

TAILORED PERFORMANCE AUDIT REPORT

ANGUS HOUSING ASSOCIATION LTD

4-6 December 2001

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1. PERFORMANCE ASSESSMENT SUMMARY

a. Introduction

This report presents the findings of the Performance Audit of Angus Housing Association Limited by Communities Scotland's Regulation staff.

Why Do We Carry Out Performance Audits?

The aim of Communities Scotland as regulator is to promote quality and continuous improvement in housing services for the benefit of current and future tenants. "Performance Standards for Registered Social Landlords" and the Performance Audit process are key elements of achieving that aim. These "Performance Standards" (published jointly by Scottish Homes and the Scottish Federation of Housing Associations) set out performance expectations for regulated bodies. They are the framework against which organisations should assess their own performance and against which we will assess performance during a Performance Audit.

The Performance Audit process is designed to provide us with an in-depth assessment of how well the organisation meets "Performance Standards" and of how effectively services are managed and delivered.

The Performance Audit provides the Association with an external, informed view of how well its services are being delivered and what it can do to further improve its performance.

Who Carried Out The Performance Audit?

The Performance Audit was carried out by Elizabeth Mackin (Performance Auditor (lead)), Denise Buchanan (Performance Auditor) and Keira Jackson (Graduate Trainee).

How and When Was The Performance Audit Carried Out?

The Performance Audit process began in October culminating in three days spent in the Association's offices from 4-6 December 2001. Having examined briefing material requested from the Association, the lead Performance Auditor developed an understanding of the Association's operating context and decided what she wanted to look at and what techniques she would use to find out more. A number of techniques were employed to get behind the paperwork and assess the service from a tenant perspective including:

- talking with staff who deliver the service;
- examining random samples of files and cases;
- getting briefings from other organisations which work with the Association, for example, the Local Authority, The Housing Association Ombudsman; and
- discussions with the tenants and residents at Strathairlie.

The outcome of the Performance Audit is this report. It presents our findings and the grades awarded for the performance achieved.

b. Context

Angus Housing Association was registered with Scottish Homes (now Communities Scotland) in 1976 and merged with East of Scotland Housing Association Limited in 1990. The Association was managed by agents until 1995, when it took on its own staff for the first time.

The Association now owns approximately 1,100 properties. This has been achieved through a steady new build development programme (an average of £1.7million from Scottish Homes in last 3 years) and two stock transfers. In 1997, 493 units were acquired from Scottish Homes in the Arbroath, Brechin, Montrose, Forfar and Carnoustie areas. Then in 1999, 78 units were transferred from Caimridge Valley Housing Co-operative. Through this transfer, Angus Housing Association became involved in the Estate Regeneration Strategy in Mid Craigie, an area that has Social Inclusion Partnership status. In partnership with Scottish Homes/Communities Scotland and Dundee City Council, 130 homes will be built there over the next three years.

The main concentration of Association's stock is in Arbroath with 463 units. Other areas where it has concentrations of stock are Brechin, Montrose and Forfar, each with over 100 units, and Dundee where the Association has 90 units. Angus Housing Association provides general (85.6%), sheltered (10.6%) and commercial (3.8%) tenancies, and also provides factoring services to 126 owners.

c. Definition of Grades

The grades summarise performance in the following way:

- Grade A A high quality of compliance with all standards assessed.
- Grade B A very good compliance with most standards assessed.
- Grade C A satisfactory compliance with most standards.
- Grade D A poor performance.

d. Gradings

Grades have been awarded to each function and overall as follows:

FUNCTION	GRADE (A-D)
Governance and Accountability	B
Housing Management	C
Maintenance	C
Development	B
Financial Management	B
OVERALL GRADE	B

e. Overview

Overall, the Association has significant strengths in its approach to service delivery and meeting Performance Standards which have resulted in a Grade B being awarded. We are satisfied that the Association has the commitment to address the issues raised in the report. However, the Association continues to be in a relatively high risk financial position and has been awarded an Above Average Risk rating in the Financial Viability Risk Assessment. This situation is being managed competently by the Association, and we expect it to continue to be so.

The major strength of the organisation is the Committee and staff team who are clearly committed to continuing to improve the performance of the Association, and demonstrate an ability and willingness to be pro-active in managing the Association's opportunities and threats, within limited resources. There has been some slippage of the targets and objectives set by the Association and this situation must continue to be monitored carefully.

We make several recommendations that should result in further improvements to service delivery. The Management Committee should give priority to targeting improvements in the following areas:

- Management of rent arrears;
- Completion of the development of the long term maintenance plan;
- Continuing to improve the Association's efficiency in reletting empty properties;
- Improving the responsive repairs performance;
- Widening and consolidating equal opportunities practices across the organisation;
- Consolidating the management processes i.e. the policy and procedures, which underpin and maintain service delivery standards.

f. Conclusion and Follow-up Strategy

The Association is required to produce an action plan to address the findings contained in this report for submission to Communities Scotland within three months. We are currently finalising the timing of future Performance Audits under the Single Regulatory Framework. The timing of Angus Housing Association's next Audit will be based on this cycle and also on our review of progress against the action plan and other performance information.

This report is not intended to be used by, nor will Communities Scotland be responsible for any action taken by, any third party in response to the report

**Elizabeth Mackin
Performance Auditor
Regulation and Inspection
Communities Scotland**

**Draft Report issued: 17 January 2001
Final Report issued: 14 February 2002**

PART A: GOVERNANCE AND ACCOUNTABILITY

A1 CONSTITUTION AND STRUCTURE

Decision Making Structures

1. The Association has appropriate decision making structures in place which operate effectively. These are made up of the main Committee of Management and three Sub-Committees, plus appropriate emergency arrangements.

Constitution

2. Recently the Association amended its charitable Rules in order to take advantage of private finance opportunities. The administration of this process was not fully undertaken in line with Communities Scotland guidance, and has yet to be finally completed. The Association must ensure that the guidance is fully complied with and that formal approval is given by Communities Scotland to the constitutional change.
3. The Association sets targets each year in the Internal Management Plan to increase its membership. Since 1997, the membership of the Association has trebled. This is particularly due to recruitment drives through the Tenants' Newsletter, and has significantly strengthened the community ownership and accountability of the Association.

A2 GOVERNING BODY

4. The Committee of Management receives information to allow it to monitor the Association's performance and progress on a regular and well-informed basis. The Committee continues to be performance focussed and is supporting staff in participating in benchmarking exercises with other local Registered Social Landlords (RSLs).
5. At present, there are 14 Committee Members, out of which only three have been on the Committee for less than 5 years. Despite the high degree of stability within the Committee, it is crucial that the strengths which the Committee Members possess are developed and their knowledge kept updated. The previous audit report suggested that the Committee introduce regular reviews of skills and knowledge, but no such exercises are being undertaken. While no formal records are kept of Committee Member training, it became clear during discussion that the participation is low. We consider that, particularly during this period of major legislative change, a review of this approach to training is required.

A3 OPERATIONAL MANAGEMENT

Strategic Planning Process

6. The Internal Management Plan is thorough. It sets out the aims and objectives of the Association and strategies for achieving these. This includes tasks for each part of the organisation, with targets set for performance indicators such as e.g. arrears, membership levels and units in management. This area has been improved since the previous performance audit, and the timetable for the development of the Internal Management Plan has been altered to ensure this complements the preparation of the annual budget.
7. Within the Internal Management Plan, the risks to the organisation are listed, as are strategies to tackle, and influence them, where possible. This assessment is not carried into the Risk Management Strategy, which therefore does not represent the Association's assessment of the risks it faces, and its power to manage them. This situation should be considered and a view taken on how these documents could complement each other more appropriately. However, most importantly, the Association does demonstrate an excellent awareness of its internal and external environment and the threats and opportunities therein.

Resources

8. The Association spends less of its income on staff costs than comparable organisations and therefore operates relatively efficiently. However, the Association has not met all the targets set within the Internal Management Plan. The need for redirected staff resources to address performance issues within Housing Management was recognised by the Association and the whole of the Housing Manager's time has been reallocated to this section. The requirement for extra staff resources at a senior level in Maintenance is also recognised by the Association, and while the Director has taken this responsibility shorter term, the Association is currently investigating solutions for the longer term.
9. A staff appraisal system is now in place, but has not been fully implemented. Crucially, within the staff appraisals examined during file checks, the links to the targets and objectives set within the Internal Management Plan were found to be insufficient. This should be reviewed.

Policy and Procedural Framework

10. Throughout the organisation, the policy and procedural framework which supports the delivery of services has been developed. However, there needs to be further development in this area to ensure that best practice is being followed, as indicated throughout this report. The Internal Management Plan recognises that the increasing complexity of the organisation requires a more developed policy and procedural framework and over time, the Association has developed a central file of all this information which it is committed to building on to further improve this area.

Internal Audit

11. The company which provides external audit services has been appointed to carry out an Internal Audit assessment. An appropriate separation of duties has been agreed. At the time of the audit this area was not sufficiently developed for an assessment of its effectiveness to be made.

A4 RELATIONSHIPS WITH OTHER ORGANISATIONS

12. The Association provides agency services to Soroptimist Housing (Dundee) Limited. A full written agreement is in place between the Association and the Soroptimists. This area could be improved by a written annual report going to the Committee on the delivery and outcomes of this agreement. The Committee should receive full information on how it is fulfilling its obligations to the Soroptimists.
13. The Association has entered into leases with a variety of local agencies such as Womens' Aid, Rowan Alba, and Angus Council. When discussing the future of these arrangements, the Association should consider the current best practice of using management agreements instead of leases. Also, Section 66 Consent is not in place for every lease and this should be investigated and remedied.
14. The Association is fully meeting its obligations regarding the stock transfer agreement with Scottish Homes.

A5 ETHICAL PRACTICE

15. Sufficient information must be collected across the breadth of the Association's activities to allow the Committee to ensure that full equality of opportunity is being achieved and promoted, and where this is not the case, take action to address the imbalance. The Association should reconsider its approach to this area, as at present the information collected is not sufficient to allow appropriate management of this area.
16. The Declaration of Interest register is updated annually by Committee Members. However, to comply with best practice, staff should also complete these forms annually.
17. The Association breached Schedule 7 Part 1 of the Housing Act 2001. This arose due to a misinterpretation of the secondary legislation regarding the offering of a benefit to a business in whose management a person who had been a member of staff within the last twelve months is directly concerned. The Association should take legal advice on this matter and manage this situation accordingly.
18. A potential conflict of interest exists for one Committee Member who is also a Committee Member of Dundee Soroptimists Housing Society, to which the Association provides agency services. This Committee Member must take

appropriate action to avoid any actual conflict of interest in discussions and decisions regarding this relationship.

19. The Gifts and Hospitality register was examined and is appropriate. The entries are in line with good practice.
20. The Association has yet to adopt a policy on Openness and Confidentiality. There is no evidence that the Association does not operate in an appropriate manner, however.
21. The Association is committed to promoting and enabling more tenant participation in the management of the organisation and plans to develop a Tenants Forum to facilitate this. The Association employs a Community Development Worker in Strathairlie, Arbroath to work with local residents groups to address a range of social exclusion issues.
22. File checks were carried out on the management of complaints, and those checked had been appropriately and consistently handled.

Governance and Accountability: Performance Assessment Summary

B

23. Performance in this area is assessed as very good, with a Grade B being awarded. The Committee and staff team are committed to continuing to improve the performance of the Association, and demonstrate an ability and willingness to be pro-active in managing opportunities and threats, within limited resources. The Committee should continue to investigate ways to increase resources in the longer term as there was slippage of some Internal Management Plan targets. Where performance could be improved this is mainly in ensuring the Association acts in accordance with all guidance regarding ethical practice. This would include an improvement in promoting and facilitating tenant involvement in the management of the organisation, however there is clear commitment to maximising local accountability with the membership of the Association trebling within three years.

PART B: HOUSING MANAGEMENT

B1 ALLOCATIONS

Stock Turnover

24. In 2000/01, the Association experienced a very high level of turnover of its properties, with almost one in five becoming vacant. Demand for certain properties is relatively low and the Association often has to make over five offers before reletting such properties. Regular information is provided to the Housing Management Sub-Committee on turnover by area and high turnover is clearly a particular problem in the Arbroath area. The high turnover is partly due to the nature of the stock i.e. bedsits in an area where the demand is for family accommodation, and the fact that Angus Council rents are lower than the Association's rents.
25. The Association considers the increase in turnover to be the root of the decline in performance in arrears and time to relet over the last year, and has recently reallocated the Housing Manager's time to allow her 100% concentration on this section of the Association's business. However, while this is a relatively high level of turnover for an RSL, it is only a 1% increase from the previous year for Angus HA. As well as turnover, the Association has also allocated 38 new lets in 2000/01, a threefold increase from the previous year.
26. The Association has taken, and is continuing to take, action to attempt to reduce the stock turnover. Action has included a bed sit integration programme, albeit to a very limited extent due to cash constraints. It has also made links with Angus Council to lease properties in what would have been high turnover areas for temporary housing for homeless applicants. The Association also works with the Social Work department to provide Start Up flats for young tenants who require support to maintain a tenancy. An applicant's information pack has been developed and an advertising campaign devised to market the more difficult to let properties. The potential of projects on this scale to reduce the turnover is limited, however, the Association is making positive use of the resources it has.
27. The Committee should monitor the impact of the action already taken to address turnover but needs to clearly evaluate the impact of high turnover on other areas of service delivery, such as arrears, and take appropriate management action.

Administration

28. File checks showed that allocations are appropriately recorded and that the Association can demonstrate fair and accountable treatment of applicants.

File checks also showed that where applicants are excluded from the list, this is in accordance with the Allocation's policy and is reported to the Committee.

29. The previous audit highlighted the need for robust Equal Opportunities practices to be adopted. This has not been done. Information is collected on each applicant, but it is not clear to what use this information is put.

Nominations Agreements

30. The Association has a nomination agreement in place with Angus Council and is awaiting the final revision of a nominations agreement with Dundee City Council. The agreement with Angus Council is monitored and reported to the Committee and while the current 50% target is not being achieved, the relationship between the Council and the Association is positive and the Association is in regular discussion with the Council. The Association should negotiate a revision of the 50% target if it is not achievable.

B2 MANAGEMENT OF VOIDS

31. The average time taken to relet an empty property has risen 30% from 99/00 to 00/01, from 18 to 23 working days. Over 50% of the RSL sector has better performance than the Association in this area and the median across the RSL sector is 15.8 working days. This is inherently dependent on the number of offers necessary to let a property. An improvement would be to report the average number of offers made, as this only came to light during discussions with staff. File checks show that at present, the reallocation process does not begin until well into the four week notice period. By starting the relet process sooner, the Association may be able to improve performance in this area.

B3 TENANCY AGREEMENTS

32. File Checks showed that action was taken for eviction, abandonments and right to buy in line with the tenancy agreement.

B4 RENTS AND OTHER CHARGES

Rent Charges

33. Without a costed long-term maintenance plan, the Association does not have sufficient information to assess whether the present rent levels will ensure the long term viability of the organisation. Due to the varying nature of the stock transfer contracts which set parameters for some properties, the rents across the Association's stock are not consistent. External comparability has long been a problem for the Association as Angus Council has one of the lowest rent bases in Scotland and the Association cannot make its rents comparable to those of the Council. The required action in this area will be informed by the Life Cycle Costing exercise once complete as this must be linked into future rent levels, where possible.

34. The Association's rent policy was assessed as satisfactory at the previous performance audit and was not re-examined. File checks showed the rent increase was appropriately administered.

Service Charges

35. A review exercise has recently been carried out looking at the basis of service charges. File checks of the system used to calculate and manage the collection of these costs found good practice was being followed.

Factoring Charges

36. The Association provides factoring services to 717 owners and does not recover all of the costs incurred in providing this service. For 126 of these owners, a management fee is charged which allow full costs to be recharged. However, the Deeds of Conditions for the remaining 591 owners prohibit a management fee being charged. The Association intends to introduce an Owners' Handbook to make it clear what the rights and responsibilities of both parties are and this is a good attempt to begin to tackle this area.

Rent Arrears

37. At the time of the previous Performance Audit, arrears control was an area of strength for the Association. Since then, the arrears level has more than doubled. By March 2001, total arrears stood at 4.3%, with technical arrears, due to Housing Benefit, at only 0.2%. By the 30 September 2001, arrears stood at 5.4%, with 1.5% being the estimated technical arrear. Over 75% of RSLs in Scotland have lower non technical arrears than Angus. Improving arrears recovery has been recognised as an area for action, and new policies and procedures were introduced, however, no improvement had been achieved at the time of the audit.
38. File Checks indicate that even since the introduction of the new procedures, action to tackle arrears is not being taken promptly or consistently. In the Dundee office, there had been no action on non technical arrears for 4/5 months prior to the Performance Audit. This is unacceptable performance. There has been a lot of emphasis on Housing Benefit and the difference in calculation leading to small balances which will never be cleared. However, the emphasis should be given to non- technical arrears by staff, as this is directly under the control of the Association, and is more material to the overall arrears figure.

Service and Factoring Arrears

39. Historically, the level of arrears from factoring and service charges has been high. This area has recently been successfully prioritised for action, and the level of arrears in this area has dropped.

B5 ESTATE MANAGEMENT

40. The Association continues to have good estate management practices. Given the strength of this area at the previous performance audit, no policies or procedures were assessed. However, there is clear evidence from the Housing Management Sub-Committee reports that regular and appropriate action is taken to address any estate management issues and that they are clearly reported to the Committee for information and control. The Association's staff are currently participating in a working group with Angus Council staff to discuss the introduction of a mediation service to help solve neighbour disputes.

B6 QUALITY OF CUSTOMER SERVICE IN HOUSING MANAGEMENT

41. Tenant participation in Housing Management is a relatively weaker area of performance for the Association, and one which it states in the Performance Self Assessment (PSA) is an area which it wants to strengthen. To do this it plans to develop a network to widen tenant input into all aspects of the Association's business. Given the lack of promotion of tenant participation at present, this network is required if the Association is to demonstrate compliance with Performance Standards in this area.
42. The Association has, however, developed effective ways of communicating with tenants about Housing Management issues through the Tenants' Newsletter and Tenants' Calendar (which has replaced the traditional Tenants' Handbook style). The Association has also produced an Applicant's Information Pack. Additionally, the Association has instigated surgeries in outlying areas and is monitoring the effectiveness of these for tenants. Information on the use of the surgeries is regularly reported to the Committee.

Housing Management: Performance Assessment Summary

C

43. Overall, a Grade C has been awarded for Housing Management. Generally, the allocations process is well controlled and houses are allocated on a greatest needs first basis. The Association continues to take regular and appropriate action to address any estate management issues. Various projects have been undertaken to reduce the relatively high turnover in the Association's properties, and while the Association plans to do more work to improve the fit between demand for properties and its properties, it is constrained in doing so by lack of financial resources. Therefore, while this grading reflects weaknesses in management processes leading to a significant decrease in performance in time to relet and arrears, this is balanced by an appreciation of the constraints on the organisation in improving this performance. The effect of the reallocation of the Housing Manager's time has yet to be seen on each of these areas. Therefore, it is difficult to assess at this point in time, how the Association will improve performance in these areas.
44. The area of most improvement since the previous audit is in tenant communication, through the Applicants' Information Pack, Tenants' Calendar and provision of surgeries to outlying areas. The Association is committed to continuing to improve its performance in this area.

PART C: MAINTENANCE

Overview

45. The Director recently took over day to day management of the maintenance service from the Housing Manager to facilitate the increased emphasis on arrears management. It is clear that there is a strong drive to ensure the best maintenance service possible is provided. At this point in time, however, the Association lacks the resources at a senior level to take the development of this function forward. Consideration is being given to ways of dealing with this issue on a long term basis.

C1 LEGAL REQUIREMENTS AND POLICIES

Monthly Gas Safety Audit

46. The previous performance audit highlighted the need to strengthen the administration of the landlord's gas safety checks. A monthly audit is now undertaken by the Director to check that all certificates have been received and that all the work planned has been completed. There is no doubt that this process is now being proactively and effectively managed.

Policy

47. While a maintenance policy has been adopted since the previous performance audit, it still requires development as best practice would require a more comprehensive policy. This is a point which the Association recognises and will address through the continuing development of policies and procedures.

C2 RESPONSIVE REPAIRS

48. The percentage of responsive repairs complete within target time is lower for Angus Housing Association than for other comparable organisations against all repair categories, but most notably for routine repairs, where in 2000/01, only 83.4% of repairs were complete within the timescale, compared to a median across the sector of 92.6%. While the performance of the Association appears to have worsened between 99/00 and 00/01 according to Annual Performance and Statistical Return (APSR) figures, this may not truly reflect performance as in 99/00 the figures reported were an extrapolation of three months information following instigation of the new management information system. At present, the Committee does not receive information on the Association's repairs performance against timescale and should consider the usefulness of receiving this information in assessing the quality of the service being provided to tenants.

49. The management information system concerning responsive repairs is very good and the figures reported in the 2000/2001APSR were validated easily and fully. The Association should now focus on using this information to improve performance.

C3 PLANNED MAINTENANCE

50. The Association is in the latter stages of receiving Life Cycle Costing information for the two thirds of the stock for which this information remained outstanding. Therefore, at the time of the audit, the Association did not have a robust, costed long term maintenance programme which would feed into the 30 year cash flow projections and be used for financial planning. However, it was progressing well in developing such a system. This is a material improvement in performance since the previous performance audit, though it was anticipated by the Association that this would have been complete by this time.
51. As recognised in the Internal Management Plan, due to the legal commitments to investment in stock transfer properties, the Association is not able to prioritise maintenance work on a worst first basis. However, we saw clear evidence of the commitment of the Association to bring all its properties up to a modern standard and all properties now have central heating.

C4 ACCOUNTABILITY IN PROCURING MAINTENANCE WORK

52. Following the previous audit, performance in this area has improved. A system is in place for administration of an approved list of contractors and good practice is being followed, apart from with regard to the Association's assessment of the Equal Opportunity practices of its contractors, the approach to which should be revised. It is also clear that appropriate tendering and quotation practices are followed. The Association closely monitors the ongoing performance of contractors both with regard to quality of work, and with regard to administration of works orders, etc. In order to improve the administration arrangements between the Association and its contractors, seminars were held with smaller contractors and the Association reports that the repairs process is now administered much more efficiently. A possible improvement would be to formalise the reporting to the Committee on contractor performance. Also, the Association must ensure up to date insurances for contractors are maintained as at present they are not. Therefore, although some practices in this area require further development, there are also good examples of innovative practice.
53. Inefficiencies were perceived in the way maintenance work to void properties was being undertaken. To tackle this, the Association has entered into a relet project using a large contractor on a schedule of works basis. The details of this project were being finalised at the time of the audit, but again, this is a proactive response to ensure that that Association get the maximum value for money.

C5 QUALITY OF CUSTOMER SERVICE IN MAINTENANCE

54. At present this is an area of weaker performance, but the Association recognises what requires to be done and will take action in due course. The Association knows that best practice would be to provide clear information on response times to tenants and to introduce a system of tenant feedback on routine repairs but is not doing so at present.

Maintenance: Performance Assessment Summary

C

55. Performance in Maintenance is satisfactory and a Grade C has been awarded. There are instances of pro-active management by the Association to improve performance including; the monthly gas safety audits, seminars held with contractors and the project to improve the efficiency of work to empty properties. Significant improvements have been made to procurement practices. Also, all properties now have some form of central heating. Direct services could be improved as the responsive repairs service provided does not compare particularly well to that of other landlords, and, as the Association recognises, there is room for improvement in communication with tenants.
56. The most material area outstanding at the previous audit was the lack of a robust long term maintenance plan to feed into the long term financial planning of the Association. This was expected to have been completed and is not, although the process is well advanced.

PART D: DEVELOPMENT

D1 PLANNING

Development Strategy

57. The Association has productive working relationships with local agencies, such as the Local Authorities and Communities Scotland, and these have brought about effective delivery of housing to meet the long term needs of the local area. Similarly, the Association has good internal relationships to ensure that all departments contribute effectively to the development planning process. The Association is currently working alongside Home in Scotland and Dundee City Council on the regeneration of the Whitfield area in Dundee, and has also embarked on a regeneration project in Clifftown with Angus Council. As well as regeneration initiatives, the Association is looking to progress a site wastage minimisation project. Communities Scotland Regional Office feedback supports the assessment that the Association continues to be pro-active in meeting local housing need.

D2 ADMINISTRATION AND MANAGEMENT

58. File checks demonstrate that, generally, the development programme is competently controlled and recent Post Completion Reviews (PCR) back up this assessment. The Association's PSA emphasised that great effort is made to ensure that there are no cost overruns on any project. Where points have been raised during Post Completion Reviews there has been productive discussion between the Association and Communities Scotland to resolve them.

Policies and Procedures

59. The previous audit report assessed that while the outcome of the development process was acceptable, the policies and procedures regarding development had considerable room for improvement, especially with regard to legal restrictions on payments and benefits and equal opportunities. While improvements have been made in this area, the policies and procedures would still benefit from development, particularly in procurement, to ensure that the outcomes of the organisation are backed up with robust management processes. This could be an area of risk should new staff be involved in this role and this should be managed by the Association.

Design and Development Sub-Committee

60. The Design and Development Sub-Committee clearly exercises appropriate control over the development programme and meets approximately two monthly. The only improvement which should be made to the operation of the

Committee is to improve the Minutes. Should a Committee Member be absent these are insufficient to allow the business conducted to be clearly understood.

D3 ACCOUNTABILITY IN PROCURING DEVELOPMENT WORK

61. The Association's lack of ability to clearly demonstrate accountable practice in procuring development work was highlighted at the previous audit, and little progress has been made. Policies and procedures are still inadequate. Post Completion Reviews (PCR) have highlighted that no clear audit trails are established as to why certain contractors and consultants are used. During discussions, it became clear that there are justifiable reasons for the practices used and the Association has good links with the limited local providers which exist. However, these need to be documented. It is up to the Association to clearly demonstrate why the practices it uses are in the best interests of the future of the organisation.
62. Similarly, while it is clear that the Committee receives feedback on the performance of contractors, this is still not sufficiently formalised. Clearer and more accountable practices should be developed to ensure that assessments of contractors and consultants performance can be clearly justified.

D4 QUALITY OF NEW HOMES

63. The Regional Office assesses the quality of new and rehabilitated homes to be good. Tenant surveys are done after one year, and the reporting format to the Committee is very clear. Action had been taken to address areas of dissatisfaction highlighted by the surveys and all points raised also feed into future developments. During a recent PCR, it was identified that gas heating had been changed to electric without clear justification; the Association accepts this should not have happened, and will ensure that such a situation does not happen again.

D5 QUALITY OF CUSTOMER SERVICE IN DEVELOPMENT

64. Tenants are generally satisfied with their new homes. An area which has been highlighted by the Association for improvement is looking at ways to increase the return rate on post completion surveys to ensure a representative sample is returned. At present the Association does not feedback the results of the post completion surveys to tenants and it should consider whether this would be beneficial. The Association is committed to feeding tenants views into the annual reviews of the Design Guide.

Development: Performance Assessment Summary

B

65. The standard of performance in this area continues to be very good with the Association continuing to pro-actively contribute to the regeneration and development of the local area. Post Completion Reviews assess that the Association produces a good quality product through a competently controlled process. However, the Association must do further work on the openness and accountability of the management processes which underpin the outcomes in this area. A Grade B has been awarded.

PART E: FINANCIAL MANAGEMENT

E1 FINANCIAL PLANNING AND RISK MANAGEMENT

Budget Process

66. The budgetary process of the Association is well designed, well managed and in line with best practice.

Financial Planning

67. Due to the lack of cash backed reserves and the possible risk this brings to the Association, one of the top priorities stated in the Internal Management Plan is to ensure long term viability. The 30 year cash flow as it presently stands demonstrates long term viability. However, as recognised in the PSA, the 30 year cash flows which constitute the long term financial plan of the Association are compromised due to the lack of comprehensive Life Cycle Costing information. Life Cycle Costing information is available for about one third of the stock, and these figures are then extrapolated over the remaining stock. Providing a more robust basis for these figures is a priority for the Association, though this should have been completed by now, as it was highlighted as urgently required at the previous Performance Audit over three years ago.
68. It is evident that the Financial Planning process rightly underpins all organisational decisions and that appropriate links are in place with the Development section. Therefore, despite the lack of robust maintenance information, there is every indication that the Financial Management of the organisation is carried out with appropriate prudence.

Financial Risk

69. The Association has been awarded an **Above Average Risk** rating through the Financial Viability Risk Assessment on the basis of: the lack of comprehensive Life Cycle Costing and the cash position, the legal commitments to spend on stock transfer stock, the increase in loans over the last five years from £1.6m to £11.06m; the increasing rent arrears position and the increase in time to relet empty homes.

Treasury Management

70. The Association demonstrates a good awareness of Treasury Management requirements and a commitment to ensure that the maximum benefit is achieved for the organisation. In order to ensure best value for money, the Association has changed its Rules to take advantage of market opportunities in derivatives.

Insurance

71. File checks show that all insurances dealt with under this section are in place.

E2 FINANCIAL CONTROL

Committee Control

72. The Finance Sub-Committee meets regularly and receives sufficiently detailed and good quality information to allow it to competently monitor and control the financial management of the Association. However, complete control cannot be demonstrated when the information underlying the 30 year cashflows is insufficiently robust.

Financial Efficiency

73. When compared to the median of all mainstream RSLs, Angus HA performs favourably regarding the percentage of income spent on staff costs, 25.9% compared to 27.2%. As regards the percentage of income spent on office costs, the Association is less efficient with 6.6% compared to 4.5%, but does maintain two offices to offer local services to tenants. As regards the average administration cost per tenancy, the median is £636 and Angus reported £527, again lower than the median. However, the Association's performance in Housing Management has dropped, and an organisation can only be considered efficient if it is also being effective in delivering good quality services.

External Audit Management Letter

74. The Management Letter raised concerns about the level of arrears and the management thereof. This has clearly been discussed at the Committee and dealt with appropriately in the reply to the Management Letter. However, this is a warning that more emphasis must be placed on minimising the financial risk from this area and should be taken on board.

Financial Management: Performance Assessment Summary

B

75. The Association has continued to perform well in this function and the major weakness is the lack of robust information to underpin the 30 year cash flows. The Association continues to be in a relatively high risk financial position due to the lack of cash backed reserves and evidently is striving to ensure longer term viability is secured. The Financial Viability Risk Assessment rates the Association to be **Above Average Risk**. However, on the whole, the Financial Management is strong and the Grade B is maintained as the factors which have increased the financial risk originate in other functions, as does their resolution.

Glossary of Terms

Annual Performance and Statistical Return APSR	This is a questionnaire completed by RSLs and sent to Communities Scotland annually. It provides information about the: organisation's structure; governing body; activities; policies in place; key performance indicators; the type of housing provided and the rents. Communities Scotland uses this information to: keep the register up to date; track the performance of RSLs; and to produce performance benchmarks.
Life Cycle Costing	A method of calculating the cost and timing of the repairs to, and replacement of, major building components.
Median	This is a statistical term which refers to the mid point in a range of data.
Membership	This refers to the shareholders of the Registered Social Landlords.
Planned Maintenance	Maintenance which is planned to take place at a certain time but which will not be required to be carried out regularly. Mainly one-off contracts e.g. window replacements.
Performance Indicator	A measure of how a RSL is achieving its objectives. Performance Indicators can be compared with a pre-set standard (a benchmark) or with other organisations.
Procurement	The way an organisation obtains services or materials from other organisations or agents.
Reactive Repairs	Also called responsive maintenance or day-to-day maintenance. This is maintenance work carried out as the problem arises and is reported to the landlord.
Rules	This document contains the constitution of the organisation.
Scottish Federation of Housing Associations (SFHA)	The membership body for Housing Associations and Co-operatives in Scotland.

Schedule 7 Part 1

Schedule 7 Part 1 of the Housing (Scotland) Act 2001 places certain restrictions on Registered Social Landlords regarding granting of payment or benefit to Members of their Governing Bodies, employees, their close relatives or any business trading for profit which such people own or manage.

Section 66

Section 66 of the Housing (Scotland) Act 2001 requires Registered Social Landlords to get consent from Communities Scotland for any disposal of assets.