



# VIEWS

August 2016

## Top 10 tips for an In-Depth Assessment

– *Sam McGrady, Director, DTP*



So we've had just over one year of the HCA's in-depth assessments, if we include the initial pilot. There's been a little bit of 'tweaking' along the way, not least the recent announcement that VFM will now be a key feature of the process. Nevertheless, that's 12 months for Registered Providers to get used to how the assessments work, what the regulator is looking for and what needs to be done to ensure compliance.

I'd like to encourage providers to take a 'glass half full' view of IDAs. Yes, notification from the HCA that it plans to carry out an assessment can seem like a burden – and it will make extra workload requirements on key members of your team and Board. But, on the positive side, it's a chance to review your business, identify areas where you are succeeding and spot problems. In short, it's a learning opportunity which can help you improve the way your organisation is run.

We should all know by now why they were introduced. The regulator wanted to take a close look at RPs' businesses to ensure they comply with its economic standards. I suppose it's obvious, but the crucial lesson from the introduction of IDAs is that the issues they raise should be on your radar anyway. In many respects, the expectations laid out in the IDA guidance are good business practice.

Unless the regulator has identified serious and urgent issues at a provider, you will usually receive at least six weeks' notice of an IDA. So what can you be doing to make sure you're ready when the inspectors call?

Here are my top 10 tips for preparing for and ensuring a successful IDA:

### 1. Be prepared

Don't wait for the HCA to call before you start thinking about what an IDA means for your business. Start getting ready now – as you can rest assured you will get a notification at some point. It's a case of 'when' not 'if'.

### 2. Make sure all your relevant documents are fit for purpose

Make sure all your key strategic documents – your business plan, corporate plan, asset management strategy, development strategy, value for money strategy, risk register – are up to date and contain all relevant information. Are they fit for purpose? Are there any gaps? Are they in the right format? Would they benefit from an external review?

DTP can help with this. Recently, for example, we worked with an RP which has put all its future development on hold while it waits for government clarity on supported rents. The HCA will want to know why when the IDA inspectors visit and pour over the development strategy. So we've been making sure the team has an answer and can explain why this won't have negative financial (and other) implications for the business.

Crucially, they will also delve into the decision-making processes which have informed your key documents. Again, you need to have the information and answers at the ready.

Document management also needs to be a priority. In my experience, it can pay to allocate responsibility for uploading all documents to the HCA portal to a single person.

### 3. Facts and figures

One of the key things is having all the relevant facts at your fingertips and making sure everyone is agreed on what these are. And while the numbers are important, it's also vital that you are able to articulate what your strategic thinking is behind the numbers. You might want to consider briefing notes for key personnel with important dates, facts, figures and a few strategic bullet points.

You might be surprised at the level of detail this could involve. For example, the regulator might drill down into the detail of your asset management strategy. Why did you choose to paint your communal areas every five years when the sector norm is to do this every 10 years and it will cost you more? Your answer might be that in your geographical area, properties are easier to let if communal areas look well kept and inviting. So, while it does represent a cost, it can be shown to reduce future losses which can be incurred if properties lie vacant for prolonged periods.

### 4. What's your story?

Take some time to think about what your organisation's story is. Make sure the Board (especially the Chair and the Chair of Audit / Risk Committee) and the Executive Team know what this is and can articulate it clearly and convincingly. If necessary, have practice run through sessions so people can gain confidence and be comfortable in what they say.

### 5. Practice makes perfect

It can be helpful for some or all of your key team members to have a 'dry run' interview. This can help boost people's confidence and ensures they are ready to deliver when the team from the HCA arrive. It can also help to identify any gaps in people's knowledge and understanding. Of course, it's vital to make sure these gaps are filled before the assessment takes place.

### 6. Good governance

Put your governance practices and policies under the spotlight before your IDA. The HCA will attend and observe both a main board meeting and an Audit/Risk Committee – so make sure these are well run and managed. Think about how you come across – and consider what changes might be needed.

### 7. Assets and liabilities register

The HCA may well ask to see your assets and liabilities register. Is it easily accessible, up to date and understandable? Do you have a member of staff who can demonstrate it? Are there any gaps in it you need to address?

### 8. Value for money

Value for money is now a key element of IDAs. It's essential you have a firm grip on this and understand in detail the information provided to your Board. Make sure the Board are prepared and are equipped to make the necessary arguments to the HCA about how you ensure value for money across the organisation. It's essential that the Board is able to convince the HCA that it knows what is going on and is on top of this vital area of the business.

### 9. Know your costs

Successful IDAs rest on key personnel understanding the businesses cost base in detail. Everyone involved needs to be able to answer questions on what these costs are, what's driving them, how you compare with others, and if they are high, why? Your team needs to be able to talk convincingly about operating efficiencies, use of resources and how you are making your assets work harder for you.

### 10. Keep calm and carry on!

It's important not to underestimate the importance of an IDA. But at the same time the HCA is not asking the impossible. With a robust approach and rigorous preparation you can come out the other side stronger and better. Trust me!