

## Internal Procedure Note: Annual Assurance Statement

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### 1. Introduction

This IPN provides advice about assessing an Annual Assurance Statement (AAS) from a social landlord.

Please also see our Regulatory Framework and our [Annual Assurance Statement](#) statutory guidance (AAS guidance) and [Frequently Asked Questions \(FAQ\)](#).

### 2. Annual Assurance Statement

2.1 The AAS should confirm a landlord complies with:

- Regulatory requirements at Chapter 3 in the Framework
- Standards and outcomes in the Charter
- All relevant legislative duties
- For RSLs the standards of governance and financial management

The example wording for landlords given in the AAS guidance is 'We comply with the regulatory requirements set out in Chapter 3 of the Regulatory Framework'.

2.2 The statement should set out any areas of material non-compliance and say how it plans to address these. We have defined material non-compliance as non-compliance which the landlord considers could:

- Seriously affect interests and safety of tenants and others;
- Threaten the stability, efficient running or viability of service delivery arrangements;
- Bring the landlord into disrepute or raise public concerns about the organisation or sector; or
- For RSLs put at risk the good governance and financial health of the organisation.

2.3 The governing body or local authority committee should weigh up the evidence and seriousness and decide if the non-compliance is material and should be disclosed.

2.4 If a landlord decides there are areas of material non-compliance it should say that and describe how they are planning to improve in those areas and the timeframe for improvement. If the landlord finds non-material non-compliance they don't need to record it in the AAS but should agree their own improvement actions.

2.5 The AAS should confirm the landlord has seen appropriate evidence to support the level of assurance. The landlord should keep a record of the evidence it used to assure itself.

2.6 If the landlord is an RSL and is part of a group the parent should submit one statement for the whole group. The statement should explain which RSLs it relates to and say if there is material non-compliance in any subsidiary RSLs.

2.7 We will publish the statements (an unsigned copy of the AAS). Landlords should share the statement with their tenants and other service users. We say landlords may wish to produce a fuller version for tenants which includes information about how they obtained assurance that they meet regulatory requirements.

2.8 Landlords should notify us if anything happens which materially changes the level of assurance in the statement. This could be eg completing planned improvement work, or finding material non-compliance. If this is the case the RSL should submit a [notifiable event](#), a local authority should write to the SHR contact detailed in the engagement plan.

### **3. Submitting an AAS**

3.1 The AAS must be submitted between April and the end of October each year.

3.2 Landlords must upload two copies of their AAS via the portal - a signed copy and an unsigned copy. Landlords upload the AAS to the documents area in the portal.

### **4. Failure to submit an AAS**

4.1 If a landlord fails to submit an AAS on time the lead regulator will discuss this with the Assistant Director and agree how this will be addressed with the landlord. The late submission will be noted in the AAS spreadsheet.

### **5. What should the AAS cover?**

5.1 We haven't been prescriptive about the form of the statement but have advised that the statement should be short and succinct and cover the following:

- confirm the landlord has appropriate assurance that it complies with the regulatory requirements as set out at Chapter 3 of the Framework
- Set out any areas where they do not comply and briefly describe how they plan to improve those areas and the timeframe for improvement
- Confirm they have seen appropriate evidence to support the level of assurance they have about compliance
- Confirm the date of the meeting the RSL governing body or local authority committee considered and agreed the statement

- One copy should be signed by the chair of the RSL governing body or chair of the relevant local authority committee and the second copy should be unsigned, we will publish the unsigned version
- The AAS should also make clear which landlord it relates to.

## 6. Assessing an AAS

6.1 Portfolio holders will receive regular emails from the AD to advise them which AAS's have been submitted. The lead regulator should firstly check the statement covers all of the elements at 5.1 of this IPN. If it doesn't they should contact the landlord as soon as possible to follow this up and ask for the missing information. We will not ask the landlord to submit a new AAS and will publish the original AAS the landlord submitted unless there is a basic error such as the statement does not say which landlord it relates to or the statement is unsigned so we don't have assurance that it has been approved prior to submission.

6.2 For the first year submissions we have decided to publish all AAS's at the same time via a bulk upload, the statements will be published on 7 November. The process for publishing the AAS's will be reviewed following the first round of submissions and the IPN will be updated to confirm the process to be followed.

6.3 The AAS will be an important part of the evidence we consider during the risk assessment. The lead regulator will review the AAS by the end of November. The lead regulator will consider whether the AAS is consistent with other information we hold about the landlord. For example, if an RSL reports it complies with regulatory standards and we have evidence about serious governance weaknesses and these issues have not yet been addressed.

## 7. Compliance Status & Assurance Statements

7.1 There are four scenarios in relation to compliance with regulatory standards. The flowchart at appendix 1 summarises the process.

<p><b>1 Landlord reports compliance SHR judges landlord is compliant</b></p> <p>The landlord reports it is compliant in its AAS and we agree with that assessment.</p>	<p><b>2 Landlord reports non-compliant SHR judges the landlord is compliant</b></p> <p>The landlord reports it is non-compliant but we don't believe the weaknesses amount to material non-compliance.</p>
<p><b>3 Landlord reports non-compliant SHR judges non-compliant</b></p> <p>The landlord reports it is materially non-compliant and we agree with that assessment.</p>	<p><b>4 Landlord reports compliant SHR judges non-compliant</b></p> <p>The landlord reports it is compliant but we believe the landlord is materially non-compliant.</p>

7.2 **Scenario 1** is where the landlord reports it complies with regulatory requirements and we have no concerns about the accuracy of the statement. If there is no evidence from the information submitted by the landlord from our returns and engagement to suggest there may be material non-compliance we should accept the assessment made by the landlord. In this situation the lead regulator will record our assessment in the AAS spreadsheet by the end of November.

7.3 **Scenario 2** is where the landlord reports material non-compliance but we do not agree with the assessment, this may be because in our judgement the issues are minor and do not amount to material non-compliance. An example is failing to carry out an annual skills appraisal of an individual governing body member because of illness. In scenario 2 the lead regulator will prepare a report and pass it to their AD who will arrange for it to be considered at one of the scheduled case conferences in November to decide if we agree with the landlord's judgement about materiality

7.4 If, as a result of the case conference, we are of the view there is no material non-compliance the lead regulator will update the AAS spreadsheet with the outcome of the case conference and engage with the landlord to confirm our assessment. We will not ask the landlord to resubmit the AAS nor will we publish an amended AAS. The case conference should consider what should be reflected in the engagement plan to explain the non-compliance reported in the AAS and our assessment of compliance.

7.5 In **Scenario 3** the landlord reports non-compliance and we agree with the assessment. An example of this is an RSL which is subject to statutory intervention or we are engaging over serious governance or financial management issues. In this situation the lead regulator will prepare a report and pass it to the AD who will arrange for it to be considered at of the scheduled case conferences in November to decide:

- If we agree with the landlord's judgement about materiality
- If the landlord's plans to address the issue are reasonable both in terms of the actions being appropriate and the timescales to address non-compliance

7.6 In most cases we will be aware of the non-compliance and will have an agreed regulatory strategy. The case conference will consider whether the AAS provides new evidence which requires our regulatory strategy to be updated.

7.7 If we were not aware of the non-compliance and the case conference agrees with the landlords judgement about materiality the case conference will consider the landlord's plans to address the issue. When considering the landlord's plans, if the case conference is assured it has effective plans and willingness and capacity to address the issue, then it is for the landlord to take forward the improvement and our engagement is likely to be limited to seeking assurance the issue is addressed. But if the non-compliance presents a significant risk to the interests of tenants and others and we are not assured that the landlord has the capacity and willingness to address the issue the case conference will agree a regulatory strategy to give us assurance that the weakness or problem is being addressed. This can include closely

monitoring progress with improvement actions or taking statutory action to ensure the issue is resolved.

7.8 The lead regulator will record the decision of the case conference on the AAS spreadsheet and take forward the decisions of the case conference.

7.9 **Scenario 4** is where the landlord reports compliance but other information we hold, for example from our engagement with the landlord, suggests this assessment is inaccurate. An example of this is where we have the outcome of a review against Regulatory Standards which shows material non-compliance and we have not been given assurance that the issues have been addressed. In this situation the lead regulator will prepare a report and pass it to the AD who will arrange for it to be considered at one of the scheduled case conferences in November to consider the assessment and agree next steps.

7.10 The lead regulator will record the outcome of the case conference in the AAS spreadsheet and take forward the decisions of the case conference.

## **8. Feeding our assessment in to the risk assessment**

8.1 The lead regulator will record the outcome of our assessment including any decisions made by a case conference in the AAS spreadsheet.

8.2 We consider what a landlord has told us in its AAS in the risk assessment along with the other information we receive from it including regulatory returns, notifiable events, our engagement with the landlord, and any other sources of information about the landlord. We capture this information in the governance risk assessment spreadsheet. We will use the AAS and the other information from the risk assessment to decide our regulatory view of the landlord. The landlord's engagement plan will set out the outcome of our assessment, and for RSLs will confirm the landlord's regulatory status.

## **9. Publishing AAS's**

9.1 As set out at 6.2 we will publish all AAS's on the Directory as a bulk exercise on 7 November 2019.

9.2 The landlord should make the AAS available to its tenants and other service users. It is for the landlord to determine how it does this.

## **10. Providing feedback to landlords**

We have committed to provide feedback to all landlords after the first AAS's have been submitted. Written feedback will be provided by lead regulators and will be delivered during the fourth quarter of 2019/2020. The process for providing feedback and templates for lead regulators to use when giving our feedback will be developed and circulated.

## **11. Review**

We will carry out a lessons learned exercise when we have assessed the first AAS's and then update this IPN.

Appendix 1

