

SELF ASSESSMENT COMPLIANCE STATEMENT

YEAR ENDING MARCH 2008



SACS Template A: regulator's analysis and judgement

 See the *SACS Process Note* for further information about our approach and this template.

Group / Association	Sovereign		Registration number:	L4438
Regulatory engagement:	High	Risk factor:	High	
RASA candidate retained for regulation in field?	N/A	Regulation Account Manager:	Chris Daly	
Date analysis completed:	28 October 2008	Analysis completed by:	Phil Overy	

A. INITIAL HEALTH CHECK

The deadline was 31st July 2008 Did the SACS return arrive on time?	Yes - 31 July
Evidence of board approval Has this requirement been met?	Yes - confirmed in covering e-mail
Where required, have the Stock Transfer Monitoring templates been received alongside the SACS?	N/A
<i>Are there any amber or red lights?</i>	No
Has the association addressed all six specific requirements for 2008?	Yes

B. RELEVANT CONTEXT

Known regulatory issues (not just those from information in SACS), HCA traffic lights (if recent) especially ambers, local authority survey, relevant issues arising from the Regulatory Assurance Overview process.
The group has a stable executive team, comprising personnel who have substantial years' experience of leadership in the housing sector. The board is stable, with an active succession planning process, and refreshed following expansion through merger and acquisition. The group has a large appetite for merger and acquisition, demonstrated by its recent acquisition of The Vale Housing Association and its merger proposal involving the Wessex Housing Partnership. Sovereign remain high impact through size and density with a significant geographical spread. LA survey responses were positive. All green traffic lights, including top green for viable, managed and development.

C. FEEDBACK ON PREVIOUS SACS (especially 2007)

Feedback given to association	Whether addressed and how
None	N/A

D. COMPLIANCE

This year, we ask associations to certify their compliance particularly in these two themes:

Circular 05/07 Resident Involvement					Circular 10/07 Equality and Diversity		
RI Policy adopted by board Compliant?	Involvement statement published Compliant?	Impact Assessment completed Compliant?	Resident Board Member on service delivery boards Compliant?	Mitigation if non-compliance is reported or if a waiver has been discussed or granted	Disability Equality Action Plan Compliant?	Gender Equality Action Plan Compliant?	Mitigation if non-compliance is reported
Yes or No	Yes or No	Yes or No	Yes or No	Narrative	Yes or No	Yes or No	Narrative
Yes	Yes	Yes	Yes		Yes	Yes	



(THE LAST LINE REPEATS THE INFORMATION IN THE SACS RECORDING SHEET)

Follow-up action Which Circulars? What action?	None
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Non-compliance in other areas of the Code or against other Circulars If this is evident in the SACS, note it here	5 areas of partial compliance identified by association. See Section I.
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Follow-up action Which Circulars? What action?	Group has identified clear plans for addressing.
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E. EFFICIENCY INFORMATION

Does the association's SACS contain information about efficiency?	Yes
Are there any regulatory issues which need to be followed up? What?	No issues



EFFICIENCY INFORMATION NEEDS TO BE RECORDED IN THE EFFICIENCY WORKBOOK

F. ASSET MANAGEMENT - 4th TRAFFIC LIGHT

Summarise the Asset Management information and any material issues	<p>The Stock Investment Strategy and associated forward maintenance plans are reviewed on a rolling basis and updated as necessary, and this is reflected in the business plan for each group member. One important development is that the THA business plan assumption on stock investment applies the SHA standard (and increased investment) for the first time this year.</p> <p>All 3 subsidiaries now have active asset management re-development programmes represented by 6 complex schemes, all of which will deliver additional family or specialist accommodation. The related business plan assumptions are that these re-development schemes will be self-financing within a programme through the sale of redundant or uneconomic assets. This is the only aspect of the</p>
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	<p>business plans that is reliant on sales as no grant is assumed. This is a deliberate strategy in recognition of the high cost of re-development.</p> <p>SHA has also established an Asset Management Programme Board in the last year to ensure thorough option appraisal and cost benefit analysis in relation to asset management sites and that value is optimised.</p> <p>SHA's Asset Management Strategy (AMS), approved by the management board in April 2007, sets out its vision for creating and maintaining sustainable homes, neighbourhoods and communities. Using a range of business indicators the priority projects are identified for disposal, regeneration and reinvestment. A number of strategically sensitive development projects, as referred to in last years SACS, have already been appraised and progressed through the Management Board. In 2008/09 SHA has prioritised five projects, including Malvern Close, Willow Close and Hutton Close (all in Newbury), focusing on outdated sheltered housing stock.</p> <p>In recent months, the SHA Property Services Team has been working with THA to derive a new forward maintenance plan. The objective of this is to ensure parity in stock investment across the group. The new plan therefore enables the THA stock to be maintained to a similar level and standard as the SHA stock.</p> <p>The long term phased proposals for the redevelopment of the Somerford Estate were launched in September 2007, based on self-financing within the context of the business plan. The first major phase of the Somerford Project, Cheviot Court, is now on site.</p> <p>VHA carried out a Stock Condition Survey in 2004 – covering 20% of its stock. The 30 year spending programme forecast falls within the existing business plan timeframe and can be comfortably met within the existing funding arrangements. A new Asset Management Strategy was adopted by VHA Board in November 2007</p> <p>VHA's Decent Homes Strategy forms part of the Asset Management Strategy and includes information on how properties are assessed and categorised depending on their condition.</p>
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PLEASE ATTACH INFORMATION CONTAINED IN THE SACS INTO THE IRS TEMPLATE

G. TREASURY MANAGEMENT

Summarise the Treasury Management information and any material issues	<p>SHG has developed and approved a Group-wide Business Planning Policy this year adopting common processes and a consistent methodology. Accountability and responsibility for business planning is shared between the Group treasury function and the individual subsidiaries and is subject to a detailed and measurable Service Level Agreement.</p> <p>The Group's Business Planning model includes details of the timing and financial implications of the forecast development programme and other investment strategies and priorities. It also actively measures business plan assumptions and the debt profile against loan covenants and operational targets. Compliance with these measures represents the minimum hurdle for subsidiaries' business plan performance and subsequent approval.</p> <p>In view of the challenging external environment, business plan assumptions have been tested and challenged. This included a review of the:</p> <ul style="list-style-type: none"> • Stock Investment Strategy • Development Investment Strategy • Impact of the reducing grant rate and increasing costs of both constructing and maintaining CSH Level 3 and 4 homes • Financial and covenant implications of a slow-down in new development and/or related sales • Economic assumptions and provisions for risk <p>All Group business plans have been updated and this was reflected in the Group Capacity Model submission this year. The results confirm that SHG has sufficient new loan facilities in place to support its investment strategy for a 2-3 year period. The work has also resulted in improvements to the capacity management tools utilised by the business for operational purposes.</p> <p>Financial capacity and the ability to support and subsidise new investment in particular, whilst adequately providing for risk, has attracted significant focus this year and will continue to do so. The Group has continued to refine its presentation of risk during 2007/08, in particular, to improve reporting of controls and monitoring. The Group Audit and Risk Committee receive reports each quarter focussing on our key risks and controls [see 2.8d)].</p> <p>In response to the 'credit crunch' the Group Audit and Risk Committee has reviewed its provisions for risk. Plans to establish a new commercial development subsidiary have been put on hold, in the context of market uncertainties created by the 'credit crunch'.</p> <p>The Group has reviewed its shared ownership activities in the light of the new HMRC guidance on the taxation of shared ownership activity, published in late 2007, to ensure that Group sales remain charitable under the new guidance. The Group is reviewing the most appropriate structure to achieve its objectives which may include establishing a new non charitable subsidiary.</p>
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H. INFORMATION SECURITY

Only if there are issues reported, record the key issue and any follow-up action.	No issues
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I. OVERALL JUDGEMENT AND APPROACH

	Yes / No / Partial	Comments
Does the SACS accurately reflect the level of the group/association's compliance with the Regulatory Code?	Yes	Exemplary submission with detailed assessment of group and subsidiary compliance. Clear system of traffic light reporting.
Where non/partial compliance is indicated, is there an action plan in place to remedy?	Yes	<p>Group: (2.2): This year a more formalised "menu" of training and support activities will be developed to assist individual board members to improve their experience and knowledge base. (2.7): The Group wide Equalities and Diversity Action Plan will be further developed and refined in the coming year.</p> <p>Twynham: (2.7) is prioritising obtaining 100% comprehensive data on the individual needs of tenants, started through the 2007 demographic survey, and then reviewing services to suit individual needs. (3.2) The AC Inspection report recommended that THA reviews the usefulness and value of the performance information supplied to the Board and this review is being undertaken in conjunction with the rest of the group. (3.2) Twynham will move to new DDA compliant offices when its lease expires in 2011.</p>
Is there evidence that improvement plans from previous submissions have been implemented?	Yes	Information has been provided on work that has been done in the last two years to improve performance.
Does the SACS provide evidence of outcomes and of continuous improvement?	Yes	Reference to outcomes included in main body of sources of compliance.
Does the SACS refer to issues arising through recent regulatory contact/inspection findings/recent PIs/regulatory assurance overview or other sources?	Yes	Eg Twynham's inspection action plan.
Overall, does it focus on being an overview of year-on-year performance? (i.e. the SACS doesn't re-state previous years compliance or repeat information in previous submissions)	Yes	The commentary and information is clear and useful. Provides evidence of continuous improvement.

J. MATERIAL ISSUES AND FOLLOW UP

Issues identified by regulators that require follow-up	Plans for follow up
Group: (2.2): Training and support activities for board members. (2.7): Development of group wide Equalities and Diversity Action Plan.	Note in feedback letter for follow up as part of on-going regulatory engagement.
Twynham: (2.7) Obtaining comprehensive data on needs of tenants and reviewing services to suit individual needs. (3.2) Reviews of usefulness and value of performance information supplied to the Board (in conjunction with the rest of the group). (3.2) Move to new DDA compliant offices in 2011.	Note in feedback letter for follow up as part of on-going regulatory engagement.

K. FEEDBACK TO ASSOCIATION

Key points to raise:		<u>Impact on the association's HCA/regulatory Plan:</u>
		None
		<u>Feedback to HA:</u>
		Accept it meets the regulatory code and note actions on five points detailed above.
Date of feedback letter:		29 October 2008