

Inspection report

Langstane (SP) Housing Association

April 2005

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1. Introduction

About this inspection

- 1.1 This inspection was carried out by Communities Scotland under section 69 of the Housing (Scotland) Act 2001 on behalf of Scottish Ministers. Our purpose in inspection is to provide an independent external assessment of the effectiveness of housing service delivery and make recommendations to help improvement. Inspections are conducted within a published framework of Performance Standards.
- 1.2 Our inspectors asked two key questions:
- How good are the services we have inspected?
 - How well are these services being managed for improvement?
- 1.3 In order to answer these questions inspectors examined key policies, publications, and information from the Association's annual returns. In addition, an inspection team visited Langstane SP, along with its parent body, between 29 November and 10 December 2004 to speak to staff and see first hand how well services were being delivered. We would like to thank everyone involved in the inspection, particularly the Committee of Management and staff for their time and co-operation.
- 1.4 We expect all inspected bodies to make the summary of this report available to anyone that wants it, report our findings to tenants and other stakeholders and respond to the issues raised in this report.

2. Context

About the organisation

- 2.1 Langstane SP is a wholly owned subsidiary of Langstane Housing Association (Langstane HA). It was set up to complement the work of Langstane Housing Association by providing shared ownership properties and was registered with the Housing Corporation for Scotland, now Communities Scotland, in 1982. Langstane SP is constituted as an industrial and provident society. It does not have charitable status.
- 2.2 As at September 2004, Langstane SP had 119 shared ownership units under its management, three quarters in the city of Aberdeen but also in Stonehaven, Keith and Elgin. Open market sales and people buying the remaining shares in their homes have reduced the number of properties by a third since 2001. No new properties have been developed since 2000. The Association is currently considering ways of expanding its activities.
- 2.3 Langstane SP does not directly employ any staff - services are provided by Langstane HA staff under the terms of a Minute of Agreement between the two Associations. Some sharing owners also purchase factoring services for their estates from another social landlord.
- 2.4 Langstane SP is governed by a Committee of Management elected annually at its Annual General Meeting. There are 15 people on the Committee. All of these members are appointed by Langstane Housing Association, as the parent body. Eleven of the members are also on the Committee of Langstane HA. The other four members are co-opted onto the Committee.

Key Facts

	2001-02	2002-03	2003-04
Shared ownership units	184	161	138
Annual turnover	£346,000	£306,000	£318,000
Income from housing benefit	2.7%	2.3%	5.3%
Average increase in occupancy charge	2.1%	1.1%	4.0%

Source: APSR and Annual Accounts

3. How good are the services

Housing Management

Access

Social landlords should provide open, fair and equal access to their housing lists and should work with partners to maximise access to housing.

- 3.1 The Association holds a list of 384 applicants who are interested in shared ownership, identified through the application form for the Homechoice common housing register. The Homechoice website and other publicity material includes information on Langstane SP's shared ownership properties, but the Association does not actively promote its houses in any other way because it has not had any new properties to let since 2000.
- 3.2 When an existing sharing owner wants to sell their share in a house, it is generally sold through a direct sale to someone nominated by the seller or on the open market. If an open market sale is chosen the share is advertised through the usual routes for private sales ie estate agents and newspapers. The Association is making limited use of its list of interested people to target the sale of shares.

Meeting need and maximising choice

Social landlords should meet housing need through lettings and should maximise choice for applicants.

- 3.3 There have been no completions of new properties since 2000 and so there have been no new allocations from the housing list since that time. The Association does not currently buy back shares when a sharing owner wants to move on. The Association has recognised that this means it is not contributing as much as it could to meeting housing need in its area of operation and has recently agreed to change this policy. The new approach has not yet been implemented.
- 3.4 The Association is not taking account of need when shares in existing properties are sold on, although the Association's policy states that its allocation and selection process will target those with high levels of housing need. When an existing owner wants to sell their share, the Association offers to put sellers in touch with people on its list but ultimately allows them to nominate the purchaser. In these situations, the Association does not carry out an assessment of the type or level of housing need the intended purchaser has. If no nomination is made and the share is put on the open market, the Association does not make any assessment of need in deciding which of those applying should get the share.

Sustaining tenancies and preventing homelessness

Social landlords should maximise security of tenure for all residents of their accommodation, and should work to sustain tenancies and prevent homelessness through their delivery of housing management services.

- 3.5 The Association has appropriate legal agreements with its sharing owners which set out the responsibilities of the sharing owner and the Association. Sharing owners cannot also be tenants and so the Association cannot give them a Scottish secure tenancy (SST). Instead, all sharing owners have shared ownership agreements which have the legal status of an occupancy agreement. The Association has one tenant with a Scottish secure tenancy (SST) where the Association bought back a 25% share in a house, under the Mortgage to Rent scheme, from a sharing owner who could not keep up their mortgage.
- 3.6 The Association advises sharing owners in financial difficulties to seek independent advice, and encourages them to visit the Association's offices for counselling and advice. It also provides help in assessing eligibility for benefits and stays in close contact with lenders to try and keep people in their homes.
- 3.7 The Association has a reciprocal arrangement with the building societies that provide the loans to sharing owners for the share they buy in their home. If a sharing owner is in arrears with their occupancy payments to Langstane SP, then the building society will contact them advising that an agreement must be made to clear the arrears otherwise joint legal action will be taken. Two properties were repossessed in 2003/04, an increase from the previous year when no repossessions took place. However, the Association has no guidance in place for staff on the process to follow when a repossession takes place and the Association does not routinely advise the local authority when it takes legal action to repossess.

Quality of Neighbourhoods

Social landlords should deliver services to ensure that neighbourhoods are attractive, well-maintained and safe places to live. They should deal appropriately with anti-social behaviour.

- 3.8 Langstane SP is not responsible for carrying out the maintenance of neighbourhoods and common areas on behalf of sharing owners. However, the general appearance of areas we saw during the inspection was good; gardens and common areas were well maintained and there was little or no evidence of graffiti, litter or vandalism.
- 3.9 The Committee of Management approved a new antisocial behaviour policy in November 2004. The new approach will mirror many of the good

features in the approach recently introduced by Langstane SP's parent organisation, including:

- clear aims and objectives set out in the policy;
- the services of a dedicated officer dealing with antisocial behaviour;
- use of a wide range of approaches from mediation to legal action; and
- effective links with other organisations.

3.10 However, the policy does not make it clear how the Association would deal with instances of anti social behaviour involving full owner occupiers. Other weaknesses in the policy include:

- the lack of target response timescales for dealing with each type of complaint; and
- no separate arrangements for incidents of racial harassment or acknowledgement of the relationship with GREC¹ that would allow them to refer on such incidents on to ensure the provision of appropriate support.

3.11 The Association does not collect feedback from sharing owners so it does not know what their views or experiences are on antisocial behaviour in their areas. The Association has not yet made clear how the new approach will be communicated to sharing owners and other potential service users.

Responsiveness to service users

Social landlords should place the people they serve at the heart of their work, treat them with respect and be responsive to their views and priorities.

3.12 The Association undertook a consultation exercise with its sharing owners in 2003/04 on the proposed increase in their occupancy charge but only after the Committee of Management had approved the increase. Although sharing owners are not covered by the statutory requirement to consult, Langstane SP acknowledges that this was not good practice and has taken steps to ensure that sharing owners are consulted before the Committee discusses this issue in future.

3.13 Langstane SP does not carry out surveys of its sharing owners to find out what they think of any services they get from the Association. Nor does the Association collect any ongoing feedback from sharing owners so it does not have any information about their views and priorities and whether it is continuing to meet their needs.

¹ Grampian Racial Equality Council

- 3.14 In general, the Association does not provide its sharing owners with much information about its services. It does very little to consult with sharing owners and offers no opportunity for them to participate in the development of services other than by joining the Committee of Management. Langstane SP is aware that it needs to do more in relation to consultation and participation with its sharing owners. This weakness was highlighted in the Association's last performance audit in 1999 but very little action has been taken to date to improve the situation.
- 3.15 Langstane SP's parent organisation now has a dedicated Tenant Participation Officer and SP intends to purchase the services of this officer in the future to support its own consultation exercises with sharing owners.
- 3.16 Langstane SP has received very few formal complaints about its services. The Committee of Management recently approved a good complaints policy and procedure to formalise the process for dealing with any complaints that are received, but again it is not clear how this will be communicated to service users. The Association does not have any formal customer care standards.

Property Maintenance

- 3.17 Langstane SP does not provide any property maintenance services to sharing owners. It is normal for sharing owners to have responsibility for carrying out their own repairs. However, the occupancy agreement used by Langstane SP does not make this responsibility entirely clear, and the Association does not provide any other written guidance for sharing owners on how properties should be repaired or maintained to an appropriate standard.
- 3.18 Langstane SP does not collect information about the physical condition of shared ownership properties, although the occupancy agreement includes a clause allowing the Association to gain entry to the houses for this purpose. The previous performance audit identified this as a risk to the organisation but no action has been taken to collect the necessary information or to develop a programme of work to maintain the physical quality of these houses. This is a significant risk to the assets of the Association.

Is the service managed for improvement?

Resource management and efficiency

Social landlords should maximise their income, in a way that is fair to service users, and manage costs effectively.

- 3.19 The Association's performance in managing occupancy charge arrears is improving. Between October 2003 and November 2004, arrears for current sharing owners fell from £6918 to £6228. Arrears for former sharing owners also fell from £2076 (0.88%) to zero by September 2004.
- 3.20 The charges for the services that Langstane SP receives from its parent organisation are clearly set out in the Minute of Agreement and are regularly reviewed. However, the Association has not carried out any formal assessment of whether these costs represent the best possible value for money for the services it receives.

Performance management

Social landlords should have clear objectives, standards and targets for housing management services, should monitor achievement of these, and should work to continuously improve services.

- 3.21 The Committee of Management receives a good range of information about the Association's housing management services, including regular updates on arrears, open market sales, direct sales, and the sale of additional shares to existing sharing owners. However, the fact that the Association has set few targets or other clear performance indicators undermines the Committee's ability to monitor the quality or efficiency of the services being delivered or progress in making improvements.

4. Governance and Financial Management

Leadership and direction

A clear vision or purpose and an inclusive, well-informed planning process are key to effectively delivering the services that people want.

- 4.1 The 3 year Business Plan is where Langstane SP sets out its vision for the organisation's future. The Association's current Business Plan includes a broad statement of its aims which include contributions to diversity of tenure, innovative housing options and to the objectives of its parent organisation. The plan also sets out a number of principal objectives for the Association. However, these objectives do not meet SMART² criteria and are largely focused on the efficiency of the organisation rather than on the quality of service delivery. The plan does not contain any information on how services will contribute to meeting the Association's objectives, what standards of service will be delivered or what targets staff are working towards.
- 4.2 Langstane SP's Committee of Management has recently appointed a new Chair and is keen to consider new opportunities to expand the Association's activities. The Association has appointed consultants to help it to identify the best ways of doing this and is considering a range of possible options that would fit with its context and complement its current activities, such as the development of new houses for mid and market rent.

Clear functions and proper control

Social landlords should be clear about the functions of the governing body and take informed transparent decisions within a framework of controls.

- 4.3 Langstane SP's Committee of Management has strong and appropriately challenging relationship with its agents, with a clear division of responsibilities. The committee structure, which includes 2 sub-groups shared with Langstane HA, enables detailed discussion of specific subject areas, and allows the full Committee to focus on broader strategic matters. This approach works effectively although the number of meetings and the large geographical area covered by the Association has an impact on attendance. Average attendance at meetings of the full Committee of Management was 47% in 2003/04.
- 4.4 The information that is reported to the Committee of Management is sufficient to allow it to deal effectively with strategic issues but, as reported above, there are gaps in the performance related information provided that

² SMART objectives are Specific, Measurable, Achievable, Relevant and Timebound

weaken its ability to exercise appropriate control over the operational activities of the Association.

- 4.5 The Association is also in the process of developing a more comprehensive set of policies and procedures. This will create a stronger framework for the delivery of services and the management of the organisation. Some of these are discussed earlier in the report, such as the antisocial behaviour policy and the complaints policy.

Developing capacity

Social landlords should ensure their governing bodies have the skills and experience they need to perform well, develop their capacity and evaluate their performance.

- 4.6 The Association has a range of relevant skills and experience represented on the Committee. The members of the Association's Committee of Management recently undertook a committee skills audit which concluded that members had an adequate range of appropriate skills. We also found that members take a questioning and participative approach to managing the business of the Association.
- 4.7 Members of the Committee attend regular training sessions, provided mainly by Langstane HA staff, to ensure that they continue to develop and expand their skills and knowledge in relevant areas.

Group structures

Social landlords in group structures should be able to operate independently, have clear and separate identities, control potential conflicts of interest and ensure that their assets are not put at risk by subsidiaries.

- 4.8 The Association is part of a formal group structure, consisting of Langstane SP and its parent body Langstane Housing Association. Langstane SP is a non-charitable housing association registered with Communities Scotland. Its parent, Langstane HA is also a housing association registered with Communities Scotland, but it has charitable status. The group structure has been effective in many ways, allowing the two organisations to complement one another's activities. They each serve distinct client groups, with Langstane SP developing shared ownership properties while Langstane Housing Association focuses on providing social rented housing.
- 4.9 Langstane SP has not had to deal with any conflicts of interest between itself and its parent to date but recognises that the potential for such situations to arise is likely to increase as Langstane SP expands its

- activities. The Association does not currently have any detailed arrangements in place to set out how the constitutional relationship between itself and its parent will operate and to ensure that issues such as conflicts of interest are appropriately managed.
- 4.10 Langstane SP receives provides a full management service from the staff of Langstane HA. The arrangements for delivery of this service, including the charges to the subsidiary, are set out in a written agreement and are reviewed annually. The document requires some minor amendments but the arrangements work well in practice.

Accountability

Engaging stakeholders, public reporting and making accountability real.

- 4.11 A strong membership and good levels of participation at AGMs are important ways for an RSL to demonstrate accountability. Langstane SP has 33 members, 15 of whom are on the Committee of Management. Eleven members attended the Association's last annual general meeting. Although this represents a third of the membership, it is fewer than the number of people on the Committee.
- 4.12 There are no sharing owners on the Committee. The Association does little to promote access to the Committee either to its sharing owners or to representatives of the broader communities in which it operates. Individuals are identified through personal contact rather than by a managed approach to the recruitment of new members.
- 4.13 The low level of membership and lack of involvement of shared owners in running the Association, along with the Association's acknowledged weaknesses in informing, consulting and involving sharing owners in the development of services mean that the Association has a low level of accountability to both its service users and the wider community.

Ethical standards

Staff and governing body members should promote values that underpin good governance and should act with honesty and integrity, focusing on the best interests of the organisation and its service users.

- 4.14 The Committee of Management has formally adopted the SFHA Code of Guidance for Governing Body Members and the Association has appropriate registers in place for issues such as declarations of interest. However, the Association acknowledges that there will be greater opportunity for issues such as conflicts of interest to arise as the

Association expands its activities and recognises that it will have to do further work to improve awareness of how such issues should be handled.

- 4.15 The Association does not currently collect information from people buying shares from existing sharing owners about any connections they have with staff or members of its Committee of Management. This means it is not acting to ensure it complies with the requirements of schedule 7 of the Housing (Scotland) Act 2001, which restricts the circumstances in which staff, committee members or their relatives can be granted benefits.

Managing risk

Social landlords should be aware of all the risks they face and put in place robust arrangements to minimise these risks and to deal with them if they do occur.

- 4.16 The Committee of Management is clear on most of the key risks facing the Association, many of which relate to the rate of sales and the ongoing reductions in its size. We found that Langstane SP has a good understanding of these risks and is taking appropriate action to manage them. However, the Association has not given enough consideration to the risk posed by its failure to carry out ongoing maintenance to the physical structure of its properties.

Financial viability and management

Social landlords should be financially viable in the short and medium term, and sustainable in the longer term. They should have a robust financial management framework.

- 4.17 Good quality budgets, financial monitoring reports and medium-term financial projections are prepared by for Langstane SP by its agents, as set out in the Minute of Agreement between the two associations.
- 4.18 The medium-term plans cover a six-year period and relate to the shared ownership activity of the Association. However, these plans do not incorporate the planned business development included in the current budget. This indicates a lack of consistency between short and medium term planning. No long-term financial projections are available to demonstrate long-term sustainability.
- 4.19 Langstane SP's financial results for the past four years have seen little movement in financial turnover, although the approved budget for the current year shows a substantial reduction in turnover due to the diminishing stock.

Financial performance	£000's 2000/01 (Actual)	£000's 2001/02 (Actual)	£000's 2002/03 (Actual)	£000's 2003/04 (Actual)	£000's 2004/05 (Budget)
Turnover	304	346	306	318	223
Operating Surplus/ (Deficit)	182	203	158	166	122
Net Surplus/ (Deficit)	129	192	231	286	152

- 4.20 The financial performance of the Association has been very good over this period with significant surpluses being returned. However, the continued diminishing stock could have a negative impact on the sustainability of the organisation in its current format. It is recognised that a number of options for the future could be explored along with the parent organisation.
- 4.21 Langstane SP is financially viable in the medium term, has reasonable exposure to financial risk and has a good financial management framework.

5. Areas for Improvement Action

5.1 These are the key areas that need to be targeted for improvement action. They are broadly in order of priority.

5.2 In housing management, Langstane should:

- develop ways of consulting and involving sharing owners in the development and delivery of services;
- review its approach to the sale of shares in existing properties to maximise its contribution to meeting housing need in its areas of operation;
- provide more information to sharing owners about the Association and the services it provides; and
- provide more guidance for staff on how and when properties should be repossessed.

5.3 In property maintenance, Langstane should:

- collect the information it needs about the current condition of the properties to make sure that longer term maintenance work can be programmed as required; and
- provide better information and guidance for sharing owners on their responsibilities for the day to day repair and maintenance of their properties.

5.4 In governance and financial management, Langstane should:

- take action to improve its membership levels and to actively promote the involvement of sharing owners in the running of the Association;
- extend medium-term plans to cover any anticipated business developments, to enable the Committee to make fully informed decisions regarding the future of Langstane SP;
- prepare long-term financial projections with appropriate sensitivity analyses to demonstrate long-term sustainability;
- collect the information it needs to ensure it complies with the requirements of schedule 7 of the Housing (Scotland) Act 2001; and
- develop more comprehensive arrangements for managing the constitutional relationship with its parent organisation.

5.5 The Association should set out in the Improvement Plan it gives us, the actions it intends to take to respond to the first of the property maintenance recommendations listed above, along with the first three recommendations under governance and financial management.

6. Next Steps

- 6.1 This report highlights our findings following this housing inspection. We expect all organisations respond effectively to our recommendations using their own improvement planning processes. Where an organisation is required to submit an improvement plan to us, this should be produced within eight weeks of the publication of this report. This plan should show how the Association intends to respond to our findings. The plan will be agreed with us.
- 6.2 If you would like to see Langstane SP's improvement plan you should contact:

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