responsible for the regulation and standards of Registered Social Landlords (RSL's) and the Homes and Communities Agency (HCA), responsible for investment in social housing.

Previous HC guidance on regulatory matters will in time be replaced by new TSA guidance but in the interim assurance is still based on HC circulars published in 2007 and 2008. The requirements of the HC are that the Boards of RSL's should maintain a sound system of internal control which:

- focuses on the significant risks that threaten the Association's ability to meet its objectives; and
- provides reasonable assurance of the safeguarding of assets.

To establish the effectiveness of the system of internal control the Board should conduct an annual review. This report forms part of that annual review.

The Boards of Sovereign Housing Group Limited (SHG) and its subsidiaries have delegated authority for internal controls to the Group Audit & Risk Committee (GA&RC) and to assist in the review GA&RC have requested that the Group Chief Executive and Group Management Team (GMT) members individually present it with a report on the effectiveness of the system. This is the report of the Managing Director.

Executive Opinion

There are, in the opinion of the Managing Director, sufficient, effective and efficient controls in place to manage all aspects of service delivery within Sovereign Housing Association. Furthermore, all members of staff have been made aware of the importance of controls and the monitoring processes in place.

Organisational Hierarchy and Control

Under the organisational structure of the Group Support Services; Finance; HR; IT and Governance are provided by SHG and SHA is responsible for housing management, housing services and property maintenance activity.

Support services from SHG are covered by Inter Group and Service Level Agreements, which determine the amount, standard and price of services. Risk management and internal control in respect of support services are the responsibility of the Group Finance Director and covered in that Statement.

2008/09 has been a year of significant change within the UK economy, the sector and the Group. The economy has been dominated by the 'credit crunch' which, as referred to below, has influenced how we appraise and authorise new development schemes. The effects so far have mainly limited the extent to which we have been able to take advantage of opportunities in a depressed housing market but it is likely the effects will continue to worsen economic prospects, especially for the Association's residents. On the regulatory front the Housing Corporation (HC) has been superseded by the Tenant Services Authority (TSA), with the Housing Corporation's investment activity now sitting with the Homes and Communities Agency (HCA).

The Association continues to be managed by its senior management team, the SHA Management Team, (SHAMT), led by the Managing Director, with responsibility for four main directorates spread across different locations throughout the Association's area of activity as follows:

- Divisional Director – (West) managing 3,300 rented and sheltered housing properties, and leading on strategic liaison, growth and service development in the West and South West. SHA acquired 840 properties in the Bristol area from the Orbit Housing Group in March 2008.
- Divisional Director – (East) managing 6,150 rented housing properties, and leading on strategic liaison, growth and service development mainly in Berkshire and Hampshire.
- Divisional Director – (Projects) managing 3,900 leasehold and supported housing, regeneration activity and strategic projects.
- Property Services Director – managing all aspects of repairs maintenance, stock investment strategy, in addition to an in house maintenance contractor, Sovereign Response (formerly Sovereign Services). The Association also provides a strategic property function for THA managed under Service Level Agreements. Sovereign Response operates regional centres in Newbury, Bristol and from April 2009, Christchurch, where services are delivered through a Service Level Agreement to Twynham HA.
- Group Performance Director, responsible for supporting policy, procedure and performance management activities for all subsidiaries across the Group also temporarily reports to the Managing Director.

To support the Group merger with Wessex Housing Partnership (WHP), since September 2008 the Divisional Director (Projects) has been seconded as acting Managing Director to Hampshire Voluntary Housing Society (HVHS), a subsidiary of the WHP. This role has been back filled on a temporary basis.

The Association also has an agreement with Twynham Housing Association (THA) to manage 1039 properties in S Hants and Dorset. In addition, in April 2008, 840 properties in Oxfordshire were transferred to The Vale Housing Association (VHA).

SHAMT routinely reviews and approves new development proposals under the Group's delegated scheme of authority. 2008/09 has been complicated by the effects of the 'credit crunch' and SHAMT has worked with the Group's Finance and Development Departments to manage new approvals within agreed and committed loan facilities. Appraisals for schemes that include shared ownership properties now contain Exit Strategies to be followed in the event that the shared ownership properties cannot be sold, in order to minimise any potential losses.

The Association also has responsibility for regeneration and leasehold management. The Divisional Director (Projects) chairs the Asset Management Group which meets as appropriate to evaluate and propose regeneration and asset management schemes.

All members of staff are aware of the Standing Orders and Financial Regulations and those particularly relevant to housing management and property maintenance activities. These have been followed throughout the year to 31 March 2009.

Policies and Procedures

Sovereign Housing Association has approved Policies and Procedures for all service areas and continuously reviews existing documentation to reflect legislative changes, good practice within the Housing Sector and feedback from customers.

During the year the Association reviewed and developed the following policies:

Policies

Resident Involvement
Support Strategy and Action Plan

Reverse Staircasing Policy

Group Rent Setting Policy

Market Sub-Rent Homes Policy

In recognising that the reputation of the Group is judged by the performance of every Member, the Group Strategic Plan 2008-11 highlighted the need to develop service excellence across the Group. The Orion Project has therefore been developed to facilitate effective sharing of best practice across all operational areas, set and maintain high standards and ensuring that these are consistently delivered. This is supported by a Peer Review Process, developed to embed continuous improvement in all subsidiaries and offer a dynamic approach to analysis of service areas.

During quarter 4 2008/9, residents from across the Group were consulted on the development of a Group Resident Engagement Strategy and establishment of a Group Residents' Forum. It is intended that the Group Residents' Forum (GRF) will ensure that residents sit at the heart of shaping service direction and continuous improvement and are involved at the highest level of decision making and strategic direction in service delivery that reflect the needs and aspirations of its customers. The Forum will be recruited to in quarter 1 2009.

Documents are made available to all staff once approved by the Management Board via the Group intranet. Sovereign Housing Group's Performance team provides staff specific training, support and written procedures.

Reporting and Monitoring

Given the pace of change in the external environment, in 2008 the Sovereign Housing Group reviewed and implemented a revised corporate strategy. The strategy also reflected the proposed merger with Wessex Housing Partnership, which has progressed to an advanced stage and is due to be completed in July 2009.

As with previous Strategies, subsidiaries are required to produce their own Action Plans identifying how they will support the Group objectives. Sovereign HA's Management Board held an away day on 29 October 2008 to review the Group Strategy in detail and to consider the main goals and activities Sovereign HA should be carrying out over the next three years to support the delivery of the Group direction. The revised strategic Action Plan was approved by the Management Board in December 2008.

The delivery of the Action Plan is reviewed by the SHAMT quarterly, and updates, which identify progress towards meeting agreed targets, are also provided to the Management Board on a quarterly basis.

Sovereign Housing Association remains a performance-orientated organisation. There is an embedded performance system that is effective in ensuring strategic priorities are understood by staff at all levels.

Performance management remains supported by the Academy Corporate Information and Management System, which continues to provide accurate information to monitor service delivery across the Association.

Annual performance targets for service areas are set by the SHAMT and endorsed by the Management Board. These targets are set to achieve continuous improvement; they are benchmarked against upper quartile performers for each service area in the Housing Sector and are implemented by staff at all levels. Proposed targets are reviewed and approved by the Management Board each year.

Management reporting and performance monitoring is then carried out for all operational, service delivery and financial budget activities on a monthly basis by the SHAMT. Performance activity is then reported quarterly to the GMT and the Association's Management Board.

Performance activity is also discussed, with issues addressed at monthly team meetings and through the staff supervision 1-1 framework.

As part of the annual budget setting process, the 30-year Business Plan is also reviewed along with the assumptions that support the Plan and these are presented to the Management Board for consideration.

Once approved, all budget holders receive monthly summaries of financial performance against budget. Currently, the Association is outperforming the Business Plan in terms of efficiency, borrowing assumptions, rent losses and bad debt provision, having achieved upper quartile performance in these areas.

Risk Management

Risks, that might hinder the achievement of the Group's objectives and Business Plan, are identified and included in a 'Risk Map' for the Parent and Subsidiaries. Risks are assessed annually and evaluated against the Business Plan, prior to being considered and approved by the Subsidiary and Parent Boards. A Risk Map is prepared detailing risks and mitigation. Within the Risk Map specific risks are categorised as reputational (strategic), or financial and operational. Only financial and operational risks are formally quantified in terms of their impact on the Business Plan. The Assistant Director of Audit and Risk, who is responsible to the Group Finance Director for the operation of internal control and risk management, ensures that mitigation actions are embedded into the operational plans of the Group where appropriate. The Group Finance Director provides update reports quarterly to the GA&RC to whom responsibility for risk has been delegated by Group Boards.

All functions under the Managing Director have their risks assessed annually in conjunction with the Assistant Director of Audit and Risk and action against the keys risk areas is progressed throughout the year. The actions within Sovereign Housing Association's Action Plan also have their risks assessed. Internal audit reports, which are presented to each GA&RC, review and report on the effectiveness of controls in place to mitigate these risks.

Internal Audit

The GMB exercises responsibility for internal audit through the GA&RC. Internal audit is outsourced to Mazars LLP. The audit programme is risk based and the frequency of audit is determined by the severity of the risk and the quality of controls. Mazars review the quality and operation of internal controls and the identification, quantification and mitigation of business risk. The Group is able to compare its performance against other Mazars' clients in the sector. The Assistant Director of Audit and Risk coordinates activities between Mazars and the Group.

During the year 3 internal audits have been undertaken in areas for which the Managing Director is responsible as follows:-

- Gas Servicing
- Stock Investment Programme
- Aids and Adaptations

The Stock Investment audit provided Substantial assurance on the adequacy of controls while the others provided Adequate assurance.

Audits on services delivered through Inter-Group Agreements are covered in the reports of individual SHG Directors.

Having regard to the foregoing the Managing Director feels confident in providing the opinion in Section 2 of this Statement that sufficient, effective and efficient controls are in place to manage the Group.

Paul Crawford
Managing Director

8 June 2009