

Communities Scotland  
**Inspection report**

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**Four Walls Housing Co-operative**

December 2005

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# 1. Introduction

## About this inspection

1.1 This inspection was carried out by Communities Scotland under section 69 of the Housing (Scotland) Act 2001 on behalf of Scottish Ministers. Our purpose in inspection is to provide an independent external assessment of the effectiveness of housing service delivery and make recommendations to help improvement. Inspections are conducted within a published framework of Performance Standards<sup>1</sup>.

## How we assessed performance

1.2 Our inspectors asked two key questions:

- How good are the services we have inspected?
- How well are these services being managed for improvement?

1.3 In order to answer these questions our inspectors:

- spoke to the agent and members of the governing body;
- saw and tested first hand how well services were being delivered;
- examined key policies, publications, information and the organisation's self-assessment submitted for this inspection; and
- analysed published performance and financial information.

## The inspection team

1.4 The inspection team was led by Margaret Paton (Associate Inspector) assisted by Luise Seikman (financial analyst). We were on site on 4 March 2005. We would like to thank everyone involved in the inspection, particularly the Committee of Management and staff of the current and former managing agents, for their time and co-operation.

## Responding to this inspection

1.5 We expect all inspected bodies to make this report available to anyone that wants it, report our findings to tenants and other stakeholders and respond to the issues raised in this report.

## 2. Context

- 2.1 Four Walls Housing Co-operative (Four Walls) was first registered with Scottish Homes, now Communities Scotland, in 1986. It is constituted as a fully mutual housing co-operative, set up to help women in need, with children.
- 2.2 The Co-operative owns 11 flats within a purpose built development in Carnarvon Street, Glasgow. This is a popular area of the west end of the city, adjacent to Charing Cross and close to Glasgow University. The flats are variously designated for use by single women, mothers with children and for shared occupancy.

The stock comprises:

2 shared flats, each for 3 women, and:

4 x 1 Bedroom Flat

2 x 2 Bedroom Flat

2 x 3 Bedroom Flat

1 x 3 Bedroom Flat adapted for a wheelchair user.

Three rooms in the basement offer communal space for tenants groups and committee meetings, a laundry and a small staff office.

- 2.3 Four Walls Housing Co-operative is governed by a voluntary committee elected each year at its Annual General Meeting. It currently has 10 committee members, 8 of whom are tenants, and 2 are co-opted members. As a fully mutual co-operative, all members must be tenants, and all tenants must be members.
- 2.4 The Co-operative has no staff directly employed but contracts services from a managing agent. From February 2005 this has been another Registered Social Landlord<sup>2</sup>. Prior to this Four Walls has had a number of different agents, providing separate housing management and finance services. The new arrangement, covering housing and finance, has significantly increased the

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<sup>1</sup> see glossary

<sup>2</sup> see glossary

availability of services to a full working week, in line with the agents own opening hours.

- 2.5 The table below gives background information about the co-operative and shows trends over the last three financial years.

	2002-2003	2003-2004	2004-2005*
Houses owned	11	11	11
Employees	0	0	0
Annual turnover	£41,437**	£40,409**	£41,382
Total possible rental income	£35,891**	£38,930**	£41,807
Rental income from housing benefit	24.8%	12.2%	12.2 %
Average <sup>3</sup> weekly rent	£52.72	£62.24	£72.05
Houses re-let	6	2	9
Management Costs per unit	£1006	N/A	£1101

Source: Annual Performance & Statistical returns, except:

\* Budget figures, \*\*Annual Accounts

- 2.6 We ask landlords to identify a peer group<sup>4</sup> of landlords to which they consider themselves most similar, for the purposes of benchmarking<sup>5</sup> and comparing performance. Four Walls is in Peer Group 2; landlords with fewer than 250 houses operating in urban areas. This is the group with which we compare Four Walls' performance in this report.

## 3. How good are the services?

### Housing Management

#### Access

*Social landlords should provide open, fair and equal access to their housing lists<sup>6</sup> and should work with partners to simplify and maximise access to housing.*

- 3.1 Four Walls is not maintaining a proper housing list although its inspection submission does indicate that it has 16 applicants. A formal list was not available for inspection.
- 3.2 The Co-operative was founded to provide housing for women, and women with children, only and this restricts its ability to provide open access to its housing. However, its practice in only accepting applications from women is no longer

<sup>3</sup> see glossary

<sup>4</sup> see glossary

<sup>5</sup> see glossary

<sup>6</sup> see glossary

- permitted. Its approach is consistent with sex discrimination legislation in letting its houses, but the Housing (Scotland) Act 2001 requires the Co-operative to admit any applicant of 16 years or older to the list, irrespective of gender. Thereafter, in accordance with its rules, it can use gender in prioritising letting the property.
- 3.3 Four Walls has a modern, high quality, complex in a very sought after area of the city with a high demand for rented property. There is no evidence of the Co-operative advertising or promoting the availability of its housing to prospective new applicants. Indeed the current arrangements may well exclude those most in need from access to this small but positive provision for women only, as access to housing seems to be through connection with, or referral by, the existing committee members and tenants.
- 3.4 Four Walls does not have any formal arrangement in place with the local authority for Section 5 homeless referrals, despite its allocation policy indicating that priority will be given to homeless women. There are no links with the numerous adjacent housing associations to advertise the availability of housing or to refer applicants.
- 3.5 Given its origins and objects, Four Walls has not considered how it can promote equal opportunities in access to its houses. We refer further to inequalities in access to housing throughout this report and, until Four Walls addresses the fundamental issue of providing fair and equitable access it will be unable to demonstrate its commitment to equality and diversity.

#### **Meeting need and maximising choice**

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

- 3.6 Four Walls has an allocations policy which prioritises those in housing need but we found no evidence that the Co-operative gives any reasonable preference to those in the statutory priority categories of housing need when letting its houses. The policy contains restrictions in relation to access and suspensions which have been unlawful since the introduction of the Housing (Scotland) Act 2001, despite the policy having been last amended in April 2002. The arrangements for re-letting the properties vacated recently have been very poor and not in

accordance with the Co-operative's own allocations policy. Of the 9 lets in 2004/05, 7 were to new applicants and 2 to transfer applicants. It is not clear how or if these applications were assessed for housing need.

- 3.7 Random file checks on two of the most recent lets showed that there had been no points awarded and no verification of the housing circumstances. We also found no evidence of an assessment being made of the comparative needs of either the transfer applicants or the new applicants in deciding who should be offered a property. Although there is an allocations policy, this is not being implemented. The Management Committee told us that this is explained by a small number of lets being made by members in the absence of the agent, in order to avoid empty flats, but this is very poor practice.
- 3.8 The Committee regularly considers requests from tenants to sublet their flats or for permission to share with sub tenants or lodgers. Some of these requests arise from changes in circumstances to which Four Walls cannot respond with its small housing stock. It tries to alleviate financial difficulties and give tenants choice to remain with the Co-operative by agreeing to such arrangements, but has not considered whether it could better meet these needs through arrangements with other local landlords. It has also led to flats being re-designated for "families" or "sharing" on a reactive basis, and to a range of different tenure types which are not always appropriate for the circumstances. It is not clear why so many tenants, including Committee Members, want to sublet their flats. The Committee is not pursuing its prime purpose to provide security for women with children in need, if flats have temporary occupancy changes in this way. Re-letting on a secure tenancy basis is preferable if a tenant no longer needs a flat as their principal home.
- 3.9 The Co-operative also has no policy for how such applications will be dealt with and this reactive approach does not give the same opportunities to all tenants. The Committee has been unclear about the legal status of people subletting or sharing; assuming, for example, that sub tenants would also be tenants of Four Walls. Other weaknesses in relation to the agreement of some of these sublets are referred to in section 5, in relation to governance.

- 3.10 Four Walls wants to promote choice for existing tenants in the shared flats by giving them the opportunity to select a preferred candidate from 3 applicants for a vacancy. However, the same weakness of failing to take account of differences in housing need between applicants applies here. This approach is unfair to the applicants and is another example of the absence of transparency in allocations decisions.

#### **Sustaining tenancies and preventing homelessness**

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

- 3.11 Four Walls has given only 46% of its residents a Scottish Secure Tenancy (SST)<sup>7</sup> agreement. The remaining 6 people within the shared flats have occupancy agreements based on an appropriate model. However, these offer less security of tenure than an SST. These are not supported tenancies and the Co-operative has not considered whether a tenancy agreement might be more appropriate for these residents, although it has acted in accordance with advice.
- 3.12 Four Walls has a very small number of lets per year, but a very high turnover for its size. In 2004/05 there were 9 new lets representing an 81% change in tenancies within a 12 month period. The Committee does not believe that there are internal reasons for the significant turnover, or that tenants had difficulty in sustaining their tenancies, but it does not undertake any exit interviews with tenants to find out their reasons for leaving.
- 3.13 The Co-operative aims to sustain tenancies through mutual and communal support between tenants, but this has not always worked. There are no mechanisms in place to formally refer people to other support agencies and only limited agency staff resources are available to support tenants. The Co-operative has a poor recent record in sustaining tenancies.

#### **Quality of neighbourhoods**

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

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<sup>7</sup> see glossary

- 3.14 The building has a modern and attractive appearance. The Committee encourages tenants to take an active part in the regular cleaning and maintenance of the common areas including the stairways, meeting room and laundry. However, there are no formal arrangements to ensure a proper rota for cleaning responsibilities, or an agreed standard of cleanliness.
- 3.15 The building has had problems with an infestation of mice in the last year. Substantial work has been undertaken, including removal of floor boards, to tackle the issue. The Committee believes that the building had the mice for some time before residents formally reported the problem and it is an issue which it has asked the current managing agent to monitor.
- 3.16 The Co-operative has had no reports of antisocial behaviour in 2003/04 or 2004/05. It has not taken a formal approach to identify and respond to residents' concerns about any such behaviour, but with such a high overlap between tenants and Committee members, Four Walls believes it has a good awareness of tenants' views. The new managing agent has advised on the need for a full review of all policies
- 3.17 Four Walls has a poor understanding of its responsibilities as a registered social landlord in managing and letting its houses. It is not meeting its statutory obligations to provide open access to its housing list and to give reasonable preference to those in need when letting. The Committee expresses a belief that because the Co-operative is small, with its own internal ethos, that it need not take full account of standards applying to other RSLs. This is a serious weakness that we refer to further later, in relation to governance and financial management.

## Property Maintenance

### Access to the repairs service

*Social landlords should have arrangements in place that make it easy for tenants to report repairs and to have them carried out.*

- 3.18 The Co-operative now provides good access to its repairs service although tenants were limited until recently by the shorter working hours of the previous agent. Tenants can make contact by telephone, in writing, by e-mail or by Fax to

the managing agent. The out-of-hours repairs service enables tenants to contact contractors direct.

- 3.19 Four Walls does not offer appointments for repairs, but tenants and contractors can arrange access by email. It also has a voluntary “keyholder” scheme, so that contractors can do repairs when tenants are not at home, supervised by another tenant or Committee member. However, the Committee has not fully considered the security risks associated with such a scheme.
- 3.20 The Co-operative has not formally assessed tenant satisfaction with access to the repairs service in the last 5 years but it does hold regular meetings and coffee mornings with its tenants, when the repairs service is discussed. Due to the close overlap between the Committee members and tenants, the Committee is confident that it knows tenants are now happy with the arrangements for accessing the repairs service.

**Speed and quality of response repairs service**

*Social landlords should set challenging targets for completing repairs, strive to achieve them and ensure repairs are completed to a high quality.*

- 3.21 We have reservations about the accuracy of Four Walls’ reported performance against its repairs targets because of the limited time available until recently, for reporting repairs. It has set challenging targets but is poor at completing repairs within these time scales. In 2003/04, it completed only 21 repairs in total, yet its performance was at least 30% below the national and peer performance in emergency and urgent repairs. While routine repairs performance is better, it completed only 89% of routine repairs on time, compared to a national figure of 95%.

	Four Walls target response time	Performance				
		Four Walls Co-operative			National performance 2003/04	Peer Group 2003/04
		2001/02	2002/03	2003/04		
<b>Emergency Repairs</b>	6 hours	100%	100%	67%	97%	97%
<b>Urgent Repairs</b>	1 day	100%	100%	67%	93%	94%
<b>Routine Repairs</b>	5 days	100%	70%	89%	95%	91%

- 3.22 Four Walls was the worst performer in its peer group in 2003/04 for completing emergency and urgent repairs on time, and it was 14<sup>th</sup> out of the 18 landlords in its peer group for speed of completing routine repairs. There is only limited reporting on performance for the completion of repairs to the Management Committee and there is no formal reporting of performance to tenants. We refer to this further in the section on performance management.
- 3.23 The Co-operative has no appropriate maintenance policy in place and has not set any standards for the quality of repairs service tenants can expect. It has relied on its previous agents to provide a good service without giving any guidelines on what is expected, or requiring the agents to account for the quality of the service.
- 3.24 The Co-operative is not complying with the statutory requirement to operate a Right to Repair<sup>8</sup> scheme and it has not provided any details to tenants on their right to repair.

#### Physical quality of houses

*Social landlords should have good information about the condition of their houses and should deliver effective maintenance programmes that take account of housing quality and home safety needs.*

- 3.25 Four Walls is not keeping good records of the condition of its houses, even though the stock is very small. Despite having managing agents, the Management Committee has been involved in a number of the day to day issues in the maintenance of the stock, without any professional or technical guidance and it is not taking any strategic overview of current condition or future maintenance needs.
- 3.26 Scottish Ministers have set a target that all social landlords' houses should meet the new Scottish Housing Quality Standard (SHQS) by 2015. Landlords were required to prepare a plan showing how they will achieve this, by April 2005. At the time of inspection, Four Walls had not made any assessment of stock requirements to meet the standards required by the SHQS.

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<sup>8</sup> see glossary

- 3.27 The Co-operative has not developed any regular programme of planned maintenance<sup>9</sup> and repairs to its properties. It did commission a survey in 1997 but there is no evidence that it has used this information to inform a maintenance programme. Large repairs are addressed in a reactive way. For example, two flats re-let in the last year have required major work but this was funded from budgets for minor works until the finance agent identified that a transfer could be used to rectify the overspend.
- 3.28 Four Walls has provided all its flats with hard wired smoke detectors, which are regularly maintained and this is a good contribution to home safety. It also carries out annual inspections as well as reactive repairs to the communal entry system.
- 3.29 All landlords are required to carry out safety checks every 12 months on all gas appliances and flues provided for tenants' use. The Co-operative is not meeting its statutory duty for any of its properties. Although all flats had current certificates at the time of inspection, only 3 flats were checked within a month of the due date, while 6 took up to 3 months and 2 were checked more than 3 months late. This is an important safety requirement, performance on which is not monitored by the Management Committee and no post inspections of the work are carried out to check that the required quality is being achieved.
- 3.30 From April 2004 social landlords have also had a statutory duty to manage any asbestos in the common areas of their properties. Four Walls has not acted to make sure it meets this duty. The Committee believes that there is no asbestos in the building due to its recent age, but this has never been formally checked out from past records or in the property survey of 1997.
- 3.31 Four Walls has major weaknesses in property maintenance.

#### **Responsiveness to tenants**

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

- 3.32 The client group is very small and all members are actively encouraged to participate in the work of the Co-operative by attending information meetings and

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<sup>9</sup> see glossary

coffee mornings and they can attend all Management Committee meetings. The Co-operative is committed to responding to the views of tenants, and in property maintenance it recently changed the use of a contractor following comments from tenants and Committee members.

- 3.33 However, tenants have a statutory right to be consulted about decisions that directly affect them, such as housing and maintenance policies, and rent setting. Four Walls takes a very open approach by inviting all members to the meetings of its Management Committee and, in theory, this provides a good opportunity for tenants to see all the detail behind the decision making, and to comment on it. However, these meetings are not well attended, even by the Committee members, who managed only an average attendance of 49% in 2004/05. This is obviously not a way in which tenants like to be consulted or kept informed, so it is not effective.
- 3.34 For example, the Committee did consult on the rent setting arrangements for 2003/04, although not on the most recent increase. The level of information available to tenants was limited unless they did attend the Committee meeting, or sought it out from the managing agent. There is clearly a lot of scope to use the less formal meetings to engage more with tenants on these issues.
- 3.35 Complaints can be useful in gauging concerns and can be used to improve services but the Co-operative's approach to complaints is inadequate. These are considered by a complaints sub committee and if the complainant wishes to question that decision it is referred to the full Management Committee for a review. The complainant is then allowed to appeal against the decision of the full Management Committee, to a specially set up appeals sub committee. This cannot provide an independent hearing for the appeal and interferes with the supremacy of the Management Committee in decision making. These procedures lack transparency, are lengthy and they confuse the process of dealing with any complaint. This is illustrated by a complaint having been one of the main items of committee business over the last 6 months, which was not finally concluded at the time of inspection.

## 4. Is the service managed for improvement?

### Resource management and efficiency

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

- 4.1 The Co-op was unable to give us information on its rent arrears at the time of inspection, due to the absence of the finance agent. Looking back over time, it improved its rent collection in 2003/04 by reducing the total arrears as a percentage of its total rental income by almost 1.5%. However, total arrears, at 7.7% remained above its peer group and the national figure. Current (non technical) arrears were on an increasing trend, well above comparative organisations. The arrears figures we are able to report on are in the table below.

	At Mar 2003	At Mar 2004			At Dec 2004
	Four Walls	Four Walls	Peer Group	National	Four Walls
Total arrears as % of total gross rental income	9.1%	7.7	6.4	6.38	N/A*
Total current arrears as % of total gross rental income	9.1%	7.7	5.35	4.56	N/A
Current arrears (non technical) as % of total gross rental income	3.2%	6.0	3.29	3.43	N/A
Current arrears (technical) as % of total gross rental income	5.9%	1.7	2.06	1.13	N/A
Total former tenant arrears (£)	0	0	1.04	1.81	N/A
As % of total gross rental income	0	0	-	-	N/A
Rent arrears written off	N/A	N/A	-	-	N/A

\*N/A = not available from Four Walls during the inspection

- 4.2 The Co-operative's rent losses due to empty houses have been increasing over the last 3 years and are higher than both the national and peer group figures. The speed of re-letting is also poor, even though the Co-operative has had a higher turnover than usual in the last year.

	At Mar 2003	At Mar 2004			At Dec 04
	Four Walls	Four Walls	Peer	National	Four Walls
Rental income lost due to empty houses (£)	778	1,359	-	-	1,933
As % of total rental income	2.4	3.8	0.6	3	5.2
% of empty houses re-let in less than 2 weeks	33.3	0	42.4	27	56
% of empty houses re-let in 2-4 weeks	0	50	30.4	27.3	0
% of empty houses re-let in more than 4 weeks	66.7	50	27.2	45.7	44
Average time to re-let (days)	36	56	31	34	55

*Social Landlords should manage the cost of their services effectively and procure management and maintenance services in a way that takes account of quality.*

4.3 Four Walls has not provided us with records of its costs in 2003/04. The most recent costs we have seen for delivering housing management services were £1006 for each of Four Walls' houses in 2002/03. This has increased significantly from costs in the previous 2 years. Such a small organisation does not benefit from economies of scale but the figure is substantially higher than similar landlords. Among its peer group, the figure was £601 in 2003/04, while the national figure was £560. The Co-op does envisage a similar figure for 2004/05 but even so, costs will remain substantially above average. Given the minimal services commissioned by Four Walls over the years, the management costs do not represent good value for service users who have to cover these in their rent payments.

4.4 The most recent costs we have seen for managing the property maintenance service were £282 in 2003. In 2003/04, Four Walls' peers had a maintenance management cost of £192 per house and the national figure was £221. Again, costs are predicted to reduce in the current year. The Co-operative has had a succession of agents, dealing separately with management and finance, and they have been sourced and appointed by the Management Committee without formal assistance. Four Walls' has paid a reasonable price for the contracted hours of work, but it has not had the opportunity to define its requirements and to

procure the specific services it needs. Overall, the Co-op's resource management and efficiency is poor.

### Performance management

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

- 4.5 The Co-op has no set objectives or standards for any of its services and either does not have policies in place, or does not implement those it has. Committee members believe they have a shared understanding of the high standards they are aiming for, but they cannot manage and monitor their achievement, or make improvements, without stating these clearly. The only evidence of an attempt to set standards is that ambitious targets have been set for completing repairs, yet performance in meeting these is poor. Four Walls has given no other guidance to its agents on its expectations for service delivery.
- 4.6 There has been no service level agreement or contract in place with the previous managing agents, so the type and level of service has never been properly quantified except in terms of the number of hours to be provided. Regular performance reports on the services and activities provided have not been supplied to the Management Committee, with the exception of the financial reports referred to in section 5. For example, the previous managing agent intimated her resignation as of July 2004 but agreed to provide a "reduced" service in the interim and there was no quantification of the amended level of service. The new managing agent will operate in accordance with a service level agreement, but this is yet to be agreed while the agent makes its own assessment of the work required.

## 5. Governance and financial management

### Leadership and direction

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

- 5.1 Four Walls does not demonstrate a clear understanding of its business set up and responsibilities. It is registered as an Industrial and Provident society, operating as a fully mutual co-operative, with non-charitable status. Some of its

- papers refer to it as “A Registered Scottish Charity” and “A Recognised Scottish Charity”. This is a very serious misrepresentation, which requires immediate clarification. The Management Committee told us that it was unaware of this error and that it will amend its papers accordingly.
- 5.2 The Co-operative is a registered social landlord (RSL) but is unusual in having so few houses. The total membership is a maximum of 15 at any time i.e. the total of its tenants. It is possible for all tenants to be members of the Management Committee, and for the electorate to be the same as the Committee. In this situation, care is required to avoid confusing the long term interests of the Management Committee as a body leading and directing a business, with the short term interests of the tenants as individuals. Our findings in governance and finance show that the Committee has not had the professional advice it needs to help it separate these interests, manage the Co-operative as an ongoing business and to meet the legal and good practice requirements applying to an RSL.
- 5.3 Four Walls’ structure as a fully mutual co-operative reflects what the Committee describes as an ethos of mutual and communal support. However, it has not described what this means in practice and has not set out its aims and vision for the future of the Co-operative for at least 3 years. There was no literature or information provided to the inspector which set out the ethos and objectives of the organisation and nothing available to advise prospective applicants, members or other stakeholders what the Co-operative sees as its key strategic or operational objectives. Committee members explain their ethos to applicants for membership but, as a result, this information is only available to those who have already decided to apply for housing.
- 5.4 There was no indication during the inspection that there were either proposals to plan for the current service and for the future, or an acceptance that these issues should be addressed. It is not sufficient that the existing Committee members believe that they share a common purpose if this cannot be effectively communicated and used to deliver a good, sustainable housing service.

- 5.5 Good governance comes from blending the skills, knowledge and experience that voluntary committee members bring to their role, with appropriate professional support and advice when necessary. Four Walls has not sought enough support to help members fully understand their responsibilities and to develop their capacity by acquiring the particular skills and knowledge needed for the decisions they have to take. It is to the Committee's disadvantage that, although meetings have been quorate, there has been a mixed commitment to attendance by members; with less than 49% of Committee members present, on average, at meetings during the last full year.
- 5.6 It has appointed a series of managing agents over the years, but only for assistance with day to day service delivery and financial management. There has been a lack of clarity between their role and the Committee's. This has also prevented the Committee from holding its agents accountable for the quality of services provided. It is a positive step forward that the new agent will provide a detailed Service Level agreement for committee approval, but the Committee is not taking a leadership role in setting those standards and responsibilities itself. The Committee does not take a proper range of professional advice to support it in the overall management of the Co-operative.
- 5.7 Instead of fulfilling their strategic role, some members of the Committee have a very hands-on approach to the management of the property. The agendas of the Management Committee meetings in the six months prior to inspection have been dominated by a single complaint. It has also led, on occasion, to Committee members themselves referring applicants and allocating houses.
- 5.8 Social landlords should place the people they serve at the heart of their work and be responsive to their views and priorities. The Management Committee tries to do this by encouraging all the Co-operative's members to attend and participate in the discussion of issues at Committee meetings. This is well intentioned and encourages the participation of the membership in the running of the Association, but it erodes the decision making responsibility of the Management Committee itself.

- 5.9 A strong membership and good levels of participation at Annual General Meetings (AGMs) are important ways for a landlord to demonstrate accountability. Although it reports that 25% of its 13 members attended its last AGM, this is only 3 or 4 people. Four Walls' Rules require that six members are present to form a quorum at the AGM. Even if this was a reconvened meeting, it indicates that very few Committee members attended to report on their year's activities and the annual accounts, yet 8 people were elected to the new Committee. It shows a limited commitment to accountability, either from the Committee members or the wider membership.

### **Ethical Standards**

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

- 5.10 The Co-operative has adopted a code of conduct for Committee members, based on the SFHA model. It is indicative of the lack of significance that Four Walls' places on its wider responsibilities, that at the time of the inspection none of the current Management Committee had signed up to up to the code of conduct. There is also no mechanism in place to request the Management Committee members to formally declare and record those interests which could be relevant to the business of the Co-operative.
- 5.11 The poor approach to letting houses, referred to in section 3, also fails to recognise and manage conflicts of interest. Some Committee members refer their own contacts as potential applicants for housing and for membership, but these relationships are not recorded or declared in any way. Given that there is little promotion of access to housing through other local associations or the Council, this tends to restrict access to houses to contacts of these Committee members. It could lead to breaches of Schedule 7 of the Housing (Scotland) Act 2001, which prevents Committee members, members of staff and their close relatives from benefiting personally from their connections with an RSL, except in very limited, and carefully managed, circumstances.
- 5.12 The Committee has also granted approval for at least one Committee member to sublet her flat; this is the sublet referred to in section 3. Committee minutes refer to one member indicating an intention to sublet her flat, because she has

purchased a property. Whilst not strictly covered by Schedule 7, these are examples of poor management of conflicts of interest.

- 5.13 The long running complaint referred to earlier was made by a Committee member. This complaint has taken up a substantial amount of the Committee's business without it recognising that it is not competent for a Committee member to complain about the service for which she shares responsibility with the rest of the Committee. Initially the complainant also remained at the meeting when the item was being discussed, the conflict of interest being unrecognised by either party. The Committee also considered that this member had acted inappropriately in making the complaint public, yet it did not investigate whether its code of conduct had been breached and if it should take disciplinary action.
- 5.14 In some instances rent arrears are owed by members of the Management Committee themselves. To avoid conflicts of interest, such members should take no part in decisions involving arrears policy or implementation. Ongoing arrears can be a conflict of interest in themselves and the requirements on Committee members to repay their arrears must be the same as for all other tenants. The Management Committee cannot demonstrate that it is taking an equally robust approach to pursuing these arrears and there is no declaration of interest or absenting from discussion or decision making by the members involved.

### Managing Risk

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

- 5.15 In line with its approach to all its planning and governance responsibilities, the Co-operative has not identified or planned to address any strategic or operational risks to the organisation. The co-opted Committee members have encouraged the Committee to consider that the long term future of Four Walls might be better secured by partnership with another RSL but there is a reluctance to progress with consideration of this option.
- 5.16 In its inspection submission, Four Walls indicates that it recognises its top 3 risks as:
- achieving long term viability without compromising affordability;
  - maintaining efficiency in crucial areas of the business; and

- keeping pace with change.

This shows that Four Walls does appreciate what it needs to focus on, to secure the long term future of the organisation, but it is not acting to manage these risks.

#### Financial viability and management

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

5.17 Four Walls has generated surpluses in previous years and its annual budget forecasts a small surplus in the current financial year, which ends on 30<sup>th</sup> September 2005. Although Four Walls currently reports enough cash in hand to cover its outstanding loans or to fund some future maintenance, no current financial plans have been prepared to consider the Co-operative's medium or longer term sustainability. Four Walls does recognise that it faces challenges due to its small size and increasing cost base and that it must look at ways to protect the medium and long term future of its tenants and housing assets.

	£'000 Actual to September 2001	£'000 Actual to September 2002	£'000 Actual to September 2003	£'000 Actual to September 2004	£'000 Budget to September 2005
<b>Turnover</b>	35.4	38.9	41.4	40.4	41.4
<b>Operating Surplus/(Deficit)</b>	13.2	10.7	14.9	7.4	10.9
<b>Net Surplus/ (Deficit)</b>	9.3	7.4	12.0	4.6	7.5

5.18 Four Walls' financial management is provided by external agents. The previous agent prepared a budget for the period to September 2005, but there is no evidence that this was formally approved by the Co-operative and it was not supplied to Communities Scotland at the required time. Also, we have not yet received a copy of the Association's annual accounts for the year 2003/04. There have been serious gaps in Four Walls' financial management and the Committee had not been presented with any financial reports between October 2004 and the time of inspection. The appointment of a new management and finance agent is intended to improve financial management.

## 6. Areas for improvement action

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

### Across all of its activities

- set clear standards for the services to be delivered and manage these with an appropriate performance management and reporting framework; and
- improve resource management and efficiency, particularly for empty houses.

### Governance and financial management

- consider how best it can secure the long term future of its tenants and housing assets, including whether it can meet its obligations as an RSL with the limited professional support it has commissioned to date;
- define this in a comprehensive planning framework to manage progress, minimise risk and resource improvement;
- ensure the Management Committee members understand their strategic management role and their responsibilities, and receive training in the specific responsibilities of a registered social landlord;
- abide by its code of conduct and manage conflicts and potential conflicts of interest;
- implement a strong financial management framework, which supports the Committee in its planning and decision making;
- always act in accordance with its Rules and policies; and
- stop misrepresenting itself as a registered charity.

### Housing management

- ensure its policies and practices for the allocation of its housing are consistent with legislation and good practice requirements;
- demonstrate that it lets housing to people in need;
- end the involvement of committee members in the management of applications and allocations;
- review whether it could increase security of tenure for those in shared flats;
- agree a policy on subletting and lodgers which meets good practice requirements; and
- take a structured approach to estate management and antisocial behaviour.

### Property maintenance

- improve the speed and quality of its repairs service;
- comply with its legislative duties relating to gas safety;
- manage programmes of planned and cyclical maintenance<sup>10</sup> to secure the quality of its stock, both now and in preparation for meeting the SHQS; and
- comply with its duties on managing asbestos and providing tenants with the right to repair.

## 7. Next steps

7.1 This report highlights our findings following this housing inspection. We expect all organisations to respond effectively to our recommendations using their own improvement planning processes. Four Walls is required to submit an improvement plan to us within eight weeks of the publication of this report. The plan should show how the organisation intends to respond to our findings and will be agreed with us as part of a regulatory support strategy.

7.2 If you would like to see Four Walls Housing Co-operative's improvement plan you should contact:

The Chairperson  
Four Walls Housing Co-operative Housing Association Ltd  
35 Carnarvon Street  
GLASGOW  
G3 6HP

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<sup>10</sup> see glossary

## Glossary

<b>Average</b>	The arithmetic mean – the sum of all the values divided by the number of values.
<b>Benchmarking</b>	A process used by organisations to systematically compare service processes and performance to identify best practice.
<b>Cyclical maintenance</b>	Planned programme of work to deal with predictable deterioration of building components, for example regular painting of window frames.
<b>Housing list</b>	A list of applicants for housing which is used by the RSL to allocate its housing stock.
<b>Peer group</b>	A group of organisations facing similar tasks and challenges with which comparisons can be made. RSLs choose which peer group they belong to when they submit their Annual Performance and Statistical Return to Communities Scotland.
<b>Performance Standards</b>	Housing standards for all social landlords in Scotland.
<b>Planned maintenance</b>	The planned renewal or maintenance of key property components.
<b>Registered social landlord (RSL)</b>	A landlord providing social rented housing that is registered and regulated by Communities Scotland.
<b>Right to Repair</b>	A scheme which gives tenants legal rights to have certain repairs in defined times.
<b>Scottish Secure Tenancy</b>	The Housing (Scotland) Act 2001 establishes the Scottish Secure Tenancy as the tenancy for all tenants of social landlords in Scotland.

## Regulation & Inspection

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