



THE SCOTTISH  
HOUSING  
REGULATOR

**Inspection Report - Final**

**East Lothian Housing Association  
November 2011**

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## 1. Introduction

### About this inspection

1.1 This inspection was carried out by the Scottish Housing Regulator under section 69 of the Housing (Scotland) Act 2001 on behalf of Scottish Ministers. Our purpose in inspection is to provide an independent external assessment of the effectiveness of housing service delivery and make recommendations to help improvement. Inspections are conducted within a published framework of *Performance Standards*.

### How we assessed performance

1.2 Our inspectors asked two key questions:

- How good are the services we have inspected?
- How well are these services being managed for improvement?

1.3 In order to answer these questions inspectors:

- spoke to tenants, service users, staff and governing body members;
- asked other partner organisations for their views;
- visited homes and local areas;
- saw and tested first hand how well services were being delivered;
- examined key policies, publications, information and the organisation's self-assessment submitted for this inspection; and
- analysed published performance and financial information.

1.4 We have awarded a grade for the overall performance of the organisation. The grade and our judgements are based on evidence. The grade summarises performance in the following ways:

- Grade A = Excellent
- Grade B = Good
- Grade C = Fair
- Grade D = Poor

1.5 When we provide a summarised assessment and award a grade, we take various factors into account. These factors are:

- outcomes for service users;
- how far the service or organisation meets Performance Standards;
- performance against key indicators in comparison with others;
- compliance with legislation;
- how good the leadership and accountability are;
- how far good practice is followed;
- the organisation's level of self-awareness;
- how well value for money is being achieved;
- local context and legitimate local priorities; and
- commitment to, and track record of, improvement.

### The inspection team

1.6 The inspection team was led by Paul Milligan (Inspection Manager) and included David Love and Janet Buchanan (Inspectors) and Bill Chapman (Tenant Assessors). Claire Newton (Tenant Assessors) carried out a desktop review of some of the Association's publications. We were on site between 20 June 2011 and 1 July 2011.

### Responding to this inspection

1.7 We expect all inspected bodies to make the inspection grades and overview section of this report available to anyone that wants it, report our findings to tenants and other stakeholders and respond to the issues raised in this report.

## 2. Inspection grade and overview

In this section we set out our overall assessment of ELHA's performance, including inspection grades and we summarise our inspection findings.

### Grades

- 2.1 The on site stage of East Lothian Housing Association (ELHA) inspection took place between 20 June 2011 and 1 July 2011. We awarded the following grade:

East Lothian Housing Association has achieved a **B** grade overall. This is a **good** performance.

- 2.2 Our assessment is that although ELHA has many strengths in its service delivery areas, we found weaknesses in relation to governance matters.
- 2.3 We found that the Association delivers good quality, accessible services. It provides good access to its housing, lets its houses to those in need and has an excellent approach to tenancy and neighbourhood management. It also has a good approach to investing in its assets and builds high quality new homes. It has a robust focus on financial management and works well in partnership to deliver services and investment programmes.
- 2.4 ELHA normally works in a robust planning and decision making environment, however its leadership in relation to an employment matter and the remuneration of senior staff did not meet good standards of governance and the Association has demonstrated a failure to consider conflicts of interest. These failings were significant and have had an impact on our overall assessment of the Association.

### How well is ELHA delivering?

- 2.5 We found that ELHA has strengths in delivering its services:
- it works well to provide homes for those with housing need;
  - it has developed good processes to help support tenants in their tenancies;
  - it lets 50% of its properties to homeless applicants;
  - it works well to minimise the impact of anti social behaviour;
  - it has a good approach to asset management and stock investment;

- it provides excellent access to its repairs, and other services, particularly through its web based products; and
- it works effectively with partners to build good quality homes.

2.6 We also found that ELHA had some weaknesses in delivering its services:

- it does not always review suspended applications on its waiting list;
- its performance in maximising income through reletting empty properties and rent collection has declined;
- its repairs satisfaction surveys provide limited information due to a low return rate; and
- it is not appropriately identify all statutory 'Right to Repair' repairs;

### Is ELHA managed for improvement?

2.7 ELHA has strengths in the way it is managed for improvement. It has a strong planning environment and excellent structures and processes to monitor and report on how well it is meeting its organisational objectives. It also has an excellent approach to managing risk. The Association has a strong performance management culture, although it does not regularly benchmark its performance against other organisations or provide service users with a meaningful range of performance outcome information.

2.8 However, we also found weaknesses. The Association does not require Committee Members to annually declare any personal or other interests that could potentially conflict with their role as a Committee Member. It does not make publically available minutes of Committee meetings unless requested to do so and it has not properly managed formally notifying the Regulator about significant events affecting ELHA. Tenant membership of the Association is low and it has been unsuccessful in promoting membership.

2.9 Despite the Association demonstrating strengths in relation to the skills, knowledge and experience of the Management Committee and senior staff, its decision making process in relation to an employment matter and the remuneration of senior staff demonstrated a weakness in the governance of the Association.

### Key recommendations.

2.10 Our inspection report covers a wide range of issues. ELHA must respond effectively to them. These are our most important recommendations and it should:

- agree its salary review process with SHR particularly in relation to the consultants brief, selection process and progress updates;
- discuss with SHR the outcome of the salary review prior to the implementation of any changes to the staff salary structure;
- agree an appropriate action plan with SHR that demonstrates that the Association will fully comply with regulatory guidance;
- ensure that the Management Committee identify personal or other interests that may conflict with the work of the Association and annually update this;
- more extensively promote membership of the Association, particularly to its tenants;
- make publically available a meaningful range of performance outcome information that allows service users to make an informed judgement on the Association's performance;
- more regularly review suspended applications on its waiting list to ensure that the reason for suspension still applies;
- ensure that it appropriately identifies all qualifying repairs under the statutory Right to Repair; and
- develop further its understanding of satisfaction with its repairs service.

### Regulation Plan.

2.11 Given the outcome of this inspection, we are likely to have a continuing regulatory engagement with the Association. We will decide the exact level of this engagement and this will be articulated in a revised Regulation Plan.

### 3. Context

In this section we look at East Lothian Housing Association as an organisation and the context in which it operates.

#### About the organisation

3.1 Important facts about East Lothian Housing Association as an organisation and as a landlord:

- ELHA became a Registered Social Landlord (RSL) in 1988, and has charitable status;
- It operates throughout the East Lothian Council area on the east coast of Scotland. ELHA's offices are located in Haddington, and the bulk of its stock is distributed across the settlements of Haddington, Musselburgh, Tranent, Prestonpans and Dunbar;
- It owns approximately 1,150 properties and almost 60 shared ownership properties. ELHA also factors in the region of 50 properties;
- Around a third of ELHA's housing stock was obtained through a Large Scale Voluntary Transfer of properties from Scottish Homes in 1996. The remainder of its stock consists of new-build properties;
- The Annual Performance and Statistical Return allocates RSLs to a peer group which best describes their organisation. ELHA is in the group described as Rural. This is the group we used to compare ELHA's performance;
- ELHA's governing body has 14 members, two of which are tenants. The Management Committee meets seven times a year, and its two sub committees, Finance and Audit, and Housing and Property Services, meet quarterly ;
- ELHA currently has one non-registered subsidiary, R3 Repairs Limited, which delivers a repairs, maintenance and improvement service throughout the East Lothian, Midlothian and Edinburgh areas;
- ELHA currently has an active development programme, and is in the process of increasing its stock numbers through developments in Haddington and Tranent. It achieved preferred developer status with East Lothian Council in 2003, and retained this in 2010 following a successful re-application.

3.2 Important facts about the context in which East Lothian Housing Association operates:

- The gross average weekly earnings for residents in East Lothian’s area of operation is £482, slightly below the Scottish average of £486. Around 80% of those in employment in East Lothian work within the service sector;
- In 2009/10, ELHA re-let 58 properties, or 5.8% of its stock. This is lower than its peer group turnover of 9.4% and the national figure of 8.4%.
- 72.5% of ELHA’s new tenants describe themselves as having a white ethnic background;
- In 2009/10, ELHA received 44% of its rental income from housing benefit, which was below the national figure of 54%.

| <b>Key facts</b>                             | <b>2007/08</b> | <b>2008/09</b> | <b>2009/10</b> |
|--|----------------|----------------|----------------|
| Houses owned                                 | 990            | 1,015          | 1,095          |
| Employees                                    | 26             | 28             | 31             |
| Annual turnover (£,000)                      | 3,529          | 3,901          | 4,204          |
| Total possible rental income (£)             | 3,325          | 3,588          | 3,739          |
| % of rental income from Housing Benefit (HB) | 45.2%          | 43.2%          | 44%            |
| Average weekly rent                          | £59.91         | £62.76         | £63.82         |
| Average rent increase                        | 5.4%           | 5%             | 1.9%           |
| Houses re-let                                | 57             | 47             | 58             |
| Response repairs carried out                 | 5,035          | 5,304          | 5,366          |
| Right To Buy sales                           | 4              | 2              | 1              |

Sources: East Lothian Housing Association’s inspection submission and Annual Performance and Statistical Returns

## 4. How well is East Lothian Housing Association delivering?

In this section we set out our assessment of ELHA's performance in delivering its housing services for tenants.

### Tenant satisfaction

4.1 ELHA undertakes a comprehensive tenant satisfaction survey every four years. Its most recent survey was in 2009 and found that:

- 86% of respondents are satisfied with ELHA as a landlord;
- 87% of respondents are satisfied with the quality of services provided;
- 91% of respondents are satisfied with the overall design and layout of their home;
- 88% of respondents think their neighbourhoods are good; and
- 66% of respondents believe their rent is good value for money.

4.2 ELHA collects information through a range of other methods and satisfaction levels are generally positive in relation to tenants' perception of the Association.

### Access to housing

4.3 ELHA introduced Homehunt, a choice based allocations system in 2004. The Association allows all applicants aged 16 or over to access its register and apply for housing. It advertises properties that are available to let on its website and in local newspapers. It also makes this information available in Council offices, libraries and through the Citizens Advice Bureau (CAB). We found that the Association effectively publicises its vacant properties.

4.4 ELHA provides a wide range of advice and information from its office base in Haddington and on its website. It can provide this information in a range of formats and languages. The web site font can be adjusted and it has a browsealoud facility. It can also arrange translation services on request. The Association provides a comprehensive information pack for applicants who register for Homehunt.

4.5 ELHA has a positive approach to maximising access to housing through partnership working. It has a nominations and section 5 protocol agreement with East Lothian Council. The Association also operates a common housing register

- with another local housing organisation and is working with other RSLs to further develop the common housing register across East Lothian.
- 4.6 ELHA expects applicants with a priority pass for housing to apply for all suitable vacant properties. If they fail to apply for such a property then the Association will cancel their priority pass unless there are exceptional circumstances. It will also cancel a priority pass if an applicant refuses a property they have applied for. While the Association allows applicants to appeal decisions these practices restrict applicants' choice and access to housing.
- 4.7 ELHA registers applicants for housing within one day of receiving a registration form. Applicants can then apply for priority passes if they have particular housing needs. These priority passes reflect the statutory needs criteria. The Association processes applications for priority passes on average within five days. We found that the Association administers housing applications quickly and minimises the time people need to wait before it can consider them for housing.
- 4.8 ELHA suspends applicants from its register for appropriate reasons. However, the Association does not always actively review applications to ensure that the reason for suspension is still relevant.
- 4.9 The Association cancels applications for the reasons permitted in legislation. However, we found that it had cancelled large numbers of applications because correspondence was returned advising that the applicant had 'gone away'. The Association had not taken any action to establish the accuracy, or reason, for this level of response.
- 4.10 In summary, access to ELHA's housing is good and will improve with the development of a common housing register in East Lothian. The Association allocates most of its houses to people in need and works well with partners to maximise access. It provides good quality information to applicants who register for housing. ELHA's approach to suspensions is appropriate, although it does not always actively review suspended applications to ensure that the reason for suspension is still valid.

## Lettings

- 4.11 ELHA's choice based allocation criteria reflect the statutory reasonable preference categories as detailed in the Housing (Scotland) Act 2001. We found that it allocates houses to people in the greatest housing need.
- 4.12 ELHA uses a priority pass system that reflects housing need. After registering for housing people can submit applications for additional priority based on their own assessment of their circumstances. The Association can award four levels of priority: gold plus; gold; silver or bronze. The qualifying criteria the Association uses broadly correspond to the statutory provisions of need, and it awards the highest of its priority passes to homeless people and applicants with a medical need. Applicants who have a combination of needs can access a higher priority category to take account of the impact of the cumulative need. This is a good approach.
- 4.13 The Association works well with East Lothian Council and has a positive approach to assisting the local authority to meet its statutory duties in relation to homeless people. ELHA's allocation of properties to homeless people has significantly increased from, 10% of lets in 2007/08, to 50% by 2010/11.
- 4.14 ELHA provides good quality reports on a quarterly basis to its Housing and Property Services Sub Committee on allocation outcomes. Its year end report to the Management Committee provides good information on who is registered for housing and who has been allocated housing by household size, age of applicant, ethnic origin and disability.
- 4.15 In summary, ELHA allocates housing to people in need. It monitors and reports on allocations to people in the statutory reasonable preference groups. It understands who is seeking housing and who it is letting properties to. The Association works well to assist in alleviating homelessness in East Lothian.

## Tenancies and neighbourhood management

- 4.16 The provision of good information and access to support are important ways in which a landlord can help to manage and sustain tenancies. ELHA provides a good range of information to its tenants through a variety of sources. It provides

- a good web site and issues regular newsletters. The Association has a wide variety of well designed leaflets available on important tenancy matters.
- 4.17 Our Tenant Assessor found the tenants' handbook easy to read and to contain all the information that a tenant would need. Our Assessor identified that the website contained limited information on the staff and the structure of the Association. The Assessor also noted a problem with changing the font size on one of ELHA's web pages. When we discussed this with the Association, it immediately identified and resolved the problem.
- 4.18 ELHA has invested a significant level of resources to develop its web based tenancy services. Tenants can now access all of the Association's services through the website. The website is interactive and has a real time chat facility. ELHA intends to further develop its web base and provide more user friendly systems as its business grows and its services develop.
- 4.19 ELHA has developed a number of good approaches to help support tenants at the start of their tenancy. This begins when applicants register for housing and are asked to identify any specific supports needs they have. It also seeks to identify specific support needs at the tenancy sign up process and at settling in visits. The Association visited 61% of new tenants in 2010/11. The Association has also surveyed all Homehunt applicants to ensure that it has up to date information on any specific needs that future tenants may have.
- 4.20 The Association is continuing to develop its approach to tenancy sustainment and plans to undertake a survey to identify potentially vulnerable tenants. ELHA has recently employed a financial inclusion officer who will offer debt advice and further develop referral arrangements with other support agencies. Generally, the Association provides good quality information through a variety of sources. This helps tenants to understand their rights and responsibilities and identify how they can access assistance.
- 4.21 ELHA has relatively settled communities. Trend information shows that it has a significantly lower number of properties becoming vacant in comparison to both its peer group and the national figures. In 2009/10, ELHA's turnover of

- properties was 5.8% compared to a peer group figure of 9.4% and a national figure of 8.4%.
- 4.22 ELHA issued 144 Notices of Proceedings (NOP's) in 2010/11. This was a significant increase on previous years when the Association issued 97 in 2009/10 and 74 in 2008/09. It issues the majority of NOP's for non payment of rent, with only 12 for other tenancy issues. In 2009/10, it evicted one tenant or 0.1% of its tenants, which was the same as its peer group and lower than the national figure of 0.3%. Overall, we saw that the Association's use of legal action is proportionate and it works hard to maintain tenants in their tenancies. ELHA only pursues eviction action as a last resort.
- 4.23 ELHA has procedures in place to meet its duties under section 11 of the Homelessness etc (Scotland) Act 2003. It advises the Council when it is taking action which may result in its tenant becoming homeless. The Association identified that this was a positive process and that it had arranged joint visits to assist in supporting individual tenants to remain in their properties.
- 4.24 ELHA has a comprehensive anti social behaviour (ASB) policy that is supported by clear procedures. It works effectively with a range of partners and is a member of the East Lothian Anti Social Behaviour Partnership. The Association has a protocol agreement in place to facilitate joint working on serious ASB cases and this includes information sharing with the Police and the Council.
- 4.25 In 2010/11, the Association received 142 ASB complaints. It uses a range of methods either on its own or in partnership with other agencies to deal with these complaints. These methods have included mediation, acceptable behaviour agreements, issuing NOP's and formal warnings, ASBO's and interim ASBO's and eviction.
- 4.26 ELHA has a number of positive approaches to ensuring that its neighbourhoods are maintained in a good condition. It is good at recording and dealing with incidences relating to estate management issues. Staff monitor estates continually, and the Association also carries out more formal annual estate management inspections. Prior to the annual inspection it contacts tenants and invites them to attend. Tenants can also complete and return a tear off slip

- raising any concerns they have about the estate. The Association sets aside a specific budget to implement tenant priorities for neighbourhood improvements.
- 4.27 In summary, ELHA has an excellent approach to tenancy and neighbourhood management. It ensures that from an applicant's first contact with the Association it is able to consider any support needs that an individual may have. It follows this up at tenancy sign up and settling in visits. The Association has updated the information it has on applicants, through an applicants needs survey, of all those registered for housing and it plans to undertake a similar survey of its own tenants. The Association works well with partners to deal with tenancy sustainment and ASB issues. It has a good approach to estate management.

### Income maximisation

- 4.28 ELHA provides its tenants with an extensive range of methods through which they can pay their rent. The Association receives 42.6% of its rental income through housing benefit. Of tenants choosing to pay through other sources the methods used are Direct Debit (55.4%), Allpay payments (25.9%), debit/credit card (7.1%), in office (5.5%), standing order or internet banking (5.4%), and bank giro 0.1%. Invoices for leased properties account for 0.6% of rent collected.

4.29 The table below summarises the Association’s reported performance in collecting rent.

|   | 2007/08  | 2008/09  | 2009/10  |            |                 | 20010/11 |
|---|----------|----------|----------|------------|-----------------|----------|
|   | Landlord | Landlord | Landlord | Peer group | National median | Landlord |
| Total arrears as % of total gross rental income                   | 4.6%     | 3.9%     | 4.0%     | 4.0%       | 4.0%            | 6.38%    |
| Total current arrears as % of total gross rental income           | 3.1%     | 3.0%     | 3.5%     | 3.1%       | 3.1%            | 5.97%    |
| Current arrears (non technical) as % of total gross rental income | 2.5%     | 2.9%     | 3.5%     | 2.3%       | 2.3%            | 3.3%     |
| % of current tenants in serious arrears                           | 2.5%     | 3.9%     | 4.5%     | 3.8%       | 3.3%            | 7.89%    |
| Total former tenant arrears as % of total gross rental income     | 1.5%     | 0.9%     | 0.5%     | 0.9%       | 0.8%            | 0.4%     |
| Rent arrears written off (£,000)                                  | 4.4      | 25.5     | 21.4     | 12.3       | 15.2            | 17.4     |

Source: Annual Performance and Statistical Returns

4.30 In 2009/10, ELHA’s current arrears (non technical) were 3.5% of gross rental income and were higher than its peer group and national figure of 2.3%. At March 2011, the level of non technical rent arrears had decreased slightly to 3.3%. The level of current tenants in serious arrears has increased significantly from 4.5% in 2009/10 to 7.9% in 2010/11 and over the same period the Association’s total arrears has also increased significantly from 4.0% to 6.4%.

4.31 ELHA identified the general economic downturn, and competing priorities for its housing officers, as the key reason for rent arrears increasing. It has, however identified rent arrears management as a service priority and has introduced enhanced procedures. This includes:

- closer monitoring of arrears case;
- target setting for housing officers;
- displaying performance outcomes in the office; and
- random monitoring of arrears cases by senior staff.

4.32 We found that the Association responds quickly to rent arrears and uses a range of methods to contact tenants and make repayment arrangements. We saw good examples of it taking consideration of tenants' financial circumstances to make realistic repayment arrangements.

4.33 The table below summarises the Association's reported performance in letting houses that have become empty.

|  | 2007/08  | 2008/09  | 2009/10  |            |                 | 2010/11  |
|--|----------|----------|----------|------------|-----------------|----------|
|  | Landlord | Landlord | Landlord | Peer Group | National Median | Landlord |
| Rental income lost due to empty houses (£,000) | 17.1     | 12.9     | 20.1     | -          | -               | 24.3     |
| As % of total rental income                    | 0.5%     | 0.4%     | 0.5%     | 0.6%       | 0.5%            | 0.6%     |
| Total no. of re-lets                           | 57       | 47       | 58       | -          | -               | 76       |
| % re-let in <2 weeks                           | 31.6%    | 31.9%    | 29.3%    | 50.7%      | 34.8%           | 21.1%    |
| % re-let in 2 - 4 weeks                        | 40.4%    | 48.9%    | 53.4%    | 22.6%      | 30.9%           | 40.8%    |
| % re-let in >4 weeks                           | 28.1%    | 19.1%    | 17.2%    | 16.2%      | 21.2%           | 27.6%    |
| Average time to re-let (days)                  | 21       | 18       | 18       | 25         | 18              | 28       |

Source: Annual Performance and Statistical Returns

4.34 ELHA's performance in minimising the time properties are empty is generally good. In 2009/10, it lost 0.5% of its total rental income to empty houses. This performance is in line with its peer group and the national figures. In 2010/11, rent loss increased slightly, however the Association let more properties.

4.35 Between 2007/08 and 2009/10, the Association's average time to re-let its houses had improved from 21 days to 18 days. For 2010/11, its average time to re-let houses had increased to 28 days. The Association told us that this poorer performance related primarily to staff reorganisation in its asset management

department and was a short term issue. ELHA is confident that its performance will improve. The average time taken to re-let for April and May 2011 was 19 days.

- 4.36 The Association has an appropriate relet standard for its empty properties. Tenants are advised of the standard at the tenancy sign up process and agree any outstanding work. Empty properties we visited were in a good, lettable condition.
- 4.37 In summary, the Association's performance in dealing with rent arrears and letting empty houses has declined recently as the Association has gone through a period of significant change. However, the Association closely monitors the outcomes of its work and has taken appropriate steps to improve performance.

### Asset management strategy and planning

- 4.38 ELHA has a comprehensive, strategic approach to managing its housing assets. Its Asset Management Strategy clearly explains the context within which ELHA and its housing assets are set, and links this with the Association's strategic aims and objectives. It has effectively established the Strategy within the Association and it reviews this on a five yearly cycle.
- 4.39 The Association's Business Plan sets out its key strategic objectives, which, in relation to asset management, include the key aims:
- to provide good quality, affordable housing and related services, that meet the changing needs of customers;
  - to provide high quality housing services, in a cost-effective manner, for the benefit of customers; and
  - to provide a first class maintenance and small repairs service, that offers value for money and ensures the comfort and safety of customers.
- 4.40 ELHA categorises the quality of its stock, using a star-rating system that considers physical attributes and demand factors. This star rating gives it a clear focus for future investment decisions as well as giving tenants concise information about the quality of their home and how it will maintain it in the future.

- 4.41 ELHA's assessment of housing need and demand largely relies upon the East Lothian Council's Local Housing Strategy. However, it uses its four yearly Tenant Satisfaction Survey and other user surveys to analyse its tenants needs and aspirations to inform its asset management activities.
- 4.42 ELHA has a good understanding of the current condition of its houses. Its property condition information covers all the elements of the Scottish Housing Quality Standard (SHQS). The basis of ELHA's stock condition information is an independent survey from 2006 covering a sample of 20% of its homes. It has validated this original information and built on it through an ongoing programme of surveys carried out by ELHA staff. It also uses records drawn from completed investment programmes and repairs it has carried out to update the information. It currently has stock condition information for 76% of its stock. However, the Association's property database does not interface with other IT systems, resulting in the need for manual updating of records. ELHA has identified improving IT systems for stock management as a Business Plan objective for 2011/12.
- 4.43 The Association's 30 year financial projections demonstrate that it has sufficient resources to fund its asset management objectives. It is able to forecast the financial impact of future development projects and its responsive, cyclical and planned maintenance activity. It does this in its forecasted income and expenditure accounts, cash flow, loan portfolio management and balance sheets. It also conducts scenario planning and sensitivity analysis on its financial plans. This robust approach gives ELHA a comprehensive understanding of the potential impact of any proposed investment in its properties.
- 4.44 Scottish Ministers have set a target that all social landlords' houses should meet the Scottish Housing Quality Standard (SHQS) by 2015. ELHA's delivery plan shows that it will bring all but a small number of its houses up to the Standard well before that date.

|                                 | Actual | Estimated Projection |       |       |       |       |
|---------------------------------|--------|----------------------|-------|-------|-------|-------|
|                                 | 2010   | 2011                 | 2012  | 2013  | 2014  | 2015  |
| Total houses @ 31 March         | 1,095  | 1,175                | 1,225 | 1,275 | 1,325 | 1,375 |
| No. meeting SHQS @ 31 March     | 998    | 1,119                | 1,169 | 1,219 | 1,269 | 1,319 |
| As % of total                   | 91.1%  | 95.2%                | 95.4% | 95.6% | 95.8% | 95.9% |
| No. planned to bring up to SHQS | 114    | 41                   | 0     | 0     | 0     | 0     |
| No. brought up to SHQS          | 17     | -                    | -     | -     | -     | -     |

Source: Inspection Submission/ APSR

- 4.45 By the end of 2011, most of ELHA's properties will be compliant with the SHQS. This is due to the high proportion of new build housing in its stock that are SHQS compliant, and the acceleration of its planned maintenance expenditure over recent years. At the time of our inspection, ELHA reported that 91.1% of its stock met the SHQS.
- 4.46 Of the remaining stock, 56 properties require secured door entry works to meet the SHQS. ELHA advised us that it is consulting with the owners involved to encourage them to co-operate. The Association also has a small number of properties that require heating improvements. These properties are located in areas without gas supplies and it may therefore be difficult for the Association to meet the energy efficiency requirements.
- 4.47 In summary, ELHA has a good approach to asset management. It has good information on the condition of its stock. It has a good awareness of the areas where further work is necessary and regularly reviews progress against its targets and plans.

### New homes

- 4.48 ELHA is reviewing its development plans for new housing within the context of reduced grant funding and the wider economic climate. At the time of our inspection, the Association had agreed funding for 58 new homes in 2011/12. It has explored a number of innovative funding mechanisms in order to attract additional funding sources. A key outcome of this has been its innovative funding agreement with East Lothian Council. This enables the Association to

- flexibly borrow from the Council to fund new housing, at competitive rates, whilst still maintaining access to its other funding sources.
- 4.49 ELHA provides its new housing through the East Lothian Strategic Alliance, working with Castle Rock Edinvar Housing Association and the Places for People group. ELHA identifies and acquires sites for development, then procures the construction through Castle Rock Edinvar (CRE). This arrangement enables ELHA to retain autonomy over its own direction and new build objectives, while benefitting from the expertise and efficiencies of its larger partners.
- 4.50 Within the Strategic Alliance, ELHA and its partners are sole preferred developers for East Lothian Council. Feedback from the Scottish Government's Housing Investment Division on ELHA's development activity through the Alliance is positive. It advised that ELHA's developments meet appropriate quality and energy performance standards and that it works positively with the Investment Division to identify and deliver new housing.
- 4.51 ELHA has adopted the comprehensive quality and design standards used by Places for People Developments for all new housing projects. Its recent developments meet Housing for Varying Needs and Secured by Design standards. It analyses the outcomes across the range of developments created under the design criteria on a quarterly basis. Its analysis includes feedback from all stakeholders including residents.
- 4.52 ELHA's large scale tenant survey records tenants' feedback on the quality of their homes. The most recent survey in 2009 showed that 91% of tenants were satisfied with the overall design and layout of their home. However, 23% of tenants were dissatisfied with the cost and efficiency of heating systems. In response, ELHA established an action plan to address these issues and used the feedback to inform future decisions. The Association also surveys tenants in its new build housing at the completion of each project. For its most recently completed development in October 2010, tenant feedback showed that out of a possible maximum score of 10 points, tenants overall satisfaction with their homes averaged 9.7 points. Satisfaction with the effectiveness of the heating system achieved an average of 9.4 points.

4.53 In summary, ELHA demonstrates a good strategic approach to developing new homes. It works well in partnership to identify projects and it has arranged appropriate finance to fund new developments. The Association considers tenants' needs and demands and provides tenants with a good range of options for their new homes. It is currently considering whether to continue developing new housing projects due to reduced grant funding.

### Investment & home safety

- 4.54 ELHA makes good use of its stock condition information to plan its investment programmes. Its recent programmes have concentrated on achieving the SHQS and focused on the replacement of central heating, doors and windows and the renewal of kitchens and bathrooms. Over the last three years it has invested over £1,984,000 in its houses. Its budget for this year is £847,000.
- 4.55 The Association also has a five year cyclical maintenance programme, covering external painter work and associated repairs. It fully reflects the cost of its cyclical work in its stock investment strategy and financial projections.
- 4.56 ELHA effectively manages its planned and cyclical maintenance programmes and closely monitors projected spend. We saw that where investment programmes slipped against targets it made up for the shortfall in subsequent years. It also effectively identifies reserve projects that it can implement should additional resources become available and it has brought forward investment work where circumstances have allowed this to happen.
- 4.57 In 2010, ELHA established its subsidiary contractor R3 Ltd to undertake its response, planned and cyclical maintenance services. ELHA has agreed a fixed, all inclusive price, for labour and materials that allows it to more reliably plan and monitor its costs. Overall, it is predicting significant financial benefits for the Association in the longer term.
- 4.58 ELHA uses its four yearly Tenant Satisfaction Survey to gauge tenants' views and preferences around the physical quality of their homes. It publicises its planned maintenance programme through its tenant newsletters. It also provides a range of options to tenants whose homes are included in planned maintenance

projects, such as kitchen unit colours and finishes. At the end of each project, ELHA seeks tenants' views using a satisfaction survey. These surveys cover the quality of the work, conduct of the tradesmen and effectiveness of the way it has managed the project. However, ELHA is aware that the response rates for the surveys are low and do not give a good indication of overall tenant satisfaction. It is looking to improve on the quality and quantity of information it receives.

4.59 By law, ELHA must make safety checks every 12 months on all gas appliances and flues that it provides for its tenants. The table below summarises its reported performance in carrying out gas safety checks.

|   | March 2011   |             |
|---|--------------|-------------|
|   | No of houses | % of houses |
| Houses with gas appliances  | 749          | -           |
| Houses with current gas safety certificates   | 742          | 99.1%       |
| Houses where safety check was carried out within 12 months of previous check          | 716          | 95.6%       |
| Houses where safety check was carried out up to one month after due date              | 18           | 2.4%        |
| Houses where safety check was carried out between one and three months after due date | 4            | 0.5%        |
| Houses where safety check was carried out more than three months after due date       | 5            | 0.7%        |

Source: ELHA's Inspection submission

4.60 The reported figures show that ELHA meets its statutory duty for all but a small number of its houses. The Association's performance for 2010/11 deteriorated slightly from the trend of previous years. In response, it raised the profile of gas safety performance at weekly management meetings. This resulted in it identifying a range of improvement actions, including introducing a more robust approach to handling difficulties with access and the earlier scheduling of safety checks ahead of their anniversary date.

4.61 From May 2004, social landlords have had a statutory duty to manage asbestos in the common areas of their properties, and to produce an Asbestos Management Plan. ELHA takes a comprehensive and robust approach to managing asbestos and it approved its most recent Asbestos Management Plan in 2009. It carries out regular surveys and checks on known asbestos, and it takes appropriate steps to inform staff and contractors where it knows, or

suspects, there is asbestos. ELHA is also preparing guidance for tenants on what to do if they find, or suspect, the presence of asbestos in their home.

- 4.62 ELHA routinely surveys properties included in its proposed investment programme in order to test for asbestos. It records the results of these surveys in its Asbestos Register. It provides asbestos awareness training for its staff and for R3 operatives. It requires its contractors to annually confirm that their operatives have received appropriate training in this area.
- 4.63 From January 2009, social landlords must have a valid Energy Performance Certificate (EPC) for every house they let, and provide the new tenant with a copy. ELHA has appropriate procedures in place to ensure it carries out energy performance testing and we saw that it is managing this process well.
- 4.64 In summary, ELHA has a good approach to investing in its stock and in managing home safety for its tenants. Its financial projections show that its subsidiary R3 will achieve significant financial benefits in the longer term. It has an appropriate approach to meeting its obligations on gas safety and it has taken effective action to address dips in performance. The Association has a good approach to managing asbestos and has comprehensive systems in place to support this.

### Response repairs

- 4.65 ELHA provides an excellent range of ways to report repairs. It provides innovative access to the service through its website, where tenants can report repairs and book appointments online. Tenants can also report repairs by phone, in person at the Association's office or by post. Out of hours calls are made through ELHA's local rate repairs number and dealt with by its subsidiary R3. The repairs service is publicised in ELHA's quarterly tenants' newsletter and tenants' handbook, and the contact number is displayed prominently on R3 vehicles. In its most recent tenant survey 96% of tenants found it very or fairly easy to report repairs.
- 4.66 Since 2010, ELHA has offered its tenants repairs appointments, although it does not yet formally monitor its performance in meeting them. Its subsidiary

contractor R3 handles repairs requests and staff arrange appointments directly with tenants. In its most recent tenant survey, 90% of respondents confirmed that the repairs contractor attended at the expected time. ELHA seeks feedback on the quality of work undertaken and the repairs handling process. However, response rates are low at around 5% of completed repairs.

4.67 The table below details ELHA’s reported performance against target response times compared with peer group and national median performance.

| Repair category          | 2008/09 | 2009/10 |            |                 | March 2011 |
|--------------------------|---------|---------|------------|-----------------|------------|
|                          | ELHA    | ELHA    | Peer group | National median | ELHA       |
| Emergency (%) – 24 hours | 96.0%   | 96.8%   | 96.6%      | 99.4%           | 96.5%      |
| Urgent (%) – 3 days      | 94.9%   | 97.4%   | 94.3%      | 97.1%           | 97.3%      |
| Routine (%) – 10 days    | 97.0%   | 96.6%   | 95.2%      | 96.5%           | 96.3%      |

Source: Annual Performance and Statistical Returns/ELHA inspection submission

4.68 ELHA’s overall performance in completing repairs within target was above peer group figures in 2009/10 and has remained at a steady level over the last three years. The Association has effectively maintained performance while developing R3 to deliver its repairs service. The Association has set higher targets for the completion of emergency repairs in order to drive forward improvements in service delivery. It has also recently introduced sub categories for emergency repairs, prioritising those with health or safety aspects to be complete within two hours.

4.69 During a routine verification visit in 2010 we highlighted ELHA’s approach to recording emergency repairs performance as an area for improvement. We found that the Association has addressed this effectively.

4.70 The Association is under reporting the number of repairs it completes in relation to Right to Repairs (RtR) legislation. For example, it generally does not identify gas heating repairs as a qualifying repair under the regulations. Conversely, the Association completes these repairs quicker than is required by RtR legislation. However, ELHA recognises that it is not fully complying with RtR legislation and it has now introduced regular staff meetings to identify and monitor completion of these repairs.

- 4.71 Pre and post inspections are important tools for a landlord to use to ensure that it accurately targets repairs and carries them out to a high standard. ELHA targets 10% of repairs for pre-inspections, and 20% for post inspections. It also uses the post inspection visit to gauge tenants' views of the service and identify any other repairs the tenant requires. The Association analyses post inspections results and discusses these at its weekly meetings with the contractor. The Association's performance figures show that low numbers of repairs fail the post inspection. For 2010/11, this was 0.19% of post inspected repairs. The Association intends to improve on its use of post inspections to further analyse its performance by category of repair, and by individual trade.
- 4.72 In summary, ELHA provides a good responsive repairs service. Tenant feedback confirms this, although the Association recognises the return rate for ongoing tenant feedback is low. It provides an excellent range of ways to report repairs. Its repairs targets are clear and its reported performance is good. Whilst it does not always identify qualifying repairs under the Right to Repair, its challenging targets ensure that it completes these repairs well within legislative requirements. It is improving the way it analyses post inspections to better understand performance.

## 5 Is East Lothian Housing Association managed for improvement?

### Leadership and strategic planning

- 5.1 ELHA has a well developed, comprehensive strategic planning framework. It has produced a robust five year business plan that provides the Association with an effective framework to prioritise activities and monitor organisational objectives and performance. The Association's business plan articulates its strategic goals, objectives, and vision for the future. These along with its long term financial plans and approach to risk management demonstrate that the Association operates in a strong planning environment.
- 5.2 ELHA's business plan is a working tool for the Association. It identifies its strategic objectives and assesses the key factors in the external environment that may impact on its plans. Priorities agreed for 2011/12 are set out in a series of action tasks. These are the key delivery mechanisms to ensure it meets its strategic objectives. It identifies action plans for core annual tasks and for key risks in areas such as loan covenants compliance, contracts and licences reviews. It prioritises its key tasks for the year into three priority categories in order to focus on key risk areas for the Association.
- 5.3 The Management Committee reviews the Business Plan, strategy and organisational objectives at an annual review day. Staff also have two away days during the year. The first away day considers performance over the previous 12 months and the second discusses the specific detail of the group business plan. The Association's general approach to the development of its strategic priorities and the communication of these is a strength.
- 5.4 ELHA actively uses a 'golden thread' approach to communicate its plans within the Association. It has clear departmental action and delivery plans. We saw that the Association closely monitors its performance and outcomes against its action plans and tasks.
- 5.5 Between 2008 and 2011, the Association went through a period of significant change. It set up its subsidiary company R3 to provide repair and maintenance services; it undertook a full staff and structural review; and it moved to new office

- premises. ELHA has generally maintained a good level of performance throughout this time
- 5.6 In 2008, ELHA identified that its viability would be under threat by 2015 if it did not reduce its maintenance costs and this was one of the factors it considered in its development of R3. While R3 did not make the surpluses the Association had planned for in its first year of operation, it closely monitors R3 performance and it is confident that its five year projections for the subsidiary will be met and that it will repay the intercompany loan provided by ELHA.
- 5.7 ELHA has recently provided 30 year financial projections and these show that the Association is viable in the long term. The Association has demonstrated that even if its subsidiary was to cease trading, ELHA would still be viable. The Association worked well to test, and demonstrate, long-term viability under different scenarios.
- 5.8 ELHA works well in partnership with other organisations. In 2003, it achieved preferred developer status with East Lothian Council and retained this status in 2010. The Association entered into the East Lothian Strategic Alliance working in partnership with CRE. The Alliance identifies new development opportunities, which are then progressed through CRE's parent organisation the Places for People Group. The Association also secured innovative commercial loan funding from East Lothian Council for up to £25 million in order to fund future investment projects.
- 5.9 The Association is considering developing mid market and market rent proposals as a future business opportunity. These are at an early stage and it advised us that the proposals present no financial or reputational risk to the Association. It will inform SHR when it has developed more detailed proposals which it aims to do by December 2011.
- 5.10 In summary, ELHA operates in a strong planning environment. It has excellent structures and communication systems to ensure that it knows how well it is achieving its objectives. It has, over the last three years, worked under very challenging circumstances and performed well to deliver its strategic and operational objectives.

## Governing body

- 5.11 The Association manages its business through the Management Committee and two sub committees, these being the Finance and Audit Sub Committee and a Housing and Property Sub Committee. The Management Committee meets at least six times per year and the sub committees meet quarterly. Committees have clear standing orders detailing precise functions and responsibilities. The Management Committee has a clear strategic role and it delegates appropriate responsibilities to the sub committees.
- 5.12 We found that the Management Committee members had high level skills relevant to operation of the Association's business. This is most notable in relation to legal, finance, housing and community knowledge. Members demonstrate a good understanding of social housing and business management. We found that the quality of reports and minutes presented to the committee were generally of a good standard and that members were well prepared for meetings. However, despite some of the good qualities demonstrated by the Management Committee, its decision making process and understanding of statutory guidance, and conflicts of interest, when dealing with the an employment matter and the remuneration of senior staff, was a weakness. This is discussed in more detail in paragraphs 5.24 to 5.27
- 5.13 Attendance at Management Meetings has reduced over the last four years and was 63% for 2010/11. The Association was disappointed at this level of turnout but it points to an extended period of severe weather making it impossible for some Members to attend.
- 5.14 The Association has identified robust succession planning as a key to maintaining a good level of appropriate skills and experience on the Management Committee. It undertook a governance review in 2010 that established the need for a permanent Governance Working Group. This has as part of its remit identified roles, descriptions and profiles for Management Committee members and the Chair. It is also responsible for developing the Association's approach to succession planning.

- 5.15 The Association is actively seeking to attract an additional Management Committee member to bring its membership up to a maximum of 15 members. Through the Governance Working Group it has identified the type of skills base that a new member should have and it has advertised in the press for notes of interest. The cost of this process was approximately £3,700. It received eleven applications to join the Committee. The Association advised us that it will review this process to assess if it was the best use of the Association's resources under the circumstances.
- 5.16 The Association assesses the Management Committee's training needs on an annual basis and identifies appropriate training courses. The Association has developed a Support and Mentoring Framework to ensure that individual committee members, and the Committee as a whole, are fully supported in leading the Association. The Association has an appropriate approach to the induction of new members.
- 5.17 ELHA has 130 members of the Association. Of these, only 25 are tenants. The Association attempts to recruit members through adverts in its newsletter, information on its website, a membership leaflet and during settling in visits. However with only 15 new members in the last three years, promotion of membership to tenants is not successful. More than 50% of respondents to the Association's tenant satisfaction survey did not know how to become a member. Membership has also declined since 2007/08. Due to the low numbers of tenant members the ability of its tenants to influence membership of the Management Committee is limited. We found that the Association is not fully demonstrating accountability to the people it serves through its approach to membership.
- 5.18 The Association is developing a succession strategy for the Management Committee. As part of this strategy the Association hopes to use its Tenant Participation Working Group to develop tenants' skills and experience and use this as an additional access process to the Management Committee. There are currently two tenant members on the Management Committee.
- 5.19 In summary, ELHA has a very experienced and skilled Management Committee. It has a good quality processes to assess the Committee's performance and to

identify training needs and skills gaps. The Association's membership is low particularly in relation to tenant members and this limits tenants' ability to influence membership of the Management Committee.

### Ethical standards and clear values

- 5.20 The Association has appropriate governance policies in place to direct it in relation to ethical practices. We found that ELHA appropriately maintains registers such as gifts and hospitality and Schedule 7, where this is identified. However, we found instances where the Association's approach to dealing with regulatory guidance and positive practice was poor.
- 5.21 ELHA requires Committee Members to sign an annual declaration that they will adhere to the code of governance and it requires Members to declare any interests prior to the commencement of Committee meetings. However, it does not require Committee Members to declare, or annually update, personal or other interests that could potentially conflict with those of the Association. This is not in line with good practice or its code of conduct.
- 5.22 The Association does not routinely make reports and minutes of its meetings publicly available. However, it advised us that it would make these available on request.
- 5.23 The Association has not properly managed, or sought advice from SHR, on occasions where significant issues have occurred that were likely to be notifiable events. When this was raised with the Association, it advised that it would take action to put in place a more robust process to better monitor and report on these issues.
- 5.24 When the Association undertook a significant staff restructure it decided, for business reasons, to bypass its normal open recruitment process and make a direct, non competitive appointment, to the post of Director of Asset Management. This was allowable, in exceptional circumstances, under the Association's conditions of service. A significantly enhanced remuneration package was set for this post that required the Association to amend its standard conditions of service. The Association took legal advice on this course of action,

- particularly to ensure that its remuneration package did not breach Schedule 7. However, the Association as a member of Employers in Voluntary Housing (EVH) did not seek advice from this body, or any other independent source, on either the method of appointment, the change to the conditions of service or the level of the salary awarded. We found that the Association did not fully assess the appropriateness of its recruitment decisions in this case.
- 5.25 Prior to the commencement of the Association's subsidiary, R3, the Committee decided to significantly enhance senior staff salaries. The salary increase took effect when the subsidiary commenced trading. The business case to support this action was weak, lacked sufficient detail to support the recommendation and the Management Committee did not seek independent advice on this matter. A serious conflict of interest also arose due to the way reports on the matter were drafted and presented to the Management Committee.
- 5.26 The Management Committee also considered two proposals to pay senior staff a significant one off bonus payment. Again, a serious conflict of interest arose due to the way one of these proposals was drafted and presented to the Management Committee. Furthermore, the Management Committee did not seek any independent advice on this. Overall, even though the Management Committee voted against the proposal, the way it dealt with the matter demonstrated poor governance.
- 5.27 The Association advised us that intends to carry out an independent review of its salary structure during 2012. Furthermore, it will review its approach to staff remuneration and other governance matters and implement new procedures to ensure that it fully meets regulatory guidance in relation to the governance of the Association. This review will be undertaken by Members who have joined the Management Committee since December 2008.
- 5.28 In summary, the Association's decision making process in dealing with the recruitment of a member of staff and salary increases was poor in what was normally a robust decision making environment. We also found that the Association approach to dealing with some other areas of regulatory guidance

was poor. However, the Association has acknowledged areas of poor decision making in relation to governance matters and it is taking action to address these.

## Financial performance and management

5.29 ELHA's audited financial statements and five year financial projections provide the following information:

|   | 2009/10      | 2010/11      | 2011/12      | 2012/13      | 2013/14      | 2014/15      |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
|   | Actual       | Actual       | Forecast     | Forecast     | Forecast     | Forecast     |
| <b>Turnover (£000's)</b>                    | 4,204.0      | 4,631.0      | 4,803.0      | 5,174.0      | 5,475.0      | 5,803.0      |
| <b>Operating costs.(£000's)</b>             | 3,439.0      | 3,523.0      | 3,308.0      | 3,796.0      | 3,996.0      | 3,722.0      |
| <b>Operating surplus/(deficit) (£000's)</b> | 765.0        | 1,108.0      | 1,495.0      | 1,378.0      | 1,479.0      | 2,081.0      |
| <b>Interest payable (£000's)</b>            | 733.0        | 806.0        | 1,024.0      | 1,105.0      | 1,183.0      | 1,226.0      |
| <b>Costs and interest (£000's)</b>          | 4,172.0      | 4,329.0      | 4,332.0      | 4,901.0      | 5,179.0      | 4,948.0      |
| <b>As % of turnover</b>                     | <b>99.2%</b> | <b>93.5%</b> | <b>90.2%</b> | <b>94.7%</b> | <b>94.6%</b> | <b>85.3%</b> |

5.30 The above projected figures show that operating costs and interest payable are forecast to remain less than turnover in the short to medium term, despite a steady increase in spend on planned maintenance. The Association anticipates that average year end cash will be approximately £1 million to £1.5 million. In addition, the Association plans effectively to ensure that working capital levels meet the cost of its investment programme and all other commitments.

5.31 ELHA's financial projections demonstrate that it is financially viable in the long term. The Association projects a number of annual deficits over the short to medium term, however it maintains sufficient reserves to easily absorb these deficits. The Association sets a target that working capital should not drop below 20% of turnover and 30 year projections indicate that it will achieve this target. It is projecting significant year on year cash surpluses and reserves from 2020 onwards.

5.32 ELHA has a prudent approach to treasury management. Its current gearing levels are satisfactory. Its borrowing is split between approximately 75% fixed rate and 25% variable rate. This offers a reasonable degree of protection against future increases in the Bank of England base rate. The Association's innovative lending arrangement with East Lothian Council allows it to borrow at preferential

rates to fund current and future development plans. A quarterly treasury management update goes to the Finance and Audit Sub Committee.

- 5.33 The Association's annual budget setting process is effective. It involves all budget holders and the Finance and Audit Sub Committee appropriately monitor it.
- 5.34 In summary, ELHA's approach to financial performance and management is a strength. It monitors its financial position regularly and demonstrates through appropriate financial analysis that it is viable in the longer term.

### Management of risk

- 5.35 ELHA has an excellent approach to managing both strategic and operational risk. It sets out its approach in its risk strategy and has a clearly defined structure for identifying and monitoring risk.
- 5.36 Responsibility for risk management remains with the Management Committee, however corporate risk identification, monitoring and review is primarily delegated to the Finance and Audit Sub Committee. This is supported by a Corporate Risk Panel which manages the process and undertakes the assessment of corporate risks. Operational Risk Groups are responsible for the detailed assessment and identification of operational risks.
- 5.37 The Association produces a score for individual risks. A risk score will be identified by the probability of the risk arising combined with the impact that risk will have should it materialise. This allows it to produce a prioritised risk map to monitor the key risks that may adversely impact on the Association.
- 5.38 We found that the Association embeds risk management in its work. There is a clear focus on the impact of risk in considering its strategic direction, particularly in financial terms. The Association backs up future plans with robust financial analysis. It recently reviewed its 30 year financial projections and this process included a good review of possible future scenarios and the impact these would have on the Association.

- 5.39 We found that the Association monitors its business plan, action points and tasks very closely to ensure that it is meeting its objectives. We also saw the Association use its risk maps to highlight any possible changes in the prioritisation of individual risks.
- 5.40 The Association sets out a three year internal audit strategic plan. It reviews this annually taking account of any changes to organisational risk. It produces a detailed audit plan of the areas, and the scope of the work, to be undertaken. The Finance and Audit Sub Committee have delegated responsibility to agree internal audit work and ensure recommendations are acted upon.
- 5.41 In summary, ELHA has an excellent approach to risk management. It has a clear strategy backed up by a robust structure and it has embedded risk management throughout the Association. It has adopted a good process to identify and prioritise risk and it closely monitors its strategic objectives, actions and tasks. ELHA ensures that it fully assesses business development proposals in relation to risk, and it undertakes effective financial planning.

### Performance management and planning

- 5.42 ELHA has a robust approach to performance management. At a strategic level the Association closely monitors how well it is meeting its strategic objectives as detailed in its business plan. It monitors its performance in meeting key actions and tasks. We found that performance management in strategic and operational matters is an intrinsic part of the Association's planning environment.
- 5.43 The Association sets a good range of meaningful performance indicators for all its business functions. The Management Committee sets annual targets to monitor performance. Key performance indicators are reported to the Management Committee on a quarterly basis with general performance indicators also being reported quarterly to the relevant sub committee. The Association publishes only limited performance information that would allow tenants and other service users to make judgements on how well ELHA performs as a landlord. The Association acknowledged this and took steps to improve the level of performance information it would publish.

- 5.44 The Association operates a traffic light system to highlight outcomes against targets. Where performance is satisfactory or poor, it provides explanatory notes for the Committee. It presents more detailed reports to the sub committees. This is an efficient process.
- 5.45 The Association chooses not to undertake any detailed benchmarking to assess itself against similar type organisations or against national performance. We found that it does benchmark annually in reports to the Management Committee on key issues such as management and maintenance costs and through data collected as part of the Financial Viability Return. However, generally benchmarking is not part of the Association's performance management framework and this is a weakness.
- 5.46 In summary, the Association operates an effective performance management system. The Management Committee is given good quality information that allows them to take action if performance outcomes are not as it is anticipated. The Association's weaknesses are that it does not formally understand its performance in relation to other landlords and does not publish a range of performance outcome information. However, ELHA's approach to performance management is good.

### Customer focus and influence

- 5.47 The Association has introduced a policy that sets the standards customers will receive when visiting the office, making contact by telephone or in writing and when using its website. The standards are not SMART and it cannot accurately measure its success in implementing the policy. The Association advised us that it intends to further develop its standards and it will put measures in place that will allow it to monitor and report on performance.
- 5.48 The Association has been innovative in developing its web based customer services and it now offers all its housing services through its website. Most contacts on the website relate to the operation of the Association's choice based lettings system, however the Association has been innovative in allowing tenants to order their own repairs and book appointments. The website also contains a

- range of information in relation to policy and procedures. The Association is continuing to develop web based services for its customers.
- 5.49 The Housing (Scotland) Act 2001 requires the Association to publish a tenant participation strategy. The Act also requires landlords to inform and consult tenants about changes to its services and take tenants' views into account when making decisions that will affect them. ELHA has an appropriate tenant participation strategy in place. The strategy identifies what the Association means by tenant participation and details how it will meet its responsibilities.
- 5.50 The Association's principal forum for tenant participation is the Tenant Participation Working Group (TPWG). This group is made up of interested tenants from across East Lothian and is serviced by the Association's staff and Committee members. The TPWG meets quarterly and produces an annual tenant participation action plan. It monitors the plan and reports the outcome of the plan to the Management Committee.
- 5.51 The Association along with the Council and another RSL hold a joint list of Registered Tenant Organisation's (RTO's). However, ELHA's tenants do not attend these meetings despite ELHA lettering all tenants and encouraging them to attend. The Association has also tried to set up individual tenants groups on different estates. However, it has only been successful in doing this for short term issues such as investment work.
- 5.52 The Housing Scotland Act 2001 requires landlords to consult tenants before increasing their rent and to involve them in policy review. The Association consults annually on its rent increases. In its most recent rent consultation exercise the Association sent a letter and survey to all its tenants. The Association achieved an 11.2% response rate with 70% advising that they thought it was a fair increase. The Association has consulted widely on other policy changes. The most recent large scale consultations were in relation to changes to the allocation policy, on a new tenancy sustainment policy and on its customer charter.
- 5.53 The Association uses a number of methods to access satisfaction information from its customers. It carries out a large scale tenant satisfaction survey every

- three years, an annual stair cleaning and garden care services survey and issues a questionnaire for all repairs. The Association also carries out post allocation surveys for new tenants and exit interviews for tenants terminating their tenancies. It also undertakes surveys to assess satisfaction for all new build developments. Although, the Association has a good range of feedback mechanisms to understand the customers' opinion of its services it does not always get a good level of response.
- 5.54 ELHA has a comprehensive policy and procedure to deal with complaints. The policy sets out a clear escalation procedure for tenants to follow. It also notes that if tenants remain unhappy with the outcome of the complaints process then they may have recourse to the Scottish Public Sector Ombudsman. The Association does not receive many complaints, however case reviews showed that it responds quickly to complaints and provides good quality information to the complainant.
- 5.55 In summary, ELHA has a strong customer focus to its work. It provides an excellent range of information through its leaflets and policies and makes these available through its website. It has been innovative in making use of its website to provide services. It has a range of methods through which it collects tenant satisfaction information and consults on policy developments that affect tenants. ELHA has struggled to encourage tenants to participate in its work however, it works well with its overarching Tenant Participation Working Group. The group is well supported by the Management Committee and staff. The Association has developed a customer charter but needs to do more work to be able to measure how well it performs in meeting the charters aims and objectives.

### Equalities and diversity

- 5.56 The Association has an appropriate equalities and diversity policy in place that it reviews in line with its five yearly policy review cycle. The policy details the Association's commitment to promoting an environment of respect and understanding. It encourages diversity and the elimination of discrimination by providing equality for all.

- 5.57 The Association carries out standard monitoring of equalities information through the collection of score data for allocations and in its recruitment process. The Association is not fully aware of who its tenants are, particularly in relation to family composition. The Association advised us that it intends to carry out a large scale survey to gather this information.
  
- 5.58 The Association has attained 'Positive about Disabled People' accreditation. It is a member of Happy to Translate and has signed the See Me Pledge to confirm its commitment to challenging the stigma of mental health. The Association does not provide information in other languages but advised us it would do this if requested. The Association retains a list of individuals who need information in different formats and it issues information in line with users' requirements. The Association's website offers the Browsealoud facility, large print and translation services.
  
- 5.59 In summary, the Association has a positive approach to equalities. It monitors equality information in key areas of its work to ensure that it is operating in an environment that eliminates discrimination and encourages diversity. Its website is informative and user friendly for people with particular needs, and it is proactive in issuing information in the format people want.

**Efficiency and value for money**

|                                       | 2007/08  | 2008/09  | 2009/10  | 2009/10  | 2010/11  |
|---------------------------------------|----------|----------|----------|----------|----------|
|                                       | Landlord | Landlord | Landlord | National | Landlord |
| <b>Management costs per unit (£)</b>  | 1,044    | 1,031    | 1,126    | 1,101    | 1,219    |
| <b>Maintenance costs per unit (£)</b> | 1,224    | 1,138    | 1,271    | 1,163    | 1,063    |
| <b>Salary costs per unit (£)</b>      | 829      | 925      | 984      | 1,080    | 1,080    |

- 5.60 In 2009/10, ELHA's management costs were £1,126 per unit which was slightly higher than the national figure of £1,101. Its management costs have increased by 17% since 2007/08. Maintenance costs for 2009/10 were £1,271 per unit compared to a national figure £1,163. For 2010/11, maintenance costs have reduced to £1063 per unit. This reduction corresponds to the first year of operation of R3.
  
- 5.61 The Association's total salary costs per unit increased by 19% from 2007/08 to 2009/10, this compared to a sector average of 12%. Between 2007/08 and

- 2010/11 the Association's total salary cost per unit had increased by 30%. However, these costs do not account for ELHA employee costs that it recharges to R3. The Association advised that when these cost were taken into account the actual salary costs had increased by 18% per unit between 2007/08 and 2010/11.
- 5.62 For 2009/10, the Association's average rent was £63.82. This is higher than its peer group average of £60.78. The Association's rent structure is variable and actual rent charges depend mainly on how it has acquired stock. The Association acquired one third of its stock through stock transfer from Scottish Homes. This stock's rent charge was, until recently, subject to transfer commitments of inflation plus 1%. The remaining stock is new build.
- 5.63 The Association is aware that its rents are higher than East Lothian Council's but it advises that in comparison to other RSL's in East Lothian, 98% of its rents are lower for similar type properties. The Association is considering reviewing property rentals and its rent setting process in order to produce a fairer, more transparent and understandable structure in the future. In the Association's tenant satisfaction survey 66% of tenants thought the rent charged was good value for money.
- 5.64 The Association has an appropriate strategy to assess its work in terms of achieving value for money. It identifies the quality of products and services it wants to achieve, it sets key performance indicators and targets, and it aims to achieve its objectives within a set budget. The Association has an effective structure to monitor and report on its performance.
- 5.65 One of the Association's key ways that it hopes to demonstrate achieving value for money is through the development of the R3 maintenance company. The Association has produced long term projections that demonstrate the benefit of this subsidiary in relation to the control of costs and quality of the end product. The company is also exploring the potential to diversify into other business areas and open its services to the private sector.
- 5.66 Value for money is also achieved as ELHA works in partnership with 2 other RSL's in relation to the work of R3. The partnership guarantees R3 certain types

- of work. This in turn helps to support R3 as a business. The partners who are all registered Scottish charities may also benefit from the receipt of Gift Aid from R3, depending on the success of Company.
- 5.67 ELHA's Procurement Strategy was approved in 2009 and in conjunction with its Maintenance Policy sets out the approaches and criteria it will apply when obtaining maintenance services not supplied through R3. ELHA is open to using modernised procurement approaches where appropriate, although it told us that given the relatively small scale of many of its projects there have been few opportunities to follow such routes. It currently follows a traditional tendering process for most of its projects.
- 5.68 ELHA will negotiate with contractors that have provided a good service and delivered a consistent level of high quality workmanship. It recently negotiated a further contract with its existing gas maintenance contractor using its knowledge of the local market to secure reduced prices while maintaining good service levels.
- 5.69 ELHA has appropriate policies and procedures for procuring contractors and consultants, and for the supply of materials, products and support services. It demonstrates real efficiencies from being part of the Places for People Group's procurement arrangements for new homes. ELHA's new housing projects are delivered through Framework Agreements for Contractors established in 2010.
- 5.70 In summary, the Association is fully aware of the need to achieve value for money. It demonstrates a proactive approach to achieving efficiencies and it is anticipating that it will achieve significant efficiencies through the ongoing development of its subsidiary R3.

## 6. Next Steps

- 6.1 This report highlights our findings following the Inspection. We expect ELHA to respond effectively to our recommendations using their own improvement planning processes. However, given the governance issues highlighted in this report we will have continued engagement with ELHA. This will be articulated in a revised Regulation Plan, which will be published following ELHA's inspection report being finalised
- 6.2 If you would like to see the East Lothian Housing Association's improvement plans you should contact the RSL by:
- **Telephone:** 01620 825 032
  - **Email:** [inquiries@elha.com](mailto:inquiries@elha.com)
  - **Website:** [www.elha.com](http://www.elha.com)

## Sources of evidence

### Groups and third parties consulted

- Survey of Registered Tenant Organisations and other tenant groups
- East Lothian Council
- Scottish Government – Housing Investment Division
- Citizens Advice Bureaux
- Scottish Public Sector Ombudsman (SPSO)

### Interviews / meetings

- Interviews with members of ELHA's Management Committee
- Interviews with ELHA's Chief Executive
- Interviews with ELHA's Director, Heads of Department and team members
- Interviews with tenants and residents

### Reality checks

- Observation of meetings of the Management Committee
- Review of APSR completion
- Review of complaints
- Review of gas safety management
- Review of performance reports and improvement plans
- Review of responsive repairs
- Review of tenant information leaflets
- Shadowing staff on day to day responsibilities
- Validation of performance measures and reporting mechanisms
- Review of housing list applications and allocations
- Review of information for applicants and tenants
- Review of complaints
- Review of antisocial behaviour cases
- Review of arrears cases
- Review of legal actions against tenants
- Review of reported repairs
- Review of planned maintenance and improvement projects
- Empty property visits
- Estate visits

### Key documents reviewed

- ELHA's Inspection Submission
- Housing management performance reports
- Repairs and maintenance performance reports
- Relevant policy and procedures
- Minutes of meetings and associated reports
- Tenants' newsletters and other publicity material
- Website
- Outcome reports for housing management, property maintenance and homelessness
- Protocols with other agencies
- Scottish Housing Quality Standard Delivery Plan
- Business reports on development of R3 maintenance company

## Glossary

|   |  |
|---|--|
| <b>Annual Performance and Statistical Return (APSR)</b> | A statutory return required by the Scottish Housing Regulator and completed by all RSLs each year. It is used to gather annual information about RSLs, and to track their performance.   |
| <b>Asset management</b>                                 | Ensuring that current and future assets (houses, land, etc) fully support the organisation's objectives – working towards having the right assets, of the right quality, in the right place at the right time.   |
| <b>Benchmarking</b>                                     | A process used by organisations to systematically compare service processes and performance with others to identify best practice.   |
| <b>Choice-based letting (CBL)</b>                       | A lettings scheme that allows people to apply for advertised vacant houses. The successful applicant is the person with the highest priority for the property they have bid for.   |
| <b>Cyclical maintenance</b>                             | Planned programme of work to deal with predictable deterioration of building components, for example regular maintenance of window frames.   |
| <b>Focus group</b>                                      | A group of people brought together for a structured discussion on a specific subject(s).   |
| <b>Group structure</b>                                  | Several organisations linked legally through parent and subsidiary relationships.  |
| <b>Happy to Translate</b>                               | An initiative to improve the quality of life of people in Scotland who speak or read little or no English or who use a non-verbal language. Member organisations display a logo to indicate that they will provide language assistance in the form of confidential translation and interpretation. |
| <b>Housing Association Grant</b>                        | A grant that the Scottish Government or a local authority awards a RSL to acquire land or buildings and to build, convert or improve housing for rent or low-cost home-ownership.  |
| <b>ICT</b>  | Information and communication technology systems.  |
| <b>Industrial and Provident Society</b>                 | An organisation registered under the Industrial and Provident Societies Act 1965.  |
| <b>Inspection submission</b>                            | Documents the landlord submits at the start of the inspection to provide information on its performance, context and structure.  |

|   |  |
|---|--|
| <b>Key performance indicator</b>            | A measure of how an organisation is achieving its objectives or performing in particular activities. Performance indicators can be compared with a pre-set standard (a benchmark) or with other organisations.   |
| <b>National median</b>                      | In a series of performance values for all Scottish RSLs, the value in central position.  |
| <b>Partnering</b>                           | In contract-management, a structured approach to improving efficiency and quality of work. It aims to reduce confrontation between the RSL and its consultants and contractors. Partnering requires formal objectives, agreed methods for solving problems and searching for continued, measurable improvements. |
| <b>Peer group</b>                           | A group of organisations facing similar tasks and challenges with which comparisons can be made. The Annual Performance and Statistical Return allocates Registered Social Landlords (RSLs) to a peer group which best describes their organisation.   |
| <b>Performance Standards</b>                | The nationally-agreed standards RSLs and local authorities are expected to meet in providing housing services and in managing their organisations.   |
| <b>Post-inspection</b>                      | Inspection to check on quality of work for completed repairs.  |
| <b>Pre-inspection</b>                       | Inspection to check what work is needed before ordering a repair.  |
| <b>Registered charity</b>                   | An organisation with charitable purposes, registered with the Office of the Scottish Charity Regulator.  |
| <b>Registered social landlord (RSL)</b>     | A landlord providing or managing social rented housing that is registered and regulated by the Scottish Housing Regulator.   |
| <b>Registered Tenant Organisation (RTO)</b> | A tenant-representative group meeting certain conditions set down in the Housing (Scotland) Act 2001 and registered with a social landlord.  |
| <b>Re-lets</b>                              | Lets made to the second or subsequent tenants. Distinguished from new lets – made when the property is first built or modernised.  |
| <b>Response repairs</b>                     | Day-to-day repairs done in response to request from tenants, as opposed to planned, capital or cyclical maintenance.   |
| <b>Right to Repair</b>                      | Statutory scheme which sets out timescales for some  |

repairs, and what can be done by a tenant if a landlord does not do the repair within the timescales.

**Schedule 7 of the Housing (Scotland) Act 2001**

Part 1 of Schedule 7 of the Housing (Scotland) Act 2001 restricts the types of payments and benefits that RSLs can make to employees, governing-body members and the families of employees and governing-body members.

**Scottish Housing Quality Standard (SHQS)**

A minimum quality standard for all of Scotland's social homes. Landlords should achieve the standard by 2015.

**Scottish Public Services Ombudsman (SPSO)**

The independent body appointed to investigate individual complaints against public-service bodies, including Registered Social Landlords (RSL).

**Section 5 referral**

Where, under Section 5 of the Housing (Scotland) Act 2001, a local authority can request a registered social landlord that has accommodation in its area to provide accommodation to homeless people.

**Secure by design**

A UK-wide accreditation scheme under which building designs and specifications are endorsed as including crime-prevention measures to help reduce the opportunity for crime and the fear of crime.

**Serious arrears**

Where a tenant owes more than 13 weeks' rent payments and this is more than £250.

**Shadowing**

An inspection technique that involves accompanying and observing staff while they carry out their day-to-day tasks.

**Stakeholder**

Any person or organisation using a landlord's service, affected by the landlord's actions or having an interest in the landlord's activities – an interested party.

**Technical arrears**

Rental charges owed to a landlord as a result of outstanding Housing Benefit claims or delayed payments.

**Tenant assessor**

Trained tenants (not of the landlord being inspected) who are part of the inspection team. They are involved in preparing for the inspection, reading landlord materials and on-site visits as well as talking to tenants.

**Treasury management policy**

A policy governing the way an organisation manages borrowing and investments.

**Turnover (empty houses)**

The number of houses that are vacated in a year, expressed as a percentage of the landlord's lettable housing stock.

**Wider action**

Actions that a landlord takes outside of its normal landlord role to promote social inclusion in the communities it serves.

## About the Scottish Housing Regulator

The Scottish Housing Regulator (SHR) is an executive agency of the Scottish Government. We exercise independently the regulatory powers of Scottish Ministers in the Housing (Scotland) Act 2001. We register and regulate independent social landlords. These are usually housing associations, but they can also be housing co-operatives or companies limited by guarantee. We also inspect the housing and homeless services provided by local authorities.

We operate independently and impartially, while remaining accountable to Scottish Ministers for the standard of our work and for inspecting and reporting within the overall context of Scottish Ministers' strategic objectives for the social housing sector and tackling homelessness. A code of practice sets out what Ministers expect from us in delegating their regulatory powers to us. Our independence is further safeguarded by a Regulation Board that supports the Chief Executive to manage and direct the organisation.

Our purpose is to:

- protect the interests of current and future tenants and other service users;
- ensure the continuing provision of good quality social housing in terms of decent homes, good services, value for money, and financial viability; and
- maintain the confidence of funders.

Our work supports the principles of public service reform by promoting good services that are organised around the needs of the people who use them. We encourage registered social landlords (RSLs) and local authorities to be open, accountable, efficient and well governed. And we expect them to provide equal opportunity and open access to their services.

[www. scottishhousingregulator. gov. uk](http://www.scottishhousingregulator.gov.uk)

The Scottish Housing Regulator  
Highlander House  
58 Waterloo Street  
Glasgow  
G2 7DA

Tel: 0141 271 3810