

Assurance Statement



Managing Director – Twynham 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 (RSLs) 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 RSLs should maintain a sound system of internal control which:

- focuses on the significant risks that threaten the organisation'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 of Twynham Housing Association Ltd (THA).

Executive Opinion

There are, in the opinion of the Managing Director, sufficient, effective and efficient controls in place, as at 31 March 2009, to manage the Association. The controls are designed to support the achievement of the Association's business objectives. Members of staff demonstrate awareness of the controls and monitoring is in place.

Control and Organisation Hierarchy

The Managing Director is responsible for two main functions:

Housing Operations
Property Maintenance and Stock Investment

Support Services, i.e. Finance, IT and Human Resources, are managed on a Group basis although day to day priorities and management are set and undertaken by the Managing Director.

Last year THA extended its service level agreement with Sovereign Services to deliver all major works, planned and cyclical programmes on THA's behalf, apart from disabled adaptations, using wherever possible SHA's existing partnership arrangements. THA Property Services was re-structured to improve customer service and Mears, the contractor who had previously provided void and responsive repairs was replaced by Sovereign Services, based in an office on the Somerford Estate provided by THA.

In addition the SHA staff seconded when SHA transferred the management of 1,039 properties to THA were fully integrated into THA's functional areas.

The Association is managed by the THA Senior Management Team (SMT) comprising the Managing Director, Customer Services Director, Head of Finance and the Human Resources Manager. SMT meets fortnightly to review operational activities and to consider policy and strategic issues for recommendation to the Board in accordance with the Standing Orders and Financial Regulations.

THA has reviewed its management structure in order to delegate more responsibility to the tier below SMT. SMT members now meet the newly formed Managers Group every month and have passed some operational and strategic activities to this group.

The other formal staff management groups in the Association are as follows:

- Staff Consultative Group – for consultation on issues relating to staff - chaired by the Managing Director, it meets quarterly.
- Equalities and Diversity Forum – The group is chaired by the Managing Director and monitors the Equality & Diversity Action Plan. Two residents are invited to attend, including a Resident Board Member and it meets quarterly.
- Health & Safety Committee – The committee is chaired by a senior manager and meets quarterly.
- Operational Management Team – Managers and team leaders meet monthly to discuss operational issues.

Policies and Procedures

THA reviewed the Allocations and the Disabled Aids & Adaptations policies and the Void Standard in 2008/09 and also reviewed the complaints procedure. A desk top review was undertaken of all operational policies to update them in response to changes in legislation and staff responsibility levels.

A part of the new Group Strategy is to make the most of the Group by amongst other things establishing common service standards. A major project, (the Orion Project) has been commenced across the three operating subsidiaries to determine a desirable and affordable level of services for the Group, to identify current gaps from those services and to formulate and implement an Action Plan to achieve the new standards.

Reporting and Monitoring

The quality and consistency of THA's activities are monitored to ensure that services required are provided.

Monthly performance reporting and the management accounts are monitored by the SMT and managers and quarterly reports are provided to the Board, which show trends and comparisons against benchmark figures. THA is an active member of the HouseMark South West benchmarking club and uses the data to highlight areas of performance whenever results are below average

The performance reports are published to staff and are discussed regularly at team meetings and through the staff supervision 1-1 framework, where areas for improvement are agreed. These meetings are formally minuted.

THA also reports to GMT and the Group Board on a set of Performance Indicators in comparison with the rest of the Group, in addition to the quarterly performance statistics monitored by the THA Board.

THA contributed to the new Group Strategic Plan 2008-11. The THA Strategy and Action Plan that derives from this formed the basis of a 30 year Business Plan approved by the Board in 2008/09.

The Annual Budget, incorporating the staff structure, is based upon the Business Plan and is subject to full Board scrutiny and approval. There is tight budgetary control in year by the Head of Finance and there are monthly meetings with budget holders to discuss budgets, which are also linked to performance.

THA receives support for services from SHG through service level agreements and these services are monitored through quarterly or annual performance reports.

Risk Management

a) Business Risks and the Risk Map

The Inspection resulted in a rating of 1 Star with promising prospects of improvement and an Action Plan was drawn up at the beginning of 2008/09 with appropriate timescales and agreed with the Inspectors to follow through on their recommendations.

Key elements in the action plan were to review the following areas and these reviews have now been completed and reported to the TSA:-

- Gas programme and service
- Asbestos information provided to residents and contractors.
- Performance information provided to the Board
- Measurement of Value for Money
- Electrical testing programme
- Range and measurement of customer service standards
- Equality and Diversity

- Disabled Aids and Adaptations service
- Maintenance contracts
- Staff structure
- Resident involvement
- Void standard

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 key risk areas is progressed throughout the year. Internal audit reports, which are presented to each GA&RC, review and report on the effectiveness of controls in place to mitigate these risks.

b) Internal Controls

Internal controls are designed to provide the assurance on the safeguarding of assets and to mitigate the effects of business risks. The implications of exposure to risk following proposed changes in working practices or in undertaking new ventures are also fully considered and advice is taken where appropriate.

The maintenance of robust internal controls throughout the Group is a key responsibility of the Group Finance Director including those to mitigate risks for which he is specifically responsible. The spectrum of internal controls and the efficiency and efficacy of individual controls is continually evaluated and enhanced through Internal Audit.

There have been no instances of fraud during the year though management has recognised that the current economic conditions are likely to increase the potential for fraud.

c) Internal Audit

The Group Management Board 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 both 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
Aids and Adaptations
Stock Investment

The Stock Investment report provided Substantial assurance and the others Adequate assurance as to the adequacy of internal controls in each area.

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

Somerford

THA is redeveloping parts of the Somerford Estate in Christchurch and master planning and feasibility studies prepared for THA by the Group have been subject to Board scrutiny and approval. The Housing Corporation granted a three year extension to achievement of the Decent Homes Standard for properties likely to be affected by the redevelopment, and this is being monitored by the TSA on an annual basis.

The first part of the redevelopment, Cleveland Place, is due for completion in the next few months. The impact of the credit crunch has meant that plans to sell some of the new properties have had to be changed to Intermediate Rent, but cost savings and higher levels of grant have meant that this first phase is, financially, better than originally planned. Subsequent phases will be planned and commenced subject to affordability.

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 THA.



Marion Franks
Managing Director

4 June 2009