



Department for

**Communities**

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Connswater Homes Ltd

**DEVELOPMENT PROGRAMME  
INSPECTION**

Final Report

August 2017



## Acknowledgement

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



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## **1 Introduction**

- 1.1 The Housing Regulation Branch are located within the Department for Communities Housing, Urban Regeneration and Local Government Group. They are responsible for undertaking Regulation activity on behalf the DfC.
- 1.2 As the regulator, the Department is required to exercise supervision and control over Registered Housing Associations (Article 4 (1) (c) of the Housing (N.I.) Order, 1992).
- 1.3 A review of the Property Development activity within Connswater Homes Ltd was carried out in accordance with the DfC Inspection Programme for 2016/17. The terms of reference for the inspection was agreed by DfC and the Chief Executive of Connswater Homes in May 2017 with the Property Development inspection commencing in July 2017.

### **Background**

- 1.4 Connswater Homes Ltd (hereinafter referred to as the Association) was registered with the Department for the Environment as a Housing Association on 04 March 1977 and registered with the Industrial and Provident Society on 25 June 1976.
- 1.5 The Association currently has approximately 850 units and provides quality general needs accommodation at affordable rents within a 40 mile radius of Belfast.

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## **Context**

- 1.6 The Association's Property Development function was subject to an inspection in January 2015 which resulted in a grading of 'Substantial Assurance'.

## **Scope of the Review**

- 1.7 In line with the DfC Inspection Programme the inspection was restricted to the Association's Development activity. The inspection sought to evaluate the Association's ability to deliver their approved Social Housing Development Programme (SHDP) in full compliance with the HAG, including Scheme Development Milestones and the Association's standards and timescales.

## **Review Objective(s)**

- 1.8 The objective of this inspection was to examine the approach taken by the Association in relation to the planning, management, delivery and evaluation of its SHDP. This included assessing the procedures and controls used to identify, assess and manage risk. It also included a review of the Associations performance in meeting key targets.
- 1.9 The 'Key Areas' tested as part of this inspection were, as follows:
- Site / Property Identification / Land Assembly;
  - SHDP;
  - Procurement Activities;
  - Programme Management; and
  - The Outturn / Lessons Learned / Post Project Evaluation

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## **Reporting**

- 1.10 This report covers the findings from the review and will be issued in accordance with the terms of reference agreed on the 24 May 2017 between DfC and the Association.

## **2 Property Development**

### **Opinion**

- 2.1 This inspection confirmed that the Association has a robust approach to the planning, management, delivery and evaluation of its SHDP. The Association has established detailed processes and makes use of specialist consultants to provide planning and other feasibility surveys. The Association has demonstrated that it is taking the correct due diligence steps to deliver Social Housing in Northern Ireland. This includes:
- Independent site / property evaluation;
  - Community consultation;
  - Legal advice; and
  - Commercial viability
- 2.2 The Association's approach to scheme acquisition is excellent. As demonstrated during the review, each scheme goes through various checks and balances prior to being approved and ratified by the respective Senior Management Team, Property Committee and Board. In addition, the team noted that, during this process, there was excellent communication and collaboration between the Finance and Development Teams.

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- 2.3 From the evidence presented to the team, it is clearly evident that the Association has the necessary procedures in place to; proactively manage scheme acquisition and to fully evaluate identified sites / properties.
- 2.4 The active engagement that the Association has demonstrated towards community consultation shows a positive attitude is adopted towards tenants. It was also demonstrated during the review, that tenants are part of the development process with their view(s) recorded and taken on board by the Development Team to encourage positive working relationships.
- 2.5 The oversight and control which the Association's Property Committee maintain over the development activity was considered robust. This was demonstrated in the Property Committee minutes which showed that, on-site progress and programme delivery are subject to regular review and discussion.
- 2.6 The Association utilises various methods and processes which are effective in capturing and monitoring the progress of its SHDP. SHDP progress, scheme abandonments, and slippages are captured in detailed Development and Management Account reports which are regularly subject to review by the Property Committee, Development Team and the Board. This demonstrates that the Association has effective controls in this area.
- 2.7 A Service Level Agreement (SLA) is currently in place with Clanmil Housing Association to provide procurement services. In April 2016, Clanmil Housing Association was subject to a Property Development inspection which, as part of the process, examined its procurement activities. Clanmil was awarded a rating of 'Substantial Assurance'.
- 2.8 In January 2017 / February 2017, the Association's contract management and financial contracts arrangements were subject to internal audit reviews. The

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Association was awarded a rating of 'Substantial Assurance'. This demonstrates that the Association has in place good internal controls in these two areas and has appropriate oversight in place.

2.9 The Association evaluates the success, or otherwise, of a scheme by way of a Post Project Evaluation (PPE), which is completed for all schemes, 12 months following practical completion. As demonstrated during the review, the PPE is thorough, capturing relevant information which is then discussed and circulated throughout the Development Team.

2.10 Having considered the evidence presented during the review, Housing Regulation Branch, acting on behalf of DfC, is of the opinion that the Association would merit a rating of '**Substantial Assurance**'. Please see **Appendix 1** for Assurance ratings.

### **3 Evidence of Good Practice**

3.1 The team found a number of good practice processes and strengths. In particular:

#### **Community consultation**

3.2 The Association employs a variety of sound methods to consult with local residents and elected representatives, including:

- Letters to stakeholders and elected representatives;
- Group meetings with local community associations / groups;
- Publication of proposed schemes on the Associations websites;
- Newspaper articles; and
- Information leaflets

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- 3.3 Evidence presented during the review demonstrated that, on each of the Association's schemes, a record of interactions is kept detailing those consulted and their feedback. In addition, members of the Association's Development Team sit on several community forums and residents groups. This detailed and thoughtful approach by the Association demonstrates that they are fully engaged with local communities.

#### **4 Way forward**

- 4.1 As the Association has received a rating of **Substantial Assurance** in this report, no further action will be required by the Department.
- 4.2 This report will be published in full on the Department for Communities website. A copy of the report will also be issued to the NI Audit Office and the NI Housing Executive.

## 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.