

Housing - Housing Association Inspection Report

March 2006



Inspection Report

London Strategic Housing Limited

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Housing Association Inspections

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively and delivers high-quality local and national services for the public.

Within the Audit Commission, the Housing Inspectorate inspects and monitors the performance of a number of bodies and services. These include local authority housing departments, local authorities administering Supporting People programmes, arms length management organisations and housing associations. Our key lines of enquiry (KLOEs) set out the main issues which we consider when forming our judgements on the quality of services. The KLOEs can be found on the Audit Commission's website at www.audit-commission.gov.uk/housing.

For housing associations our inspection role and remit is set out in sections 41(A) and 41(B) of the Audit Commission Act 1998 (as amended by section 109 of the Local Government Act 2003) and is in line with the Audit Commission's strategic regulation principles. In broad terms, these principles look to minimise the burden of regulation while maximising its impact. To meet these principles this inspection:

- is proportionate to risk and the performance of the Association;
- judges the quality of the service for service users and the value for money of the service;
- promotes further improvements in the service; and
- has cost no more than is necessary to safeguard the public interest.

We are committed to working in partnership with other regulators, and the Audit Commission and the Housing Corporation are working together to improve the performance and efficiency of housing associations. Our shared objectives are to ensure that associations provide services for the diverse range of customers in their areas of operation, high standards of customer services and access, and value for money for both customers and the taxpayer.

The Housing Corporation is the statutory body which regulates housing associations to ensure that they are well governed, well managed and financially viable, as set out in its regulatory code. Its lead regulation staff work with housing inspectors to ensure that there is adequate information provided for the inspection and that the inspected body implements recommendations in the inspection report. The overall findings of the inspection are also used to inform the Housing Corporation Assessment (HCA) which determines eligibility for further public investment and may influence the Housing Association's future business prospects.

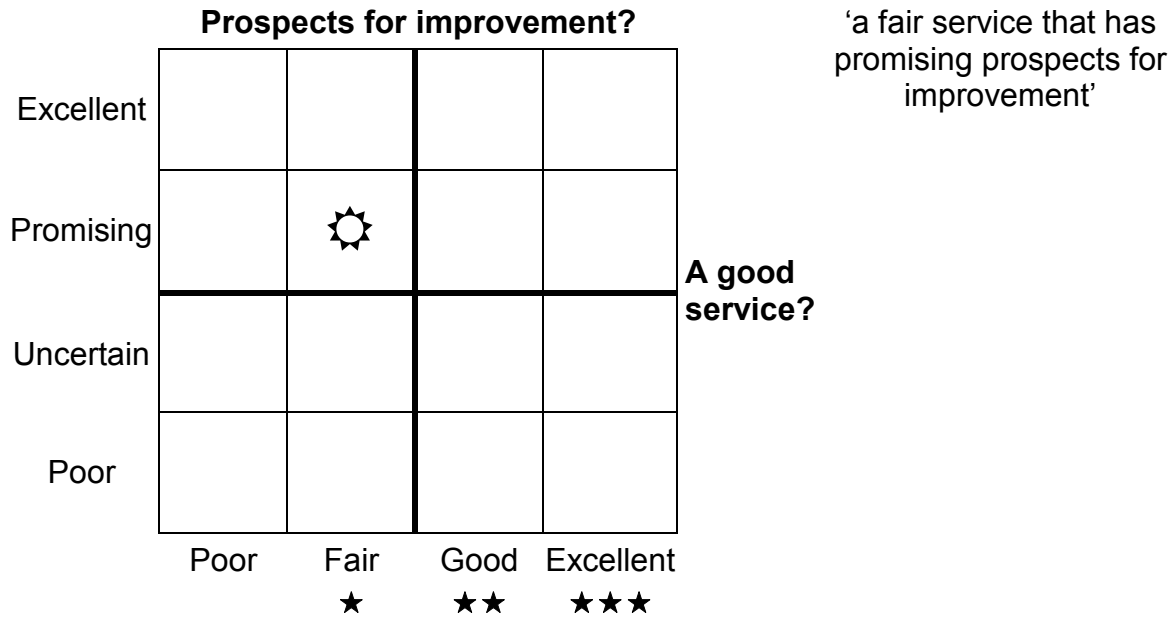
Summary

- 1 London Strategic Housing Limited is part of the Network Housing Group. It is a registered housing association which specialises in providing accommodation for key workers in London and the Home Counties. London Strategic Housing Limited operates mainly in London with concentrations in Hackney and in Northwick Park, Harrow. Most of its property provides shared housing for employees of a number of NHS trusts.
- 2 It currently has 1,649 tenants, and employs 22 staff.

Scoring the service

- 3 We have assessed London Strategic Housing Limited as providing a ‘fair’ one-star service that has promising prospects for improvement. Our judgements are based on the evidence obtained during the inspection and are outlined below.

Figure 1 Scoring chart¹



Source: Audit Commission

¹ The scoring chart displays performance in two dimensions. The horizontal axis shows how good the service or function is now, on a scale ranging from no stars for a service that is poor (at the left-hand end) to three stars for an excellent service (right-hand end). The vertical axis shows the improvement prospects of the service, also on a four-point scale.

4 The service is fair because of the following.

- Customer service is generally responsive and tenants are provided with good information about the services provided.
- Diversity policies and strategies are comprehensive and cover ethnicity and disability issues. Services reflect the needs of the association's customers.
- Properties are in good condition and are well-maintained.
- Internal and external communal areas are clean and grounds are well-maintained and attractive.
- There is a proactive and well planned and executed approach to health and safety issues. Performance for gas safety is excellent as all properties have the required certification for safety checks, and good processes for ensuring this is maintained.
- Most repairs are delivered quickly and well through the handyperson service, in a way that is convenient to tenants.
- Rents are set using criteria that are designed to ensure viability of the schemes and affordability for tenants.
- Tenants are offered a range of methods to pay their rent, including deduction from salary, which is convenient to tenants and helps to guarantee that a significant proportion of rent is paid.
- Properties (or rooms) are let quickly compared to other associations, and to a good standard.

- 5 However, there are also a number of issues that require improvement.
- Consultation with tenants is at an early stage of development and feedback has not been gathered using a robust methodology. There is no effective customer feedback about the repairs service.
 - The administration of complaints is not satisfactory and the Association does not ensure complaints are dealt with promptly.
 - No stock condition survey has been carried out to check compliance with the decent homes standard and LSH does not have its own asset management strategy.
 - There are continuing problems with the repairs service provided by Stadium Housing Association and from poor quality discontinued boilers, which are leaving some tenants without heating and hot water.
 - There are some considerable delays in rent payments reaching the association and tenants' rent accounts, which is poor financial management and is causing confusion for staff and tenants.
 - Management of arrears is hampered by ineffective use of IT systems and weak monitoring systems, and former tenants arrears are not being effectively dealt with.
 - The approach to dealing with anti-social behaviour is not well-developed, as resources have been limited, and tenants do not think enough is being done to prevent noise nuisance.
 - Policies and systems for allocating properties do not ensure a transparent process for all lettings.
 - The approach to ensuring value for money is weak and there is a lack of information about comparable costs.

- 6 There are promising prospects for improvement because of the following.
- LSH is making some improvements to the service, which include better marketing of properties and improved information for tenants.
 - LSH has clear priorities that are based on an overall operational review and a robust risk assessment, and these are reflected in its plans.
 - Resources have been allocated to address some key weaknesses.
 - There are plans to address a number of specific issues in the near future, and some are in response to customer feedback.
 - Network Housing Group is working to improve the corporate services it provides to group members through a value for money audit and improved consultation.
 - Plans are well co-ordinated and reasonably constructed.
 - The approach to business planning is helping to ensure financial viability for the association, and refinancing will provide additional resources required to deliver its short and medium-term objectives.
 - Overall, the group structure provides benefits and additional capacity by providing an infrastructure and procurement of corporate services.
 - There is strong leadership from its board and clear strategic priorities for the association which are aiming to address most of the weaknesses identified.
- 7 However, there are also a number of issues that require improvement.
- There is a limited track record of improvement in services for tenants.
 - Performance against the key indicators has been variable and does not show a significant trend of improvement.
 - The approach to continuous improvement is not developed or based on challenging reviews of the service, which would identify areas of poor performance.
 - Although performance management systems are useful in providing an overview of performance, they are not detailed enough to identify a number of performance issues and some performance targets are insufficiently challenging to drive improvement.
 - There are no formal mechanisms for sharing good practice across the Network Group, and communications between group members could be better. LSH is not making use of some expertise elsewhere in the group.
 - Performance has not been benchmarked with other similar providers.
 - The new IT system supplied through NHG does not cater for all of LSH's business requirements.
 - The overprovision of cluster-type accommodation for NHS staff in London is likely to continue to make it difficult for LSH to let some of its properties.

Recommendations

- 8 To rise to the challenge of continuous improvement, organisations need inspection reports that offer practical pointers for improvement. Our recommendations identify the expected benefits for both local people and the organisation. In addition, we identify the approximate costs² and indicate the priority we place on each recommendation and key dates for delivering these where they are considered appropriate. In this context, the inspection team recommends that the Association shares the findings of this report with tenants and board members, and addresses all weaknesses identified in the report. Associations forming part of a group structure should share the lessons and findings of the report amongst the wider group. The inspection team makes the following recommendations.

Recommendation

R1 Improve performance by ensuring that:

- *targets that are set that are realistic but challenging;*
- *detailed performance measurement and monitoring systems are in place for areas of weakness highlighted in the report - particularly for arrears, rent payments, voids management and customer service standards;*
- *performance data is reliable in all areas;*
- *performance is benchmarked with appropriate organisations;*
- *IT systems provide necessary support in managing performance; and*
- *services are challenged through fundamental reviews which include consultation with tenants, comparison with other providers and look at efficiency and value for money issues.*

The expected benefits of this recommendation are:

- improved performance;
- improved services for tenants; and
- reduced inefficiency and increased income collection.

The implementation of this recommendation will have high impact with low costs. This should be implemented within one year.

² Low cost is defined as less than 1 per cent of the annual service cost, medium cost is between 1 and 5 per cent and high costs is over 5 per cent.

Recommendation

R2 Improve the value for money of services by:

- *providing a good set of cost information that can be compared with others;*
- *comparing costs with other providers;*
- *taking action to reduce costs where these are found to be high;*
- *ensuring that services provided by other group members are good value; and*
- *assessing whether all services are cost effective and are providing the service that tenants and employers want.*

The expected benefits of this recommendation are:

- reduced costs; and
- better information about costs and tenants' views on which to base future procurement of services.

The implementation of this recommendation will have high impact with low costs. This should be implemented within one year.

Recommendation

R3 Improve the quality of services by:

- *introducing policies, procedures and systems which ensure tenancies are allocated fairly and openly;*
- *introducing formal mechanisms to share good practice within the Network Housing Group;*
- *considering the approach to service delivery in other organisations, including through the new benchmarking group;*
- *implementing and improving systems to capture tenants' feedback;*
- *resolving the issues with the repairs service from Stadium HA or seeking another provider; and*
- *ensuring rent payments are received as quickly as possible and deposits are refunded promptly.*

The expected benefits of this recommendation are:

- improved performance; and
- improved service to tenants.

The implementation of this recommendation will have high impact with low costs. This should be implemented within three months.

- 9 We would like to thank the staff of London Strategic Housing Limited who made us welcome and who met our requests efficiently and courteously.

Dates of inspection: 26 September to 30 September, 2005.

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Report

Context

The locality

- 10 London Strategic Housing (LSH) operates in two distinct areas in London – east London, mainly around Hackney, and in Northwick Park near Harrow in north west London. It also has a new development in St Albans in Hertfordshire.
- 11 The Association's 1,649 tenancies are located in the following local authority areas:
 - Hackney – 738;
 - Islington – 124;
 - Brent – 669; and
 - St Albans – 118.

The Association

- 12 London Strategic Housing (LSH) is part of the Network Housing Group. It originated from a key worker initiative set up by Network Housing Association (now Stadium Housing Association) in 1997. It was established as a separate organisation in 2000 to manage key worker homes, and registered as an industrial and provident society. In 2002, it registered with the Housing Corporation and, in December 2003, the key worker accommodation was transferred from Stadium to LSH.
- 13 Until recently, LSH had developed without any public funding, and the first properties that have benefited from grants have just been handed over. Therefore, the vast majority of its stock is financed through private loans, which it has arranged through the Network Housing Group (NHG). The initial loan was for £40 million, which has now increased to £67 million. This is set to nearly double over the next five years to achieve its development plans and resource the management of the stock. Turnover for the year 2004/05 was £6.46 million and the surplus was £0.5 million before transfer to reserves. Reserves in March 2005 stood at £1.04 million.
- 14 Until this year, the Association had only developed schemes on sites purchased from NHS trusts, which are tied into nomination agreements for health service employees. The vast majority (93 per cent) of these are shared accommodation, typically in clusters of six rooms with their own bathroom facilities but sharing a communal kitchen. The newer properties are self-contained and there are now 115 of these, 77 of which are family accommodation. In some of the older properties, bathroom facilities are also shared.

- 15 LSH is now moving away from this approach. It is seeking to develop more self-contained accommodation in response to demand, and for a wider range of key workers. Its most recent development in St Albans, for example, was developed for teachers and provides self-contained family accommodation. It is also seeking opportunities to develop low cost home ownership housing. The development strategy was initially over-ambitious and has now been reduced to a more realistic programme – from 250 to 100 units a year.
- 16 LSH does not have ‘zone agent’ status³ for the key worker living programme. It was not able to bid for this as the Network Group does not have Housing Corporation partnering status.
- 17 The Association has its own board, currently with 11 members, including four new members who joined in February 2005. The Chair of the board does not sit on the Network Group board, as is typical in housing association group structures. Instead, the member associations have influence within the group as shareholders, holding 65 per cent of the shareholding voting rights between them.
- 18 A recent staffing restructure is still in progress and likely to be completed in the next couple of months. This was to address the growth of the organisation and a lack of resources for tenancy management, particularly to deal with the high number of lettings, income management, and a greater customer focus.
- 19 During the restructuring process, there has been a high proportion of temporary staff. Of the 22 staff currently working for the Association, 7 are on temporary arrangements. Once restructuring is complete, there will be 25 staff on the establishment.

The service

- 20 The service is provided from two area offices in Hackney and on the Northwick Park hospital site in Harrow, and there is a sub-office for the St Albans development. The head office is in Wembley.
- 21 LSH works in partnership with 11 NHS trusts which provide the majority of tenants through nomination agreements. These agreements vary in detail, but in general make available a set number of rooms for staff of the trust, and 75 per cent have void guarantee arrangements. Typically, the agreement is that the NHS Trust will meet rent losses that arise when occupancy levels are between 70 and 90 per cent, and this is calculated at the end of each year.

³ Each government region has a zone agent that is set up to deliver the key worker living initiative launched in April 2004. Funds are available to zone agents who co-ordinate and publicise the key worker accommodation in their area.

- 22 Other tenants come from a variety of sources, but mainly through key worker websites. LSH has defined the criteria for key workers it seeks to assist, as *‘an employee of any organisation that supports the core infrastructure and services to keep a community healthy and vibrant’*. This includes, but is not necessarily limited to health care, social services, local government, education, public transport and emergency services, and where the employee cannot afford the market price/rent of suitable housing within a reasonable travel to work distance.
- 23 All tenancies are on an assured shorthold basis, which do not give security of tenure beyond six months. This is necessary to ensure that the housing is preserved for key workers, and tenants are obliged to give up their tenancy if they leave their job.
- 24 LSH purchases its corporate services from the Network Housing Group through service level agreements, most of which it is bound to purchase under current constitutional arrangements. These include services for finance, treasury management, IT, human resources, internal audit and risk management, development and company secretariat.
- 25 Most policies are developed locally by the group associations and there is not a common approach to housing management policies. The corporate policy team will offer advice and research good practice, but the content of the policies are the decision of the local boards. There are, however, common policies for corporate policies.
- 26 Part of the repairs service is provided by Stadium Housing Association, another member of the Network Group, and also under a service level agreement. This includes asset management, planned maintenance, major repairs and the more complex responsive repairs. However, most responsive repairs are provided in-house by caretakers and handypersons.

Tenant profile

- 27 The ethnicity of tenants is as follows:
- white British – 58 per cent;
 - black – 18 per cent;
 - Asian – 12 per cent;
 - mixed – 9 per cent; and
 - Chinese – 3 per cent.
- 28 There is an unusually high turnover of tenants due to shared facilities and the short-term nature of the housing. This currently exceeds 70 per cent for the year. Only 32 per cent of tenants stay for more than one year and 42 per cent move on within six months. The main reasons for leaving are either to rent privately (55 per cent and a change in employment (29 per cent).

How good is the service?

What has the service aimed to achieve?

- 29** The Network Housing Group has a strategy for key worker housing and the main themes are as follows.
- LSH is best placed in the group to respond to the investment available for key worker housing.
 - So far, LSH has developed without grant and focused on NHS schemes. It now needs to secure grant funding and provide for a wider client group.
 - LSH now needs to respond to key worker demand, and the Government's view that larger accommodation for couples and families is required.
- 30** A strategic review in 2004 followed the appointment of a new chief executive, which concluded that the association should focus more on managing stock and less on development of new homes. As a result of this the development programme has reduced from 250 to 100 homes per year and additional resources allocated to housing management services.
- 31** The key objectives in LSH's business plan for 2005 to 2010 are:
- continuous improvement in service delivery;
 - maximising the value of the property portfolio;
 - growth to meet need and operating efficiency; and
 - enhancing financial strength.
- 32** The business plan reflects the findings of the strategic review and seeks to reflect the aspirations of key workers and make the most of business opportunities. For example, LSH is now planning to provide some low cost home ownership options, a management service to other associations and the aim is that NHS schemes will be less than 80 per cent of business by 2010.
- 33** Although LSH was not inspected previously, there are recommendations for the NHG which are relevant to LSH, and these relate to:
- the development of common performance monitoring to assist inter-group comparisons;
 - improving the monitoring of service level agreements between group members;
 - developing common customer standards across the group which also reflect the local needs of tenants;
 - better co-ordination of initiatives and projects between group members to prevent duplication; and
 - reviewing communication at all levels to ensure issues are dealt with efficiently and effectively.

Is the service meeting the needs of the local community and users?

Access and customer care

- 34 The service has some strengths but tends to be reactive and is not a strategically planned and customer-focused service. The service from the area offices is responsive and helpful to tenants, and tenants benefit from an out-of-hours security service. They are also provided with good information to access the service. The Association has been let down by its telephone service, but replacement of this was virtually complete during the inspection. There are weaknesses in the administration of complaints and also in LSH's strategic approach to customer care. Customer standards are in place but not tailored to the needs of LSH tenants and they are not being monitored. The approach to tenant consultation is in the early stages of development and has not yet impacted on the service.

Corporate culture

- 35 LSH does not have a well-developed strategic approach to customer service. There is a group customer service standard, and although this was developed with input from LSH, it is not tailored to meet the requirements of LSH's service. There has, for example, been no consultation with tenants about service standards and some standards conflict with those in nomination agreements with the NHS trusts. There are no systems for monitoring customer service and so no data is available to test whether any standards are being met. Therefore, the Association cannot be sure that it is meeting its standards and cannot assess the quality of the service for its tenants.

Access to the service

- 36 The main service operates during standard office hours from 9.00am to 5.00pm in the area offices, which is provided by LSH staff. In addition, there is an out-of-hours security service provided by contract staff, with housing managers available on a duty system. Although their primary purpose is security issues, they will also respond to requests from tenants - repairs ordering and dealing with noise nuisance.
- 37 Access to the service has been reasonable, though marred by problems with telephone communication. Although tenants are reasonably satisfied overall (77 per cent in 2004/05⁴), there have been specific issues. Tenants have indicated some dissatisfaction with contact by telephone and correspondence, and the politeness of a few staff. Telephone systems were sub-contracted from the NHS trusts; these were outmoded and did not allow call monitoring or diversion. This inevitably affected the service for tenants, as, for example, security guards are not contactable while they are on patrol. This should be resolved by the new telephone system which has been purchased through the Network Group, was installed in September and will shortly be fully operational.

⁴ Responses to the Association's quarterly survey of its tenants which is conducted through questionnaires and analysed in-house. Response to the surveys are low and fluctuate from 2 to 38 per cent and 15 per cent overall.

- 38 Reception services in the area offices are generally good and responsive to tenants. Facilities provided reflect the tenants' needs, including interviewing facilities. This helps tenants to access services quickly. NHS trusts also were also satisfied with the ease of contacting the association and could confirm that there had been few issues raised by their employees.

Information

- 39 Tenants are provided with relevant information through an information pack and additional leaflets, which are easy to read. Leaflets make clear how the tenant can access the service and what the service standards are. The information pack gives useful information for new tenants and specific issues for people sharing facilities. However, some of the letters sent to tenants could be improved. The Association has identified this as an issue and is planning to have standard letters 'crystal marked' and to provide training for staff on this.
- 40 The Association uses the Network Group website for its electronic communication. This is reasonably presented and easy to access. Its main use is as a marketing tool than a vehicle for providing information for existing tenants. Potential tenants can make enquiries online, based on standard criteria. It is a popular method of communication and consistently receives over 5,000 hits a month, so is clearly an appropriate communication vehicle for the association's client group. It is not as developed as it could be either for existing or potential tenants and improvements are planned.

Complaints

- 41 The complaints policy and procedures are comprehensive and easy to understand, which will make them clear to customers and staff. The policy for complaints has a number of positive aspects. It allows verbal as well as written complaints, and it seeks to put things right as a guiding principle. Targets for responding to complaints are challenging, with two days to acknowledge and ten working days to respond.
- 42 However, in practice, the approach is less positive. LSH is not following its policies and procedures, and some tenants are dissatisfied with the approach taken. For example, although the official policy is to respond to verbal complaints, this is not happening, and tenants are told to complain in writing. Records of complaints are not well kept. Where we have found paperwork, this shows a reasonable response to the complaint. However, there is no central log to allow complaints to be monitored, and details of some complaints which are included in tenancy files were missing. This could lead to difficulties and delays in resolving cases.

- 43 Similarly there is a clear compensation policy but it is not working well in practice and is a subject of complaint from residents. We found that compensation is not automatically offered, and it is difficult for tenants to be eligible for payments. Some tenants were offered alternative accommodation in response to boilers not working, rather than being offered compensation. This resolves the issue of lack of hot water but is still inconvenient to tenants. The policy covers levels of compensation paid and authorisation levels which help ensure this is administered fairly. Tenants told us they did not think they were receiving the compensation they were entitled to, but as this was not well monitored, this was difficult to check.

Consultation and feedback mechanisms

- 44 LSH has made limited progress in consulting its tenants, though it does have some additional challenges compared to a mainstream housing association. It has a high turnover of tenants, most do not stay for more than a few months and many are working shifts. It is unlikely to establish conventional tenants' associations. However, more could be done and there are now plans to improve surveys and introduce service improvement teams.
- 45 Tenants are not satisfied with opportunities to participate and be consulted. A particularly low proportion of respondents to the tenants' survey in 2004/05 were satisfied with this (19 per cent), though 38 per cent indicated they did not wish to participate. Also, tenants attending focus groups during the inspection indicated that they would like regular tenants' meetings or surgeries where they could raise issues. LSH has not adequately researched what it could offer in this respect and, for example, has not made use of expertise in the rest of the Network Group.
- 46 LSH has made some initial attempts to consult its tenants, but this is at an early stage of development, and feedback has not been used systematically to improve services. It has surveyed tenants, though there are weaknesses with the methodology used - for example, there has been no independent survey. It does survey tenants quarterly, though the response rate has been low (around 25 per cent, and sometimes lower) and nothing has been done to improve this. There are also exit surveys, but this only asks where tenants are going to rather than capturing any dissatisfaction with the service. New tenants have been asked for their views of the accommodation, but not in a formal and structured way. A focus group was, however, held to discuss the cleaning service. The session was well organised and recorded, and has been used for a new cleaning specification in one of the areas. But in general, LSH has not captured a range of tenants' views and used them to improve service delivery.

Diversity

- 47 LSH has a reasonable approach in this area and has benefited from the Network Housing Group strategy for diversity. It has a comprehensive approach to diversity issues, and is monitoring its services, staffing and governance. It is performing well against targets in all areas except governance, as the board is not currently representative of the community it serves following recent board member changes. Although it is likely to be complying with requirements for access to services for disabled customers under the Disability Discrimination Act, it has not carried out a formal audit to test this. However, LSH has made sure a number of things are in place to make the service accessible, both through the physical layout of its reception areas and in provision of hearing loops and translation services.

Corporate culture and governance

- 48 Diversity policies for the Network Group are comprehensive and apply to all group members. These show a commitment to fairness and equality in service delivery. The BME strategy covers a range of issues and how these will be addressed. However, in common with some other group policies, it could be more focused on LSH's context and issues.
- 49 LSH has a diversity plan which has been used to improve the approach to diversity for the Association. Although this had not been updated for some time and the last report to the board was in June 2004, information provided during the inspection indicate a significant amount of activity to analyse data and identify the needs of specific groups. For example, LSH has set up a monitoring framework, is collecting ethnicity and disability information about its tenants, and has discussed the needs of employees with the NHS trusts. However, this is only the first stage in ensuring the service meets the needs of tenants, and little has been done with the information collected to improve the service.
- 50 LSH has been successful in attracting staff that reflect the local community, though this is not the case at manager level. It is monitoring staff recruitment processes for a range of diversity factors to ensure that the process is fair. LSH is exceeding its target for staffing as 57 per cent have classed themselves as coming from a BME community, against a target of 42 per cent. It is also employing more women than men (62 per cent).
- 51 Staff are receiving training about diversity issues and the process for this is thorough. It includes training as part of the induction programme and also a requirement to attend annual refresher courses. This is positive practice as it will ensure that staff are up-to-date with issues and it emphasises the importance of understanding diversity issues in providing the service.
- 52 The Board is not currently representative of the local community and is not meeting targets for this. Currently, 22 per cent are from BME communities and 17 per cent are female against targets of 25 per cent and 33 per cent respectively. This has been adversely affected by recent changes in board members, and recent recruitment has not addressed these targets.

- 53 Performance is monitored regularly against targets set for lettings, staffing levels and board membership. The board receives annual reports, which will help LSH to check that it is maintaining fair policies. Targets are based on NHG's corporate target, which is not ideal, as this is not tailored to the profile of LSH's customers. However, this has been the most practical solution in the circumstances, as nominees from the NHS trusts are subject to changes in recruitment policies - for example, a variety of overseas recruitment drives. The NHG target is based on census data for the main boroughs in which it operates. This will need to be reviewed to ensure it is relevant to LSH, particularly as LSH is developing across a wider geographic area and increasingly housing people from other professions

Access to customer services

- 54 Area offices are contained in buildings which are wheelchair accessible with easy access to the disabled toilets. Mobile hearing loops have been installed in the receptions of both divisional offices, which will help tenants who have hearing difficulties. However, although the Association believes that is complying with the requirements of the Disability Discrimination Act, it has not conducted a formal audit of access to its services. This is planned for the first quarter of 2006/07, but has missed the October 2004 deadline for compliance with the legislation.
- 55 LSH is subscribing to Language Line which provides a translation and interpretation service for customers who cannot speak or read English. Staff can also approach other members of staff who speak other languages. This is only required occasionally, because the Association is predominantly housing people whose employment requirements include fluency in English. However, it is useful for the few who cannot speak English well. Language Line was displayed clearly in prominent places in reception areas and some leaflets were displayed in English and other languages. This will help tenants to be aware of the service.
- 56 BME tenants are responding with higher satisfaction levels than white tenants. Although the survey response is low, this has been analysed by ethnicity and clearly shows that in each quarter and for each area, the BME satisfaction rate is significantly higher. Without further research it is difficult to know what these results mean, though could reflect some lower expectations about accommodation from overseas workers.

Harassment and domestic violence

- 57 Reported racial harassment is very low but policies and procedures give a good framework, which should ensure that victims are treated sensitively. LSH has also publicised its approach, by including it in the tenants' information pack and in the October 2004 newsletter. The one case we looked at showed that LSH had taken appropriate action to deal with the issue.
- 58 LSH does not have a policy for dealing with domestic violence or sexual harassment, which could be a particular issue in shared accommodation, though there are general policies on anti-social behaviour and harassment. This has not been an issue for the association so far, but it would not have a clear approach or guidelines for staff if an incident should occur.

Stock investment

- 59 On balance, tenants are receiving a good service. Properties are new or recently refurbished, most to a high standard, and have been maintained in a good condition. There is a proactive and well planned and executed approach to security and safety issues for tenants. Most day to day repairs are delivered quickly and to a good standard by the popular and responsive on-site handyperson service. However, there are issues with some faulty boilers presenting those tenants with considerable inconvenience. Repairs delivered under the contract with Stadium HA have had significant issues, and there has been no effective feedback from tenants on this service. LSH cannot be sure it will meet the government's standards by 2010 as required, because it has not conducted a stock condition survey.

Asset management, planned and cyclical maintenance

- 60 All the Association's properties have been new built or refurbished within the last five years and are, therefore, likely to meet the decent homes standard. However, the Association does not have its own asset management strategy though has carried out a stock condition survey following the inspection (in December 2005). Its asset management strategy is contained within the Stadium strategy, but this has not been approved by the LSH board. The recent stock condition survey shows that 83 per cent of homes are considered 'decent', and although none are 'non-decent', 17 per cent will become so if not improved in the next five years. It has also shown that the energy efficient rating (SAP) is now 99 per cent.
- 61 There has been limited work carried out on improvements and cyclical maintenance since the Association was established. Where it has been carried out, this is to a good standard. Cyclical decorations and repairs are carried out frequently, on a three-year cycle internally and six years externally. This will help to ensure that buildings are well-maintained.
- 62 LSH has a proactive and well planned approach to health and safety issues, and programmes for these are run efficiently. This includes fire safety, gas safety, Legionella testing and portable appliance testing of electrical equipment. All tests have been carried out within the last year, and records are well kept, so the association can be sure this is the case. Performance for gas servicing and safety checks is at 100 per cent, with all required certificates available. The last internal audit of gas safety which reported in February 2005 found that the systems for safety checks were effective. The efficient running of the health and safety programmes ensures the safety of tenants.

Responsive repairs

- 63 In addition to the repairs service provided by Stadium Housing Association, which provides planned maintenance and the more complex responsive work, LSH has its own operatives or handypersons based in its area offices. A substantial amount of responsive repair jobs are carried out in-house - 5,169 repairs in 2004/05, compared to the 662 larger repairs carried out by Stadium HA through a service level agreement. The apparently high volume of repairs reflects the inclusion of caretaking tasks like changing lightbulbs.

- 64 The approach to arranging repairs provides a convenient service for tenants. Appointments are offered for all repairs, and tenants have the option to give permission for operatives to gain access with master keys, which means that tenants do not have to stay in to give access. However, the absence of a procedure for entering shared accommodation could mean that this could be an intrusion for other tenants, or make the association vulnerable to accusations of theft.
- 65 The handyman service is responsive and popular with tenants. It is a quick service with most repairs carried out within two days, which is meeting and exceeding its targets. The in-house operatives are multi-skilled and able to do a range of minor repair work as well as caretaking duties like changing light bulbs. This may be saving the Association money, but there has been no formal assessment of this to check whether this is the case. There has also been no assessment of whether additional training could increase the range of jobs undertaken, and whether this would cut costs.
- 66 The repairs service provided by Stadium Housing Association has a number of weaknesses, principally the speed and the quality of the repairs. There are some issues with the reliability of performance data in this area, but available figures show poorer performance than average for the sector. The service has been affected by the termination of Stadium HA's main partnering contract, and LSH has reported deterioration in the service while new contractors are being established. LSH is now meeting regularly with Stadium about this to improve response times, and improvements are planned but it is too early to judge whether these will be effective.
- 67 LSH has experienced problems with poor quality and inappropriate fittings to some of its developments. This specifically affected boilers, locks and light fittings, and is predominantly an issue for the east area. This has meant additional expense for LSH and a poor service for tenants. The Association has recently made the decision to replace boilers which have continued to present problems. A budget for £100,000 has been allocated out of the Association's surplus and covers resources to replace up to 20 boilers which have been identified as a problem. This will improve the comfort of tenants, but the decision was made during the inspection and after a number of tenants had experienced considerable inconvenience.
- 68 There is no effective customer feedback about the repairs service, and this is limited to complaints. Tenants are not asked for feedback about the handyman service. Tenant satisfaction surveys are carried out for repairs under the service level agreement with Stadium, but the results are not available. LSH, therefore, has limited data available on which to base improvements to the service.
- 69 Targets for the in-house repairs service are insufficiently challenging. For example, a 28-day target for routine repairs that are commonly carried out the same day. LSH has based targets on old Housing corporation performance standards, which are out-of-date and not appropriate to a service which is on-site and where access is easy to arrange. They are also different to the targets used by Stadium and different to those included in some of the NHS trusts' nomination agreements. This will not help drive improvement, and is confusing for tenants.

- 70 Repairs expenditure for the first quarter of this year is in line with the budget, which is an improvement over last year when it was overspent. This was mainly a budget setting issue, and LSH has made sure that budgets are now realistic. However, there continues to be a problem with receiving information on expenditure and commitments from Stadium HA, with delays and inaccuracies in the reports received. This will affect LSH's ability to properly control its expenditure on repairs.
- 71 LSH is not following its policies to recharge tenants for repairs they are responsible for. The current policy is unworkable in some respects. For example, tenants are meant to change the light bulbs in their rooms but many fittings are non-standard and tenants would find it difficult to purchase and change these. LSH is, therefore, not adopting an approach that strikes a balance between fairness and keeping down costs.

Income management

- 72 There are a number of weaknesses with this area of the service, which relate to poor administration and monitoring of processes. This is contributing to delays in payments reaching the association and tenants' rent accounts. Action to deal with arrears is not systematic or robust and IT systems are not being used effectively in this respect. There has been limited action to pursue former tenants' arrears. On the positive side, there are clear criteria for setting rent which help maintain a balance between affordability and financial viability. There is also a good range of methods to pay rent and some of these help the association considerably with ensuring rent is received, like deduction from tenants' salaries. This helps to keep the overall arrears low, though the level of performance is difficult to assess without any meaningful comparison information.
- 73 Rents are set using criteria that are designed to ensure viability of the schemes and affordability for tenants. Part of the criteria is to keep rents below 70 per cent of the local market rent and below 40 per cent of the key workers' disposable net income. Rents are negotiated with the employer as part of the development stage, and are inclusive of a number of services, including cleaning, grounds maintenance, council tax and utility bills. Inflationary increases are bound by the agreements with the NHS trusts but can also be negotiated with them. Rent increases have been applied each April and this has been administered well, which helps to ensure income is received.
- 74 Information for tenants is a weakness for this service. There is limited advice for tenants falling into arrears, with only a brief mention in the tenants' information pack. Rent statements are not sent to tenants on a regular basis, because most are not up to date due to the time lag for a number of payments reaching the accounts. Tenants therefore lack accurate information about rent due.

- 75 Tenants are offered a good range of methods to pay their rent, including deduction from salary, direct debit, standing order and payment by cash or cheque at the area offices. Cash payment is offered because a number of foreign workers and students do not have bank accounts. New tenants are charged a month's deposit, but if the tenant is unable to afford this an agreement can be made with their employer for deduction from their salary over the first three months. The approach to rent payment is, therefore, convenient to tenants.
- 76 Written procedures for cash handling cover administration and safety of the cash, but do not address the safety of staff when travelling to the bank. Staff are, in practice, banking cash using standard precautions that will help protect them. However, there has been no formal risk assessment of this or clear written guidance for staff. This could leave the Association vulnerable to theft and jeopardise the safety of its staff.
- 77 LSH benefits from a large proportion of rent being paid through salary deductions (49 per cent of tenants). This is a cost effective means of paying rent, and although the NHS trusts can charge for this under the agreements, only one chooses to do so. Even with this charge it provides good value for money as LSH has some guarantee of the rent being paid, and this keeps arrears low.
- 78 However, there are considerable delays in rent payments from the NHS trusts reaching rent accounts. It is not clear to what extent delays could be avoided, as there are no monitoring systems in place to assess this. Anecdotally, rent often does not reach the individual rent account until nearly two months after it was due. There is a lack of electronic payment systems in place and invoicing delays which contribute to this. LSH is not ensuring that income is collected as quickly as possible. It is not causing a cash flow problem, but is not good financial management, makes accurate rent statements difficult and it does mean that potential interest is lost to the Association.
- 79 There are also delays in payments received directly from tenants reaching their rent accounts. This is also not monitored by the Association. However, a reality check, based on a random sample of cash and cheque payments made during July to September, shows an average of 10 days for payments to be banked and a further average of 17 days from banking to reaching the rent account. That is nearly four weeks from the tenant paying the association, until it appears on their account. There are a number of reasons for this including infrequent banking and some administrative errors and delays. This is not as efficient as it could be and makes arrears monitoring difficult.
- 80 Rent accounts for new tenants have not been set up since May 2005 in the west area (since installation of the new IT system), and 30 were outstanding during the inspection. The backlog is currently being given priority. However, there was £31,000 in the Association's suspense account at the end of September, where rent has been received but there is no rent account to post it to. For these tenancies it is not possible to check whether arrears are accumulating.

- 81 The level of rent arrears is low compared to other general needs housing associations and was 0.89 per cent for 2004/05. This has met the target of 1 per cent that was set for that year. There is no available comparison performance data to judge whether this is good performance for LSH's context. As most tenants have rent paid through salary or standing order, and most are employed, there is less scope for arrears to occur.
- 82 The focus on rent arrears management is on tenants who are not paying through salary deductions. This is a sensible approach as salary deduction payments will be made and the trusts will inform LSH if the deduction will not be made for any reason. There are only a small number of tenants who owe significant sums (22 tenants owe more than £1,000), though the high turnover means that former tenant arrears are significant for this association.
- 83 There are some issues with the management of current arrears. There are delays in action taken and policies are not being followed in this respect. For example, notices seeking possession are often not served at three months arrears in line with procedures. Arrears are not monitored consistently across the organisation in a structured way. Staff responsible for arrears monitoring are not able to use the new computer system to effectively chase arrears. Although the training was apparently good, staff are unable to use the system effectively four months after implementation. The east team does not have the appropriate software to produce arrears reports. The impact of this is that staff have to look individually at each tenancy to check arrears, which is inefficient and time-consuming. Resources for monitoring and chasing rent arrears have been insufficient, which is being addressed by the staffing re-structure. However, the current situation is contributing to a loss of revenue.
- 84 Policies and procedures for rent arrears are satisfactory, but are not aligned with the new IT software. For example, the LSH policy is to serve notices seeking possession once three month's rent arrears have accumulated, whereas the software is programmed to assume this is done after two months. LSH will be changing its policy to match the IT software. This is not necessarily the right approach, as the IT should be driven by the policy and not the other way round.
- 85 Former tenants' arrears are not being actively pursued or managed well. Temporary staff were taken on in each of the area offices to help clear the back log of former tenants' arrears, but it is not clear how successful this was. Arrears have risen steadily and stood at £252,000 in March 2005. Debts have now been referred to a new debt collection agency, but its effectiveness has not been assessed. There has been more activity by this agency but little additional income collected. The approach to former tenants' arrears is not ensuring debts are recovered and income is maximised.
- 86 There are clear procedures for writing off bad debts, though nothing has been written off by LSH since registration as a housing association two years ago. However, it is about to write off a significant amount and provision has been made for this in the Association's accounts.

- 87 There is no evidence of staff assisting tenants to obtain debt advice which could help to reduce tenant debt and arrears owed to the association. LSH has not referred to practice in other parts of the network group for advice on this.

Tenancy and estate management

- 88 Generally tenancies are managed well, and the service is geared to dealing with the exceptionally high turnover of tenants. There is an appropriate use of short-term tenancy agreements, though poor processing and use of the refundable deposits that tenants are required to pay. The overall framework for dealing with anti-social behaviour is a positive one, though the Association is not always responding to some tenants' complaints about nuisance, and this is not being monitored or recorded well. Schemes are well kept and are clean and have good grounds maintenance, which improves the environment for the tenants living there. Postal arrangements are not satisfactory in some schemes which is inconvenient for those tenants.

Tenancy management

- 89 All tenancies are on the basis of an assured shorthold tenancy. This only gives rights to occupation for six months and after that the tenancy can be terminated with two months notice without any specific grounds for possession. It is a condition that tenants must remain a key worker and advise the Association if this changes. This is appropriate in the context in which the Association is currently operating, with high proportions of shared housing and ensuring that the accommodation remains occupied by key workers.
- 90 The refunding of deposits, paid by tenants at the start of their tenancy, is unacceptably slow and has not been given sufficient priority. The target of four to six weeks is unchallenging and unreasonable. Some delays are due to the salary deduction system, but the remainder could be processed much more quickly than the target time. There is no system to monitor the repayment of deposits and ensure they meet the target. Reality checks during the inspection revealed an average of 10.5 weeks to process the deposits, and some take considerably longer than this. It is not surprising then that repayment of deposits was one of the main reasons for tenants complaining to the Association. Deposits are also not being used effectively to limit financial loss. The approach to charging deposits is now being questioned by the association, as few tenants have money deducted from their deposits (for example, no deductions have been made from a deposit in the west area since April 2005).
- 91 Although staff are aware of the need to respect tenants' privacy, there is no written procedure about gaining access to communal areas within shared housing. This could lead to an inconsistent approach. It is important that staff follow guidelines when entering communal areas. They have the legal right to enter and master keys enable them to do so, but, as this is the tenants' home, it is important this is approached sensitively.

Enforcing tenancy conditions and dealing with anti-social behaviour

- 92 Tenants experience the type of anti-social behaviour typical in shared housing, where the majority of tenants are young. There are complaints of late night noise and domestic disputes, rather than issues from the local neighbourhood.
- 93 LSH's policies and procedures for anti-social behaviour are based on the NHG policy. This is a reasonable framework to work to, though there is limited focus on prevention. There is also no mention of monitoring cases or keeping complainants informed about case progress. However, procedures for staff give good guidance for dealing with incidents of anti-social behaviour and cover most situations that could occur. This includes referring staff to other agencies that can help, like the police, local authorities and victim support. Target timescales for responding to incidents are also satisfactory.
- 94 Resources for dealing with anti-social behaviour are currently limited, though have been allocated for this under the new staffing structure. A tenancy enforcement officer has responsibility for this in the east division under the new staffing structure, but this is very recent. Tenants are not satisfied with the approach and do not consider that the association is doing enough to deal with other tenants who create noise and nuisance. This was the finding of both ours and the association's own focus groups. The main issues are noisy parties and tenants who are not keeping kitchens clean or who dispose of rubbish inconsiderately. The perception is that the security service could do more to tackle nuisance from late night noise.
- 95 Where complaints are reported and dealt with, LSH is providing a reasonable service. File checks indicated that actions taken by the Association were generally prompt and appropriate to the situation. It has also sought possession where nuisance is persistent, and one tenant was evicted from a tenancy in the Northwick Park site two months ago for anti-social behaviour. However, LSH is not making use of any mediation services currently and deals with disputes between tenants themselves.

Estate management

- 96 LSH has a proactive and well planned approach to health and safety issues. There are regular checks to the communal areas of shared accommodation with an annual health and safety risk assessment. There is also a high level of provision of security measures for residents including door entry systems, security estate lighting, mortise locks and spyholes to flat entrance doors and coded internal communication doors which ensures the safety and security of tenants. LSH has liaised with the relevant local authorities to ensure compliance with fire safety and 'houses in multiple occupation' regulations. This will help ensure the safety of residents.

- 97** Both internal and external communal areas are clean and well-maintained, with a few minor exceptions. Although tenants have expressed some dissatisfaction with the service, in our focus groups it became apparent that the dissatisfaction related mainly to the inconsiderate behaviour of some tenants rather than the cleaning service itself. The quality of grounds maintenance is also good and excellent in some respects. This is providing an attractive environment for tenants.
- 98** There are, however, issues with the management of the cleaning and grounds maintenance contracts. It is not clear who is responsible for external sweeping and litter picking in the east area. We were told that this was not included in the cleaning contract for some schemes, but it is. Either there was confusion about this or the contractor has not been fulfilling the contract. Whatever the case this needs resolution. The grounds maintenance specifications for the east area are very brief and do not include standards for quality and frequency of visits. This will not help to make clear to the contractor what service is required. The cleaning specifications are clear and detailed in terms of tasks and frequency. Tenants have been consulted about the cleaning service and this is now leading to a new specification for the west area.
- 99** Tenants have complained about a number of vermin infestation problems. Although there have been a number of vermin infestations, we found a prompt response to this. However, this is a reactive approach and is not dealing with the main issue, which according to a number of tenants is the poor hygiene behaviour of some residents. LSH needs to tackle this to help prevent problems arising in the first place.
- 100** The arrangements for the delivery of post are inadequate in some schemes and tenants do not think LSH has done enough to solve this. For example on the Northwick Park hospital site, post has gone missing and some tenants do not think the current arrangements are adequate to deal with this. Post is put into boxes for each letter of the alphabet, located in the reception. Although tenants must present ID, they are given all the letters for their part of the alphabet to search through. At the time of Inspection some of the boxes had broken doors.
- 101** Generally, the schemes provide good laundry facilities. Schemes built since 2003 have been provided with washing machines in each house/flat or cluster. This is in response to tenant demand and this is a positive move. In earlier schemes, there are communal laundries and some tenants think the provision is not sufficient and report maintenance problems.

Lettings and voids

- 102** This service has a number of strengths and weaknesses. Voids are generally dealt with quickly, particularly as levels are high due to tenant turnover levels. However, lack of detailed monitoring systems is masking inefficiencies in some parts of the process. LSH has made considerable efforts to market its properties in response to falling demand and high vacancy levels in some of its schemes. These have not been evaluated to see which approaches are successful and worth continuing. The lettable standards are high and being kept to so that tenants move into rooms that are mainly clean and well-decorated, though the standard of furniture could be improved in some respects. One key failing is the lack of clear and transparent policies and systems to ensure that tenancies not allocated through the nomination route, are dealt with fairly.
- 103** The main issue for the Association is the high turnover of tenancies and the relatively low occupancy rate for some schemes. Occupancy levels are constantly changing due to the high number of lettings and seasonal demand. Occupancy rate for 2004/05 was 89 per cent overall and is currently 91 per cent⁵. This varies considerably between schemes, however, due to variable demand with 100 per cent in some schemes, and at the other end of the scale, two schemes in Hackney with occupancy rates of 81 per cent and 85 per cent.
- 104** LSH is losing a significant amount of rental income through its high vacancy rate. For every 1 per cent of voids, it loses £65,000 in a year. This is partially protected by void guarantees that have been negotiated for some schemes through the nomination agreements with the NHS trusts. For example, the vacancy rate was 11 per cent in 2004/05, which is equivalent to rent loss of £715,000, but void guarantees reduced this loss to £575,269. Nevertheless this remains a significant loss of income. Some schemes that do not have a void guarantee also have a high vacancy level, which increases the risk of income loss for LSH. To illustrate this, one scheme in Hackney without a void guarantee currently has 19 per cent voids (54 rooms), which equates to a loss of over £3,000 per week in rental income.
- 105** Demand for accommodation is declining for some of the NHS trusts and some have reduced their nomination requirements, which affect void levels. LSH is tackling this by increasing marketing resources; widening the definition of its client group so it has a larger pool of potential tenants; and encouraging the use of voids for guest accommodation which generates extra income. To deal with low demand in one scheme, LSH negotiated a deal with a private employment agency for health professionals, with the consent of the NHS Trust concerned. The deal gives LSH some stability as the agency will pay the rent for 64 of the 104 tenancies whether they are occupied or not.

⁵ Taken from weekly occupancy monitoring sheets - at 30 September 2005.

- 106** LSH is making considerable efforts to market its properties and is using a range of techniques and media. This includes networking through meetings with employers (particularly the NHS trusts), attendance at recruitment fairs and accessing appropriate websites. LSH has benefited from working in partnership with the zone agents to market their accommodation. For example, by sharing the costs of advertising and using a show home approach in the latest scheme. However, LSH is not assessing the various publicity vehicles to test which is the most productive or cost effective.
- 107** Compared to general needs housing, properties (or rooms) are let quickly. The average time was 13 days in 2004/05 (and 17.4 days in 2003/04), which met the target of 21 days set for that year, though this has declined again to 17.9 days in the first quarter of 2005/06. This does not give a complete picture, however, as some rooms are let the same day, and some are left empty for months. For example, some recently let rooms in the east area were vacant for over three months. This is partly due to seasonal fluctuations, as a number of tenants are students, or health staff on short-term contracts.
- 108** Although occupancy is monitored regularly and well for each scheme, it is not monitoring the various stages in the voids process. LSH is able to analyse trends in each scheme and takes action where needed, for example additional marketing and liaison with the NHS trusts. What it does not provide is any detail about reasons for delays with specific rooms, and checking that the process is as efficient as it could be. There are no targets or monitoring systems for the various void stages, which would highlight any scope for improvement.
- 109** There are some strengths and some weaknesses in the voids process, discovered through the inspection reality checks. Strengths include contacting NHS trusts (or alternative sources) before tenants vacate where possible; inspecting vacant rooms quickly (usually within 24 hours) and a low refusal rate (none recorded for the last 40 lettings). Weaknesses in the process which are contributing to some delays include the following.
- The nominations agreements which allow the NHS trusts 10 or 15 days to make the nomination, and renegotiation of a shorter period has not been considered.
 - Although in the west area, trusts are responding quickly to requests for nominations, and this is usually received in two to three days, this is not the case for the east area.
 - In the east team, trusts are sent weekly requests for nominees, which can mean adding six days to the process.
 - Although repairs are only occasionally necessary, where they are required there are delays of several weeks.

- 110 The standards of rooms and properties let are high, and are meeting the association's lettable standards. In general, tenants and the NHS trusts are pleased with the condition of properties and the facilities provided. Rooms are clean, well-repaired and are decorated to good standards. There are some issues with furnishings, however, particularly the standards of mattresses and a lack of fridge space and washing machines. This varies between the two area teams, but the Association is working to address this.
- 111 LSH does not have adequate policies and procedures for allocating its property. It does not have a transfer policy and is not operating a transfer list, though a number of tenants are transferred to different rooms. This is not a systematic approach and does not allow accountability. The vast majority of lettings to new tenants are to nominees from NHS trusts and the key worker initiatives, and these are based on clear criteria and procedures. However, there are no policies and procedures for the small number of lettings (20 out of 1104 lettings during 2004/05 and 77 in the previous year) of tenants who have applied direct to LSH. There are insufficient records kept to show how these tenants were selected and whether they meet the criteria for being housed by the Association. It is not an allocations system that is open and accountable, or ensuring probity, and therefore is not meeting the requirements of the regulatory code.

Is the service delivering value for money?

- 112 LSH has not developed its approach to assessing whether it is providing value for money and has very little information about its costs and how this compares with other organisations. It is now ensuring that it is developing more appropriate properties and does benefit from the Network Housing Group's procurement strategy and increased purchasing power to drive down costs. However, it is not systematically assessing whether specific services are achieving value for money. A lack of good performance management measures in some areas like voids and arrears may be losing income. It is also not clear if the services LSH receives from the group are value for money (VFM).

How do costs compare?

- 113 LSH has limited information about its costs and how this compares with other organisations. The standard performance indicator information is not available. Management costs were £380,000 for 2004/05, but we do not have the figure for weekly management costs per property or the 2003/04 figure to compare costs with others adjustments are made. LSH has not benchmarked its costs and so does not know if its costs are high compared to other associations. This does not equip LSH to identify where savings can be best made.

- 114** LSH's costs are quite different to mainstream housing associations and therefore a simple cross sector comparison would be meaningless. For example, until recently it has not benefited from any public funding, and is servicing a high proportion of loans in comparison with the rest of the sector. It also incurs additional furnishing costs, but receives higher income per unit than most public sector landlords. LSH has initiated a benchmarking group of similar key worker housing providers, but there are no outputs from this yet.

How is value for money managed?

- 115** There is no formal or systematic approach to achieving value for money. LSH has not assessed the cost effectiveness of its maintenance services (either the in-house handyperson service or the service provided by Stadium HA), its cleaning and grounds maintenance services or its marketing strategy. It cannot, therefore, be sure it is making the best use of its resources.
- 116** Delays in recruitment (although largely unavoidable) have led to additional staffing costs from using temporary staff in the last year. This amounted to an extra £60,000 in 2004/05 and caused an overspend on the salary budget. There are currently 10 temporary staff out of an establishment of 25. Seven of these temporary posts are on an agency basis, which is more expensive than short-term contracts. Temporary staff are sought through the Network Housing Group, but there is no evidence of NHG negotiating with agencies to reduce costs.
- 117** LSH does not know whether the corporate services provided by NHG are value for money, as these have not been assessed or market tested. LSH is constitutionally tied to receiving and paying for most of these services and cannot purchase them elsewhere. Charges have increased significantly from £201,000 for 2004/05 to £282,000 for 2005/06, which is more than a 40 per cent increase. This is mainly due to the new ICT system but also to increased corporate staffing costs. There have been limited opportunities until recently for LSH to discuss the service level agreements or the services provided through them. NHG is currently carrying out a value for money audit of the services it provides to its member housing associations to address this. Although this is positive, this has not taken place yet.
- 118** However, LSH is likely to benefit from being part of the Network Housing Group, because of savings from economies of scale and stronger purchasing power through the group. NHG has a positive approach to procurement, but much of this is recent and not yet producing savings. NHG is participating in a number of initiatives, like 'Buy4London' and 'Procurement for Housing'. These make use of improved purchasing power by working with other associations, which will drive costs down and provide better value for money for the group.

- 119 LSH has looked at efficiency savings in response to the Government and Housing Corporation requirements. LSH's contribution to the NHG's annual efficiency statement is savings of £141,000 in 2005/06, rising to £208,000 in 2006/07. This comes from improved economies of scale from increased stock without additional overheads, as well as improved voids and arrears management, and refinancing of loans. These are areas where savings will not affect the quality of services to tenants.

Summary

- 120 LSH is providing a fair service to its tenants, which has some positive aspects but lacks a strategic customer focus. Its strengths include customer service which is generally responsive and reflects the needs of its customers. The properties are well-maintained and clean and are let to a good standard, despite the high turnover and issues that arise in shared housing. Health and safety aspects are well managed including an excellent record for gas safety checks. Most repairs are delivered quickly and well through the handyperson service, in a way that is convenient to tenants. However, repairs under the service level agreement with Stadium HA take longer and there have been some issues with quality.
- 121 The Association lacks a strategic approach to customer feedback and involvement and this is not well-developed. Some areas like dealing with complaints, anti-social behaviour and refund of deposits have been criticised by tenants, but not improved so far. It is also not ensuring it is providing value for money and there is little information on costs or comparison with other providers. Other weaknesses include a lack of asset management information and adequate policies for allocating properties, which are basic requirements for housing associations. Rent arrears and not being managed as effectively as they could be due to ineffective use of the new IT system and weak monitoring systems.

What are the prospects for improvement to the service?

What is the service track record in delivering improvement?

- 122** LSH has a reasonable track record for the short time it has been a housing association. It is a newly registered housing association and so there is not a long track record of performance or service improvement. It has had limited time in which to make improvements to the service. It has made some progress with issues it has identified as a key risk, for example, marketing its properties to improve occupancy and implementing a new staffing structure which will improve resources for delivering the service. There have, however, been few tangible improvements to the service so far, though several are planned, and a lack of resources has meant a reactive service. Performance against key indicators is varied though there is little significant improvement or decline.
- 123** Although the focus of the Association has changed, tangible improvements in customer service are limited. Proposed improvements are at an early stage and unlikely to be delivered until new resources are in place. There are some areas of customer service which have not progressed well. For example, the slow processing of tenants' deposit refunds has not been tackled, although several tenants have complained formally about this. Mechanisms for gathering customer feedback are only partially developed, and not fully operational. For example, although a quarterly survey of tenants has been in place for 18 months, issues from this, and other feedback mechanisms like complaints, have not been systematically analysed and used to drive improvement. The service improvements that have been made are:
- increased resources for the handyman service have improved, so that more repairs can be carried out internally which provides a faster service; and
 - more and improved information for tenants.
- 124** LSH has made some progress against its plans. This has included some work to progress issues identified as a key risk, for example, increased publicity for its properties amongst key workers and better contacts with a range of employers; and gaining approval for a new staffing structure and recruiting to this (which will shortly be completed). However, there has also been some slippage against plans, and a number of proposed actions have not been completed within original timescales. This includes the introduction of service improvement teams, plans to recruit more staff, improvements to security and cleaning services, the review of nomination agreements, and review of the central services service level agreements. The main reason for delays in recruiting to the new staffing structure has been a lack of office accommodation, and delays in finding suitable alternatives which have been largely unavoidable. However, the original timescales were also too ambitious and new targets have been set for these.

- 125 Performance against the key performance indicators is mixed, though generally positive. The performance for rent arrears has improved little over the last three years - it was 0.94 per cent in 2002/03 and was 0.89 per cent in 2004/05. Re-let times for empty properties improved from 17 days in 2003/04 to 13 days in 2004/05. The most important indicator for LSH is its occupancy levels, because of the direct impact on its income. Performance in this declined a little from 90 per cent in 2002/03 to 89 per cent in 2004/05. Although occupancy was improved in most of the properties, this was held back by poor results in one quarter for one scheme.

How well does the service manage performance?

- 126 LSH is not managing its performance well, though does have clear priorities and plans to address its key weaknesses. The board and management team have a clear vision and have allocated resources which will help the plans to be delivered. There are a number of improvements planned to address specific weaknesses highlighted in this report. However, its performance management systems are not yet ensuring that all performance issues are highlighted. Monitoring systems for the group and for the association give a good overview, but not the detailed analysis required by managers to ensure improvement of the service. The approach to continuous improvement has not included robust and challenging reviews which could identify and examine performance issues. Also there has been no benchmarking of performance. Plans are reasonably constructed and co-ordinated, but targets within them could be made more specific and milestones could be clearer.
- 127 Leadership from the board and managers is sound. There are clear strategic priorities for the Association which are aiming to address most of the weaknesses we have identified. Managers have managed to maintain good morale among staff and were praised for their approachability and willingness to listen. This has helped maintain some stability over a difficult period.
- 128 Priorities are based on an overall operational review and a robust risk assessment, and these are reflected in its plans. It has assessed its main risks as the falling demand for shared accommodation, a lack of resources in services for tenants, and financial controls for repairs. LSH has responded to the over supply of cluster style housing for the NHS trusts. It is planning improved marketing and is seeking new areas of business, for example shared ownership and management contracts for other owners of key worker housing. This will help the association in managing supply and demand from key workers.
- 129 The adjustment to the development programme has been a prudent measure. From the year 2000 to 2003 the number of units measured doubled and the stream of new tenancies was difficult to manage. The Association was originally aiming to develop 250 units a year and this is now pared down to 100, which is more manageable. LSH has also responded to the over supply of cluster style housing for the NHS trusts. Its development strategy is to now build more self-contained units based on observed demands from key workers. It has turned down development opportunities which would lead to developing more of the wrong type of accommodation.

- 130** The Association has allocated resources to address its key weaknesses. This will provide additional staffing to improve customer service and marketing of its properties. A new staffing structure has been approved and has nearly been implemented. It is providing more resources to areas of the service which are identified as having weaknesses. This is a positive step and should contribute to improvements in the future.
- 131** It is possible to see a number of issues with specific plans for resolution in the near future. For example, there is a clear plan for a compliance audit for DDA requirements; faulty boilers causing inconvenience for tenants are now being replaced; a consultant has been commissioned to look at the provision of energy supplies and whether this can be purchased more cheaply elsewhere; plans are in place to improve the contracts for cleaning and security services, in response to the tenants' survey; and the west area office will shortly be opening its office until 8.00pm, also in response to customer feedback. This again is positive and shows the association is travelling in the right direction to improve its service for tenants.
- 132** The Network Housing Group is working to improve its internal services through a programme called 'customer first' which is seeking to ensure that the corporate centre is providing good quality services that meet the needs of its member associations. A value for money audit of the finance and IT services provided by NHG to its group members is programmed for November 2005. Its objectives include ensuring that there is an equitable basis for recharging costs to associations and ensuring that they receive the services they need.
- 133** Plans are reasonably well constructed and integrated. The business plan sets out high level objectives which reflect its main issues, and this is set in the context of its operating environment. The objectives include improving customer service and efficiency. The service plan flows from the business plan and has captured issues from a number of sources, which shows a co-ordinated approach. However, it also has some weaknesses, as targets could be made more specific and milestones could be clearer. There has also been slippage and a number of targets not met, which suggests the plan was originally too ambitious. There is also limited input into the business plan from junior staff and middle managers. Overall plans will assist improvements in services, but improvements in areas of weakness will contribute further to this.
- 134** The Association does not have a well-developed approach to continuous improvement. It has not yet carried out any comprehensive 'best value' service reviews. There is not yet a framework that aims to make sure reviews are challenging. It has, however, started to put some building blocks in place for the approach to best value, for example customer feedback and benchmarking mechanisms. The Association is fairly new so has had less time than others to develop this, though could have made better use of resources in other parts of the group. A lack of challenging reviews mean that some areas of poor performance have not been identified.

- 135** The Network Housing Group's approach to performance management is useful in providing an overview of performance, but is not detailed enough to identify some performance issues in its member associations. The group has reviewed its approach to performance management and has allocated resources at a senior level for improving performance management. It is also working on development of its managers, has introduced an integrated framework for performance management, and is looking at ways to ensure group co-ordination, support and control. A framework is in place to ensure that certain policies are followed by all members of the group and to improve the quality of policies.
- 136** The debate about the balance of central control and local autonomy is still to be fully resolved. Currently, the corporate NHG centre plays a limited role in monitoring performance in the group member associations. This has been the role of the Associations' own executive teams and boards. The group board receives the standard Housing Corporation published performance indicators, but tends not to get involved unless performance is demonstrably poor. However, the approach has not been always sufficient to inform the group centre about issues that need tackling. Examples of this are the deterioration of the Stadium repairs service and financial viability issues within Solon CHS (another member of the NHG). This can impact on the group as a whole by damaging its reputation and limiting opportunities to grow. LSH's aim to be a major player in key worker housing has been affected by issues in other parts of NHG. NHG is now working on this further and board members are meeting quarterly to improve communications and to look at improvements in efficiency, performance management and corporate services.
- 137** Monitoring systems for the group service level agreements give a good overview of performance and will indicate any serious failures. A suite of key performance indicators are presented quarterly to the group board, based on a traffic light system which enables issues with performance to be easy to identify. It does not, however, deal with more detailed monitoring and so has not raised some of the issues LSH has with centrally provided services. The service level agreement is now out of date and does not reflect all services provided, and these aspects cannot be properly monitored.
- 138** Similarly, performance management within LSH is working at the strategic level but not at the more detailed service level. It is therefore not fully effective in identifying areas of performance that need improvement. The LSH board is setting targets for a reasonable range of key performance indicators and receiving quarterly reports, which will identify any significant changes in performance. However, there is a lack of detailed performance monitoring systems for areas like voids and arrears, which should be available to managers, and which impacts on the income received by the association. Delays in payments received from NHS trusts and some delays in void processes are not being picked up as an issue. Customer service aspects of performance are not measured or monitored, so it is difficult to know how well the Association is performing in this area.

- 139** Performance standards and targets are not consistent in many respects. For example, repairs targets for in-house repairs are different to the targets for repairs carried out by the Stadium contractors. The nomination agreements with the NHS trusts contain a number of performance standards. These are not monitored either by the NHS trusts or by LSH. In theory they provide for a financial penalty if the standards are not met, but this has never been used. The standards conflict with the standards LSH has set for itself, and some are to a higher standard than LSH's, which is confusing for staff.
- 140** Targets are challenging in comparison with past performance. However, there are also some weaknesses. For example, the targets for responsive repairs are exceeded by in-house staff; all void properties have a target of 21 days regardless of their context amount of repairs that need to be carried out. Targets are not set in comparison with similar organisations. These aspects are not contributing to performance improvement.
- 141** Some aspects of performance management are positive. Regular meetings between managers discuss performance and budgetary issues. This will help to tackle an areas of weakness and to share information about problems that arise. Also staff are set individual targets based on targets within the business plan, and receive monthly supervision meetings with their manager as well as an annual appraisal. Although this is a fairly recent approach, it is now being consistently applied and will help to improve performance.
- 142** LSH is using NHG's model of business planning which looks at the short, medium and long-term financial situation. For example, annual budgeting, five-year business plans and 40-year financial modelling. The model was designed and independently validated in 2002. The approach is helping to ensure financial viability for the Association.
- 143** There are no formal mechanisms for sharing good practice across the Network Group. There are occasional examples of practice being shared, but on the whole this is ad hoc and not consistent. There is no formal and accessible system that keeps staff informed about group wide issues, except at the most senior levels. There is a group-wide service improvement group which was intended to drive improvement across the Network Group. However, this has not met often or for some time. There is no evidence it has produced tangible improvements. The NHG is, therefore, missing opportunities to learn from each other's experience and improve service delivery.
- 144** Performance has not been benchmarked with other providers. There are few housing associations with a similar context and operating environment to LSH and it is a new organisation, so opportunities for this have been limited. LSH had hoped to be able to benchmark by participating in the NHS Forum, but the forum's benchmarking group has not materialised. Therefore, LSH initiated a new benchmarking group for seven housing associations which manage key worker housing. This has just had its inaugural meeting where an initial discussion has taken place about what to benchmark. Although this is a good start, LSH has not yet benefited from this.

- 145 The Association is also not using its complaints to systematically drive service delivery or learning from them in a systematic way. This is wasting valuable information about aspects of the service which need improvement.

Does the service have the capacity to improve?

- 146 On balance, the Association does have the capacity to improve, though there are a number of weaknesses. Once the new staffing structure is fully implemented, resources will be available to tackle the areas of weak performance. The benefits of being part of a group are not fully realised and weak communications between group members has contributed to this. It is not making use of all resources within the group to improve services - for example in rent arrears management and resident involvement. However, the group does provide services that would be difficult for LSH to procure on its own. LHS benefits from strong financial viability and good staff morale. One of its main problems is the lack of demand for some of the housing it provides, which will mean a continued loss of income until alternative sources of tenants are established.
- 147 LSH has been under-resourced which has affected its capacity and made it difficult to provide more than a reactive service. Additional financial resources have been allocated for the new structure, and when recruitment is complete it will be in a much stronger position to deliver a planned and customer-focused service. For example, there are resources for marketing, arrears management, dealing with anti-social behaviour and for finance. Recruitment to the new structure is almost complete. There are currently 11 vacant posts and 8 of these have recently been appointed. Of the remaining three, two of them have interviews arranged for mid-October.
- 148 LSH receives some benefits from being part of a group structure, but the potential of this is not fully realised. The group does provide an infrastructure and a range of services which would be difficult for it procure at a reasonable cost and quality on its own. For example, interest rates are negotiated at a better level as a group and it has access to in-house human resource support which is not usually available to associations of this size. However, there are weaknesses in some services provided and NHG is now reviewing its internal service provision. Communications have not always been good or group members well consulted was critical of a lack of consultation. The provision of training and IT, for example, has not taken LSH's needs fully into account. There has been a lack of formal structures to communicate with other staff or share approaches to problems. Resources within the group could be better used - for example, the expertise in areas like arrears management and resident involvement - and this could help improve services and performance.
- 149 The new IT system supplied through NHG does not cater for all of LSH's business requirements. The implementation was managed well and LSH staff were supported by NHG through this. However, the system is not programmed to manage short term tenancies or overnight stays, and the lettings and allocations package is more suited to a general needs association. The association is investigating various systems to deal with this issue. However, this will be an additional cost, and new system has already led to increased corporate charges.

- 150** The NHG provides good opportunities for training in some things like IT, health and safety, human resource issues and diversity. It also has an induction course which new staff confirmed is useful. However, it offers limited courses for member associations on housing management issues, like arrears management, dealing with anti-social behaviour and resident involvement. LSH is having to purchase this externally. This is a missed opportunity for the group to save training costs.
- 151** NHG is also working to improve the capacity of its managers. There has been a competency and skills audit across the group, and the annual training plan has been revised to address skill shortages. Training is now being rolled out to managers, which should help the association to improve its performance.
- 152** Staff absenteeism has been low and staff sickness is well below the sector average. In 2004/05, it was 3.6 days average and in 2003/04 it was 5.3 days, which is nearly half the Housing Association average of 10 days for that year. This can be an indicator of staff morale. On the other hand, staff turnover has been high and was at 28 per cent for 2004/05, which is significantly above the sector average, and due to the high proportion of temporary staff. This does not help to provide a consistent and good quality service, though should not be an issue for the future.
- 153** There is an overprovision of cluster type accommodation for NHS staff in London and particularly in the East London sub-region, which makes it difficult for LSH to fill some of its void properties. Recent 'key worker initiative' developments have provided more self-contained housing, making shared accommodation less attractive. It is of some concern that, according to LSH, some NHS trusts are continuing to invite bids to develop more cluster schemes. Although there have been a number of efforts to market the housing using a range of publicity tools, demand has remained low in a couple of the schemes. The Association and its partner NHS trusts are likely to suffer financially unless alternative sources of tenants are found in the near future. LSH has made some effort to work with its partners and is attending NHS forum meetings as well as meeting the trusts individually. Although this has been fairly recent, issues of service provision and future development are now being discussed and this will help the Association to provide more suitable accommodation and services.
- 154** LSH is currently refinancing which will provide additional resources required to deliver its short and medium-term objectives. The level of loans is expected to almost double over the next five years to £138 million, which reflects substantial planned growth. This will cover the increased costs including extra staff taken on to manage the expected growth in the number of properties managed and the costs of the new IT system.
- 155** LSH has been able to demonstrate that it is financially viable and has been steadily building up its reserves through an increasing surplus. The increasing reserves will give comfort to lenders and enable LSH to negotiate additional loans for future developments. A sum of £64,000 has also been reserved from the surplus for major repairs.

Summary

- 156** In summary, we judge that LSH has promising prospects for improvement.
- 157** LSH has begun to make some improvements to the service, particularly in marketing and information to tenants, but its overall track record of improvements to services for tenants is somewhat limited; though this is partly due to the short time the Association has been established. There are, however, strengths in the leadership and vision for the future. Clear priorities have been established and cover the main weaknesses identified during the inspection. These are reflected in its plans to address specific issues in the near future, some of which have been identified in response to customer feedback. Resources are allocated and will soon be in place to deliver the Association's plans for improvement. The approach to business planning is helping to ensure financial viability for the Association, and refinancing will provide additional resources required to deliver its short and medium-term objectives.
- 158** However, performance against the key indicators has been variable to date and although mainly positive, with some small improvements, it does not show a significant trend of improvement. Performance management is not currently well-developed - systems are useful in providing an overview of performance, but are not detailed enough to identify a number of performance issues, and some targets are not very challenging. There have been no challenging reviews or comparison with other providers, which would identify areas of poor performance. LSH is experiencing low demand for some of its housing which may affect its future income, as there is an overprovision of cluster-type accommodation for NHS staff in some parts of London.
- 159** Although LSH is gaining from being a member of a group structure, this is not providing all the benefits it could do. It does have on hand a range of services which it would be difficult to procure at a reasonable cost given its purchasing power. However, good practice is not being communicated well across the group and there are some areas of expertise it could be using from other group members. The new IT system supplied through NHG does not cater for all of LSH's business requirements, though it is a more sophisticated system than it could have purchased on its own.

Appendix 1 – Performance indicators

Table 1 General needs performance indicators for the year to 31 March 2005

Performance indicator	2003/04 ⁶	2004/05	2004/05 comparison group ⁷ mean	2004/05 comparison group median*	2004/05 quartile position in comparison group*
General needs rent					
Average weekly gross rent	-	-	£76.51	£77.65	-
Vacant dwellings and lettings					
Re-let time	-	-	45 days	41 days	-
Dwellings vacant and available to let	-	2.4%	0.9%	0.6%	4
Dwellings vacant and not available to let	-	0.0%	0.8%	0.5%	1
Lettings to BME tenants	-	-	36.0%	-	-
Stock condition					
Average SAP rating	88	89	68	67	1
Falling decent homes standard	0.0%	0.0%	9.8%	10.6%	1
Repairs performance					

⁶ Information for 2003/04 is limited and does not exist for previous years, as LSH was not registered with the Housing Corporation until late 2003.

⁷ Comparison group used is housing associations registered in London owning between 1,000 and 5,000 properties.

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Performance indicator	2003/04 ⁶	2004/05	2004/05 comparison group ⁷ mean	2004/05 comparison group* median*	2004/05 quartile position in comparison group*
Emergency repairs completed in target	90.0%	99.0%	94.1%	96.0%	1
Urgent repairs completed in target	96.0%	99.1%	91.6%	94.3%	1
Routine repairs completed in target	88.0%	99.8%	93.4%	95.3%	1
Appointments made and kept	-	-	94.3%	97.0%	-
Service to tenants					
Tenant satisfaction overall	-	-	72%	72%	-
Tenant satisfaction with participation	-	-	59%	60%	-
General needs financial performance					
Average GN weekly operating cost	-	-	-	-	-
GN operating cost as a percentage of turnover	-	-	-	-	-
Weekly investment per GN unit	-	-	-	-	-

Appendix 2 – Documents reviewed

- 1 Before going on-site, and during our visit, we reviewed various documents that were provided for us. These included:
 - the self-assessment, completed as part of the inspection process;
 - business plan 2005 to 2010;
 - service improvement plan 2004 to 2006;
 - new business strategy - Network Housing Group;
 - marketing strategy;
 - service level agreement with NHG for corporate services;
 - performance reports for 2004/05 and 2005/06;
 - annual report;
 - information leaflets and tenants' information pack;
 - responses to quarterly tenants' satisfaction survey;
 - complaints and compensation policy and procedures;
 - diversity and BME strategies and policies;
 - policies and procedures for tackling anti-social behaviour and nuisance;
 - policies and procedures for maintenance:
 - minimum lettable standard;
 - voids procedures;
 - asbestos;
 - aids and adaptations;
 - gas safety;
 - recharges to tenants; and
 - contractors' code of conduct;
 - cleaning and grounds maintenance specifications;
 - standard tenancy agreement;
 - rent setting policy;
 - rent arrears policy and procedures;
 - draft allocations policy;
 - annual efficiency statement – 2005;

- internal audit reports;
- minutes of NHS forum and liaison meetings with NHS trusts; and
- documents from the Housing Corporation - Housing Corporation Assessment (HCA), performance indicator profile.

Appendix 3 – Reality checks undertaken

- 1 When we went on-site, we carried out a number of different checks, building on the work described above, in order to get a full picture of how good the service is. These on-site reality checks were designed to gather evidence about what it is like to use the service and to see how well it works. Our reality checks included:
 - interviews with managers and staff at all levels;
 - interview with board members;
 - survey of NHS trusts, carried out by telephone and email;
 - two focus groups with tenants - held in Hackney and in Northwick Park, Harrow;
 - stock tours, including empty properties;
 - file reviews - complaints, tenancy files and arrears and lettings records; and
 - random checks on rent payments and void processes.