

TAILORED PERFORMANCE AUDIT REPORT

HILLTOP VIEW HOUSING CO-OPERATIVE

4-6 and 7 December 2001

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Hilltop View Housing Co-operative Limited  
Performance Audit Report - February 2002

## **HILLTOP VIEW HOUSING CO-OPERATIVE LIMITED PERFORMANCE ASSESSMENT SUMMARY (December 2001)**

### **1. Performance Assessment Summary**

#### **a. Introduction**

This report presents the findings of the Performance Audit of Hilltop View Housing Co-operative Limited by Communities Scotland's Regulation staff.

#### **Why Do We Carry Our 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 Co-operative 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?**

Lynne Donnelly carried out the Performance Audit with Katrina Kelly in attendance as an observer.

#### **How and when was The Performance Audit carried out?**

The Performance Audit process began in November culminating in a visit to the Co-operative on the 4<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> December 2001. Having examined briefing material requested from the Co-operative, the Performance Auditor developed an understanding of its operating context and decided what would be examined and what techniques would be used to find out more. A number of techniques were employed to get behind the paperwork and assess the service from a consumer 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 Co-operative, for example, the Local Authority and the Housing Association Ombudsman;
- meeting with Committee Members to discuss their views about the Co-operative's services; and
- discussions with residents.

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

## **b. Context**

Scottish Homes registered the Co-operative in July 1991, its main objective being the provision and development of quality housing in the Provanhall area of Easterhouse, Glasgow. The Co-operative has worked steadily since its creation to renovate its housing and has managed a busy development programme of new build properties. At the time of the Audit the Co-operative was responsible for the management and maintenance of 220 houses and was about to take ownership of a further 104 newly built houses under construction.

With the aid of Communities Scotland Housing Association Grant (HAG) funding and New Housing Partnership (NHP) funding the Co-operative is building 68 houses for rent. It has worked closely with Glasgow City Council (The Council) and a working group of local residents to develop these houses and will shortly rehouse tenants from poor quality Council housing in the surrounding area. Once all the tenants are rehoused the Council's stock will be demolished. This will result in further improvements to the surrounding environment in Provanhall.

In addition to the provision of standard housing and development services the Co-operative provides a factoring service to owner-occupiers resident within its stock. It has also been involved in some wider action activities, mainly offering assistance and advice to local groups and those with connections to the social inclusion partnership which operates in the wider Easterhouse area.

The Co-operative has recently achieved Local Housing Organisation status which may result in it providing services to 210 Glasgow Housing Association tenants. Although the future impact on the organisation is unclear, it anticipates working closely with its partners and local residents to ensure a successful outcome of this initiative. The Co-operative's structure may have to change to accommodate the increase in service provision required of this project but at present it is working effectively.

The Committee of Management has responsibility for all aspects of the business. Four sub-committees assist it. The sub-committees have responsibility for developing the Co-operative's approach to the provision of housing, technical, financial services and for staff management and training.

### c. Definition of Grades

The grades summarise performance in the following way:

- Grade 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

Hilltop View has been awarded the following Grades:

<b>FUNCTION</b>	<b>GRADE</b>
Governance and Accountability	B
Housing Management	A
Maintenance	C
Development	B
Financial Management	B
<b>Overall</b>	<b>B</b>

### e. Overview

The Co-operative has demonstrated a good performance throughout the Audit resulting in a 'B' grade being awarded. It clearly has significant strengths in its approach to service delivery and meeting Performance Standards. We are fully satisfied that the Co-operative has the ability and commitment to address the issues raised in this report. Areas of strength include:

- commitment demonstrated by committee members;
- strategic planning;
- staff knowledge and awareness;
- approach to policy development;
- commitment to continuous improvement; and
- financial planning.

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

- internal audit;
- health and safety;
- clarifying customer opinion of its service delivery;
- developing its approach to planned maintenance; and
- reducing any potential risks associated with the development function.

**f. Conclusion and Follow-up Strategy**

The Co-operative 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 Hilltop View'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.

Lynne Donnelly  
Performance Auditor  
Regulation and Inspection  
Communities Scotland

Draft Report issued: 14<sup>th</sup> January 2002  
Final Report issued: 11<sup>th</sup> February 2002

## **PART A: GOVERNANCE AND ACCOUNTABILITY**

### **Constitution and Structure**

1. The Co-operative's committee structure and standing orders were reviewed between June and August 2000. The current structure has allowed the organisation to manage its business in an efficient and effective manner. The organisation recently received Local Housing Organisation status and, in the coming year will be involved in discussions about how services will be delivered to this new group of local residents. To allow representation from these residents the Co-operative's constitution and structure may be subject to change in the near future.

### **Governing Body**

2. The Management Committee demonstrated a good degree of control over the Co-operative and its activities. Meetings are held on a regular basis and, given the small number of Committee Members available, are well attended. Structured Agendas and good quality written reports are issued in advance of each meeting. Issues are fully discussed prior to any decisions being taken. A good and effective working relationship has been established between staff and Committee.
3. A pro-active approach has been taken to promoting membership of the organisation. Approximately 40% of the Co-operative's tenants are members and membership is actively promoted through routine publications and during the 'sign up' process adopted for new tenants. Committee Membership is low, consisting of nine members at the point the Audit was conducted. Despite this we are satisfied that the organisation is taking all appropriate steps to attract new members to the Management Committee and to ensure that existing members receive the support required to sustain membership.
4. The Management Committee demonstrated a good level of knowledge about the organisation and a strong commitment to developing and improving standards for its tenants and for residents in the surrounding area. A good induction process has been established for new members and their desire for continued training was apparent during the Audit process. The Committee has not undertaken a skills audit or developed a training plan although a commitment has been made to doing so with the assistance of an independent training body. We recommend this is given priority in the coming year and that the Management Committee measure its performance against any objectives and targets identified through the process.

### **Operational Management**

5. The Co-operative has addressed many of the issues highlighted in the previous Performance Audit Report relating to its Internal Management Plan. The revised Plan is of a good quality and clearly articulates the Co-operatives future focus. Long-term financial projections have recently been reviewed but have not been incorporated within the Plan. We recommend the Co-

operative address this once the issues highlighted at paragraph 49 of this report are progressed. We also recommend that the Management Committee give consideration to expanding the objective highlighted for the Development function. This sole objective is process driven and does not take account of the Co-operative's clear desire to provide good quality, sustainable housing.

6. The methods adopted to develop and monitor progress against the Plan was assessed. It is clear that the Management Committee and staff are involved in its preparation and that it is used to monitor performance against stated objectives.
7. The Co-operative has addressed the issues highlighted in the previous Performance Audit Report regarding the quality of its risk management strategy. With the exception of service delivery, risk areas have been clearly identified, rated and a timetable established to ensure ongoing review. The quality of the document would be improved by incorporating a section identifying risk areas, which could impact on service delivery within each functional area. The Co-operative should ensure that it monitors progress against its review timetable and that the strategy is routinely updated prior to the next full-scale review scheduled for March 2006.
8. Some improvements have been made to the Co-operatives management of Health and Safety. Systems have been established to ensure equipment is tested annually and staff participate in relevant training. The Co-operative is however, placing its customers, staff and Committee at risk by not conducting routine fire drills and should introduce these as a matter of urgency.
9. The Co-operative has developed good quality policy and procedure documents that clearly articulate its objectives and are written in plain English. Service based policy reviews are discussed by the relevant sub-committee prior to being presented to the Management Committee for discussion and approval. Corporate policies are fully discussed by the Management Committee. We are satisfied that tenant opinion on the quality of service delivery is fully considered during this review process and that tenants are given the opportunity to discuss revised policy documents prior to their implementation.
10. Through examination of two recruitment exercises the Co-operative has demonstrated improvements to recruitment practice. It is clear from the documentation that appropriate appointments were made in each case. The Committee may wish to consider introducing a structured system that clearly prioritises interviewees and provides a clear audit trail to support its decision-making process.
11. The Co-operative cannot demonstrate compliance with standard A3.6 on Internal Audit. It is clear that some minor points, highlighted through a brief inspection carried out during 1998/1999, have been addressed but it has not developed its approach to Internal Audit since that time. Plans are in place to review the approach to Internal Audit during February 2002. We recommend;
  - a full scale review is undertaken;

- an officer or committee member is given delegated responsibility for the function;
- risk is considered for all functional areas; and
- a rolling programme of inspections is developed which reflect the degree of risk identified in the revised Risk Management Strategy.

## **Ethical Practice**

12. The Co-operative's policy in relation to Payments, Benefits and Corporate Accountability was examined and found to be acceptable with the following exceptions;
- Section 6 outlining the provision of leaving gifts for staff and Committee should be removed to reflect actual practice: and,
  - Section 10 outlining the acceptance of corporate hospitality and sponsorship should be refined to reflect actual practice and to provide examples of the type of hospitality and sponsorship deemed acceptable.
13. We are fully satisfied that the organisation operates in an open and accountable manner. It should however, ensure that any benefits which fall within Section 63 of the Housing (Scotland) Act 2001, formerly Section 15 of the Housing (Scotland) Act 1985, (future references will be restricted to the revised Act) are formally reported and agreed by the Management Committee prior to the benefit being granted. Refer to paragraph 27 for further information.
14. We are fully satisfied that the award and authorisation of Committee Members expenses is carried out in accordance with policy and good practice.
15. A good staff Whistleblowing Policy has been adopted. It was developed by the Co-operative and has been evaluated by its legal advisors to ensure that it complies with current legislation. When next reviewed the Co-operative should state that Management Committee members also have the right to access this policy.
16. The Co-operative give consideration to equalities issues through each of its policies and measures access to housing services on the basis of disability and ethnicity. It does not operate in an area of demand from black minority ethnic groups but can access translation services if required. The Management Committee has recently been giving consideration to developing an equality strategy outlining its approach to assisting all disadvantaged groups. We consider this to be good practice and recommend that it develop its strategy and monitor performance against its stated objectives.
17. The Co-operative has a good Openness and Confidentiality policy and demonstrates compliance with it through publication:
- of performance information in an annual report;
  - of policy statements in summary form: and
  - making non-confidential documents available to the public.

18. The quality of information made available to tenants, waiting list applicants and local residents is good. We are satisfied that the co-operative makes every attempt to communicate effectively with its customers.
19. The Co-operative has a good quality complaints policy and supporting procedures. It receives very few formal complaints about its services. Three cases were examined during the Audit. In one case there was no evidence that an anonymous complaint had been investigated. In another, the Technical Services sub-committee, not the Management Committee as stated in the Complaints policy, heard an appeal. The third case complied with policy and procedures. It is clear from two of the three cases examined that the Co-operative conducts a thorough investigation of complaints. It is also clear that complainants are kept well informed about outcomes in each stage of the process. The Co-operative should however ensure that:
- a record is maintained outlining the outcome of investigations into anonymous complaints; and
  - the appropriate committee hears appeals or the policy is amended to reflect actual practice.

#### **Functional Summary**

20. The Management Committee has demonstrated its commitment to the Co-operative, its staff, residents and customers of Hilltop view. Staff displayed a clear awareness of the potential issues, risks and opportunities facing the organisation as it develops its role as a Local Housing Organisation. Through its participation in local regeneration strategies the Management Committee has shown its commitment to its tenants and to the wider community. We are fully satisfied staff have the knowledge and commitment to maintain and where necessary improve upon service delivery.
21. It is important that the Management Committee continue its efforts to attract new members to assist in managing the organisation. It should also consider how it will measure and improve its own performance. To aid progress in the area it should participate in a skills audit and develop a training programme to meet the individual and collective needs identified. Some work is also required to develop the organisation's approach to Internal Audit, health and safety and risk assessment.
22. The Co-operated has demonstrated good processes for involving tenants in policy development resulting in some excellent policy statements being produced and promoted. These are presented in clear, articulate language, which is easy to understand. We are confident that policies that do not fully reflect good practice will be reviewed and improved in due course.
23. High standards of ethical practice were demonstrated by Committee and staff throughout the audit and were clearly reflected throughout the operational practices examined.
24. We have awarded a 'B' grade for the Governance and Accountability function

## **PART B: HOUSING MANAGEMENT**

### **Allocations**

25. The Co-operative has developed good quality allocation, transfer and mobility policies supported by detailed written guidance to assist staff in administering the service. On application applicants are provided with an information pack which again is of a high standard. With the exception of some stated restrictive practices the policy complies with recognised good practice documents. We recommend that the Co-operative review its policy to reflect open access arrangements as promoted in the Housing (Scotland) Act 2001. In particular it should remove reference to blanket restrictions of applicants:
- with arrears of rent;
  - with outstanding rechargeable repairs: and,
  - who have previously been evicted from a tenancy.
26. The policy makes reference to allocating properties in a way that creates and sustains a balanced community. In practice allocations are made to those with greatest housing need, as defined by the adopted points system. Some attempts are however made, when allocating new development phases, to ensure that clashes of lifestyle between tenants are avoided. Good practice is adopted throughout the allocations process and the Co-operative may wish to clarify its approach when next reviewing the document.
27. A clear audit trail has been established for each allocation. From the allocations examined the Co-operative demonstrated very high standards of probity and accountability with clear documentary evidence in support of decision-making processes. Two allocations governed by Section 63 of the Housing (Scotland) Act 2001 were assessed. Both allocations complied with the Co-operative's Policy and procedures and clear audit trails were in place. The Co-operative should however ensure that allocations of this nature are formally referred to the Management Committee for approval prior to offers being made.
28. Good working relationships have been established between the Co-operative and Glasgow City Council. It operates a traditional nominations agreement which can have administrative difficulties but is generally efficient. The Co-operative has worked in partnership with the Council to allocate 68 properties built with the assistance of New Housing Partnership funding. Excellent administrative procedures were established prior to the allocation of this scheme. These were initiated by the Co-operative to ensure that sufficient information was available to make appropriate allocations and to ensure new tenants were advised of the enhanced operational practices adopted by it.

### **Management of Voids**

29. The co-operative has sustained its excellent performance in managing the turnaround of void properties. The Annual Performance and Statistical Return 2000-2001 (APSR) was validated, confirming a total void rent loss for

rented property of 0.03% for the period. This aspect of service delivery was not therefore assessed.

### **Tenancy Agreements**

30. The Co-operative has adopted the Scottish Federation of Housing Association's model Assured Tenancy Agreement. New tenants are advised of their rights and responsibilities at sign up stage. Visually impaired customers have access to a taped version of the agreement if required.

### **Rents and Other Charges**

31. The rent setting and service charges policy has been reviewed since the last Performance Audit. An independent evaluation of the housing stock and existing rent setting and service charge structure was carried out. This was used to inform the policy review process. The resulting document is of a good standard. It includes clear information on costs and affordability and makes comparison with rents levied by other local providers. The implementation of the most recent rent increase was examined and found to be appropriately administered
32. Service charges are in place, which cover the costs of the services provided. Administration charges are also levied. These are based on time spent on each service as identified in staff time sheets. Service costs have reduced by careful management of the service and by tendering property lighting and environmental maintenance contracts. A tenant satisfaction survey conducted during 1999 indicated that tenants were aware of the services provided. Given the evident improvements to service delivery the Co-operative should give consideration to updating its survey and assessing satisfaction with the services provided.
33. Arrears levels as reported in the Co-operatives APSR were 3.2%. Improvements have been made since that time with non-technical arrears being reported as 2.7% in September 2001. Arrears control methods were examined. These were found to be generally acceptable with slight lapses in control during exceptionally busy periods and when the Housing Services Manager is on annual leave. We anticipate that, with the appointment of a Property Services Assistant, control over this area will increase.
34. The arrears report is of reasonable quality. Management Committee control over this function would however, be increased by amending the report to:
- reduce the level of detail reported on each arrears case;
  - provide summary information on extended arrears bands or groupings; and
  - extend the trend analysis to cover a longer period of time.

### **Estate Management**

35. A stock tour was undertaken to assess the quality of the Co-operative's estate management practices. This indicated that the physical environment was very well maintained and managed.

## Quality of Customer Service in Housing Management

36. Tenant views on the quality of housing services provided by the Co-operative were last assessed in November 1999. Since this time a number of improvements have been introduced including:

- enhanced environmental services;
- improved factoring arrangements and information provision to owner occupiers;
- improved complaints processes; and
- enhanced services to elderly residents.

Resident opinion on the quality of housing services has not been formally assessed. The Management Committee should give consideration to how it will access this information.

37. The Co-operative has made significant attempts to involve residents in policy development by holding public meetings and promotion of policy changes through newsletters and other publications. It has clearly demonstrated its willingness to amend policy decisions as a result of tenant feedback, for example, by refining the rent policy and the introduction of community alarm systems.

### Functional Summary

38. We are fully satisfied that the Co-operative operates an open and accountable allocation system and that applicants are given appropriate opportunities to apply and be assessed for housing. Good audit trails are in place in support of all allocation decisions.

39. We found the Co-operative is willing to assist Glasgow City Council in meeting its legal obligations to homeless people. It has also worked closely with Council staff and local residents to ensure that the allocation of the NHP funded houses was conducted in an effective and efficient manner.

40. Extremely high levels of performance have been demonstrated in void and estate management. A pro-active approach has been developed to managing and improving the Co-operative's approach to setting rent and service charges.

41. Trends indicate that current tenant arrears are reducing. We anticipate that, with the employment of a Property Services Assistant, further improvements will be made.

42. There is evidence that staff provide a good quality housing management service to tenants and customers. We found clear evidence of tenant participation in policy development and that several improvements have been introduced as a result of this participation. The Co-operative has demonstrated major strengths in the provision of its housing service. It should give consideration to how it will measure tenant and customer satisfaction with the service provided.

43. We have awarded an 'A' grade for Housing Management

## **PART C: MAINTENANCE**

### **Legal requirements**

44. Sample file checks conducted during the Audit confirm significant delays have occurred between annual gas inspections and that several inspections scheduled for completion during September and October 2001 have not been carried out. Although there was no indication that any gas system failed the inspection some certificates confirmed that follow up repair work was required. The Co-operative does not have systems in place to confirm that these works were carried out. The Co-operative had identified that its Gas Contractor was not performing to the standard required and recently tendered the contract. Anecdotal evidence indicates the service has improved however, we have concerns over the lack of control exercised in this area.

We recommend the Co-operative:

- review its approach to managing the gas servicing contract to ensure compliance with its responsibilities under the Gas Safety Act; and
- establish systems to ensure follow up work, as a result of annual inspections, is carried out.

45. The Co-operative's response repairs policy has been reviewed since the last audit with most recommendations contained within the previous Performance Audit Report being carried out. Policy documents covering other aspects of the maintenance service such as, rechargeable repairs, and procurement and planned maintenance are updated in line with the policy review schedule. The planned maintenance policy is scheduled for review during 2002 (Refer to paragraph 49 for further comment). Some further improvements are required to the various documents that are in place. These include:

- making clear the Co-operative's approach to managing pre-end of tenancy inspections;
- developing a long-term maintenance strategy;
- further developing the contractors code of conduct in line with recommendations included in the maintenance chapter of Raising Standards in Housing;
- clarifying response times applicable to the tenants right to repair policy; and
- developing a Construction, Design and Management policy, which reduces the risk, associated with any potential future maintenance contracts.

46. Repairs are selected for pre-inspection using various criteria including value, excessive or repeat repairs, suspected tenant recharge, where further information is required, emergency repairs reported during office hours and habitual repairs. Approximately 15% of repairs are being pre-inspected. Where post-inspections are carried out they are chosen on a value basis and for non-routine work or rechargeable repairs. During post-inspections the quality of workmanship is assessed and some attempts are made to clarify response times. This information is not however formally collated or reported to the Management Committee or tenants. To demonstrate greater control

over the process reports should also be amended to include of the following information:

- information supporting compliance with contractor response times;
- quality of workmanship;
- tenant satisfaction with the repair; and
- action taken against poorly performing contractors.

### **Responsive Repairs**

47. The Co-operative relies upon Contractor notified completion times to measure performance against response time targets. Whilst there is little indication that tenants are dissatisfied with the service and from our investigations we are satisfied that a quality, responsive service is provided we recommend the Co-operative investigate alternative methods of validating its performance. This could be achieved by recording the outcome of post-inspections as referred to above and by encouraging return of satisfaction questionnaires.
48. Excellent systems have been established to manage and control the provision of a rechargeable repair service to tenants.

### **Planned Maintenance**

49. A life cycle costing exercise was completed for the first four phases of the Co-operative's development programme. This was done as a desktop exercise, it covers a 30-year period and can easily be updated to incorporate phase 5A and phases 5B and 7, which are nearing completion. The Co-operative has intimated its intention to conduct a stock condition survey during 2002. This will be used to inform a revised life cycle costing exercise. We recommend the Co-operative:
- ensure the life cycle costing properly reflects the condition of the stock;
  - update its long-term financial plans to reflect the new information; and
  - establish plans to routinely conduct stock condition inspections.

### **Procurement**

50. The Co-operative is still in an early stage of its development and has not been required to conduct many tender exercises for the procurement of maintenance contracts. A sample file check was undertaken which confirmed that good procurement processes have been adopted and that each contract was awarded in compliance with the Co-operatives policy statement.
51. The criteria adopted for allowing contractors access to the approved list was also examined. This confirmed that good processes have been adopted with the appropriate level of information being held on file regarding equal opportunities, insurance, health and safety and to ensure compliance with Section 63 of the Housing (Scotland) Act 2001.

## **Quality of Customer Service in Maintenance**

52. The Maintenance section has made some attempts to update information on Tenant Satisfaction with the repair service. Satisfaction surveys were distributed to all tenants who had used the service although return rates to date are low. Tenants who have responded indicated a high level of satisfaction (96%) with staff involved in the process and with the quality of workmanship however a lower level of satisfaction with response times of 82% was noted.

53. Significant attempts have been made to involve residents in policy development by holding public meetings, open days and promotion of policy changes through newsletters and other publications. The Co-operative has clearly demonstrated its willingness to improve service delivery as a result of feedback by, for example:

- providing tenants with a receipt confirming details of the repair and the contractor responsible for carrying out the work;
- introducing an appointment system;
- providing more information about service delivery; and
- publicising information on landlord and tenant responsibilities.

## Functional Summary

54. We are fully satisfied that gas servicing is being carried out although we have some concerns over the management of the contract. We have therefore made some recommendations aimed at increasing control over this important business area.
55. Policy development processes are good with reviews being undertaken on a regular basis. We do however, make some recommendations that should make the Co-operative's approach to the provision of its service clearer and reduce potential risks associated with the management of the repair service.
56. Excellent repair response times are being reported. We believe that, in general, these are being achieved. However, we have some concerns about the over reliance on Contractor feedback as a method of assessing performance in this area. The Co-operative should investigate alternative ways of measuring its performance.
57. The Co-operative is aware of the need to plan its long-term maintenance requirements and is in the process of reviewing the information currently available. We anticipate that the forthcoming stock condition survey will inform future plans.
58. We found good processes for assessing contractors suitability for access to the approved list and for ensuring important information is retained on file. We also found very good processes to control the award of maintenance contracts.
59. There is evidence that staff provide a good quality repairs and maintenance service to tenants and customers. We found clear evidence of tenant participation in policy development and that several improvements have been introduced as a result of this participation.
60. We have awarded a 'C' grade for Property Management.

## **PART D: DEVELOPMENT**

### **Planning**

61. The Co-operative continues to demonstrate high standards of performance in Development. Its Strategy & Development Funding Plan (SDFP) makes strong links between the Co-operative's objectives and Communities Scotland Regional Office priorities. The Co-operative continues to work well with other partner agencies. There are indications that control has increased through regular monthly meetings with Communities Scotland staff to discuss planning targets, financial control and stage three adaptations. As a result of these meetings the Co-operative was in a position to access slippage funding for phase 7 which in turn allowed it to delay the need to access private finance. The Co-operative has performed well against this standard

### **Administration and Management**

62. Despite being advised to do so in the previous Performance Audit Report the Co-operative has not developed a Construction, Design and Management Policy. It has placed itself at risk by not having a single source document outlining its legal requirement to appoint a planning supervisor on certain contracts. A policy and supporting procedures should be developed prior to awarding the next relevant contract. The policy should include clear statements outlining:
- its legal responsibilities;
  - the chosen procurement method;
  - the planning supervisors duties; and
  - the skills and knowledge required of the planning supervisor.
63. The files for phase 5B were examined. These indicated that the Co-operative has excellent systems in place to control the development process in an effective and efficient manner. Good appointment letters are in place and, with the exception of the planning supervisor, each member of the design team had responded appropriately to them. The Co-operative has performed well against the standard. The process would be enhanced by:
- increasing control over insurance documents; and
  - ensuring the clerk of works presents formal reports at each design team meeting.

### **Procurement**

64. The Co-operative was restricted in its ability to develop new procurement practices for phase 5B of the development programme as it originally formed part of phase 5A and procurement decisions were agreed at the outset. It has however adopted a modified balancing quality and price approach to the appointment of the clerk of works and the planning supervisor for Phase 7. A tender panel was established to consider these appointments. The process followed by the panel was examined and found to be acceptable. It is anticipated that future phases will be subject to assessment using the

balanced quality and price model. If used, we recommend that an independent assessor be invited onto the tender panel.

65. The Co-operative's current development procurement policy requires updating to reflect actual practice and Communities Scotland guidance on appointments using quality and price considerations. This should be done prior to further appointments being made.
66. Contractor and consultant performance is routinely measured and reported to the Management Committee on an exception basis. A summary outlining performance issues is prepared at the end of each contract and this is used to inform future appointments. The co-operative should consider more detailed reporting on performance issues. It should also give consideration to introducing self-assessment techniques at the end of each contract. This should allow it to further improve its performance and demonstrate continuous improvements in service delivery.

### **Quality of New Homes**

67. The design guide contains references to the required standards for energy efficiency and to ensure the Co-operative meets the provisions of 'Housing for Varying Needs' and 'Secured by Design'. These standards are being achieved in practice as demonstrated by:
- SAP ratings of between 95 & 98 for new build properties;
  - achieving Secure by Design accreditation for its most recent properties;
  - 100% of properties complying with internal barrier free standards; and
  - all properties, which can, complying with external barrier free standards.
- In addition the Co-operative has received energy efficiency awards for its most recent phases. The quality of accommodation provided in phases 5B and 7 was examined during a stock tour and through discussion with a recently rehoused tenant. It is clear that the Co-operative produces high quality accommodation that meets the needs of current and prospective tenants. This is a very good performance.
68. The Regional Office reported that the housing produced by the Co-operative is of a good standard and meets project objectives.
69. Tenant satisfaction surveys indicate high satisfaction levels with the quality of housing provided. Where areas of dissatisfaction are highlighted these have been addressed (refer to paragraph 70 for further comment).

### **Quality of Customer Service in Development**

70. The Co-operative has processes to assess customer satisfaction with the service and quality of housing provided. These include:
- project based satisfaction surveys once defects are complete;
  - general tenant satisfaction surveys; and
  - feedback from public meetings and open days.
- The results obtained have generally been good. Where areas of dissatisfaction are highlighted the Co-operative has investigated and where possible addressed the points raised. The Co-operative demonstrated good

practice by making changes as a result of tenant feedback. Examples of this include amending window specifications, increasing noise insulation and increasing storage space.

### **Functional Summary**

71. We are satisfied the Co-operative's development programme takes account of the demand for housing in the area and that it meets both the Co-operative's objectives and Communities Scotland Regional Office priorities. We consider the management of the programme to be of a very high standard and the Co-operative has benefited from the introduction of regular meetings with Communities Scotland staff.
72. Policy development processes are generally good. We do however recommend the Co-operative update its procurement policy to reflect operational practice and incorporate comment on how it considers quality and price during the procurement process. More significantly the Co-operative's failure to develop a Construction, Design and Management Policy has placed it at risk. This should be addressed with some urgency.
73. Excellent processes have been established to ensure the development process is effectively and efficiently controlled. Proper processes have also been developed to control and manage the procurement process.
74. The Co-operative has produced high-quality houses that meet the provisions of 'Housing for Varying Needs' and 'Secured by Design'. Improvements have been demonstrated through increased energy efficiency ratings being achieved and by ensuring that, where applicable, properties are built to barrier free standards.
75. There is evidence of tenant contribution to the design guide and evidence that satisfaction levels have been assessed and improvements implemented because of tenant feedback.
76. We have awarded a 'B' grade for the Property Development function.

## **PART E: FINANCIAL MANAGEMENT**

### **Financial Planning and Risk Management**

77. The previous Performance Audit Report indicated that the Co-operative planned and controlled its finances in an effective and efficient manner. The briefing material supplied as part of this audit indicated that standards have been maintained in budget setting and financial control. Standard E1.1 was not therefore fully assessed during this Audit.
78. The Co-operative has revised its financial projections. They cover a thirty-year period and indicate that it will generate sufficient cash balances to meet its estimated costs. Although not included in the Internal Management Plan connections are made with it. The projections have been subjected to scenario planning identifying the impact of:
- changes to the level of rent increases applied;
  - changes to management costs;
  - fluctuations in void and bad debts;
  - fluctuations in inflation; and
  - an increase in right to purchase sales.
79. The projections include estimated costs for major repairs spend. These estimates are based on a desktop assessment of costs for phases one to four of the Co-operatives development programme. It is anticipated that actual costs will be lower than those identified in the life cycle costing exercise. Consideration is being given to conducting a stock condition survey during 2002 and to using this information to inform the current desk-top assessment. Anticipated repair costs for phases 5A to 7 will also be incorporated. It is important that the Management Committee has accurate financial projections to assist it in its discussions and to formulate the correct strategy for the future. We therefore recommend that a stock condition survey is undertaken during 2002 and that the outcome of this exercised in reflected in revised financial projections.
80. Communities Scotland, Glasgow and North Clyde Region conducted a Financial Viability Risk Assessment (FVRA) as part of the Performance Audit process. The conclusions from this assessment have been incorporated, where appropriate, in this report and have been given due consideration when deciding the grade awarded for this function. The FVRA concluded that the Co-operative should be graded as "Below Average Risk". The major risk areas for the organisation are related to the low number of housing stock in management and the lack of cash backed reserves. Key areas of strength include the quality of financial planning, good void and arrears control and the existence of an experienced staff and financial support team. It is however, important that the Co-operative continue to exercise strong control over cash balances in order to build reserves to cover the costs of future repair commitments.

81. The Co-operative revised its Treasury Management Policy and addressed the issues highlighted in the previous Performance Audit Report. The revised document is based on good practice documents and is considered appropriate to the organisation at this time. Operational practices were examined. In our opinion the Co-operative is complying with its policy statements on treasury management.

## Financial Control

82. The Co-operative revised its Financial Regulations and addressed the issues highlighted in the previous Performance Audit Report. The revised document is based on good practice documents and is considered appropriate to the organisation at this time. The revised document has resulted in more effective use of delegated authority spend levels.

83. The quality of information presented within the management accounts is good. Major deviations from the budget are detailed in the notes accompanying the accounts. Operating costs are allocated on an appropriate cost centre basis. Staff maintain detailed timesheets and overheads are apportioned on the basis of time spent on activities. The Co-operative has been involved in Wider Action activities, mainly in an advisory capacity. To date the time spent on these activities has not been significant and is not therefore highlighted within the accounts. The Co-operative will however, give consideration to costing out time if activity in this area increases.

84. The Co-operative is aware of the need to control costs and considers efficiency in the provision of its activities. The Management Committee is made aware of performance through receipt of routine reports, which contain comparison against targets set by the organisation and against national benchmarks. Much of this information is reinforced through scrutiny of annual financial documents and reports. The Co-operative has demonstrated a good performance against key indicators when measured against peer group organisations (refer to the table below). It is anticipated that organisational efficiency will increase with the employment of one additional staff member to assist in service delivery areas. We also anticipate that the imminent handover of 104 new properties will improve the organisation's long-term financial viability.

	Hilltop View 1998/99	Hilltop View 1999/2000	Peer Group Median 1999/2000
Income spent on staff	37.8%	31.1%	31.1%
Income spent on office overheads	12.7%	2.1%	4.5%
Average admin cost per tenancy	£940	£609	£725

85. There were no issues of concern raised in the Co-operative's Management Letter.

## **Functional Summary**

86. The Co-operative has sustained its good performance in budget management and demonstrated its ability to control its finances in an effective and efficient manner. Good quality financial information is presented in the annual budget and through its quarterly Management Accounts.
87. Financial projections are in place indicating the Co-operative will generate sufficient cash to meet its anticipated costs in the next thirty-year period. The projections are of a good standard but we recommend that, on completion of the stock condition survey, they are updated to reflect any revised major repair and planned maintenance expenditure.
88. We are of the opinion the Co-operative has improved its performance and addressed the issues raised in the previous report. This was done by revising its Treasury Management Policy and practice and by updating its financial regulations and procedures.
89. The Co-operative acknowledges that it must control costs and it is clear that it considers the costs of service provision through its financial documents. Glasgow and North Clyde Regional Office has graded the Co-operative as being below average risk.
90. We have awarded a 'B' grade for the Financial Management function.

### 3. Glossary

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	The Construction Industry Board set up by the Government to establish new good practice guidance for the construction industry introduced this term in a report. 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 List	A list of all applicants for social housing which is used by the RSL to allocate its housing stock.
Housing Association Grant (HAG)	The capital grant that is paid to an 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.
Ombudsman	The independent body appointed to investigate individual complaints against Registered Social Landlords (RSL) and decide whether or not they should be put right and what action should be taken.

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/Response 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.
Right to Repair	If a tenant has reported a repair to his or her landlord and after a reasonable period the repair has not been carried out, the tenant will then have the "Right to Repair" privately and have the bill issued to the 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.
Standing Orders	A set of rules drawn up by the RSL, which set out the basis on which business should normally be dealt with.
Stock condition survey	A survey of stock to establish the level of existing defects and to allow the Council to project future repair needs.
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.