

Cadder Housing Association

inspection report

JANUARY 2008



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1 Introduction

About this inspection

- 1.1 Communities Scotland carried out this inspection 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 performance and make recommendations to help improvement. We conduct inspections within a published framework of Performance Standards.
- 1.2 This inspection is a follow-up to our inspection of Cadder in August 2004. At that time we awarded the Association a D grade for governance and financial management. Our main focus on this inspection is Cadder's governance of the organisation, but we also look at;
- elements of its service delivery to customers and performance outcomes;
 - its business planning and management of resources; and
 - elements of its management of assets, particularly how it is progressing plans to meet the Scottish Housing Quality Standard (SHQS).

How we assessed performance

- 1.3 The inspection asked two key questions:
- How good is the governance of the organisation and the service performance we have inspected?
 - How does its governance impact on its ability to manage improvement in its services?
- 1.4 To answer these question inspectors:
- spoke to tenants, service users, staff, and committee members;
 - asked other partner organisations for their views;
 - saw and tested how well some of its customer services were being delivered;
 - examined key policies, publications, information and the organisation's self-assessment submitted for this inspection; and
 - analysed performance and financial information.
- 1.5 We have awarded a grade to summarise our inspection judgements. The grade and judgements are based on evidence. The grade summarises performance in the following

ways:

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

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

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

The inspection team

1.7 The inspection was managed by Paul Milligan (Inspector) with Susan Chalmers (Business Analyst). We were on-site from 20 August 2007 until 24 August 2007. We would like to thank everyone involved in the inspection, particularly the management committee, staff, service users and tenants for their time and co-operation

Responding to this inspection

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

2 Inspection grade and overview

In this section we set out our overall assessment of Cadder's performance since the last inspection. We detail the inspection grade and we summarise our inspection findings.

Grade

2.1 The inspection of Cadder Housing Association took place between 20 August 2007 and 24 August 2007.

Cadder has achieved a **B** grade overall. This is a **good** performance.

- 2.2 Cadder has many strengths in the areas we assessed during our inspection. The Association has worked well since the last inspection to improve its governance arrangements. It has put in place a good strategic planning system and this gives it a clear focus for managing improvement in its services for tenants. Cadder performs well in the key service performance indicators we reviewed.
- 2.3 We found that the Association had put in place good structures to deliver improvements. The management committee demonstrates good control over the work of the organisation, directing change where necessary. It is committed to the training and development of staff and committee members, and it has effectively dealt with areas of poorer performance identified in the last inspection report.
- 2.4 The Association is very aware of the need to be cost effective in what it does. It has demonstrated that it is achieving value for money in a number of areas. Cadder is financially sound and the committee is well informed on all financial aspects, particularly spend against budgets.
- 2.5 We found a small number of areas where the Association needs to make improvements, including its management of gas safety where performance is currently poor. It does not have systems to update its stock condition information and it does not accurately report its repairs performance. The Association is, however, aware of these weaknesses and we saw that it is taking action to tackle them.

Key recommendations

2.6 Our key recommendations are that the Association should;

- ensure that it fully complies with the requirements of gas safety legislation;
- further develop the range of areas that it monitors in relation to equalities and diversity;
- put in place an appropriate process to update its stock condition information; and
- ensure that it accurately reports its performance in repairs.

2.7 We welcome the progress Cadder has made in tackling the areas for improvement from the last inspection. We expect Cadder to respond to all the areas for improvement we identified through this inspection.

3 Context

About the organisation

- 3.1 Communities Scotland registered Cadder Housing Association in April 1993. It is an industrial and provident society and a registered charity. Cadder operates in a defined geographical community on the north west outskirts of Glasgow. It took ownership of all of its properties from Scottish Homes following two successful tenant ballots.
- 3.2 Cadder is governed by a voluntary committee elected annually by the Association's members. In April 2001, Communities Scotland used its statutory powers to appoint committee members to the Association. The main aim of the appointments was to support Cadder's management committee to improve the overall governance of the organisation. These appointments ended in July 2006.
- 3.3 The Association has been through a period of significant change since 2001. It has reviewed its staffing structure, restructured its rents and there has been significant changes to its management committee. The Association has been focussed on developing its strategic framework while aiming to achieve improvements in its services.
- 3.4 Following the last inspection, Communities Scotland has monitored the Association's work to deliver on the objectives contained within its improvement plan. Overall the Association has successfully implemented change in the organisation. The Association has been particularly successful in tackling the recommendations made in the previous report relating to governance.

Key facts

- 3.5 The table below presents summary and trend information about the Association.

	2003-2004	2004-2005	2005-2006
Houses owned	686	682	673
Employees	13	14	16
Annual turnover ('000)	£1,702	£1,811	£1,899
Total possible rental income ('000)	£1,680	£1,812	£1,883
Rental income from housing benefit	£1,200	£1,348	£1,244
Average weekly rent	£47.28	£49.41	51.03
Average rent increase	3.8%	4.5%	3.2%
Houses re-let	41	68	60
Responsive repairs carried out	1891	1597	1379
Maintenance spend per house	£989	£953	£941
Right To Buy sales	11	4	15

Source: Annual Performance and Statistical Return/Annual Accounts

4 Governance and performance

In this section we look at how Cadder has dealt with the recommendations from our previous inspection report, and how it is led, governed and managed for improvement. We also look at how the Association is performing against some key performance indicators.

Leadership and strategic planning

- 4.1 We made the following recommendations on leadership and strategic planning in our previous inspection report:
- Cadder must set clear corporate aims and objectives and assign clear responsibility for the achievement of these. The Committee should closely monitor progress towards its aims and objectives.
 - Cadder should have a systematic review of its staffing structures and management processes to identify and address any underlying weaknesses in its current arrangements.
- 4.2 Since the last inspection, Cadder has worked well to identify the Association's purpose, vision and key strategic priorities. It has introduced an internal management manual that contains key strategic documents such as its internal management plan (IMP), its risk management strategy and its equalities and diversity strategy. The Association demonstrates how it will achieve its priorities, at a both a strategic and operational level, through clear service-focused action plans.
- 4.3 The Association held a comprehensive planning day in 2004 to develop its current IMP. This involved all staff and committee members in developing the aims and objectives of the Association for the following three years. The Association has then reviewed its aims and objectives annually. It also monitors its action plans and performance against its operational targets on a quarterly basis. It reports these to the relevant sub committees and to the management committee. Cadder now has a robust planning framework to identify its aims and objectives and it has developed effective methods to monitor and measure its success in delivering these.
- 4.4 The Association has developed a wide range of performance indicators and targets that allows it to closely monitor its performance. It gives the management committee good quality reports that highlight its performance against its targets. The Association has

monitored the effectiveness of its strategic and operational aims and objectives through action plans and the improvement plan it drew up following the previous inspection.

Governing body and accountability

4.5 We made the following recommendations on the governing body and accountability in our previous inspection report:

- Cadder should consult with tenants about service reviews and rent increases in line with the Housing (Scotland) Act 2001.
- Cadder should fully implement its staff appraisal system to inform the development of a training strategy for staff. The training strategy should also ensure that delivered training meets the Association's business objectives and needs.
- The Association should extend its collection and analysis of feedback from service users across all of its service areas and use this to improve services.

4.6 In October 2005 the Association reviewed the way the management committee dealt with the Association's business. Following this review, it set up a sub committee structure and began operating this in January 2006. It has three sub committees that serve the management committee. We found that this committee structure is working well. Committee members we spoke to told us that the new structure allows them to deal with the Association's business more effectively.

4.7 Cadder's management committee had 14 members at March 2007. We found the committee has a good balance between new and more experienced members, and attendance levels at meetings are good. The average number of committee members attending meetings in last two years is 70% and 81% respectively. No committee meetings have been inquorate in the last four years.

4.8 Since the last inspection, Cadder has adopted a very good approach to the training and development of staff and committee members. The Association gives its staff key objectives and targets derived from the higher level strategic and operational aims and objectives contained within the IMP. It assesses staff performance in achieving these targets, and assesses training requirements, during the annual appraisal process and through regular staff meetings.

4.9 Cadder's committee members analyse their training needs each year. This process involves members completing personal development questionnaires and then discussing

these individually with the Director. The Association analyses the responses, reports them to committee and then develops a training programme to respond to them.

- 4.10 In the 12 months prior to this inspection Cadder held 12 internal courses for committee members covering issues such as equalities and diversity, risk management and human resource issues. There is an excellent attendance at these events with on average 86% of the committee taking part in the training. Following training sessions, committee members complete training evaluation forms. The Association analyses and reports the results to the committee. It also supplements internal courses with attendance at other relevant external training events and conferences.
- 4.11 Cadder promotes membership of the Association to its tenants at the beginning of tenancies and through its newsletter. At March 2007 it had 487 members. This gives the Association a strong membership base. It has been successful in encouraging members to attend its AGM by running other activities of broader interest. The Association also invites all other residents in Cadder to the AGM in order to keep them informed on the work of the Association and to allow them to ask questions or make comments.
- 4.12 The Association uses a variety of other ways to get tenants' opinion on the quality of the services it provides. It also seeks comments when it is developing or reviewing policies. Cadder has one registered residents organisation which it meets on a regular basis. The Association is also attempting to introduce a focus group of tenants that it will use to consult on relevant policy development.
- 4.13 In summary, we found that the committee demonstrates good control over the work of the Association. It effectively monitors what it does and takes appropriate action to improve performance where necessary. Committee members are conscientious, hard working and enthusiastic about the work they are doing. The Association actively encourages its tenants and the wider community to be involved in its work. Importantly, it has effectively dealt with the areas of poor performance identified in the previous inspection report. It is likely that the Association will continue to improve in this area.

Equalities and diversity.

- 4.14 We made the following recommendation on equalities and diversity in our previous inspection report:

- The Association must ensure that it can demonstrate that it promotes equality and considers diversity issues in all its activities.
- 4.15 The previous inspection report also highlighted that:
- it did not know the composition of the community it serves, so it did not know whether it needs to increase access for under-represented groups;
 - there was no routine monitoring and reporting on equality and diversity issues to committee across all activities; and
 - Cadder does not routinely include advice on the availability of alternative formats in its publications.
- 4.16 In response to these issues, the Association developed a comprehensive equal opportunities and diversity strategy and action plan and formally approved this in 2007. The Association consulted widely on this strategy prior to its implementation.
- 4.17 The Strategy is a good document. It contains a commentary on general equality and diversity issues; it discusses how the Association will work to eliminate discrimination and disadvantage in the community; it identifies individuals' roles and responsibilities in meeting the objectives of the strategy; it self assesses the organisation against key equalities questions; and has an equal opportunities action plan that it will review annually.
- 4.18 Cadder has taken a number of other positive steps in meeting its equality and diversity aims. It has put in place a house allocation nomination agreement with a specialist black and minority ethnic (BME) organisation. This has seen the Association allocate 10% of vacant stock to individuals from BME backgrounds during 2006/07. The management committee also monitors its make up to ensure that it reflects the community it serves. This monitoring has led it to successfully attract new members from underrepresented groups. It also advertises vacant staff posts through a range of outlets, to access as wide and diverse a range of applicants as possible.
- 4.19 The Association understands the make up of its community by assessing census data, its own estate surveys and through information it collects when allocating its houses. It monitors equality issues across a number operational areas, such as allocations and

tenant satisfaction. It has also started to monitor equalities in complaints and cases of harassment. There is, however, scope for the Association to continue to develop its monitoring and reporting framework in areas such as arrears control and aspects of allocations such as suspensions. This would allow it to further improve upon its stated aim of monitoring equalities across all of its activities.

Management of risk

4.20 We made the following recommendation on management of risk in our previous inspection report:

- The Association should ensure that it operates its internal audit effectively, and that risk is identified and managed in all its activities and that where weaknesses are identified recommendations for improvement are implemented.

4.21 The Association has a detailed risk management strategy that is divided into three sections: strategic issues, its risk policy and a detail assessment of strategic and operational risks. The risk assessment identifies the type of risk, its severity, the controls that are in place to stop the risk materialising, who in the organisation is responsible and the review period. Overall, this gives Cadder an effective strategic and operational tool to manage risks.

4.22 The Association deals with risks in a number of other ways. During its review of the IMP, it undertakes a PEST and SWOT analysis that highlights risks to the Association. It also has a rolling programme of internal audits that reduces the opportunity for risks to materialise and ensures that the Association is working in line with its procedures.

4.23 The Association also has an excellent process of self-assessment. It carries out internal assessments of operational areas to ensure that the Association is following its agreed policy and practice. It reports the self-assessments to the committee and implements action plans to deal with any issues these identify.

4.24 The Association has shown a good approach to dealing with the issues around risk raised in the previous inspection report. The self-assessments we reviewed showed that this was an excellent additional process that reduced the possibility of risks materialising.

Performance management and service outcomes

- 4.25 We made the following recommendation on performance management and service outcomes in our previous inspection report:
- Cadder should review its approach to performance planning and management in order to develop a comprehensive framework for delivering service improvements.
- 4.26 The Association makes use of a wide range of performance indicators and targets to monitor the performance of the organisation. The management committee monitors performance against these targets quarterly.
- 4.27 The Association also compares its performance against other organisations. It has joined the Scottish Housing Best Value Network (SHBVN) and reviews its performance against other organisations in the network. The Director reports quarterly to the management committee on the Association's performance across 14 key performance indicators. The report compares Cadder's performance against the 36 members in the SHBVN. The report also compares its performance against its housing association peer group and nationally against all Scottish RSLs.
- 4.28 As part of the inspection we reviewed the Association's performance outcomes in key services. Cadder's approach to minimising rent arrears is a strength. At 31 March 2007, the Association's current non technical arrears as a percentage of the total gross rent was 2.7%. This is below both the national median of 3.5% and its peer group figure of 3.2%.
- 4.29 We found that the Association was closely monitoring arrears, taking early and sustained action and making realistic and sustainable repayment arrangements with tenants. It provides good performance information on arrears to the committee. It also secured wider action funding to employ a welfare rights officer. This led to increases in the income of users of the service of £251,315 between July 2006 to June 2007.
- 4.30 Cadder also effectively maximises its income through the excellent management of empty houses. It takes on average 17 days to relet an empty house compared to the national median of 25 days and a peer group figure of 34 days. In 2006/07 the

Association let 58.3% of its houses within 2 weeks. This is an excellent performance in comparison to peer group and national figures.

4.31 The table below details Cadder's performance in letting empty houses.

	2004-05	2005-06			2006-07
	Cadder	Cadder	Peer Group	National Median	Cadder
Rental income lost due to empty houses	£4,701	£6,815	-	-	£7,946
As % of total rental income	0.2%	0.4%	1.6%	0.9%	0.4%
Total no. of re-lets	41	68	-	-	60
% re-let in <2 weeks	65.8%	55.9%	20.6%	27.8%	58.3
% re-let in 2-4 weeks	12.2%	27.9%	29.8%	27.2%	23.3
% re-let in >4 weeks	22%	16.2%	61.8%	45%	18.4
Average time to relet (days)	18	15	34	25	17

Source: APSR

4.32 Cadder's reported performance in completing repairs on time is good and better than peer and national figures. The table below shows a slight drop in performance in the urgent repair category, however, the Association adopted a more challenging response time of two days in this category from 2005/06.

	Target	Performance				
		Cadder			RSL peer group 2005/06	National median 2005/06
		2004/05	2005/06	2006/07		
Emergency Repairs	6 hours	99.3%	99.8%	99.4%	97.6%	97.1%
Urgent Repairs	2 working days*	99.1%	98.6%	97.8%	94%	93.5%
Routine Repairs	15 working days	98.8%	99.5%	96.2%	92.5%	93.6%

Source: APSR

* 3 working days 2004/05

4.33 We found some weaknesses in how Cadder reports its repairs performance. It does not include, in the reported figures, the time it takes to complete pre-inspections of repairs. It is therefore not reporting its performance in completing repairs from when the tenant reports a repair. We also found that, for most repairs other than emergency call outs, it does not require its contractor to record the date and time the repair was completed. However, we found that Cadder's actual performance was good and these weaknesses

have not had a significant impact on its reported performance in completing repairs on time.

- 4.34 Cadder's performance in managing gas safety is poor. By March 2007, only 88.6% of houses had a current gas safety certificate, and only 56.5% had a safety check carried out within 12 months of the previous check. In May 2007 the Association reviewed the way it manages the service and has introduced new procedures. Early indications show that these new procedures are leading to an improvement in its performance.
- 4.35 The Association has set out its plans to meet the requirements of the Scottish Housing Quality Standard by 2015. These plans identify the potential need to raise rent levels beyond the increase Cadder agreed when it took ownership of its houses. The Association also points to increases in construction costs at a time of high demand as a risk in its plans. However, Cadder is confident that that it will meet its obligations in relation to the standard.
- 4.36 Cadder undertook a stock condition survey of 106 properties in 2004. This survey allowed the Association to identify the life cycle costs for the maintenance of its houses. It then produced its future maintenance programme and fed this into its medium and longer term financial plans. It does not, however, have a process in place to up date the stock condition survey on a regular basis to ensure that the information remains accurate over the longer term. This is a weakness.
- 4.37 The majority of tenants we met during our inspection were highly complimentary on the quality of the services they receive from Cadder Housing Association. Tenants were particularly complimentary on the helpfulness of the Association's staff and noted that services had been improving over recent years.

Financial Management and value for money

- 4.38 The Association is a financially viable organisation and should remain so in the medium term. However, its exposure to financial risk increases, as the number of houses it owns reduces through house sales. It also does not project an increase in the value of its stock despite significant investment.

- 4.39 The Association estimates that house sales will reduce its stock from 676 in 2006/07 to 627 properties in 2011/12. Although the Association would like to build new houses to replace those sold, it has no funded plans to do this. It also has no plans to reduce its management and maintenance costs, to reflect the longer term reduction in its stock.
- 4.40 The Association has generated surpluses over the last four years and it carries cash balances in the region of £2 million. The table below summarises key financial information over the last 3 years.

	2003/04	2004/05	2005/06	2006/07
Turnover - £000s	1,658	1,701	1,820	1,893
Operating Surplus/ (Deficit) - £	406	366	501	612
Net Surplus/ (Deficit) - £	38	176	266	420

- 4.41 Cadder's past and projected efficiency indicators generally show that the Association compares favourably with sector medians. Performance against voids is better than the sector median both in terms of its past performance and forward projections. Bad debt performance is historically strong, but the Association's bad debt write offs for 2006/07 were, however, high and it is projecting higher than sector averages over the next 5 years. The Association is aware that it needs to closely monitor this. The Association's staff costs as a percentage of turnover were lower than the sector and peer medians in 2005/06. But they increased in 2006/07 and are forecast to be higher than sector medians over the next five years. In 2005/06, Cadder's unit management cost were high at £955 in comparison to its peer group £943 and nationally £863. The Association advises that it has higher management costs per unit due to the additional costs associated with its estate caretaking service, which achieves cost efficiencies in other areas.
- 4.42 Its financial projections show that Cadder will incur significant expenditure over the medium term as the Association undertakes work to meet the SHQS. The Association plans to fund the maintenance work out of its reserves, which will result in a cumulative operating deficit of £1.6 million over the next 5 years. The Association may consider a revaluation of its stock in line with the improvements it has made. This would deal with any perceived weakening of its financial position.

- 4.43 The Association is currently making a loss on its factoring activities. However the Association has told us that it expects to generate income from its non-renting activities that will meet most of this shortfall.
- 4.44 The Association is aware of the need to operate in a cost effective manner. It identifies a number of areas where it is achieving value for money:
- it undertakes internal training where possible and produces cost comparisons between internal and external provision;
 - the introduction of its estate caretaking service removed the need to employ external contractors for landscaping and close cleaning;
 - it minimises loss of income from empty house management and through rent arrears control; and
 - it is considering using its self assessment process as an alternative to purchasing internal audit services.
- 4.45 The Association also undertook a major review of its estate caretaking service in 2005. The review showed that the Association would achieve significant savings by extending the range of services it provided. The committee received good quality costed information in relation to this and it has continued to monitor the cost effectiveness of the service.
- 4.46 In summary, Cadder is a financially viable organisation and it has demonstrated in a number of areas that it seeks to achieve value for money. It does however show increasing management and maintenance costs per unit and needs to better demonstrate organisational efficiencies.

5 Next steps

- 5.1 This report highlights our findings following this housing inspection. We expect all organisations to respond effectively to our recommendations using their own processes for planning improvement. We ask organisations that receive fair or poor assessments to submit an improvement plan to us within eight weeks of the publication of this report. The plan should show how the organisation intends to respond to our findings.
- 5.2 Cadder does not need to submit an improvement plan to us.

Appendix 1 Sources of evidence

Groups and third parties consulted

- Communities Scotland Area Team
- Communities Scotland Support Team

Interviews / meetings/ discussions

- Members of the Associations Management Committee
- Tenants and Residents
- Director
- Deputy Director
- Technical Services Manager
- Senior Housing Officer
- Finance Officer
- Maintenance Assistant

Reality checks

- Review of arrears cases
- Review of complaints
- Review of gas safety documents
- Review of information for applicants and tenants
- Review of responsive repairs
- Review of void management records
- Observation of Management and Sub Committee meeting

Key documents reviewed

- Inspection submission
- Minutes and Reports to Management and Sub Committee Meetings
- Annual Accounts for year ending 2006/07
- Five year financial projection return
- Business Plan
- Newsletters
- Code of governance
- Risk management strategy
- Tenant satisfaction survey
- Performance monitoring reports for rent arrears, allocations, complaints, antisocial behaviour, void management, and responsive repairs
- Responsive repairs policy and procedures

Glossary

Annual Performance and Statistical Return (APSR)	A statutory return required by Communities Scotland and completed by RSLs each year. It is used to gather annual information about RSLs, and to track their performance.
Average	The arithmetic mean – the sum of all the values divided by the number of values.
Inspection submission	Documents the landlord submits at the start of the inspection to provide information on its performance, context and structure.
Internal Management Plan (IMP)	Strategic plan which sets out what the RSL's aims and objectives are as well as outlining how it will achieve them.
Life cycle costs	A method of calculating the cost and timing of the repairs to, and replacement of, major building components.
National median	In a series of performance values for all Scottish RSLs, the value in central position.
Non technical arrears	Rental charges owed to a landlord after outstanding Housing Benefit or payments have been taken account of.
Peer group	A group of organisations facing similar tasks and challenges with which comparisons can be made. RSLs choose which peer group they belong to when they submit their APSR.
Performance Standards	Housing standards for all social landlords in Scotland, jointly agreed by the SFHA, COSLA and Communities Scotland.
PEST Analysis	This is a technique that allows us to look at our environment by dividing it into the four categories; political, economic, social and technological.
Pre-inspection	Inspection to check what work is needed before ordering a repair.
Re-lets	Lets made to the second or subsequent tenants. Distinguished from new lets – made when the property is first built or modernised.
Scottish Housing Quality Standard (SHQS)	A minimum quality standard for all of Scotland's social homes. Landlords should achieve the standard by 2015.
Stakeholder(s)	Any person or organisation using a landlord's service, affected by the landlord's actions or having an interest in the landlord's activities – an interested party.
SWOT analysis	Is an analysis that is used to understand an organisations; strengths, weaknesses, opportunities and threats
Turnover (empty houses)	The number of houses that are vacated in a year expressed as a percentage of the landlords housing stock.

Regulation & Inspection

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