

External Influences and risks in achieving our strategic plan (June 2015)

Political influencers and risks

Conservative majority Government over the planned period to 2020

Housing proposals of Right to Buy and benefit cap reductions will impact the way we operate.

The local authorities we work in face increases challenges in fulfilling their housing obligations.

Challenges for ISHA are very much shared challenges with our Boroughs:

The challenges include:

- ◆ Land values;
- ◆ Market rents;
- ◆ Lack of supply to be able to move;
- ◆ Maintaining truly affordable homes in our high rent areas of operation.

Government Policy

The recent government's housing strategy has further challenged the sector in terms of how we operate and how we want to operate. At ISHA our Board is very clear on what we want to achieve:

Life time tenancies;

All the evidence of probationary tenancies is that it has not produced a higher number of terminations of tenancies during that period (keeping your nose clean), and at ISHA we don't believe that the tenancy terms should be used to replace good housing management. Where there is a problem with a tenancy this needs to be managed, the term of the tenancy cannot do it for you.

Re-let at social housing rent;

We have decided that all our existing properties will be retained at social housing rent. We are also committed to achieving social housing rent in all our new developments as our first objective.

This can only be achieved with true partnership working with the Boroughs, and looking at innovative ways of funding the development. This is particularly challenging



because we have seen land values (and market rents) increase at a level that is out pricing the ability to develop.

To continue to develop social rented housing we will find ways to supplement the grant we receive from the GLA. The opportunities include internal subsidy, cross subsidy from shared ownership and non-residential property sales, utilising New Homes Bonus and Right to Buy receipts from local authorities, acquiring sites at below market value, working with developers to maximise s106 contributions (both on-site and offsite) and working in partnership with other organisations to develop mixed use sites.

North River Alliance (NRA)

ISHA leads a consortium of small housing associations, which achieves more housing for small specialist associations than could ever be achieved on their own. The NRA is a Trusted Delivery Partner of the GLA, which is a status only awarded to 7 London associations. This proves that doing things differently does not mean exclusion from funding programmes.

Impact of Welfare Reform

In some ways we haven't seen the worst of this yet. The impact of Universal Credit is unknown as yet in our areas of operation.

The Bedroom Tax – where benefit is cut if you are under occupying, and you need to pay the difference from the rest of your benefits. We have worked closely with our Boroughs to identify every family impacted by the bedroom tax. ISHA started its work on changing our policies on how to support residents a year in advance of the introduction. We agreed

a policy of paying up to £2,500 of associated costs to any resident who wanted to move – irrespective of if they moved to another HA, another area. This includes providing new curtains, flooring as well as removal, disconnection and connection charges. We have held speed dating events in Islington for anyone wanting to look at mutual exchange, and at the first event we saw 50 households (not all ISHA). Overall we have found that most households want to pay and stay – and it is therefore our job to assist our residents to stay. We have increased our staffing on revenue collection, and targeted households with arrears. This includes providing advice and signposting to debt counselling. A major part is about assisting in budgeting. We have deliberately focused on getting residents to be a month in advance (as per their tenancy) so that when we can detect a fall back in payment before they go into arrears. We have reduced our rent arrears consistently over this period, and this is without having increased evictions. Last year we had 2 evictions. This is a different pattern than reported by most HAs in London, who report increased rent arrears and higher evictions.

Economic risks and influencers

Economic downturn and reductions in government spending impact on:

- ◆ Grant for building new homes
- ◆ Income of our social renters (reduced benefit)
- ◆ Ability to borrow and terms of borrowing

The banking crisis brought about a re-thinking of loan portfolios. Previously, development funding would be put in place prior to securing a scheme. The uncertainty of long term borrowing, and the changing relationship with banks has moved the portfolio to balance of fixed and variable rates. We have a robust treasury management framework where we have a balance of short term borrowing for development stage, and then securing longer term borrowings and bonds to support the investment over a longer period of time.

London Living Wage Employer

In the first week of November 2014 we celebrated the second year of our London Living Wage employer status. We are proud that we were the first Housing Association in Islington to be registered as a London Living Wage employer. This includes our contractors on our estates. When we examined it, we found it was the office cleaners who were not being paid the London Living Wage. This was certainly not where we thought underpayment would be, but it is great that we have sorted it. We also continue to monitor the distribution of wealth between highest and lowest paid, and our Chief Executive is still way below the advised threshold.

Staff Pension provision

ISHA is a member of SHPS pension scheme, and all employees are auto-enrolled into the defined contribution scheme if they choose not to join the defined benefit scheme. Pension costs remain an issue with liabilities varying as a result of investment returns and actuarial assumptions. A new valuation for the Social Housing Pension Scheme (SHPS) is due in 2015; at its last valuation date it had a deficit of over £1 billion. FRS 102 requires that schemes that currently enjoy multi-employer exemption, such as the SHPS, are now recognised in the financial statements which bring the accounting treatment closer in line with the LGPS and other schemes. Boards need to plan carefully so that they mitigate their exposure to rising pension costs and account for them correctly in their audited accounts. Given the fact that pension costs are likely to continue to increase ISHA's Board needs to evaluate whether the SHPS scheme remains fit for purpose. Auto enrolment risk was dealt with by the Board in 2012, when it was agreed to become an early adopter and enrol all staff into a defined contribution scheme if they were not already a SHPS member. This decision was made having taken into account the longer term cost of remaining in the SHPS scheme and having carried out a cost benefit analysis covering a range of options that could be introduced to mitigate the impact of rising costs.

Risk mitigation by ISHA over this period has been key:

- ◆ Commitment to projects has been dependent upon funding being secured;
- ◆ Short term revolver borrowing with Bank and longer term fixed borrowing with pension funds
- ◆ Review by Board, FRSC, Special Planning sessions and Board awaydays has ensured properly reviewed by governance at frequent intervals
- ◆ Identification of other assets that could be sold (due to uneconomic to continue within social housing), and preparation of those assets to be sale ready. Part of asset management and disposal plan. Reviewed weekly by SMT. Board set a target of realisation of £7m of assets to fund 2015-18 programme.



Social risks and Influencers

London's Poverty Profile (2013)

Borough	Low income work & pay			Inequality	Housing				Health	Education		Benefit reform	Average	Change*
	1	2	3		4	5	6	7		8	9			
Camden	◆	◇	◇	◆	◆	◇	◆	◇	◆	◇	◆	◆	◆	◆
Hackney	◆	◆	◆	◆	◆	◆	◇	◆	◆	◆	◆	◆	◆	◆
Haringey	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Islington	◆	◆	◇	◆	◇	◇	◇	◇	◆	◆	◆	◆	◆	◇
Tower Hamlets	◆	◇	◇	◆	◆	◆	◇	◆	◆	◇	◆	◆	◆	◆
Waltham Forest	◆	◇	◇	◆	◆	◆	◆	◆	◇	◆	◆	◆	◆	◇

- 1 Child poverty
- 2 Unemployment
- 3 Low pay by residence
- 4 Pay inequality
- 5 Overcrowding
- 6 Temporary accommodation
- 7 Landlord repossessions
- 8 Mortgage repossessions
- 9 Premature mortality
- 10 Underage pregnancies
- 11 GCSE achievement
- 12 Lacking qualifications at 19
- 13 Out of work benefits

Key to Average ranking compared to all 32 London Boroughs

- Worst 4 boroughs ◆
- Next 4 boroughs - 4th to 7th worst boroughs ◆
- Next 8 boroughs - Lower middle quartile ◆
- Above middle quartile ◇

Key to Change relative to rest of London (32 Boroughs).

- This is a comparison between indicators 1,2,3,9 & 11
- worse ◆
 - Slightly worse ◆
 - No change ◇
 - Slightly better ◆
 - better ◆

London's Poverty Profile uses the latest official data to reveal patterns of poverty across the capital. This table brings together the borough level indicators, and shows where our boroughs rank compared to the rest of London. For each indicator, the four boroughs with the highest level are coloured red. The next four are orange, the next eight are yellow and the remaining 16 are white. So the darker the colours, the deeper the problems.

What stands out from a London wide perspective is that the Eastern parts of London have the most severe problems. There is a much clearer East/West divide than an Inner/Outer one. In particular, with the exception of the inequality indicators, the Inner West has few dark colours. By contrast, the Outer East & North East and Inner East & South have many. The profile position of our boroughs reflects the London wide poverty trend of there being a clearer East/West divide, than an Inner/Outer, all the boroughs where we have homes are in the Eastern half.

Lien Viet

A subsidiary of ISHA, we have re-structured the Lien Viet so that ISHA now provides the landlord services, and Lien Viet concentrates on promoting the housing needs for Vietnamese and wider SE Asian communities. Through this re-structuring, ISHA has also strengthened how it supports all its residents, and we have created an Outreach and Support team. An organisation the size of ISHA cannot achieve this on its own. Partnership with the Boroughs key services, and tapping into the programmes provided by larger HAs is essential.



Technological risks

Cyber failure and risk mitigation

Security of our systems and data is a high priority for ISHA and Lien Viet, and this is recognised in our Strategic Risk Register.

Communication and technology used

The other major risk for ISHA is not being able to match our residents' expectations of what technology we use to communicate and provide them with the up to date information about their accounts. The Resident satisfaction survey will tell us more about the appetite our existing residents have for this technology, but it is evident that we need to provide a more interactive service going forward.



Legal risks and influencers

ISHA is regulated by the Homes and Communities Agency. The Regulatory Framework has been revised and came into effect on 1 April 2015. The Regulatory standards contain the outcomes that providers are expected to achieve and the regulator's specific expectations. ISHA's Board is responsible for meeting the relevant standards and determining how this is done. The Regulator proactively seeks assurance from providers that they are meeting the economic standards. The 3 economic standards are:

Governance and Financial Viability Standard

Value for Money Standard

Rent Standard

ISHA annually carries out a self-assessment against the Regulatory Code, and an improvement action plan is agreed annually as a result of that review. The Value for Money standard requires the publication of how the Board knows it meets the standard at least annually. ISHA revised its rent standard to reflect the revised 2015 rent standard. Compliance with the consumer standard is reviewed in detail by the Housing Services Sub Committee, and the outcome of that review is reported to ISHA's Board. Regulator - Meeting the Economic and Consumer Standards. ISHA is a registered society under Co-operative and Community Benefit Societies Act 2014 and accounts are filed with the FCA. All regulatory statutory and financial compliance matters are reported to every Board and monitored to make sure that all actions are completed to time. Health and Safety, fire regulations, and safeguarding adults and children are the highest priorities within our landlord duty of care, and compliance with these duties are continually monitored by the Executive, and reported to the Board.

Ethical Risks

We know we have the responsibility of the legacy of what has gone before us, and that is why our plan is called Speaking up for Housing. ISHA's values and vision are to be at the heart of the risk strategy. For instance the Board doesn't always take the most commercial route, because we are guided by the principles we want to achieve in terms of providing affordable housing for low income and no-income households. We do however balance our decisions with achieving the best value in meeting our objectives.

