

Pathfinder Inspection Report

August 2004

Cernach Housing Association



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1. Introduction

The role of Communities Scotland

- 1.1 Communities Scotland is the executive agency for regeneration and housing, directly responsible to Ministers. Our aim is to work with others to improve the quality of life for people in Scotland.
- 1.2 The Housing (Scotland) Act 2001 gives Communities Scotland the role of regulating Registered Social Landlords (RSLs) and the landlord, homelessness and factoring services of local authorities. Our purpose as a regulator is to promote quality, continuous improvement and good practice in these services, for the benefit of current and future tenants, and other service users. One way we do this is through the inspection of RSLs and local authorities. Inspections provide an in-depth assessment of an organisation, its service quality and its ability to improve. Our *Guide to Inspection* describes how we carry out inspections.

The standards we use

- 1.3 We have published *Performance Standards* with the Convention of Scottish Local Authorities (CoSLA) and the Scottish Federation of Housing Associations (SFHA). These standards set out our joint expectations for the performance of all social landlords and homelessness functions. The inspection process is built around an assessment of how well these standards are being met. We tailor our inspections to take account of the RSL's role, the local context in which it operates and the standards the RSL and local authority has agreed with its own tenants and service users.
- 1.4 The Guide to Inspection and Performance Standards are available on our website at <http://www.inspection.communitiesscotland.gov.uk>

How we assessed performance

- 1.5 Our inspectors asked three key questions about this RSL:
 - How good are the services we have inspected?
 - How well are the RSL and its services being managed?
 - Are the services and the RSL likely to improve?
- 1.6 In order to answer these questions inspectors:
 - spoke to tenants and staff at Cernach and to members of Cernach's governing body;
 - asked other organisations that work closely with Cernach for their views;

- spoke to the Tenant Participation Group;
- visited homes that it owns and manages;
- saw and tested first hand how well services were being delivered and how well Cernach responds to its service users by doing things like shadowing and observing staff and sampling cases;
- checked key policies, publications and information for service users; and
- took account of Cernach’s self-assessment submission.

1.7 You will find more details about who we spoke to, what kind of checks we carried out and what documents we reviewed in Appendix 1. Aspects of Cernach’s performance that we consider to represent particularly positive practice are highlighted in Appendix 2.

1.8 Following our assessment, we awarded grades for:

- the overall performance of the RSL;
- governance and financial management;
- housing management services; and
- property management services.

1.9 This is what our grades mean:

A	Excellent	Major strengths
B	Good	Many strengths and some areas where improvement is needed
C	Fair	Some strengths, but with significant areas where improvement is required
D	Poor	Major areas where improvement is needed

1.10 We also assess the RSLs likelihood to improve and describe this overall, and in each service as:

Excellent
 Promising
 Uncertain, or
 Poor

The inspection of Cernach

1.11 The inspection team for Cernach was led by Tom Burns (Inspector) and was supported by Lynne Bell (Financial Analyst), Erika Hudleston (Inspection Officer) and Georgina Kent (Inspection Officer). We were on

site at Cernach between 16 February 2004 and 3 March 2004. We would like to thank everyone involved in the inspection, particularly the Board, staff and tenants for their time and co-operation.

- 1.12 This report presents our findings and recommendations. It is published, together with a summary, on our website at <http://www.communitiesscotland.gov.uk>. Cernach must make the summary available to anyone that wants it, report our findings to tenants and other stakeholders and implement an improvement plan to respond to our recommendations and the issues raised in this report.

2. Context

Cernach Housing Association.

- 2.1 Cernach Housing Association Limited was established in late 1990. Initially formed as a housing co-operative, it registered as a housing association without charitable status in September 1999. Its main initial objective, to comprehensively upgrade or replace housing stock acquired from Glasgow City Council, was met in the summer of 2003 when it completed the last of a number of new build developments. Of the 298 properties it owns, all but 36 are new build. It also has an ownership interest in 32 shared ownership properties. The Association's office is situated in the KCEDG Commercial Centre, Ladyloan Place, Drumchapel, Glasgow.
- 2.2 Having completed its initial objectives to contribute to the regeneration of a particular area of Drumchapel, Cernach now has the opportunity and the capacity to increase its impact in the wider Drumchapel area. It has decided to extend its activities and Cernach will soon be responsible for managing 628 Glasgow Housing Association (GHA) owned properties in the nearby Langfaulds area. It hopes, subject to a successful tenants ballot outcome, to take these properties into its ownership in 2005-2006.
- 2.3 Cernach is governed by a voluntary Management Committee elected annually by its membership.

Key statistics

- 2.4 Cernach owns a range of types of dwellings, detailed in the table below. Around half are houses, the remainder are flats; all were built post 1982.

Cernach's Property Types

Type	Number of properties
Cottage flats	48
Main door flats	12
Tenement flats	86
Town houses	36
Semi detached/detached	112
Bungalows single storey	4
Total	298

Source: Cernach HA 'Housing Stock – 31st March 2004'

Factored properties	246
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Source: Cernach HA 'Housing Stock – 31st March 2004'

2.5 The table below presents summary contextual information for Cernach, showing trends over the last three financial years.

Key Statistics

	2000-2001	2001-2002	2002-2003
Numbers of properties owned	288	278	282
Numbers of properties factored	26	272	244
Number of members	N/A	194	203
Number of board members	9	11	15
Number of tenant board members	6	8	11
Numbers of employees	9	8	7
Annual turnover	£655,000	£688,000	£804,000
Total possible rental income	£691,384	£717,624	£752,055
Development programme value	N/A	£4,736,000	£1,215,782
Rental income from housing benefit (%)	N/A	57.0%	59.0%
Average weekly rent	£39.86	£42.66	£47.32
Average rent increase	1.80%	1.07%	3.90%
Number of relets	11	9	11
Number of new lets	11	22	32
Number of responsive repairs	571	568	573
Number of Right to Buy sales	0	0	0
Shared Ownership units	30	29	28
Number on Housing List	N/A	286	523

Notes: N/A – Not Available (figures not gathered during specified financial year)

Source: Annual Performance and Statistical Returns, Communities Scotland/annual accounts

3. Overall Performance

- 3.1 Cernach has made a very substantial contribution to the regeneration of West Drumchapel through the housing it has itself provided and by working collaboratively with other public and private organisations in the area. It is a good landlord whose achievements have improved the quality of life of many of its tenants. It is characterised by good leadership at senior management and committee level and by its commitment to good customer service. The results of tenant surveys carried out on the Association's behalf and feedback from a number of its service users during our inspection, indicate a high level of satisfaction with services and with the way they are provided by the Association's staff and its contractors.
- 3.2 The Associations stock has increased to its present level over an extended period. The number of houses managed will shortly increase to around 1000 as Cernach takes responsibility as a Local Housing Organisation for the Glasgow Housing Association (GHA) stock. It also aims to take ownership of the homes in due course with the tenants' agreement. This level of growth will be a major challenge for the Association that will have many implications for the management committee, management, staff, tenants and other service users.
- 3.3 The overall grade takes account of Cernach's performance in governance and financial management, performance in each service area, its organisational effectiveness, its commitment to social inclusion, and its likelihood of improvement.

B	Cernach is a good performer with many strengths and some areas where improvement is needed. The prospects for improvement overall are promising.
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3.4 These are the inspection grades achieved by Cernach for its main areas of service delivery:

Governance and Financial Management	B	<p>Cernach is a good performer in governance and financial management with many strengths and some areas where improvement is needed.</p> <p>The prospects for improvement in governance and financial management are promising.</p>
Housing Management	B	<p>Cernach delivers a good housing management service with many strengths, but with some areas where improvement is needed.</p> <p>The prospects for improvement in housing management are promising.</p>
Property Management	B	<p>Cernach delivers a good property management service with many strengths, but with some areas where improvement is needed.</p> <p>The prospects for improvement in housing management are promising.</p>
Property Development	A	<p>Cernach delivers an excellent property development service with major strengths.</p> <p>The prospects for improvement in property development are promising.</p>

Key findings on overall performance

3.5 Overall, these areas are working well in Cernach:

- ✓ Cernach has developed a stock of good quality housing that is in demand.
- ✓ Cernach is, and is likely to remain, financially viable. It has a good financial framework in place covering budget setting, reporting and monitoring of performance.

- ✓ Cernach makes good use of and is supportive of its staff. It has achieved and retained Investors in People accreditation.
- ✓ The Association has effective strategic planning and performance management systems to help it manage the business.
- ✓ Cernach communicates with its tenants effectively and is responsive to feedback.
- ✓ Cernach has a good understanding of its strengths and of the areas it needs to improve further.
- ✓ Cernach provides good housing services to its tenants and factored owners.

3.6 Overall, these areas could be working better:

- Consultation arrangements with service users, other than tenants.
- Management Committee numbers and attendance levels at meetings.
- Access to the house waiting list.
- Medium term financial planning.
- Rent and factoring charges arrears levels.
- Management of committee members' conflicts of interest concerning rent arrears.
- Compliance with Gas Safety (Installation and Use) Regulations 1998.

3.7 These are our key recommendations. They are broadly in order of significance:

- ❖ Cernach must improve its management of gas safety to ensure all properties are serviced within the 12 month period required by the gas safety legislation.
- ❖ Cernach should ensure rent arrears recovery procedures are being carried out consistently and that record keeping is adequate.
- ❖ Cernach should take all possible steps to increase the number of committee members, if necessary using its powers of co-option. It should try to attract members from under represented groups.
- ❖ Cernach should ensure that committee members operate the Association's Code of Governance for managing conflicts of interest concerning rent arrears.
- ❖ Cernach should ensure its allocations policy and procedures comply with the relevant legislation and include monitored arrangements for suspending applications. It should review and if appropriate, add to the waiting list, all applications that have been refused or cancelled.
- ❖ Cernach should ensure that applicants' housing needs are fully assessed at the time they are registered onto the housing list, and kept up to date. Assessments should be quality controlled.
- ❖ Cernach should prepare medium-term financial projections to translate the strategic objectives within its Internal Management Plan into financial terms.

- ❖ Cernach should provide applicants with more information on how their points have been calculated and their housing prospects.
- ❖ The Association should review debt recovery procedures for its factoring service, ensure they are fully implemented and set targets to reduce the arrears over time.
- ❖ Cernach should obtain owner's views on the range and quality of its factoring services through regular service user feedback.
- ❖ Cernach should take a strategic approach to its wider action activities and measure and report on performance in this area.

How good are the services overall?

- 3.8 This section assesses how good the services are overall that people get from Cernach. We have considered services against the five broad criteria of accessibility; participation and responsiveness; accountability; equalities; and sustainability. Some issues outlined here are dealt with in more detail in later parts of the report. We have not, therefore, repeated all the recommendations about service improvements in this section.

Accessibility

- 3.9 Cernach uses a number of methods to provide service users with advice on the services it provides and on how they can be accessed. These include newsletters, Tenants Handbook, Owners Guide, newspaper articles, posters and leaflets. A good interactive website allows users to view a range of information, apply for housing, report faults and comment on services. Service users have a number of options for making payments and requesting services.
- 3.10 Cernach's office is conveniently located for most of its existing tenants but not for the tenants of GHA stock in the Langfaulds area. The Association has acquired temporary office space to accommodate LHO staff and has firm plans to move to a custom built office at another location to meet its long-term needs. The existing main office accommodation is designed to meet the needs of the disabled but, because it is overcrowded, access to some areas is difficult for people with restricted mobility. As a result of this situation the Association needs to be mindful of its obligations under the Disability Discrimination Act.

Participation and Responsiveness

- 3.11 Cernach uses a number of methods including newsletters, public meetings, various surveys, focus groups, an office suggestion box and its website, to consult with tenants on existing and proposed services. Consultation with other service users such as factored owners and housing applicants is less well developed.

Recommendation 1:

Cernach should consider how it could widen the range of consultation opportunities provided to groups such as factored owners and housing applicants.

- 3.12 We saw examples of where feedback from tenants had been acted on. For example, in response to feedback highlighting dissatisfaction with the absence of children's play facilities at a new development, the Association worked closely with local residents and several partner organisations to provide an innovative community play area.
- 3.13 Cernach has a positive approach to tenant participation and involved tenants when developing the Tenant Participation Strategy and Policy. It has encouraged and supported a group of tenants towards becoming a registered tenants organisation.
- 3.14 Cernach's staff are good at dealing with requests for services, advice or information. Tenants we spoke to confirmed the tenant satisfaction survey results that they were pleased with how their requests were answered.

Accountability to Service Users

- 3.15 Cernach has effective methods of providing information on its performance in the main areas of its work to tenants and other service users. Information is contained in the Annual Report and Summary of Accounts, in quarterly newsletters and on its website.
- 3.16 Cernach has publicised its Complaints Procedures and the Scottish Public Service Ombudsman Service widely. It has done this by writing to all its tenants individually, by providing leaflets in reception and by including information in the Tenants Handbook and on its website. The 2004 tenants satisfaction survey revealed that 88% of tenants are now aware that there is a complaints procedure; this contrasts with 66% in a similar survey in 2002. All three complaints received during 2003 were dealt with in line with the Complaints Procedures.

- 3.17 The Scottish Public Services Ombudsman has advised us that she has not received any complaints against Cernach since the start of this service in 1994. She has described the association's complaints policy as clear, comprehensive and user friendly. She has suggested several minor revisions, which we have passed to the Association.

Promoting Equality and Embracing Diversity

- 3.18 RSLs have a statutory duty to act in a manner that encourages equal opportunities. Cernach has a Policy and Practice Document on promoting equality but it has not developed an action plan detailing how it will meet its aims. Cernach has recognised this and that it does not have enough information on housing applicants, tenants, its members and the wider community, to allow it to adequately monitor and report on performance in this area. It is taking steps to get this information through surveys. We agree that Cernach should develop a plan setting targets for achieving its objectives in the area of equal opportunities, against which its progress can be measured.
- 3.19 Cernach has good equalities procedures for recruiting staff. Outcomes are reported to the Management Committee after a job is filled. The Association also intends to use the Disability Symbol that signifies positive commitment to disabled people in the area of employment.
- 3.20 Cernach can make information available in community languages, large print, Braille or on tape if required, although this has never been requested.

Sustainability

- 3.21 Cernach has created very good quality housing developments through major rehabilitation and redevelopment of poor quality stock acquired from the local authority. Houses are now in high demand and tenant turnover is low. Meetings we had with tenants during the inspection and the Association's tenant satisfaction surveys, indicate that almost all tenants are satisfied with their homes and that few wish to move house in the short term.
- 3.22 The Association has diversified the tenure mix in its area by providing shared ownership housing. Private developers have followed the lead of local RSLs, providing housing for sale in what was a wholly rented area. Cernach has developed a range of sizes and types of properties suitable for existing and future occupiers and has improved standards in the light of feedback from tenants and changes in best practice. At a strategic level it has worked closely with the Local Authority and other partners to increase

its awareness of factors, including trends in future demand, that could affect sustainability.

- 3.23 Cernach supports the aims of the Glasgow Housing Association, and is committed to working with it as a local housing organisation for GHA's stock in Langfaulds. It will take responsibility for managing the stock very soon, and hopes to take it into ownership within the next few years. In this way it aims to contribute to the future sustainability of the wider Drumchapel area.
- 3.24 The Association's Sustainable Development Policy has guided its maintenance activities and the design briefs it gives to its technical consultants in new housing developments. However, sustainability objectives are not included in the current Internal Management Plan and do not extend across all of the Association's activities.

Recommendation 2:

Cernach should ensure sustainability objectives and targets covering all of its activities are included in its Internal Management Plan. It should report on its performance against targets set.

- 3.25 Cernach has good awareness of the important influence children can have on conditions in housing estates and demand for its housing. It has formed close links with the local primary school and it supports a youth group that involves 8 to 15 year olds in activities that encourage them to respect the environment and contribute to the success of the area.

How well is Cernach managed overall?

Planning and Performance Management

- 3.26 Cernach gives a high priority to planning and performance management. Its key planning tool, the three-year Internal Management Plan, is reviewed and updated annually following a Strategy Review Seminar that committee members and all staff attend. Time scales and responsibility for implementing identified objectives are clearly identified and Cernach uses monthly staff meetings and Management Committee meetings to monitor progress. We found that Management Committee and staff were enthusiastic and knowledgeable about these arrangements and that the process was working effectively.
- 3.27 Preparation for becoming the local housing organisation (LHO) for Langfaulds has been an important component of Cernach's planning during the last few years. The stock in management will more than triple

immediately, with impacts on governance arrangements, office facilities and staff management. Cernach has made temporary arrangements for office premises and in filling staff vacancies while arrangements were being negotiated with GHA, so it that it could implement changes as these were formally agreed. This incremental approach to planning for the change has worked well and the impact of some of these unavoidable temporary arrangements are also referred to elsewhere in this report.

3.28 The Association regularly reports its performance in key areas. Where possible and appropriate it compares its performance with that of other similar registered social landlords. This is a good practice that serves to give a context to the Association's performance. However, the effectiveness of reports is variable because some provide limited information and analysis of performance. Areas where reports on performance could be improved include:

- rent arrears;
- repairs; and
- allocations.

Recommendation 3:

Cernach should report comprehensive information on performance in all service areas.

3.29 Cernach produced a very full assessment of its performance in preparation for our inspection. In the process it demonstrated good awareness by identifying not only where it was performing well but also some areas where improvement was required.

Policies and Procedures

3.30 Cernach has a range of policies and procedures to guide staff and promote good practice across almost all of its activities. However some issues identified in the March 1999 audit report, for example the absence of policies on subletting and on home loss and disturbance payments, had not been dealt with. While most documents we saw as part of the inspection were up to date there were a few instances where they referred to superseded legislation. For example the Allocations and Conflicts of Interest Policies refer to section 15 of the Housing Associations Act 1988 and to the Data Protection Act 1984, neither of which govern this area. This may indicate that Cernach's system for reviewing policies is not working as well as it should.

Recommendation 4:

Cernach should review its system for ensuring policies and procedures reflect current legislative requirements and good practice.

Managing its Resources

- 3.31 Cernach considers training and development important aspects of its business. New committee members receive comprehensive induction training in a range of business areas including the responsibilities of the Management Committee and there are opportunities for continuous development of their knowledge and skills. Training events, particularly those provided in house, are well attended by management committee members.
- 3.32 Cernach makes good use of its staff resource. There is a comprehensive induction programme for new staff and ongoing six monthly performance and development assessment interviews, for all staff. We saw evidence that this process is carried out thoroughly. Staff we interviewed were enthusiastic about this process and about training and development generally. They were confident about their ability to contribute to monthly staff meetings and to raise issues with management. It is good that Cernach has been able to maintain this level of staff enthusiasm while having to operate a temporary staffing structure until the arrangements for receiving seconded staff from GHA are confirmed.
- 3.33 Cernach's commitment to providing the highest standards of customer service through its staff is demonstrated by it having Investors in People accreditation since February 2000. In a further step towards achieving high standards and continuous improvement in this area, it is working towards applying for Charter Mark recognition in the first half of 2004.
- 3.34 Cernach makes good use of Information and Technology (ICT) systems to support its business activities. There is no ICT strategy but we saw evidence that the Association had taken appropriate steps to ensure that its systems were effective in meeting its changing requirements.

How likely is Cernach to improve?

- 3.35 The scale of growth facing the organisation in providing services to and possibly acquiring GHA houses, will continue to need careful management in the next few years.

However overall, we consider Cernach's likelihood to improve is promising because:

- the Association has a strong governing body and a capable, experienced staff team, supported by good training and development arrangements;
- it has shown good awareness by identifying several areas where improvement is possible in its Inspection Submission and has taken steps to deal with them;
- it has the ability to deliver improvement through its planning and performance management framework; and
- it has previously demonstrated that it is able to improve its performance in some areas.

4. Governance and Financial Management

Overall Assessment of Governance and Financial Management

- 4.1 Cernach's Management Committee has the necessary range of skills and experience to govern the Association competently. The Association has an effective framework in place for financial management and its financial projections indicate that it will remain viable in the long-term.

B	Cernach is a good performer in governance and financial management. The prospects for improvement in governance and financial management are promising.
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- 4.2 These are the areas that are working well:

- ✓ The Management Committee controls the Association competently.
- ✓ The Association has good ongoing arrangements for identifying committee and staff member's strengths and weaknesses.
- ✓ Membership levels are good; both tenants and factored owners are represented.
- ✓ Cernach has a good financial management framework in place covering budget setting, reporting and monitoring of performance.
- ✓ Cernach has 30-year cash flow projections in place that indicate that the organisation will remain viable in the long-term.
- ✓ Time recording provides a very good basis for staff cost allocations.
- ✓ Cernach has a good working relationship with its finance agent.

- 4.3 These are the areas that could work better:

- Management Committee membership numbers and attendance levels at meetings.
- Committee Members' compliance with Code of Governance on conflicts of interest concerning rent arrears.
- Budget information.
- Medium term financial planning.

4.4 These are our key recommendations. They are broadly in order of significance:

- ❖ Cernach should take all possible steps to increase the number of Management Committee members, if necessary using its powers of co-option. It should try to attract committee members from under represented groups.
- ❖ Cernach should take immediate steps to ensure that committee members operate the Association's Code of Governance on conflicts of interest concerning rent arrears.
- ❖ Cernach should make improved attendance at committee meetings a priority. It should record attendance levels accurately.
- ❖ Cernach should prepare medium-term financial projections to translate the strategic objectives within its Internal Management Plan into financial terms.
- ❖ Cernach should review the budget report to the Management Committee; to set the information in a fuller context and establish a more robust case from which the Committee can monitor future performance.

Context for Governance and Financial Management

4.5 Cernach is a community based housing association, with non-charitable status. Its Management Committee is elected from its membership. There are 15 places on the committee. Nine places were filled at the time of our inspection; five by tenants, three by factored owners and one by a non-resident member. Males and under 25 year olds were under represented. There are two sub-committees, one which deals with the business of the Local Housing Organisation (LHO), the other with staffing. A third sub-committee to handle property management matters is being established.

4.6 A finance agent, experienced in RSL finance, provides financial services to Cernach. In addition to the finance agent, Cernach has a finance assistant who carries out day-to-day bookkeeping duties.

How Good are Governance and Financial Management?

Membership

4.7 Cernach has an accessible approach to membership. All tenants, as well as sharing owners, factored owners and anyone else with an interest in the Association are able to join. All members are eligible to be elected to the Management Committee. The Association promotes membership at the point of tenancy signup, through the Tenant Handbook, in newsletters and through features in the local press.

- 4.8 Membership levels are good: there are just over 200 members; around 60% of these are tenants, and most of the remainder are local owners. The Association wants to increase the percentage of tenant members to 70% and to have more members aged 18-25. It intends to analyse membership by age, ethnic group and gender to help it address equal opportunities issues and to target a membership promotion drive.
- 4.9 The Association issues good quality annual reports to members, tenants and other service users. These include information to help readers understand financial summaries in the annual accounts. The Association encourages attendance at meetings by selecting suitable locations and by helping members with mobility or health problems with transport.

Independence and Constitution

- 4.10 Cernach changed its governance structure at a General Meeting in December 2002. The membership approved a rule change that allowed it to establish a Local Housing Organisation (LHO) sub-committee that would help it to meet the additional demands of managing GHA housing. It hopes to acquire these properties from GHA during 2005-2006 subject to agreeing terms with GHA and the satisfactory outcome of a tenants' ballot. The LHO sub-committee will oversee the management of these properties and the potential transfer into the Association's ownership.

Governing Body

- 4.11 Cernach's Management Committee controls its activities competently. Members have a range of relevant skills and experience, and there is a balance of tenants and local owners. The Association recognises that some groups are under-represented on the Committee, and it intends to use the analysis of membership, referred to earlier in this section, as a means of helping to target recruitment to the Management Committee.
- 4.12 Probably the most important decision the Committee has taken in recent years is the decision to expand considerably as an LHO for Langfaulds. It recognised that this opportunity fitted well with its overall objectives for the regeneration of Drumchapel and that it came at an appropriate time for the organisation. It had completed its planned improvement and development works and it had the experience and skills, both among the committee members and staff, to manage local houses and to manage their improvement if required. The decision to diversify in this way was made for considered and appropriate reasons.
- 4.13 There are 15 places on the Association's committee. At the time of our inspection there were nine members and numbers have fluctuated between 9 and 15 during the last three years. In the 11 months to

February 2004, attendance levels at meetings were 57% and on average six members were present at each meeting. These levels are substantially below the Association's own attendance target of 85% and below the national average of 72%. It is important that Cernach attracts and retains appropriate people to manage its growing business. The combination of low levels of committee membership and low attendance at meetings, increases the likelihood that meetings will be inquorate and is a risk to how well the Association can govern itself, including how it deals with conflicts of interest.

- 4.14 We found the Association had recorded attendance at Management Committee meetings wrongly. Members who had given prior notice that they were unable to attend were recorded as having attended. This resulted in attendance levels being over recorded. The figures we have reported in 4.13 have been adjusted to take account of this.

Recommendation 5:

Cernach should take all possible steps to increase the number of committee members, if necessary using its powers of co-option. It should try to attract members from under represented groups.

Recommendation 6:

Cernach should make improved attendance at committee meetings a priority. It should record attendance levels accurately.

- 4.15 Papers for the committee are issued a week before meetings, this is good practice and accords with a recommendation made in Scottish Homes' Performance Audit Report dated March 1999. Subject to our recommendations for improvement in specific areas, reports submitted to committee are of a good standard and provide members with enough detailed information to allow informed consideration of issues. Minutes are sufficiently detailed and provide a clear record of meetings.
- 4.16 Cernach has supportive induction arrangements for new Management Committee members. It has effective, ongoing, arrangements for identifying and addressing knowledge and skills gaps in new and existing members.
- 4.17 The Code of Governance to which Management Committee members commit on appointment and annually, provides clear information on the steps to be taken where a member has a conflict of interest affecting the Association's business. We found several instances where members who

had owed the Association substantial amounts of rent in arrears over a considerable period of time, had taken part in discussions and decisions on rent arrears issues. Cernach had not been aware that this represents a significant conflict of interest.

Recommendation 7:

Cernach should take immediate steps to ensure that committee members operate the Association's Code of Governance on conflicts of interest concerning rent arrears.

Risk Management

- 4.18 The Committee, Director and finance agent are aware of the risks faced by the Association. A Risk Management Policy identifies strategic and operational risks and there is a range of procedures in place to avoid or minimise risks and manage those that do occur. The Association has had to consider the risks involved in becoming an LHO and made the decision to proceed on the basis that these could be managed. It will not make a final decision about purchasing the Langfaulds housing stock from the GHA until it knows it has the support of those tenants and that the financial arrangements are appropriate.
- 4.19 The Association has shown good awareness by recognising the need to update the Risk Management Policy and internal audit planning to take account of changes in its procedures and the increased range of activities in which it is now involved. It has acknowledged the advantages of reviewing the policy annually and prioritising risks in more detail, in view of the changing nature of some of the challenges it faces. It also intends to review its Risk Management Policy on receipt of this inspection report.
- 4.20 Cernach's Director is responsible for the internal audit function. This has operated effectively, but Cernach feels a more structured approach to internal audit planning is now required. Guided by the review of the risk Management Policy, it intends to employ specialist providers in various audit areas to add value to the internal audit process and highlight best practice within the housing sector.

Financial Viability

- 4.21 Cernach's financial performance is good, and its 30-year cashflow projections, based on its present structure, show that it will remain financially viable in the long-term.

Key Financial Ratios for Cernach Housing Association

	Sector median 2002/03	Class median 2002/03	Cernach 2002/03	Cernach 2001/02	Cernach 2000/01
Interest cover (%)	187.5	184.2	243.9	219.4	185.5
Net housing debt per unit (£)	5,743	5,884	5,884	6,250	5,273
Gross surplus/(deficit)(%)	28.5	33.0	35.8	38.5	38.0
Net surplus/(deficit)(%)	8.8	9.9	15.2	13.9	10.7

Source: 2000/01, 2001/02 and 2002/03 annual accounts – an explanation of the ratios and terminology used may be found in the Financial Glossary at the end of this report.

- 4.22 Cernach has consistently produced good levels of surplus and this is forecast to continue. The above table shows that in both gross and net surplus, Cernach performed better than similar Associations and better than the sector generally. Cernach's stock is fairly new and surpluses are set aside to cover future repairs and maintenance.
- 4.23 Although Cernach's net housing debt per unit is higher than the sector generally, it is the mid-point in its classification group. Cernach's interest cover is strong indicating that Cernach generates enough cash to cover the interest payments due on this debt.

Financial Management

- 4.24 Cernach has a good financial management framework in place and manages its finances well. This covers annual budgeting, reporting and performance monitoring and is underpinned by its 'Systems of Internal Controls'. However, although 30-year cash flow projections are in place, these are only updated every three years, in the absence of material change. Medium-term projections, covering 3 to 5 years, are not prepared.

Recommendation 8:

Cernach should prepare medium-term financial projections to translate the strategic objectives within its Internal Management Plan into financial terms.

4.25 Cernach's budget setting process is also good. The finance agent prepares the budget on the basis of assumptions and data supplied by the Association. This is presented to the Management Committee in February each year. The Management Committee ratifies the final budget in March, prior to the start of the financial year.

4.26 Salaries are allocated across the business based on timesheet entries prepared by all staff. This is a very good method of allocation based on accurate information of where staff time is spent. Office overheads, however, are allocated across housing management and day-to-day maintenance only. This does not give an accurate picture of the full cost of each area of the business, e.g. factoring.

Recommendation 9:

Office overheads should be allocated, using an appropriate basis, across all of the business activities to show the full cost of each activity.

4.27 The budget information presented to the Management Committee includes an income and expenditure account, showing the figures for the budget year with supporting commentary, and a monthly cash flow statement. Cernach could improve its budget consideration by expanding the information provided, for example:

- A balance sheet;
- Key financial ratios or indicators; and
- The prior years budget or forecast outturn figures.

Recommendation 10:

Cernach should review the budget report to the Management Committee; to set the information in a fuller context and establish a more robust case from which the Committee can monitor future performance.

4.28 The committee receives adequate quarterly management accounts around six weeks after the end of the quarter to which they relate. These include an income and expenditure account, balance sheet, management expenses breakdown and ratio analysis, and a useful narrative to explain variances between the budgeted and actual income and expenditure and management expenses. Further narrative is provided on balance sheet items. No cash flow statement is presented within the management accounts.

- 4.29 The income and expenditure account and management expenses compare the actual position to date to the budgeted position to date. Similar balance sheet comparison should be carried out once a balance sheet is included within the budget package.
- 4.30 Further improvements to the management accounts would be achieved by including an updated year-end forecast, taking account of the actual position to date, and by reporting on cash flow. Presentation of the income and expenditure and balance sheet figures would be improved by the inclusion of a column showing the variances between budget and actual performance as explained in the narrative.

Recommendation 11:

Presentation of the management accounts should be reviewed to ensure the Management Committee receives comprehensive information to assist in monitoring and decision making.

Treasury Management

- 4.31 Cernach operates a good Treasury Management Policy, which is appropriate to its circumstances. The policy includes guidance on approved activities, methods of raising capital, approved sources of finance and approved organisations for investment. There is a requirement for the committee to approve borrowing decisions and to receive an annual report on treasury management operations. The finance agent presents a treasury management report to the Management Committee on an annual basis and will also report on an ad hoc basis, if required.

How likely are Governance and Financial Management to improve?

- 4.32 We consider the prospects for improvement in governance and financial management are promising because:
- there is an experienced Management Committee and senior staff member controlling the Association;
 - the Association has demonstrated a commitment to continuous improvement;
 - Cernach has a good working relationship with its finance agent; and
 - Cernach already has a good financial management framework in place.

5. Housing Management

Overall Assessment of Housing Management

- 5.1 Cernach provides a good Housing Management Service. However, it needs to address the area of access to its housing to meet statutory requirements and to improve its performance in rent arrears. While these areas are important and have a direct effect on service users, the grade we have awarded for housing management recognises Cernach's good overall performance.

B	<p>Cernach delivers a good housing management service with many strengths, but with some areas where improvement is needed.</p> <p>The prospects for improvement in housing management are promising.</p>
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- 5.2 These are the areas that are working well:

- ✓ Cernach has good quality housing that is in high demand.
- ✓ The Association manages empty houses very well.
- ✓ The Association actively encourages people to apply for its houses.
- ✓ Cernach is good at providing tenants with tenancy information and benefits advice when they are housed and throughout their tenancy.
- ✓ The Association works successfully with partners to achieve common goals.
- ✓ Cernach completed signing up tenants to the Scottish Secure Tenancy well within the timescale allowed.

These are the areas that could work better:

- Rent arrears control.
- Access to the waiting list.
- Assessment of housing applications and advice to applicants.
- Monitoring how well it is meeting housing need through allocations.
- Consultation with tenants on increases in rent and service charges.

- 5.3 These are our key recommendations. They are broadly in order of significance:

- ❖ Cernach should ensure rent arrears recovery procedures are being carried out consistently and that record keeping is adequate.

- ❖ Cernach should ensure its allocations policy and procedures comply with the relevant legislation and include monitored arrangements for suspending applications. It should review, and if appropriate add to the waiting list, all applications that have been refused or cancelled.
- ❖ Cernach should ensure that applicants' housing needs are fully assessed and kept up to date. Assessments should be quality controlled.
- ❖ Cernach should provide applicants with more information on how their points have been calculated and on their housing prospects
- ❖ Cernach should introduce reporting arrangements that can show how well it is meeting its policy objectives and that it is giving reasonable preference to the statutory categories of need.

Context for Housing Management

- 5.4 The Director, Technical Officer, and two Housing Officers deliver Cernach's housing management services. A Finance Assistant assists the team in billing and debt recovery.
- 5.5 Cernach intends to enter into an agreement with GHA that will result in it providing services to GHA tenants in the nearby Langfaulds area. The services will be delivered through a GHA staff team managed by the Association.

How Good is the Service?

Access to Houses

- 5.6 Cernach is good at providing information on how to apply for housing. It uses newspaper articles, public offices in its area and its website to display posters, leaflets and other publicity material. Applicants are told that the policy, application form and information can be translated into community languages, large print, Braille or audio format. People aged 16 years and over can apply at any time.
- 5.7 Cernach's policy on refusing or cancelling applications for housing does not satisfy legal requirements. We saw evidence of people being refused access to the housing list without adequate explanation being given. Also there is no provision in Cernach's policies for suspending applications, but this is done, for example where there are rent arrears.
- 5.8 The Housing (Scotland) Act 1987, as amended, which sets out how landlords may withhold allocations to housing applicants, does not permit the exclusion of applications from waiting lists and sets out clear rules for the circumstances under which they may be suspended.

Recommendation 12:

Cernach should ensure its allocations policy and procedures comply with the legislation and include monitored arrangements for suspending applications. It should review, and if appropriate add to the waiting list, all applications that have been refused or cancelled.

- 5.9 Targets set by Cernach require that applications for housing are acknowledged within five days and the applicant told of the outcome within one month. Checks we carried out during the inspection showed good performance on meeting these targets.
- 5.10 Cernach uses a comprehensive points based system to record levels of housing need when it registers applications onto the waiting list. We saw cases where points awards were increased considerably when applications were reassessed close to when an offer of accommodation was about to be made based on the points originally awarded. This suggests that these applicants' housing need had not been fully assessed when their application was first received or that it had not been updated when the applicants circumstances had changed. It is possible that some of these applicants would have received an offer of accommodation earlier if their applications had been correctly assessed. There are no arrangements in place to check or quality control the process of assessing applications.

Recommendation 13:

Cernach should ensure that applicants' housing needs are fully assessed and kept up to date. Assessments should be quality controlled.

- 5.11 Applicants are told the number of housing need points they have been given in each category of housing need and the overall total. They are not given enough information on how the points have been awarded to allow them to check if it has been done correctly. Applicants are not given written information on the minimum number of points they are likely to need to receive an offer of accommodation and therefore are not in a position to know what their housing prospects are.

Recommendation 14:

Cernach should provide applicants with more information on how their points have been calculated and on their housing prospects.

Lettings

- 5.12 Cernach uses an allocations plan to achieve its policy objectives when letting its houses. The plan aims to offer accommodation, in order of priority, to internal tenants in unimproved stock and to internal transfers where there is a severe medical condition. After the housing needs of these two categories of applicant have been met all other accommodation becoming available will be let to internal transfer applicants and external applicants on a 50:50 basis. However, Cernach does not look at how well the plan is working in achieving its policy objectives nor does it monitor the extent to which it is meeting housing need as specified in section 20 (1) of the Housing (Scotland) Act 1987 as amended.

Recommendation 15:

Cernach should introduce reporting arrangements that can show how well it is meeting its policy objectives and that it is giving reasonable preference to the statutory categories of need.

- 5.13 Cernach does not always have clear audit trails on allocations that it has made. For example we found that a record of a successful applicant's placing on the waiting list when an offer was made, was not always available and where it was, it was not clear why applicants in higher housing need had been by-passed. In the cases we looked at there had been legitimate reasons for the action and no unfairness had occurred, but better audit trails would have demonstrated this more clearly, particularly if any of the decisions had been queried by the applicants.

Recommendation 16:

Cernach should ensure there are clear audit trails demonstrating the basis for all offers of accommodation made.

Tenancies

- 5.14 Cernach has made appropriate use of Scottish Secure Tenancy Agreements (SSTA) and Short Scottish Secure Tenancies (SSSTA). Tenancy agreements are based on the model agreements produced by the Scottish Federation of Housing Associations, modified to reflect local circumstances. However, the Association should correct inconsistencies between some of the terms in the Association's SSSTA for example relating to succession to tenancy.

- 5.15 The Association has performed well in signing up existing tenants to the new tenancy agreement and has explained the new terms in newsletters and at tenants meetings. At the time of our inspection it had successfully completed the sign up process.
- 5.16 Cernach applied in good time to the local authority for licences it needed for two houses in multiple occupancy. At the time of our inspection the licences had not been issued and the Association was pursuing the matter with the authority.

Supporting Tenants

- 5.17 Cernach responds well to peoples' support needs. It works with care providers on two support projects of which one offers support to young single people, the other, 24 hour care to people who have left long term hospital care.
- 5.18 Cernach displayed good partnership working and advanced planning, which included appropriate consultation with the community, when providing supported housing. Tenants we interviewed told us they were very satisfied with their houses and the support they receive.
- 5.19 Cernach is good at helping tenants in the area of benefits advice. In partnership with other housing providers in its area, it supports welfare benefit advice services by contributing to costs of employing an Advice Officer who attends its office one half day a week.

Empty Houses

- 5.20 Cernach manages its empty houses very well. It is assisted in letting its houses quickly because they are generally in good condition and in high demand and this results in few offers of accommodation being refused. Performance viewed against the national average is shown in the table below:

Voids Performance

	Cernach HA	National Average
Average re-let times (All tenancies)	Nil	36.29 days
Rent loss as a result of voids (%) 2002/2003 (General tenancies)	0.01%	3.13%

Source: Annual Performance and Statistical Return.

- 5.21 Cernach's letting procedures include several examples of good practice:
- properties are inspected soon after a termination notice is received;
 - outgoing tenants are advised of their repairs responsibilities and given the opportunity to carry out any necessary repairs themselves;
 - viewings are carried out in the presence of a staff member; and
 - repairs are carried out quickly.
- 5.22 Cernach has good written procedures on managing empty houses; these include timescales for the various actions that take place. Cernach's low number of relets meant we did not see the procedures in practice but a review of relevant files indicated the procedures were carried out competently.
- 5.23 There is no agreed standard of repair for empty houses to guide staff on the minimum level of repair and decoration to be achieved before a house is offered for let. While there is no evidence to suggest that tenants are dissatisfied with the condition of offered accommodation, a minimum letting standard would ensure that a consistent approach was taken preparing houses for let, particularly where several staff members may be involved.
- 5.24 Cernach staff dealing with abandoned properties use the approach outlined in its tenancy agreements. We carried out file checks that indicated that compliance with good practice and the requirements of the relevant legislation was patchy. We saw instances of poor record keeping and of inadequate attempts to contact absent tenants. The Association plans to introduce detailed abandonment procedures in April 2004.

Recommendation 17:

Cernach should ensure that abandonment procedures meet best practice and statutory requirements.

Rents

- 5.25 Cernach sets its rents to maintain its financial viability, be affordable to its tenants and comparable with other landlords. In a tenants' satisfaction survey carried out in January 2004, 72% of tenants said they thought rent levels were good value or very good value for money while 17% thought they were neither good or bad value.
- 5.26 Cernach carried out only limited consultation with its tenants on the proposed rent increase for the current year by including an article on the subject in its January 2004 newsletter. It did not receive any responses.

Recommendation 18:

Cernach should consult tenants about proposed rent increases and extend the opportunities for tenants to contribute to the process. In addition to consulting tenants directly, it should consult any registered tenants groups.

- 5.27 Service charge levels are set to recover the full cost of providing services. Service charges are not levied on all tenants, only on those who receive the service. They are reassessed annually at the time of the rent review. These are examples of good practice, but they could be improved if Cernach were to inform tenants of how much services have cost at the end of each year compared to the estimate, and consult them about any proposed changes to charges.
- 5.28 There is a good range of payment options available, including Swipe cards, Bank Standing Order, Telephone Banking, Direct Debit, Post Office Giro and payment by cheque to Cernach's office. The recent tenants' satisfaction survey result showed that 99% of tenants are happy with these arrangements.

Arrears

- 5.29 Cernach's rent arrears are rising and are high relative to national and peer group averages as outlined in the table below.

Rent Arrears Performance (current tenants non-technical)¹

	2000/01 (March)	2001/02 (March)	2002/03 (March)	December 2003(1)
National Average	2.6%	2.7%	2.7%	NA
Peer Group Average	3.5%	3.4%	3.7%	NA
Cernach HA	3.4%	4.0%	4.3%	5.6%

Source: Scottish Registered Social Landlord Statistics. (1) Property management Report Dec 2003.

- 5.30 Cernach has recognised that this is an area where improvement is needed. It introduced revised procedures for tackling arrears in August 2003. These procedures are comprehensive and include good examples

¹Note: Non-technical arrears are arrears of rent that exclude Housing Benefit, due to be paid to, but not yet received by the landlord.

of how to prevent arrears and for dealing with them should they occur. However arrears levels have continued to rise.

5.31 We found instances where arrears procedures had not been applied consistently, for example:

- records were sometimes unclear;
- regular contact with non-payers was not always maintained;
- personal contact was not always established; and
- correspondence issued to tenants in arrears did not clearly indicate that more serious action would result from continued non-payment.

Recommendation 19:

Cernach should ensure rent arrears recovery procedures are being carried out consistently and that record keeping is adequate.

5.32 Cernach has firm proposals to introduce a Tenants Loyalty Scheme, which will reward tenants who are meeting their rent payment and other tenancy obligations by entering them in a monthly prize draw.

5.33 Cernach aims to carry out a post allocation visit on tenants within three months of the start of the tenancy. It managed to do this in all cases in 2002-2003. These visits are valuable for a number of reasons including early identification of rent payment difficulties, however they may be more effective in preventing rent arrears if they are carried out earlier in the tenancy.

5.34 Cernach's Management Committee receives regular reports on arrears performance. The information provided is comprehensive, for example quarterly reports include details of the balances outstanding on all accounts in arrears. However reporting would be improved by providing information in a form which would identify trends in the overall number and percentage of arrears cases, the total level of arrears and the number of arrears cases in different ranges by value or category, for example numbers owing under £200, between £201-£500, new tenancies and so on.

Recommendation 20:

Cernach should develop reports on arrears performance to allow trends in the level of arrears and numbers of cases by value range to be identified.

5.35 Cernach is seeking to repossess properties using eviction as a last resort after attempting other remedies. During 2002-2003 it approved the repossession of one property because of rent arrears, resulting in the tenant abandoning the property. In the current year one repossession action has been pursued. We found that appropriate procedures to inform the local social work department of potential homelessness had been followed.

Antisocial Behaviour

5.36 Cernach has a good appreciation of the significant impact it can have in combating antisocial behaviour and has introduced a number of measures to help deal with the issue. These include:

- all new build properties built to Secured By Design Standards, including secure entry systems in blocks of flats;
- a financial contribution to a CCTV surveillance system covering part of its housing stock;
- development of appropriate information sharing arrangements with local police;
- developing arrangements for co-operating with the local authority's Social Work, Environmental Health and Cleansing Departments;
- inviting new tenants to sign its Good Neighbour Policy Statement that underlines the Association's approach to antisocial behaviour and the responsibilities that tenants have in this area; and
- support for initiatives aimed at promoting community spirit, particularly in young people, for example the Association supported a project undertaken by its Tenant Participation Group (SHARE) to establish a junior group for 8 to 15 year olds.

5.37 Cernach's policy and procedures for recording and dealing with antisocial behaviour are comprehensive and include target timescales for dealing with complaints. The Association has developed a policy specific to racial harassment. We found from a number of file checks that performance in dealing with complaints was generally good, although in several cases we looked at, the policy requirement that the parties involved are provided with a written record of outcomes had not been met.

5.38 Complaints received are recorded and categorised by type and severity. However, information on the number and categories of complaints dealt with is not compiled. The Association's awareness of the extent of antisocial behaviour, trends in occurrence rates, and how well it is dealing with the problem is limited by not having this information.

Recommendation 21:

Cernach should improve its monitoring arrangements on antisocial behaviour so it can assess the extent of antisocial behaviour and its performance in managing the problem

Estate Management

- 5.39 In general the appearance of Cernach's estates is good. The Association provides common area cleaning and landscape maintenance services, which are working well. Contractors' performance in carrying out the services is monitored by the Association's staff weekly during programmed estate inspections. Cernach's 'zero tolerance' approach to graffiti and vandalism damage is backed up with arrangements to deal with incidents discovered during estate inspections or reported by residents. Overall, Cernach deals competently with matters that arise from estate inspections or as a result of complaints received, but we found a few instances where steps had not been taken to deal with badly maintained gardens.

Recommendation 22:

Cernach should ensure it takes appropriate action to deal with all situations where its tenancy conditions are being broken.

How Well is the Service Managed?

- 5.40 The Association has a good framework for setting objectives and targets. There are good arrangements for monitoring and reporting performance but these could be improved in some areas to allow the Management Committee and senior management to more readily assess outcomes and trends.
- 5.41 Cernach has made good service delivery a central feature of the way the Association carries out its business. The Association's policies and procedures and the way it manages its services reflect this priority.
- 5.42 Many aspects of housing management are very good. However, in areas such as access to houses, abandonments and rent arrears, quality varies as a result of Cernach's policies, the absence of procedural guidance, or because of inconsistencies in the way staff apply procedures.
- 5.43 Cernach's ICT requirements have been reviewed and steps taken to ensure that its systems support the services it provides.

How Likely is the Service to Improve?

5.44 Our inspection confirmed Cernach's good performance record in many areas of housing management, however there are some areas where improvement is needed. Overall we consider the prospects for improvement promising because:

- the Association has demonstrated a commitment to continuous improvement;
- the Association uses regular tenant feedback and periodic surveys to obtain tenants views. It responds positively to responses it receives;
- Cernach has the ability to deliver improvement through its planning and performance management framework; and
- Cernach is aware of some areas where performance needs to be better and plans to address these.

6. Property Management

Overall Assessment of Property Management

6.1 Cernach's housing stock is relatively new. It is maintained in good condition. The Association has planned well for the future maintenance of its stock and has arrangements for the necessary funding to be in place. We found many strengths in how it manages its maintenance services. However, there are some weaknesses, most notably in the management of gas safety checks.

B	<p>Cernach delivers a good property management service with many strengths but with some areas where improvement is needed.</p> <p>The prospects for improvement in property management are promising.</p>
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6.2 These are the areas that are working well:

- ✓ Cernach's challenging response times for completing repairs are being met.
- ✓ Tenants are provided with good information on the repairs service.
- ✓ Cernach uses a range of techniques to obtain tenants views on responsive repairs.
- ✓ Tenants satisfaction with the repairs service and the way it is provided by staff and contractors is good overall.
- ✓ Repairs quality is thoroughly monitored.
- ✓ Cernach has comprehensive up to date information on the condition of its housing stock.
- ✓ Cernach has assessed the long-term costs of maintaining and upgrading its houses and has made arrangements to ensure the necessary funding will be available.
- ✓ Cernach procures and manages contracts effectively.
- ✓ Good right to repair procedures are in place.

6.3 These are the areas that could work better:

- Management of gas safety to ensure compliance with statutory requirements.
- Consultation with tenants on long-term maintenance and upgrading arrangements.
- The absence of standards for the adaptations service.

6.4 These are our key recommendations. They are broadly in order of significance:

- ❖ Cernach must improve its management of gas safety to ensure all properties are serviced within the 12 month period required by the gas safety legislation.
- ❖ Cernach should provide opportunities for tenants to contribute to the planning of major maintenance and repairs works to their homes.
- ❖ The Association should set standards for its adaptations service and report on performance to service users.

Context for Property Management

6.5 Property Management services are mainly delivered through a Technical Officer who reports directly to the Association's Director. The post of Technical Officer has recently been re-designated Technical Services Manager because of the growing size of the organisation and the additional responsibilities that will result from managing GHA housing. The Association also provides specialist maintenance services to Kendoon Housing Association on a part time basis.

6.6 The Association will soon be the Local Housing Organisation (LHO) for the management of 628 GHA properties. If financially viable and agreed by the GHA tenants, Cernach also hopes to take ownership of these properties in 2005-2006.

How Good is the Service?

Responsive Repairs

6.7 Cernach's performance in meeting the very demanding timescales it has set for response repairs is very good and better than the national average. Cernach's performance and the national average are shown in the table below.

Performance Against Repairs Completion Targets

Target Response Times	National average 2002/2003	Cernach HA 2002/2003	Cernach HA 2001-2002	Cernach Ha 2000/2001
Emergency Cernach 2hrs National average 6hrs	97%	100%	100%	100%
Urgent Cernach 3 days National average 3 days	93%	100%	98%	99%
Routine Cernach 7 days National average 10 days	93%	97%	99%	94%

Source: Annual Performance and Statistical Return.

- 6.8 The Tenants Handbook provides good information about repairs responsibilities and on the standards that tenants can expect, however it does not inform tenants on all of the methods they can use to report faults.
- 6.9 Cernach's tenants are reasonably well satisfied with the repairs service. In the tenants' satisfaction survey, carried out in January 2004, 92% said they were fairly satisfied or very satisfied. While the overall satisfaction level had increased from the level found in a similar survey carried out in 2002, the proportion of tenants who were very satisfied had reduced from 57% to 35%. Cernach should analyse why the proportion of its tenants who are very satisfied with its repairs service reduced so markedly between 2002 and 2004.
- 6.10 Cernach has shown that it will respond positively to tenant feedback on repairs. It improved contractors' performance in keeping to agreed appointment times with tenants following the results of the 2002 tenants survey, increasing tenants' satisfaction with this aspect of the repairs service from 80% to 90%.
- 6.11 Cernach pre and post inspects a high proportion of repairs. All common repairs requests are inspected both before and after repair and a target of 20% of all repairs, selected by the technical officer, has been set for inspection on completion. There are no additional criteria to determine which repairs are inspected. The Association aims to make telephone contact with 20% of tenants who have had repairs carried out in their

homes, to get their views on the service. Additionally tenants are asked to sign the contractor's job lines confirming satisfactory completion of a repair. Although Cernach does not always meet all of these targets, it is able to satisfy itself that repairs are carried out to a standard that is acceptable to it and its tenants. This is a very thorough, though resource intensive, system for monitoring the quality of repairs.

- 6.12 Cernach's Management Committee is given a report on the outcome of the post repair inspections each month. Cernach has recognised that this report does not provide the range of information required to allow the Management Committee to monitor repairs performance adequately and intends to expand the range of information provided from February 2004 onwards.

Recommendation 23:

Cernach should identify clear criteria for selecting repairs for pre and post inspection and the level of post inspections it carries out to ensure the best use of its staff resources.

- 6.13 Cernach has good procedures for meeting its right to repair obligations under the Housing (Scotland) Act 2001. Tenants receive written information on right to repair arrangements when they sign their tenancy agreement and each time they report a qualifying repair. There is also good information on the subject in the Tenants Handbook and on the Association's website.
- 6.14 Cernach's right to compensation for improvements procedures meet the requirements of the Housing (Scotland) Act 2001. It has good arrangements for advising tenants on the arrangements using the Tenancy Agreement, Tenants Handbook, leaflets and information posted on its website.
- 6.15 Cernach has a detailed set of procedures for servicing and maintaining gas appliances in its properties every 12 months. These procedures are not working well enough and at the time of our inspection there were a number of cases where servicing had not been done within the 12 month interval required by legislation as a result of problems in securing access to the property. Cernach had passed 9 of these cases to its solicitors to take steps to enforce entry to the properties so that the work could be carried out, but the failure to achieve continuity of gas safety certificates is a significant weakness which must be addressed urgently to avoid placing the Association and its tenants at risk.

Recommendation 24:

Cernach must improve its management of gas safety to ensure all properties are serviced within the 12 month period required by the gas safety legislation.

Lifetime Maintenance

- 6.16 Cernach is performing well in this area. It maintains its properties to a high standard using a comprehensive life cycle costing scheme, covering all of its stock, to inform it on cyclical and major repairs requirements. The model assists Cernach in developing costed short and long term maintenance and major repairs programmes. Information from a rolling programme of stock condition surveys carried out by Cernach's Technical Officer, from analysis of reactive repairs trends and changes in component costs, is used to update the scheme.
- 6.17 The Association is good at communicating with service users and in taking account of their views. However, despite the efforts it has made it has not been able to involve tenants in the overall planning of services, including its maintenance and major repairs programmes, as required by the tenant participation provisions in Housing (Scotland) Act 2001.

Recommendation 25:

Cernach should ensure that tenants are consulted during the planning of maintenance and repairs works to their homes.

Adaptations

- 6.18 In 2002-2003 Cernach carried out seven adaptations to meet tenants' particular needs. The Association works effectively with partners to ensure that applications for adaptations submitted by its tenants or waiting list applicants are properly assessed and dealt with within timescales that are largely determined by funding availability. Funding for adaptations currently comes from the local authority; the Association does not make a financial contribution. All completed adaptations are post inspected to check that they have been carried out properly and to obtain feedback from the tenant. However it is not clear what standards are being aimed for, or what criteria is used to decide the priority given to individual applications. Cernach should take a more strategic approach to identifying the need for adaptations and managing them.

Recommendation 26:

The Association should set standards for its adaptations service and report on performance to service users.

- 6.19 Cernach has responded positively to the particular needs of applicants on its housing list by making design changes to new built properties. In order to maximise the benefits that follow from providing non-standard features, details of significant adaptations are kept on property files and where possible matched to the needs of housing applicants when the property is relet.

How Well is the Service Managed?

- 6.20 Cernach's property management service is well managed. Arrangements for day-to-day responsive repairs, routine planned maintenance and for major repairs work well. Repairs are effectively monitored, but quality checks absorb a lot of staff time. Repairs reporting and monitoring are assisted by an effective ICT system.
- 6.21 Cernach has recently increased the amount of information in monthly reports to Management Committee on repairs performance and expenditure against budget. Reported information is used to assess the quality of the property management service and to inform decisions on the continued use of contractors.

How Likely is the Service to Improve?

- 6.22 We consider that the prospects for further improvement are promising because;
- Cernach has already taken steps to improve several aspects of property management that it recognised needed to be improved when it prepared its inspection submission;
 - the Association is good at obtaining tenants views and responding to them;
 - Cernach has the ability to deliver improvement through its planning and performance management framework; and
 - there are signs that performance in a number of areas has improved since our last performance audit.

7. Property Development

Overall Assessment of Property Development

- 7.1 Cernach has a clear development strategy that it has delivered out consistently well. It has used a range of procurement methods appropriately and projects have been managed effectively. The result is its range of good standard housing that is popular with tenants and in high demand.

A	Cernach delivers an excellent property development service with major strengths. The prospects for improvement in property development are promising.
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- 7.2 These are the areas that are working well:

- ✓ Tenants are very satisfied with their homes.
- ✓ Cernach works effectively with strategic development partners.
- ✓ Cernach's housing has good energy efficiency, space standards and security features.
- ✓ Tenants views are obtained on each housing development.
- ✓ Tenants feedback is used to improve subsequent housing developments
- ✓ Cernach uses effective, appropriate procurement methods.
- ✓ Cernach has contributed to the tenure mix in its area.

Context for Property Development

- 7.3 Cernach had an almost continuous development programme between 1991 and 2003. During this period all of its houses were built or extensively improved. Future development programmes will initially be focused on the housing that Cernach intends to acquire from GHA.
- 7.4 Cernach's Director carries out the Association's property development activities.

How Good is the Service?

Partnership Working

- 7.5 Feedback received from partner organisations including Communities Scotland's local area office, the local authority and a building contractor that has worked with the Association, indicates that Cernach has very good working relationships with its partners. The local authority and Communities

Scotland's local area office have made positive comments about the Association's performance in planning and managing its development programme and the contribution it has made to both meeting housing need and the regeneration of the West Drumchapel area.

- 7.6 In an example of good partnership working, Cernach has been successful in linking into the plans of the local health board by including two custom designed supported units within a new build development, for six people leaving long term hospital care.

Development Planning

- 7.7 Cernach's development aims are clearly identified and explained in its good quality Strategy and Development Funding Plan. Now that it has upgraded or replaced all of its original housing stock, its medium term proposals are centred on the improvement or replacement of housing that it intends to acquire from GHA within the next two years. It also intends to relocate its office, which it has now outgrown, to an alternative site that will also be the location for a six-unit community housing project.

Building a Better Deal

- 7.8 Cernach has used a number of procurement methods, each appropriate to the circumstances, when appointing contractors and consultants to the construction contracts it has undertaken. While in the main it has used competitive tendering it has also employed, joint venture design and build, HAG competition, negotiation with a single contractor, and partnering models successfully. The Association has improved on earlier practice by including conditions of engagement and service level agreements when appointing consultants.

Physical Quality

- 7.9 Cernach has a good track record of producing well-designed, attractive, high quality housing. Feedback we obtained from the local authority confirms Cernach's good performance in the design and overall quality of two recent new build developments. It was noted that properties in these developments:

- are built to Secured by Design Standards to be safe and minimise the risks of crime;
- have high levels of thermal efficiency; and
- have good sized rooms.

- 7.10 Cernach has continually improved standards in successive new developments. Where practicable, houses in its recent developments have

been designed to be suitable for people with mobility problems and to be flexible enough to accommodate many needs that their tenants may develop in the future.

- 7.11 Tenants we spoke to and those who took part in surveys carried out on behalf of Cernach were generally very satisfied with their homes and felt the houses and the services they received from Cernach were good value for the rent charged.
- 7.12 Cernach includes elements from its Sustainable Development Policy in design briefs. It shows a good awareness of sustainability issues and has recognised the need to update the Sustainable Development Policy, which dates from November 2000 to reflect current good practice. It plans to provide training on this subject for its Management Committee and staff.

Tenant Involvement in Development

- 7.13 Cernach obtains tenants views on all completed new developments. Tenants' satisfaction levels are generally very high and the Association was able to demonstrate how even minor criticisms made by tenants had influenced the specification of later developments.
- 7.14 In a positive response to requests made by its tenants for more children's play facilities, Cernach very successfully involved tenants and the wider community in the design and build of an innovative children's play area in its latest housing development.

How Well is the Service Managed?

- 7.15 Cernach has consistently managed its development programme and individual projects to a very high standard.
- 7.16 Consultants appointed by Cernach carry out an option appraisal procedure in advance of the Association taking a decision to proceed with proposed developments. The Management Committee is fully involved in these arrangements and throughout the project. Good quality reports covering progress, contractors and consultants performance and expenditure against budgeted costs, are presented to the Management Committee at all stages.
- 7.17 Necessary funding and planning submissions are of a high standard and with one exception, due largely to site conditions, projects were completed on time and within budgeted costs.
- 7.18 Cernach has used a number of procurement methods to appoint consultants and contractors, each appropriate to individual development

projects. The Association regularly reviews the performance of its consultants and contractors to ensure that its requirements are being met.

- 7.19 Cernach has helped to diversify the tenure mix in its area by providing shared ownership housing and by working with a private developer to provide housing for sale.

How Likely is the Service to Improve?

- 7.20 The prospects of improvement in property development are promising because:

- Cernach is particularly experienced and capable in this area and has previously demonstrated that it is able to improve its performance.
- the Association is good at obtaining tenants views and responding to them.
- Cernach is good at working with its partners and has performed well in meeting the standards required by Communities Scotland area team.
- Cernach has increased its self-awareness and has taken steps to improve several aspects of property development it recognised needed attention when preparing its inspection submission.

8. Services for Owners

Overall Assessment of Services for Owners

- 8.1 Cernach has not sold any of its houses. Its tenants have been advised of their rights under the right to buy provisions in relevant legislation.
- 8.2 Cernach's property management system is well developed and this has a positive effect on the services provided to factored owners. Billing is carried out reliably but arrears levels are high.
- 8.3 These are the areas that are working well:
- ✓ Information given to owners on factoring services.
 - ✓ The range of services available to owners.
 - ✓ Invoicing for services provided.
- 8.4 These are the areas that could work better:
- Recovery of arrears for factoring services.
 - Obtaining and taking account of factored owners' views on the service.
- 8.5 These are our key recommendations:
- ❖ The Association should review the debt recovery procedures for its factoring service, ensure they are fully implemented and set targets to reduce the arrears over time.
 - ❖ Cernach should obtain owner's views on the range and quality of its factoring services through regular service user feedback and use these in developing the service

Factoring

- 8.6 Cernach has provided a factoring service since 1996. The number of properties factored increased greatly in 2000 when it agreed to factor two new developments. It now provides services to 246 houses in privately owned estates close to its own stock.
- 8.7 Cernach does not own properties in the estates it factors. It decided to act as factor because it was conscious that the way the properties and associated common ground was maintained would have implications not only for the owners themselves, but for its tenants and the attractiveness of its own housing nearby.

8.8 The services Cernach provides to factored owners are often similar to those provided to its tenants and include:

- common ground maintenance;
- garden maintenance (optional);
- buildings insurance, (compulsory but may be obtained independently);
- contents Insurance (optional);
- gas central heating servicing (optional);
- routine common repairs; and
- major common repairs.

8.9 Some service charges do not take specific account of the cost of providing the service to particular owners, for example building insurance is currently set at £60 a year irrespective of the insured value of the property concerned. This arrangement benefits from being easy to administer but may result in some service users paying more than they need to while others may be paying less.

Recommendation 27:

Cernach should identify the costs of providing services to individual owners or groups of owners and charge these at the appropriate level.

8.10 Cernach provides factored owners with good quality comprehensive information on the services provided by the Association in an Owners Guide, the Association's quarterly newsletter and leaflets. Invoices for services provided are issued regularly each 6 months.

8.11 The Association recovers its management costs in providing these services through an additional factoring fee, currently £60.00 a year. It is satisfied that this fee covers all of its costs and it has not had to increase it for several years.

8.12 The provision of factoring services does not account for a significant proportion of the Association's income or expenditure but the level of late payments is high. We found some cases where owners have not made payment since first taking the factoring service. There are good procedures in place for administering the service and for recovering costs, where necessary using legal action. However, we found that debt recovery procedures were not being carried out in full as the provision for legal action is not being used.

Recommendation 28:

The Association should review debt recovery procedures for its factoring service, ensure they are fully implemented and set targets to reduce the arrears over time.

- 8.13 Cernach has held a public meeting to discuss the factoring service with owners. It feels this meeting was helpful in clarifying the role of the factor and for obtaining feedback from owners. This was a useful exercise but the Association would gain from having more structured feedback information from factored owners on a regular basis, which it could use to inform the development of the service.

Recommendation 29:

Cernach should obtain and take account of owner's views on the range and quality of its factoring services through regular service user feedback.

How Well is the Service Managed?

- 8.14 The service is well managed overall; attention needs to be given to the areas we have outlined in the sections above. There are good procedures in place for administering all aspects of the service and these are implemented efficiently with the exception of those dealing with the recovery of payment arrears.

9. Wider Action

Overall Assessment of Wider Action

- 9.1 Cernach is committed to maximising the economic, social and environmental benefits to the community in its area from the activities it undertakes as a landlord. It is pursuing this commitment through involvement in various wider role activities but it has yet to set these into a strategic context.
- 9.2 These are the areas that are working well:
- ✓ Partnership working with voluntary and statutory bodies in wider action activities.
 - ✓ Raising Cernach's profile as a community organisation through wider action activities.
 - ✓ Measurement of the outcomes of some wider role initiatives for example, the community play area, CCTV crime prevention scheme and welfare benefit advice.
 - ✓ Management of individual projects, for example the community play area.
- 9.3 These are the areas that could work better:
- Defining its wider action goals in an agreed strategy.
 - Consistently measuring and monitoring its progress in achieving its wider action aims.
 - Reporting on wider action activities to stakeholders including the costs to the Association.
- 9.4 These are our key recommendations:
- ❖ Cernach should develop a policy for achieving its commitment to community regeneration through wider action.
 - ❖ Cernach should monitor and measure its progress in meeting wider action aims.
 - ❖ Cernach should report on its wider activities, including the costs and should seek and take account of stakeholders' views.

Wider Action Involvement

- 9.5 Much of Cernach's involvement in wider action has taken place in partnership with other voluntary organisations in The Drumchapel Community Ownership Group. The Group has contributed to:
- a Jobs for Construction Forum which sought to maximise the use of local labour by contractors employed in construction projects and maintenance works;
 - the employment of a Wider Action Coordinator, funded by Communities Scotland, to initiate and oversee the operation of wider action initiatives;
 - a Safety Forum to help the long term unemployed back to work; and
 - funding for welfare rights advice services to residents in the local area.
- 9.6 In addition to what it has achieved working with partners, individually, Cernach has involved itself in several projects that have contributed to wider action objectives. These include:
- forging close links with a local primary school, through several initiatives including an annual "best achievement" competition;
 - organising Gala Days and an Millennium Party in partnership with a tenants group;
 - sponsoring a local youth football team;
 - organising an annual best garden competition for tenants;
 - developing an education and social responsibility project based on the building of a high quality, innovative children's play facility within its newest housing area; and
 - financial contribution to a CCTV crime prevention scheme.
- 9.7 Cernach's commitment to community regeneration is recorded in its Strategic Objectives but is not supported by a policy on how it will develop its wider role activities. It has identified that this is an area where improvement is possible in its inspection submission and stated its intention to develop a suitable policy.

Recommendation 30:

Cernach should develop a policy to support its commitment to community regeneration through wider action

Wider Action Outcomes

- 9.8 Cernach is aware of some of the outcomes of its wider action activities, for example it can point to a reduction on crime and antisocial behaviour in an area where CCTV was installed. It has not set specific target outcomes for many of these activities however, so it can not measure how well its aims are being achieved.

Recommendation 31:

Cernach should monitor and measure its progress in meeting wider action aims.

- 9.9 The Association reports on its wider action activities in regular newsletters but does not include them in general performance reporting to tenants and stakeholders. It is important for Cernach to report performance on all its activities and seek tenants' views, particularly when projects are funded, or part funded, by the Association itself.

Recommendation 32:

Cernach should report on its wider activities, including the costs and should seek and take account of stakeholders' views.

Next Steps

- 10.1 This report is not the end of the process. We have asked Cernach to produce an improvement plan within eight weeks of the publication of this report. This plan should show how it intends to respond to all our recommendations. The plan will be agreed with us.
- 10.2 If you would like to see the improvement plan you should contact:
- Cernach Housing Association Limited
KCEDG Commercial Centre, Unit 25
Ladyloan Place
Glasgow
G15 8LB
Tel: 0141 944 3860
Fax: 0141 944 8925
E-mail: admin@cernachha.fsnet.co.uk
Website: www.cernachha.co.uk
- 10.3 We will re-inspect Cernach in five years' time.

APPENDIX 1 – List of Evidence Sources

Groups and third parties consulted

- Scottish Public Services Ombudsman
- Glasgow City Council
- Registered Tenant Organisation – CHANGE
- Persimmon Homes
- Drumchapel Youth Supported Housing
- Welfare Benefit Officer, Drumchapel Credit Union
- Drumchapel Citizen's Advice Bureau
- Kendoon Housing Association
- Communities Scotland area office

Interviews / meetings

- Chairperson and Management Committee of Cernach Housing Association
- Director
- Housing Officers (2)
- Technical Officer
- Finance Agent
- Finance Assistant
- Admin Assistant/Receptionist

Reality checks

- Review of arrears cases
- Review of evictions
- Review of anti-social behaviour cases
- Review of gas servicing documents
- Review of complaints
- Review of abandoned house files
- Review of repairs information
- Review of factoring cases
- Review of housing list applications and allocations
- Review of tender register
- Review of tenancy files
- Review of void management records
- Review of staff appraisals
- Review of factoring cases
- Review of Estate Management files
- Review of Development files
- Review of information for applicants and tenants
- APSR validation

- Shadowing of an estate visit
- Observation of the Management Committee meeting
- Observation of the provision of information and advice

Key documents reviewed

- Inspection submission
- Risk management policy
- Treasury Management policy
- Internal Management Plan 2003-2006
- Register of benefits to committee members (schedule 7 Register)
- Partnering Agreement with FMD Financial Services
- Policies & Systems of Internal Controls for Financial Management
- Internal Audits Reports February 2003 & September 2003
- Annual Internal Audit Report 2002/2003
- Annual Report 2003
- Tenant participation strategy
- Customer Complaints Policy and Procedure
- Equal Opportunities Policy and Practice
- Allocations policy
- Arrears policy and procedures
- Estate Management Policy
- Post Completion Review of Cairnwell Grove and Lochgoin
- Factoring Policy
- Factoring Procedures
- Guide to Owner Occupiers on Factoring Service
- Tenants' Handbook
- Tenant Satisfaction Survey Final Report January 2002
- Tenant Satisfaction and Income Survey (draft report) January 2004
- Annual performance and statistical returns to Communities Scotland
- Property Management Report September 2003
- Committee Business Reports August 2003, September 2003 and October 2003

APPENDIX 2 - Key Examples of Positive Practice

These are areas we would highlight as working particularly well, taking account of Cernach's operating context:

- The Association has developed a very good interactive web site www.cernachha.co.uk where existing and prospective service users can obtain a range of information on the Association, link to related sites, request services and provide feedback.
- Using a number of funding sources the Association developed an innovative high quality children's play area in a positive response to tenants feedback on children's play facilities in its area. Local residents and children from a nearby primary school were closely involved in designing the park, selecting play equipment etc. The initiative has been used as the basis for a project aimed at encouraging social responsibility.
- Association has forged links with its local primary school and sponsors an annual "best achievement" award. Through its involvement with the school it hopes to add to the children's education and influence the way they perceive the area and treat the environment.

Glossary

Annual Statistical and Performance Return (APSR)	Annual questionnaire completed by RSLs and sent to Communities Scotland. Used to keep the Register of Social Landlords up to date and to track the performance of RSLs.
Benchmarking	A process used by organisations to systematically compare service processes and performance to identify best practice.
Common housing registers	A register of all applicants for social housing used by two or more landlords within an area.
Convention of Scottish Local Authorities (COSLA)	The membership body for local authorities in Scotland.
Focus groups	A group of people brought together to have a structured discussion on a specific subject or set of subjects, facilitated by an independent person.
Housing list	A list of applicants for housing which is used by the RSL to allocate its housing stock.
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).
Partnering	A structured contract management approach to improve efficiency and reduce confrontation between the RSL and its consultants and contractors. Partnering requires formalised objectives, agreed problem solving methods and an active search for continued measurable improvements.
Peer group	A group of organisations facing similar tasks and challenges with which comparisons can be made.

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	The planned renewal or maintenance of key property components.
Procurement	The way an organisation obtains services or materials from other organisations or agents.
Re-lets	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 buy	Many Scottish secure tenants have the right to buy their property at a discounted price subject to length of tenancy.
Registered social landlord (RSL)	A landlord providing social rented housing that is registered and regulated by Communities Scotland.
Scottish secure tenancy	The Housing (Scotland) Act 2001 establishes the Scottish Secure Tenancy as the tenancy for all tenants of social landlords in Scotland.
Scottish Federation of Housing Associations (SFHA)	The membership body for RSLs in Scotland.
Shadowing	An inspection technique that involves accompanying and observing staff while they carried out their day-to-day tasks.
Sustainability	Improving the economic, social and environmental circumstances of the wider communities to create and maintaining communities where people positively want to live.
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.

Financial Glossary

Financial Ratios

Interest cover

Most RSLs take out loans from their banks or building societies in order to help finance, for example, the building of or purchase of houses. Such loans attract annual interest payments due to the banks or building societies. It is important that the RSL can afford these payments.

The RSL should be able to pay the annual interest out of the rental income it receives from its tenants. It must, however, first use its rental income to pay for its operating costs. Operating costs include the money needed to pay for repairs and maintenance to houses, staff costs etc. The amount of money remaining is called the gross or operating surplus. The operating surplus is used to pay for the annual interest payments to the banks.

The interest cover ratio simply indicates how many times the annual interest payments could be made from the operating surplus. If the operating surplus is large compared to the annual interest payments then this could be viewed as a strength for the organisation.

Note: As an example, 110% (or 1.1 times) interest cover indicates that gross surplus covers interest payments 1.1 times.

Net housing debt per unit

An RSL's housing debt is the total amount of money it has borrowed from banks or building societies to help with, for example, paying for the building of new houses. Net debt is the amount it has borrowed from banks less the amount of cash that the RSL has in its bank account. The net housing debt per unit is simply the net debt figure divided by the number of houses the RSL owns. A higher value suggests that the RSL has higher borrowings and as a result, will have higher interest costs to pay from operating surpluses.

Gross surplus (or operating surplus)

An RSL receives an income mainly from the rent paid to it by its tenants. This rental income is called turnover and is used to pay for the RSL's operating costs. Such costs include paying for maintenance and repairs to houses, staff salaries etc. Any remaining money, once the operating costs have been deducted from turnover, is called the gross surplus. The gross surplus ratio shows the gross surplus as a percentage of the RSL's turnover. If the percentage is high this could be interpreted as a sign that the RSL is operating efficiently.

Net surplus

Net surplus is all the RSL's income less all of its costs, including interest payment, in the year. The net surplus ratio shows the net surplus as a percentage of the RSL's turnover (described above). If the ratio is high then this could indicate that the RSL is performing well as it is generating more money than it is spending.