

TAILORED PERFORMANCE AUDIT REPORT

THE NEW HOUSING ASSOCIATION

28th to 31st January, 7th February 2002

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THE NEW HOUSING ASSOCIATION

1. PERFORMANCE ASSESSMENT SUMMARY

a. Introduction

This report presents the findings of the Performance Audit of The new 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 in achieving that aim. These "Performance Standards" (developed in consultation with the Scottish Federation of Housing Associations) set out the performance expectations for Registered Social Landlords. 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 Registered Social Landlord 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?

Janet Dickie, Kate McLardy and Katrina Kelly, Performance Auditors with Communities Scotland. Michael Heekin, Regional Finance Manager with Communities Scotland carried out a financial viability risk assessment as part of the Performance Audit.

How and When Was The Performance Audit Carried Out?

The Performance Audit process began in November 2001 culminating in a visit to the Association on 28th to 31st January and 7th February 2002. Having examined briefing material requested from the Association, the Performance Auditors developed an understanding of the operating context and decided what they wanted to look at and what techniques they would use to find out more. A number of techniques were employed to get behind the paperwork and assess the service from a resident perspective including:

- talking with staff who deliver the service;
- examining random samples of files and cases;

- reality checking what happens in practice;
- getting briefings from other organisations which work with the Association, for example, the Local Authority, the Housing Association Ombudsman and;
- touring the area.

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

b. Context

Thenew Housing Association was registered with Scottish Homes in 1980. The Association has undergone dramatic change since it was first registered. These changes have been concentrated in the last 6 years of the Association's life and have seen it move from an organisation whose primary functions were the provision of services and consultancy to being a major landlord with around 3000 properties in management.

The most recent significant change for Thenew has been taking over the ownership and management of Bridgeton and Dalmarnock Housing Association's (BDHA) stock on 1st April 2001. Since the last Performance Audit in 1998 the Association has also, through voluntary transfers, successfully taken over ownership of 543 properties from both Netherholm HA in Castlemilk and from Glasgow City Council in Cranhill. While acquiring stock through voluntary and directed transfers Thenew has also managed a substantial new build development programme. Thenew has also been identified recently as the local housing organisation for City Council properties in Netherholm. If successful this initiative will result in Thenew providing services to 189 additional tenants, a move which should consolidate their position in Castlemilk.

Thenew is operating in challenging areas of the city with most of its stock falling within the boundaries of either the East End, Greater Easterhouse, Castlemilk or North Glasgow Social Inclusion Partnerships (SIPs).

The Association operates a decentralised structure with a Head Office in Calton in the East End of Glasgow while stock is managed locally from area offices in Cranhill, Netherholm and Bridgeton.

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. Grades Awarded

Grades have been awarded to each function and overall as follows

FUNCTION	GRADE
Governance and Accountability	A
Housing Management	B
Maintenance	C
Development	A
Financial Management	B
OVERALL GRADE	B

e. Overview

Thenew has retained the overall 'B' grade which was awarded at the previous Audit in 1998. This grading acknowledges a very good overall performance and generally high quality compliance with performance standards. The Association's performance is particularly commendable given the challenge of incorporating the directed transfer of BDHA's assets.

This transfer of ownership resulted in an increase of over 50% in Thenew's stock. The organisation has demonstrated excellent change management skills in dealing with such significant growth and the resultant structural changes required at both staff and Committee level.

The main body of the report highlights performance in each functional area and provides a summary detailing the issues that have influenced the grade awarded for that function. Highlighted in this section of the report are factors that have influenced the overall grade.

The Association has consistently demonstrated a thorough and professional approach to managing its business. In particular:

- decision making is supported both by high quality policies and procedures and reporting against these;
- there is good internal co-ordination and standardisation of approach across the organisation. This is particularly commendable given that the transfer of BDHA stock had been completed only 9 months prior to the audit taking place;
- the vast majority of issues raised at the previous audit had been dealt with;
- a wide range of good quality information is being provided to tenants;
- there is clear evidence of significant improvements in channels for collecting more regular feedback from tenants on services.

The continued high quality performance in Governance means that Thenew has retained its "A" rating. Likewise, the quality of the development process and the outcomes achieved are also particularly commended in the report and the Association retains the "A" rating it received following the last Performance Audit.

Substantial work has been completed in Housing Management to ensure good quality policies and processes are in place. This is particularly evident in relation to void management, allocations and tenant consultation and participation. Outcomes are not yet reflecting this high quality approach in all areas. For example tenant satisfaction data is not recent enough to assess the current position given the level of change undergone by the Association. Given the Association's circumstances it is reasonable that a full satisfaction survey is planned for the first half of this year, one year in advance of Communities Scotland's requirements.

In some areas, particularly maintenance, there is clear progress in terms of implementing methods of gathering tenants views but this process has not been in place long enough to deliver clear outcomes. In other areas such as reactive maintenance there is clear evidence that the trend for performance is upwards since the beginning of the financial year.

The recovery rate of rechargeable repairs debt needs to improve and performance in relation to gas servicing is poor. The Association must meet its responsibilities and demonstrate compliance with the Gas Safety (Installation and Use) Regulations 1998.

Finance, as with other areas of the business, demonstrates the characteristically thorough approach to dealing with tasks. At the time of the Audit the revised business plan was in draft form and still required some further refinements and resultant discussion with Committee. There are no issues of medium to long term viability for the Association although their approach to dealing with major repairs is the major issue which needs to be concluded in conjunction with their lenders.

The Audit process was assisted by the quality of Thenew's own assessment of its performance which highlighted their openness and organisational maturity.

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 Thenew'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.

Janet Dickie, Kate McLardy and Katrina Kelly
Performance Auditors
Regulation and Inspection
Communities Scotland.

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PART A: GOVERNANCE AND ACCOUNTABILITY

Constitution and Structure

1. The Committee system which is in place provides an effective decision making structure for the organisation. Two meetings of the Finance and Staffing sub committee were inquorate but this problem has been remedied by the addition of members.
2. The rules allow for representation on the Committee from specified geographical areas within the Association's stock as well as from a general category of membership and this has worked well.
3. Committee are supported in their role by well qualified and experienced staff who are able to provide good quality professional advice. There is a clear understanding amongst staff and Committee of their respective roles and all members made valid contributions to the meeting attended by the Performance Auditor.
4. There are 2 Tenant Management Co-operatives under the Association's umbrella (Claythorn and Fairbridge) as well as a number of Area Associations. Quarterly review meetings are held with Co-op representatives and staff to monitor their work. There are a number of arrangements in place with groups ranging from detailed, formal agreements with the long established co-operatives to more informal lines of communication with more recently established groups.
5. A formal Minute of Agreement is in place governing the relationship between the Cranhill Area Association and Thenew and this is being used as a model to develop agreements with the other groups as appropriate. The Association's objective is that each area body will become constituted and a Minute of Agreement signed. A working group of senior staff is due to report at the end of the financial year on the review of the Association's umbrella structure.
6. Thenew has undertaken a review of its rules and structure over the last year and is now awaiting final approval for its application for charitable status. The Association is well placed to accommodate new members who will join from Bridgeton and Dalmarnock Housing Association.

Group Structures

7. Arrangements are nearing completion for establishing Thenew Housing Services Ltd which will take over responsibility for all the service work currently undertaken by the Registered Social Landlord. This move is linked to the Association's intention to obtain charitable status.

8. Thenew Housing Trust has also been established to focus on fundraising for wider role activity. Appropriate advice has been taken and staff are fully aware of the issues relating to control and potential conflicts of interest. Structures have been agreed which will ensure these areas are fully addressed.
9. Appropriate action has been taken by Thenew to position itself for current and future events.

Governing Body

10. The Association has to be commended for very effectively managing the transition from essentially a service provider to a landlord organisation which has grown at a tremendous rate.
11. These changes have been reflected in the composition of the Management Committee. Membership is now weighted in favour of Thenew tenants who as at December 2001 had 9 of the 15 places. The Association has maintained a high calibre Management Committee which collectively has the experience, knowledge and skills to fulfil its role effectively. A programme of briefings, often led by external professionals has been held to inform Committee Members on specific topics.
12. The BDHA transfer has been a very significant event for the whole organisation. It has meant a substantially increased workload including major reviews of structures which Committee have had to consider.
13. Working relationships between staff and Committee are clearly good and a culture of openness and trust is encouraged. A well planned staff conference was held 3 months after the BDHA transfer took place. The conference was attended by some Committee Members as well as staff and it provided a good forum for exchanging views, raising issues and deciding how those issues might be addressed.
14. Work undertaken following the conference shows clear evidence of staff views being taken on board.

Operational Management

15. The Association has produced an Internal Management Plan (IMP) which is the result of an excellent process. The process places planning and the full involvement of both Committee and staff at the heart of the organisation's activities.
16. The IMP is an accessible working tool for staff and Committee. The plan draws clearly on the outputs from the Policy review day and the staff conference. It is particularly good that the plan incorporates the

detailed Area Management Plans. Further improvements could be achieved by:

- incorporating the long term business plan once it is completed;
- ensuring targets are stated in SMART terms and
- covering a longer period.

Policies and Procedures

17. The new has addressed all the significant issues raised at the last audit. Policies and procedures are in place to cover almost all aspects of the Association's business. The Association still has work to do to complete its policies on whistle blowing and wider role activities.
18. The quality of policies is good and demonstrates an awareness of good practice. The Association has adopted the excellent practice of issuing policies to Area Associations for consultation.
19. Performance monitoring was a major area highlighted at the last audit as needing work. Significant progress had been made and in some areas such as arrears, voids, allocations, management accounts and development, the quality of monitoring and reporting to managers and Committee members is excellent. In other areas such as maintenance, clear progress has been made in developing good systems but the implementation of these was still at an early stage at the time of the Audit.
20. This internal reporting structure is further enhanced by regular reporting to Area Associations. The Association has developed a very good structure for providing tenants with regular feedback on performance against locally agreed targets. The process would benefit from refinements which staff are clearly aware of and plan to implement.
21. For example, Area Management Plans will be reviewed to ensure more consistency across offices in terms of format and minimum requirements for target setting. Each plan will continue to reflect locally agreed priorities but, as with the IMP, targets need to be stated in "SMART" terms. In addition reporting on performance should provide trend information for tenants.
22. The Association has also agreed customer service standards although performance against these is not currently measured. Reporting to managers and Committee should be extended to cover this

Staffing

23. The directed transfer of BDHA meant substantial work to review the structure and required staffing of the larger organisation. Comprehensive reports, setting out the proposed changes to staffing structures and presenting clear recommendations, were provided for Committee.
24. Staff receive appropriate training and development opportunities although the appraisals (from which training needs are largely identified) were not completed last year due to pressures from the BDHA transfer. Staffing issues are now largely resolved and the level of integration achieved by Thenew is commendable.

Internal Audit

25. All areas of business have been the subject of an internal audit but it is acknowledged that there needs to be a review of how this work is commissioned and planned. The existing arrangement, with its firm of external auditors, was extended for one year by negotiation and will now be subject to a full tendering process. The Risk Assessment Report is being revised and will highlight priorities for a one-year programme.
26. Thenew acknowledges that it needs to review how it manages its internal audit responsibilities but the pressure on resources created by the BDHA transfer has prevented the review from taking place earlier.
27. Thenew is very risk aware and although the current policy setting out their Risk Management Strategy needs review, the approach the organisation adopts towards assessing risk is thorough. For example, criteria have been agreed for assessing opportunities for growth.
28. The Annual Performance and Statistical Return (APSR) for 2000 / 2001 was successfully validated as part of the Performance Audit.
29. The Association is complying with the Code of Audit Practice.

Relationships with Other Organisations

30. Thenew has entered into arrangements with suitable organisations to manage some of its supported projects. Arrangements are being properly monitored and reviewed.
31. The Association leases properties to the Church of Scotland, an arrangement which was inherited as part of the BDHA transfer. The project has been consistently well managed but there remains an

equalities issue in relation to the Church's recruitment policy. We would expect Thenew to continue to promote good practice in this area.

32. The Association is complying with the terms of the LSVT contract.

Ethical Practice

33. There is an appropriate Code of Conduct in place for Committee. In addition checks carried out during the audit confirmed that both the policy on Gifts and Hospitality and disclosure of interest are being followed.

34. The whistleblowing policy has yet to be finalised but the Association is currently following the Employers in Voluntary Housing (EVH) model. A Code of Conduct for staff is being developed by the Human Resources Officer.

Equalities

35. There is a clear commitment within the organisation to promoting equalities in all areas of its work. Training tailored to the Association's requirements was arranged for early February.

36. Commitment to achieving equality of opportunity was clearly evidenced by outcomes in employment. Likewise checks carried out in relation to contractors, consultants and the procurement of services confirmed that equalities issues are considered by the Association.

37. The composition of the Management Committee has been subject to internal monitoring and the results are being used to target appropriate co-options in the future.

38. The decentralised structure of the Association and the use of surgeries in some areas has made services more accessible for all tenants and applicants. The Association has ensured that offices are generally accessible to those with a disability.

39. Thenew still has to produce an Equality Action Plan and to identify the appropriate minority languages for its area of operation but has included information on key leaflets and can quickly access translation services where appropriate. Equally there is still work to be done to make key information available on tape or in braille and to ensure that services can be accessed quickly.

40. Membership is clearly encouraged by the Association and the results of the Tenants Satisfaction Survey showed that the opportunity for access to membership was widely known.

Information and Consultation

41. The Association is following good practice by consulting appropriate minority groups and their representatives on all policies which impact on service delivery. Examples include policies on relationship breakdown, domestic violence and voids.
42. The Association adopts an open and accessible approach to its work. An Annual Report is published and Performance Audit results are made available as are papers and minutes of Committee meetings.
43. Performance is also particularly good in providing information to tenants. This is done via regular newsletters which are tailored for each area. Area Association meetings are held regularly and a range of leaflets is available at each area office.
44. Association performance on complaints is good. Results from the 1999 Satisfaction Survey show that there is a high level of awareness of the policy and tenants joining the Association since that date were made aware of the policy either via the information booklet issued to former BDHA tenants or leaflets.

Governance and Accountability: Performance Assessment Summary

1. Governance and Accountability has been awarded an “A” grade which reflects a high quality performance against all the standards assessed. The Association has developed high quality processes which are producing effective management by staff and direction and control on the part of the Committee.
2. Performance management and planning has become firmly embedded in the organisational culture. The Committee is served well by staff and provided with appropriate information to enable it to reach effective decisions. Recent reviews have also clearly demonstrated the commitment to continuous improvement.
3. Performance is particularly good in relation to openness, accountability and the provision of information to tenants. Indeed the Association has well developed structures and practices in place to encourage effective tenant participation.

PART B: HOUSING MANAGEMENT

Allocations

1. The current allocations policy has been revised since the last Audit and addresses all the issues raised in the previous audit report.
2. An examination of the selection and allocation processes confirmed that these are carried out in accordance with policy. In specific instances the Association uses age criteria in a bid to achieve sensitive lettings. This needs to be more formally articulated, reflected in policy and agreed by Committee.
3. The Association's approach to dealing with breach of tenancy issues is covered in leaflets and is outlined in the "Supplementary Guidance Notes on Completion of the Housing Application Form". Accessibility may be improved by incorporating this into the revised policy. The requirements of the Housing Scotland Act 2001 will be addressed in the revised policy.
4. The standard of reporting on allocations is very good. Some suggestions for further improvements are:
 - showing more explicitly how many homeless applicants are being housed. At present the No Permanent Tenancy (NPT) category serves as a proxy for this;
 - provide a year to date figure where appropriate for example on housing list movement;
 - providing more narrative highlighting key performance points.
5. Some improvements could be made to the application process. No applicants were:
 - informed of options for alternative housing.
 - told where they could access independent information.
 - advised of the appeals process.
6. The examination of the allocation process showed that applicants were all housed quickly. The offer process was also efficient with needs clearly reflected in the offers issued.
7. Difficulties are still being experienced with nominations and the number of allocations to this group remains low. The process was agreed in November 2001 and "batch" nominations are now provided by the Council rather than the Association having to make requests for each vacant property. The results are being closely monitored.

Management of Voids

8. Outcomes on void management are not good but there is evidence of improvements since the beginning of the financial year (see table below). Some outcomes have also been skewed by successfully letting 3 long term voids in Dalmarnock.
9. The quality of reporting is good and being refined constantly. Performance information is available on a monthly basis to staff and meetings are held bi-monthly to discuss results. Targets are in place and there is a clear view of the linkages to other aspects of the Association's work. Further improvements are planned such as analysis of the reasons for termination.

Table 1 Voids and Relets

	31 March 2000	31 March 2001	31 Dec 2001
Void Loss as a % of the gross rental income	2.5%	2.2%	1.8%
Average relet times	49 days	50 days	42 days
Relets within 2 weeks	6.7%	9.5%	18%

(Source APSR 1999/2000 and 2000/2001 and Thenew reports)

10. In some instances the operation of nomination arrangements has had a detrimental impact on void performance but these issues have been raised by staff (see paragraph 7 above).

Tenancy Agreements

11. This performance standard was not assessed as part of the tailored audit.

Rents and other Charges

12. Factoring debts have increased almost fourfold with the transfer of BDHA stock. However, there is evidence of improvements in performance from this low point. A detailed and comprehensive action plan has been drawn up and Committee are kept well informed of progress via good quality reports.
13. At the time of the Audit new payment methods were about to be introduced. This will allow tenants to pay using a swipe card and to pay in monthly instalments. Additionally a debt recovery agency has been employed on a trial basis to assess whether this can improve recovery rates.

Rent Arrears

14. The Association's total arrears figure (technical and non-technical) has increased from 3.1% at 31st March 2001 to 4.64% in October 2001. However, non technical arrears had only risen from 2.2% to 2.75% in the same period. The increase in total arrears since the beginning of the financial year has been largely due to the impact of the BDHA transfer but also to increasing technical arrears.
15. An examination of arrears management confirmed that regular contact is maintained with tenants in arrears. The policy was reviewed in November 2001 and as well as placing greater emphasis on home visits incorporates more detailed guidance for staff and liaison with other agencies.
16. Good efforts are being made to increase the quality of service for tenants and to reduce technical arrears. This includes initiatives such as holding Housing Benefit surgeries attended by Council Housing Benefit Officers. At the time of the Audit it was too early to measure the success of this initiative.

Estate Management

17. This is an important area for any RSL but it is crucial for Thenew to achieve good quality estate management as it is operating in particularly challenging areas and needs to maintain demand for the inter war stock. This is a concern which has been clearly recognised and addressed by staff.
18. Two staff members are trained mediators. The service has been advertised in Association newsletters but to date there has been little demand.
19. Staff have also developed initiatives to address particular local issues which impact on neighbourhood quality. These are good examples of inter-agency working.
20. A tour of the Association's stock confirmed high standards of estate management including well kept gardens and common areas and little evidence of dumping or graffiti.

Quality of Customer Service in Housing Management

21. The approach adopted by the Association presents a clear commitment to achieving high quality customer service. It is particularly good to see specific customer service standards set down. These standards have not (see A3 paragraph 23 above) been fully publicised or monitored

and there are therefore no outcomes to assess at present. However, a Service Standards Working Group was established in January 2002 to produce, in consultation with tenants, a Service Standards Booklet publicising agreed Service Standards.

22. The major additions to the Association's stock since 1999, when the last full scale Tenant Satisfaction Survey was completed, mean that a large proportion of tenants have not been consulted to obtain their views of The new as a landlord. This is a timing issue as it makes sense for tenants transferring from BDHA to have some settling in period.
23. There are plans to commission another survey in the first half of this year but this means there is no formal data on views of former BDHA tenants and sharing owners. Views are gathered about other aspects of Association business and these are discussed in the relevant section of this report.
24. It may be useful for the Association to consider accessing tenants views about specific elements of service provision for example close cleaning, management of voids, anti social behaviour and neighbour disputes

Tenant Participation

25. This is an area of particularly good practice for the Association. There is clear commitment to the principle and tenants are able to input to policy reviews, determine local priorities and receive performance information.
26. The range and quality of information going to tenants is generally good but there are suggested improvements. These relate to:
 - standardising the basic set of targets and information presented to tenants via Area Associations;
 - producing a Tenants Handbook. This has been the gap to date although it is plugged to a certain extent by the available leaflets. Further consideration should be given to determining the best format for providing tenancy information which people can easily retain and access.

Housing Management: Performance Assessment Summary.

1. Housing Management has been awarded a “B” grade which acknowledges very good compliance with most standards.
2. Outcomes in many areas of Housing Management are not good but this needs to be seen in the context of the Association’s operating environment. Not only is it operating in highly challenging areas but the organisation has had to manage significant change over the last 2 years in incorporating the former BDHA’s assets.
 - Performance in void management is beginning to reflect the high quality process which is in place.
 - Good arrears management is keeping this area under control although the levels of debt inherited from BDHA were higher than Thenew’s.
 - Management of factoring is at an earlier stage of development and performance has been significantly affected by the BDHA transfer.
3. Thenew provides an excellent example of commitment to tenant participation and has good quality processes in place to provide information to tenants, involve them in determining local priorities and consult them on policy.

PART C: MAINTENANCE

Legal Requirements and Policies

1. The Association's approach to policy development is good. Policies and procedures have been reviewed to ensure equality of treatment and standards in operating practices throughout Thenew's area of operation. Following resident consultation in the former Bridgeton and Dalmamock Housing Association (BDHA) area, decisions will be made on any changes required.
2. A corporate policy on Procurement has been developed demonstrating the Association's commitment to delivering a consistent service. A comprehensive policy on Reactive, Cyclical and Major Repairs is in place that has been reviewed in consultation with tenants, through the network of local Area Associations and steering groups.
3. The Internal Audit Report for March 2001 rated the Association's controls on Rechargeable Repairs as 'poor'. The policy and procedures were reviewed in September 2001 with area teams assuming responsibility. Debt recovery action has started but the overall amount outstanding increased slightly between August and December 2001. Efforts will continue to improve performance in this area.
4. The assured tenancy agreement is based on the Scottish Federation of Housing Association's (SFHA) model of good practice and incorporates the relevant division of responsibilities for maintenance. In compliance with a recommendation at the previous Performance Audit, the Association issued its tenants with a 'Division of Repair Responsibilities' leaflet.

Gas-Servicing

5. Administration of the gas-servicing contract is poor. Extensive delays have occurred in carrying out gas safety inspections, with over 500 properties behind schedule. In approximately 50 of these, the gas safety certificate had expired over 2 years ago. Acknowledging the weaknesses, the Association advises that it has had difficulties with the previous contractors and recently appointed a new contractor in November 2001. The Association advises that the contractor has programmed and is now resourced to complete all outstanding annual gas safety inspections by the end of April 2002.

6. It is imperative that the Association regains control of this key area of work and effectively meets its responsibilities under the Gas Safety (Installation and Use) Regulations 1998. It is recommended that:
- a robust system is established to control the gas-servicing contract through the maintenance of a gas safety management system;
 - there should be timely compliance with the obligations of the Gas Safety Regulations by specifically ensuring that gas appliances are checked annually;
 - an appropriate performance monitoring and reporting framework should be introduced;
 - working practices are reviewed and sufficient time built into the cycle of inspections to allow follow up action in cases of no access; and
 - tenants are provided with a current gas safety record.

The Association has taken steps to address the issues listed above and is implementing remedial action to fulfil its duties.

Responsive Repairs

7. The Annual Performance and Statistical Return (APSR) to March 2001 was successfully validated as part of the Audit. Outcomes were good for emergency repairs, with 92% completions achieved on target. However only 76% of urgent and routine repairs were completed on time, representing fair performance. The responsive repairs service has improved since the APSR to 31 March 2001.
8. In recognition of the fact that the Association does not meet its target of 90%, it has reviewed practices and procedures. New contracts were awarded from May 2001 when a comprehensive approach was adopted, with contractors selected by tenants' representatives. Internal processes are improving with ongoing training for the area teams, who are now responsible for the delivery of reactive maintenance.
9. The performance monitoring report for April to July 2001 shows significant improvement in contractor performance, with upwards of 94% of repairs completed within target across all categories. Performance to November 2001 however went below the 90% target and actions will continue to improve on this.
10. Performance monitoring continues to be rigorous. Monthly review meetings are held to monitor both internal and contractors performance, expenditure against budget and progress on the major and cyclical repairs programme. Reporting is generally good, with regular performance and management information reports presented to Committee and made available to Area Managers.

11. The reactive repairs report could be improved by summarising key performance results. The use of both data and process benchmarking would also benefit the service.

Budget Monitoring and Reporting

12. The Committee receive quarterly reports on reactive, planned and cyclical maintenance spend against budget. Progress to date for 2001/02 is good. Area budgets are monitored monthly and outcomes reported to Committee. The report would be further developed by:
- Including percentage spend against budget;
 - reasons for variations and,
 - projected spend for the coming 6 months.
13. A sample of paid invoices was traced and the quality of repairs administration was found to be good. Repairs had been correctly categorised and more than one person had been involved in recording, instructing work and authorising payments.
14. The Association has provided for planned maintenance on the basis of expenditure levels set out within the Large Scale Voluntary Transfer (LSVT) contract.

Pre and Post Inspections

15. Post inspections are carried out in a variety of pre-determined circumstances and the Association intends to develop systematic analysis of survey outcomes. It is important to strike the right balance and commit an appropriate level of staff time and resources to Pre and Post inspections.

Planned Maintenance

16. The new has stock condition survey information for all its stock that has been subject to professional independent valuation. Stock condition survey results and Life Cycle Costing (LCC) information have been combined to form an assessment of planned maintenance programmes over 30 years.
17. This data has been used in the development of The new's revised draft business plan and the rolling 5-year major repairs programme. The Association intends to carry out stock condition surveys on a cyclical 5-year basis in order to inform and update the maintenance programme. The next survey is scheduled for 2002.

18. At the time of the Audit the Association did not have a definitive strategy in place to ensure that funds are available for future maintenance work. We are unable therefore to make any assessment of the funding strategy and its integration into overall financial planning. This is discussed further in the finance section of the report. The approach to dealing with major repairs is a key issue to be concluded in conjunction with the Association's lenders.
19. As part of the proposal to transfer the former BDHA stock to Thenew, Communities Scotland agreed to contribute to funding the major repairs programme in the first 3 years following transfer. Accordingly, the Association has programmes in place to spend £900,000 Housing Association Grant (HAG) in Bridgeton and Dalmamock over the next 3 years. Anticipated spend for year one is on target.
20. Consultants have been appointed to provide professional services for all HAG funded projects in the major repairs programme, following a comprehensive brief for 2001/02 issued in June 2001.

Accountability in Procuring Maintenance Work

21. Procurement arrangements and methods used to manage both the approved list and contractor performance are good. Contractors are advised of the standards to be achieved (targets and behaviour) via a Code of Conduct that was agreed by tenants as part of the recent appointment of the reactive repairs contractor. The Code is also incorporated into tender documents and there is a requirement for contractors to submit details of their equal opportunities procedures.
22. A sample check of tender documentation was examined as part of the Audit and practice was found to be in accordance with the Association's procedures.

Quality of Customer Service in Maintenance

23. The Association provides an appropriate range of information to tenants on the maintenance service through quality newsletters and a set of information leaflets that give good coverage of major repair issues. Statistical information on the performance of the maintenance service was included in the August 2001 newsletter.
24. The 1999 Tenant Satisfaction Survey (TSS) reported 71% overall satisfaction levels with the maintenance service. This falls below the median rating for Associations of 81%. A further survey will be carried out in the first half of this year when results are expected to improve.
25. The Association did not routinely ask tenants how satisfied they were

with completed repairs. A system for gauging tenant satisfaction was being developed at the time of the previous Performance Audit, however this proved ineffective. Information on tenant satisfaction continues to be largely anecdotal however this area is developing and a new system providing 100% opportunity to record responses was introduced in December 2001. A freepost tenant satisfaction card is combined with a receipt, giving tenants the due completion date and contractors details. This system is in its infancy, however based on an 11% return rate for January 2002, results are 88%. Results will be analysed, reported to Committee and Area Associations and will feed into the annual review of the Approved List.

Maintenance: Performance Assessment Summary

1. It is recognised that there have been improvements in the Maintenance function since the last Performance Audit, most notably regular performance monitoring and the application of consistent standards of service.
2. Tenant satisfaction levels are adequate. The Association is confident that this will improve in the Tenant Satisfaction Survey to be carried out in the first half of this year, given the changes in service delivery.
3. There are a number of areas where improvements would enhance the overall quality of the maintenance service. Further work is required to:
 - implement systematic procedures to reduce rechargeable repairs debt;
 - continue monitoring and improving reactive repairs response times and
 - adopt a suitable funding strategy for Major Repairs.
4. Performance is poor in the area of gas servicing. As a matter of priority the Association must meet its responsibilities timeously and demonstrate compliance with the Gas Safety (Installation and Use) Regulations 1998.
5. Overall performance is satisfactory and Maintenance is awarded a 'C' grade. This represents good performance in light of the operational and organisational changes that have occurred since the last Audit.

PART D: DEVELOPMENT

Planning

1. Thenew has prepared a high quality Strategy and Development Funding Plan. Objectives and strategies link closely with those of the Regional Office and Thenew has always made a contribution to the development of local strategies and shown commitment to partnership activities.
2. The Association's geographical spread and its ability to deliver enables it to access significant resources from Communities Scotland Regional Office.
3. The main strand of the Association's development activity over the next three years will be the continued delivery of an agreed strategy for Cranhill, Bridgeton and Dalmarnock. A development strategy for Calton is currently being progressed, and it is hoped that building work will begin later this year. New Build Programmes in Castlemilk and Blackhill are nearing completion but further support from the Regional Office is envisaged in relation to environmental works and wider role activity.
4. The Association has been successful in attracting other sources of development finance, such as Empty Homes Initiative funding, in addition to Housing Association Grant and private funding.

Assessing Housing Need And Internal Co-ordination

5. Appropriate measures are in place to identify housing need and demand, including:
 - a good range of comprehensive policy documents
 - pilots surveys to assess need, and
 - a satisfactory procedure to ensure appropriate liaison between the development section and other departments in planning for projects.

Good examples of joint working can be seen from the approach taken in developing two new policy documents, "Development Needs Assessment" and "Housing For People With Particular Needs".

Administration & Management

6. Thenew has a very active and varied development programme. The Association's Grant Planning Target has increased significantly in recent years and stands at £6.542m for 2001/02 with a provisional figure for 2002/03 of around £6.666m. Output over the next three years will see the Association building a further 139 properties and commencing £1m grant funded major repairs programme.
7. The development function is managed and supported by a group of experienced and professional staff. Thenew's programme management skills are particularly good. Their ability to accelerate the programme and take up additional expenditure as opportunities arise is also commendable. This has benefited Thenew tenants as it has allowed the Association to rehouse tenants more quickly than originally planned. The quality of funding submissions, and the Association's ability to control costs effectively contribute to the high standards evident in administration and management.
8. The Association clearly demonstrates the ability to manage and administer the development function in an efficient and effective manner. Agreed programmes of work and grant planning targets are successfully met with site starts normally occurring on time or ahead of schedule. Overall the Association has achieved a very good performance particularly given the scale and nature of the programme.
9. The Association's approach to contract administration is generally good. Overall compliance with the relevant statutory requirements was demonstrated based on a detailed file check for Blackhill Phase 2B. The following points were however noted
 - There was no acceptance letter on file from the Clerk of Works for their appointment.
 - The Health and Safety file was not available for inspection at the time of the audit.
 - There were no written reports from the Clerk of Works.

The Association confirmed that the current practice of reporting works well. It is however recommended that the Association reviews the practice of verbal reports and looks at formalising the process to ensure accountability.

10. Within the last year the Association has successfully managed a contractor's claim and a contractor's liquidation. Risk to the organisation in relation to potential losses was minimised through the proactive approach adopted by the Association.

11. There was a £0.266m deficit in the development cost centre in the 3 years to 2000/01, although the most recent Management Accounts for September indicates a deficit of £0.053m. The Association has taken positive action by initiating a Services and Development Review during 1999/2000. This together with factors such as increased development activity, staff restructuring and adopting different forms of procurement, have helped to reduce current deficits. The Association is aware of the need to continue efforts to monitor and reduce the deficits and have a realistic strategy in place to address this.

Performance Review

12. Staff present regular reports to the Development Sub Committee in a standard format in line with development procedures. This includes a summary of progress of each project, quality assessment of contractor and consultant performance, spend against budget and reasons for programme slippage. Incorporating recommendations into the Development Programme Expenditure Report could however enhance reporting. This would allow recommendations to be made to adjust for example programme planning and spend patterns.
13. Reports are also provided to address compliance against performance standards. This is viewed as an appropriate checking mechanism and good practice. Overall the performance review framework is thorough and detailed.

Accountability in Procuring Development Work

Procurement Methods

14. The Association's approach to procurement is underpinned by a robust corporate policy and detailed procedures for appointing contractors and consultants. A variety of different procurement methods are used which incorporate good practice guidelines. The method is normally determined by factors such as programme delivery, balancing quality and price and performance. The projects currently on site have been procured through a variety of means including negotiation, competitive tendering and partnering. The BQP approach was used to appoint the contractor in the most recent partnering arrangement. Paperwork from the BQP exercise was examined and the process was found to be thorough, well documented and transparent.
15. A partnering project in Cranhill involving consultants, contractors, the Area Committee and Association won a partnering award from the National Council for Housing and Planning in 2000. A key feature of the project was a Minute of Agreement between the Association and the Area Committee setting out delegated decision-making powers to the Area Committee.

16. The Association operate a database of contractor and consultants by area of expertise, experience and size of contract. From this a list of potential contractors and consultants are presented to the relevant sub committee for approval. Thereafter the BQP methodology is applied.
17. There is further scope for the Association to address equal opportunities more directly in procurement practices. Though staff indicated that the Association requests a copy of equal opportunities policies, no reference to equal opportunities is made in the assessment criteria.
18. Overall the approach to procurement is very good. Of particular note is the Association's procedure to assessing both consultant and contractor selection. The Association's decision to consider a second set of contractors and consultants for future partnering agreements is welcomed, as this will minimise risk to the organisation. It is recommended the Association incorporate this decision into their procurement policy.

Quality of New Homes

19. The Association is complying with the design criteria in Housing For Varying Needs. Recent new build projects have consistently achieved above average SAP ratings and good barrier free standards. The new has also demonstrated its ability to address sustainability and environmental issues. Two recent Post Completion Reviews, Cranhill Phase 1 and Blackhill Phase 2a, undertaken by Communities Scotland Regional Office, concluded that both projects met the targets set for physical standards and value for money and overall the aims and objectives set for the projects were achieved.
20. Likewise the Association has demonstrated a commitment to innovative design initiatives. The Scottish House Of Tomorrow project was a joint winner in the Regeneration of Scotland Supreme Award. The Cranhill Phase 1 project was "highly commended" in the 2001 Scottish Housing & Environment Innovation Awards for energy efficient housing. Building on the good practice of innovative solutions the Association is currently piloting a Thermal Imaging Survey to ensure that wider issues of sustainability are addressed.

Quality of Customer Service in Development

21. Normal practice is for The new to carry out post completion surveys between 6-12 months after completion of each project. Responses are considered by the Area Committee and reported to the Development Sub Committee. Response rates for recent projects have been good,

ranging from 85% -95%. Staff undertake a thorough analysis of responses and produce Action points and an Action plan.

22. It is particularly good to see clear follow up action on issues, which have arisen from these surveys. Recent survey results have fed into the review of the Association's design guide and changes for future phases. Due to poor customer satisfaction levels in relation to defects the Association is piloting a programme of response times with the contractor similar to the current system for monitoring repairs. The proactive approach adopted by the Association is welcomed.
23. The Association has a number of routes to enable tenants and residents to influence the development strategy. This is achieved through Area Committees, local strategy groups, working parties, surveys, open days and regular area based newsletters. There is also evidence of good working relationships between the Area Committees and the Development Sub Committee.

Development: Performance Assessment Summary

1. Development has been awarded an “A” grade to reflect the high quality performance of the Association against the standards assessed.
2. The Association has a clearly articulated development strategy. This is evident from the development of local housing strategies and area plans together with an overarching strategy which closely links with Communities Scotland Regional Office priorities. The Association is also a key player in various strategic forums and local partnership activities.
3. The administration and management of the development function is of high quality, although a few minor suggestions for improvement are made in the report. There is a good range of development policies and procedures and a sound knowledge of programme planning, monitoring and reporting. Good internal liaison and joint working takes place between departments.
4. While there is a cost centre deficit, it is acknowledged that the Association is taking appropriate action to address this.
5. The Association’s approach to procurement is thorough and demonstrates a commitment to assessing quality in both contractor and consultant selection. There is scope however to address equal opportunities more directly.
6. The Association’s commitment to innovation has resulted in successful projects and their work has been recognised nationally. One project won an award for building innovation, and another was “highly commended” for sustainability in design.
7. An effective framework is in place to involve tenants in the development process and to take account of feedback.

PART E: FINANCIAL MANAGEMENT

Financial Planning & Risk Management

1. Communities Scotland regional office carried out a Financial Viability Risk Assessment (FVRA) in conjunction with the performance audit. The FVRA concluded that Thenew had an average exposure to risk.
2. The budget process is good, inclusive, and incorporates regular monitoring and revision. Good quality budgets are produced which allow staff and Committee to see performance for Large Scale Voluntary Transfer stock, each area office and each cost centre.
3. Thenew has addressed the issues relating to cost centres raised in the last audit report. While some cost centres have deficits these are in the main negligible and do not threaten the financial position of the organisation.
4. Where deficits are more significant, such as in development, the association has taken a thorough approach to assessing options and minimising risk.
5. Longer term financial planning is the key area where further work is required. Thenew has followed a good quality, comprehensive process in developing the elements to build up the long term plan. The draft plan has been presented to Committee for discussion, setting out 6 scenarios for members to consider.
6. Further work is required to develop the most appropriate options or “scenarios” for Thenew to pursue. The Association needs to conclude planned negotiations with lenders prior to assessing the impact of the revised business plan on its major repairs programme.
7. Once completed the long term plans and projections need to be fully incorporated into the Internal Management Plan.
8. There are no concerns about the Association’s viability and stability as the organisation is well managed. However the ability to deliver a full programme of major repairs to the association’s preferred time scales will depend on the success of negotiations with funders both private and others and their success in controlling costs.
9. Plans are in place to renegotiate the Association’s borrowing. Several loans have comparatively high margins and initial approaches have been made to the lenders with favourable indications.

10. The Association has appropriate insurance in place and an examination of the records confirmed that a process aimed at achieving value for money was pursued. Random checks confirmed that insurances were in place for contractors and consultants.

Financial Control

11. The new has performed particularly well given the additional workload involved in the Bridgeton & Dalmarnock Housing Association stock transfer. Several factors have made a positive impact on the Association's ability to perform effectively. These include;

- A computer system that is now operating well after some initial teething troubles. This is helping the Association to achieve better quality reporting with minimal manual input.
- Effective information flows between staff and Committee and across staff groups. This is contributing to good integration between departments and good quality decision-making. Clear statements of staff responsibilities and delegated authorities and good policies and procedures all contribute to the quality of this process. Other examples include clearly presented management accounts and reports to Committee.

12. Initiatives are also being introduced to improve efficiency although at the time of the audit it was too early to assess the impact of these. These include;

- Using a debt recovery agency to pursue factoring arrears. This will be extended to the recovery of former tenant rent arrears and rechargeable repairs as appropriate.
- Implementing a swipe card system for tenants and owners and improving methods and arrangements for paying bills.

13. The new is performing well against the financial indicators required in submissions to Communities Scotland. The organisation is keen to supplement this by developing their own performance indicators in conjunction with lenders. Covenants have already been renegotiated but these will be reviewed to make them more meaningful for the current operation.

14. Staff numbers (and consequently staffing costs) are high in The new but this is due to the decentralised structure which the Association has adopted. The management team are aware of the need to monitor these costs closely.

Table 2 : Costs

	1998 / 1999	1999 / 2000	2000 / 2001	Median 2001 / 2002
Administration Costs	£731	£708	£798.20	£587.50
Staff Costs	31.8%	29.5%	30.85%	19.3%
Business Overheads	6.0%	4.8%	4.6%	4.1%

(Peer Group 7)

15. Historically Thenew's administration costs have been high and have increased over the last year. This increase is again largely due to the costs of the BDHA transfer but as with staffing the decentralised structure has cost implications. When the costs of transfer are removed the trend in administration costs is downward. The table shows that staffing costs have remained relatively stable while the trend for business overheads is downward.

Finance: Performance Assessment Summary

1. The Finance function has been awarded a 'B' Grade which acknowledges very good compliance with most standards assessed.
2. Thenew is largely debt funded and will therefore not be able to achieve the surpluses generated by more traditionally funded Registered Social Landlords.
3. As with all other parts of the Association's business, there is a characteristically thorough approach to each task. Thenew's performance in terms of the structures, processes and policy framework is very good. Information flows throughout the organisation which is good and it is clear that control is being exercised.
4. The major area of work for Thenew now in relation to finance is to conclude the business planning process. This will involve negotiations with lenders and is essential to conclude their plans for long term major repairs.

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.
Balancing Quality and Price (BQP)	This term was introduced in a report by the Construction Industry Board set up by the Government to establish new good practice guidance for the construction industry. BQP is now used as a basis for the selection of consultants which means looking at both the quality of the service and the fees. Applying BQP means cheapest is not always best.
Benchmark	A process used by organisations to systematically measure service processes and performance and then compare them with the performance of others in order to meet good practice. It is a management technique for improving the efficiency and effectiveness of work processes.
Housing Association Grant (HAG)	The capital grant that is paid to a RSL by Communities Scotland to meet the bulk of the capital cost of rehabilitation and new-build housing projects.
Life Cycle Costing	A method of calculating the cost and timing of the repairs to, and replacement of, major building components.

Partnering	Partnering was introduced following government research into the construction industry. The aim is to improve efficiency and reduce confrontation between the RSL and its consultants and contractors. It is a structured management approach to improve teamwork. Partnering requires formalised objectives, agreed problem solving methods and an active search for continued measurable improvements.
Peer Group	A group of organisations facing similar tasks and challenges with which comparisons can be made. These could be in e.g. size of housing stock, geography and deprivation/prosperity.
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.
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.
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 RSL.
Relets	Lets made to the second or subsequent tenant. Distinguished from new lets that are made when the property is first built or modernised.
Registered Social Landlord (RSL)	A landlord providing social rented housing that is registered and regulated by Communities Scotland.
SAP ratings	The Government's Standard Assessment Procedure for energy rating of dwellings. Minimum standards are set by Communities Scotland as a condition of grant funding.

Scottish Federation of Housing Associations SFHA	The membership body for Housing Associations and Co-operatives in Scotland.
Secured by Design	An accreditation awarded by the Police Authority aimed at developers and builders to upgrade the security against crime and fire of properties. It covers estate design, physical security, security lighting and smoke detectors. Communities Scotland expects grant-funded projects to receive this accreditation.
SMART	An acronym which summarises the attributes which targets should have i.e. specific, measurable, attainable, results oriented and time based.
Stock condition survey	A survey of stock to establish the level of existing defects and to allow the RSL to project future repair needs.
SWOT Analysis	An assessment of the RSL's strengths and weakness, the opportunities available to it and threats which may affect performance.
Tenancy Agreement	Legal document or contract between landlord and tenant setting out the rights and responsibilities of each.
Void	A property without a tenant. Voids occur in the period between one tenant leaving and another taking over the tenancy.