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east lothian housing association

# annual report

2011





# CAPTAIN'S LOG

**Plain sailing - that's the theme of this year's report. It's good to be in calmer waters now, but our journey to get here has been a bit of an adventure at times, as you will see from our report!**

It's also the end of a journey for me personally. I don't know about sailing off into the sunset, but certainly it's time for me to seek new challenges as I step down as Chairman this year. Our new Captain will be on the bridge by Christmas.

Far from leaving a sinking ship though, our voyage, which we began with the usual hope and expectation 4 years ago, has been one of true discovery. What we have found in the uncharted waters and new worlds that we have visited is already starting to fundamentally change thinking in our sector.

Back on dry land, we've created our maintenance company, R3, making huge savings on our number 1 cost whilst also delivering significantly improved services. We've controlled our number 2 cost, staffing - every crew member has seen their job change in the last 4 years - some a little, some a lot, and some completely.

But we've preserved and in some cases enhanced the Terms & Conditions of all our ship-mates and have kept a happy ship. Finally, our only other significant cost, loan charges, has significantly reduced through our pioneering commercial loan agreement with East Lothian Council. Oh yes, and we built more houses in the last 4 years than in the previous 10 put together.

By the time we sailed back into harbour in June this year, our new long-term projections suggest we will be £30m better off as a result over the next 30 years - six times the current turnover of the housing association.

It has been a privilege and a pleasure to be at the helm for the past 8 years. What course is plotted now is one we will choose, not be forced to follow. I sincerely wish the Good Ship ELHA, and all who sail in her, the very best of luck on their future travels. I'm sure it will be a great journey.



**Peter Hayman, Chairman.**



“ It's  
GOOD  
calmer to be in  
waters  
now ”



# RATS AND PIRATES

**There are two things the mariner fears most – disease and those who have no regard to the law. Both can throw you perilously off course.**

It wasn't so much rats as bugs that caused us problems in the last year – of the computer variety. Our new IT hardware and software took some time to settle in, and our external links seemed to get lost at sea from time to time.

With our navigation systems down at times we had to rely on our old fashioned charts and placed our faith in the heavens to a degree, but our IT specialists, Montal, were eventually able to restore full communications and we've been cruising along nicely since the Spring.

Our pirate attack came in the form of an Employment Tribunal. Most of our R3 crew came from the ship sailed by our previous maintenance contractor under a process called the Transfer of Undertakings and Protection of Employment (TUPE), which ensures no skulduggery on the part of the new employer by protecting the Terms & Conditions of employment of the transferring staff.

We want to cross palms with reasonable amounts of silver and gold, but under TUPE we need to know what the previous contracts said before we can calculate things like bonus entitlement. The problem was we were not given any information about who would be joining us or under what terms until 10 days before R3 set sail (the legal minimum is 14 days). What information we did get was incomplete and some was inaccurate. None of our new shipmates had any written Terms & Conditions. The result was we could not calculate bonus for several months, leading to the Employment Tribunal.

Our solicitors fired off several broadsides with ammunition provided by our insurers as we defended this attack vigorously. In the end, R3 was entirely exonerated, but at the cost of significant management resources. Never mind, this is behind us now, a sad end to an otherwise good contract, we still made it to harbour, we will sail on.





# STORM AT SEA

**The high seas can be a dangerous place. Out of sight of land it feels like just you and the waves, and sometimes the big ones seem to keep on coming.**

As if pirates and rats were not enough, one of the most serious storms in a generation hit us at just the wrong time. It wasn't water we were lost in though, it was snow. Several feet of it, with snow lying on the ground at our base in East Lothian for over a month – and the fact that part of this was over the Christmas and New Year period made providing services particularly difficult.

Our operations in the engine room only stopped for half a day though, and R3 kept going throughout. But damage to our homes was extensive and our voyage was severely disrupted as we worked hard to get things ship shape again.

It took us until the Spring before everything was repaired and back to normal. We worked hard and it was not for lack of effort that it took us a little longer than we would have liked, but we would have done better if we were not facing so many other challenges at the same time. But as a result we are better prepared for the next time we are faced with something like this. We can't control the weather but we can plan for it and we believe we have some of the most robust disaster recovery planning now of any organisation in our sector. We'd rather not have to test this though...

Our fortunes have very much followed the seasons in the past year though. A sense of foreboding in Autumn with the Employment Tribunal being lodged, took us into a dark Winter – one we survived but it was hard at times. The Spring has been uplifting as we finally caught sight of the new worlds we were seeking. Summer has been a time to enjoy the sunshine a little and get used to our new surroundings. Our new 30 year projections need a little more study, but they are much more reliable than our old charts and are exactly what we need to help us plot our next adventures.

This autumn it will be time to pack our bags and set sail again, but this time our journey will be much clearer, on a ship that is stronger, safer and more secure.

But for now, we have secured our long-term independence, we have a strong sense of direction, and others can now choose whether or not to follow in our wake.





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# PREPARING FOR DEPARTURE

Royal High Command came to visit in June 2011 in the form of The Scottish Housing Regulator (SHR). We polished the decks, put on our best uniforms and showed off our medals (well, our 2010 UK Housing Award Finalist badge!).

This was our first formal Inspection in several years (the SHR is our Regulator, in the same way that schools are regulated by OFSTED). We will not know the outcome until later in 2011, but in many ways the final report will round off our great voyage and will be an independent evaluation of where we have been, where we have currently docked, and where we are heading.

But it is where we are going next that is of greatest importance to us now. Several routes lie open to us.

Firstly, our new found stability could allow us to reduce rent increases by up to 1% per year for the next 30 years. But if we did that, we would have no money left to build new homes back on dry land. On the other hand, if we kept rent increases in line with our current strategy, we could continue to build even with the much reduced rations (grant rates) we are now being offered by the Scottish Government. Or we could increase the standards we improve and maintain our homes to. We'll be carrying out a major exercise this autumn to ask all our tenants what they think about these options.

We also have to decide whether to embark on a voyage to the lands of mid and market rent. These are far off lands where rents are higher, grants are lower (or non-existent) but where there is potential to develop new homes and communities. The question is whether this is the right voyage for ELHA or not – we will know by the time the Southern Cross rises in the South at Sunrise (or Christmas 2011, to those using diaries rather than the stars to guide them).

“ We  
polished the  
DECKS  
put on our best  
uniforms ”



# ON-SHORE ACCOMMODATION

80% of all our allocations were made to Priority Pass holders, who account for under 17% of Registered Applicants. On average, we received 85 applications for every home we advertised as available to let.

As at 31 March 2011, our Housing Register had:

3,292 live Registrations

83 Registrations 'on hold'

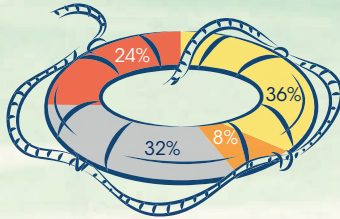
546 Applicants with Priority Passes:

Gold Plus 36%

Gold 8%

Silver 32%

Bronze 24%



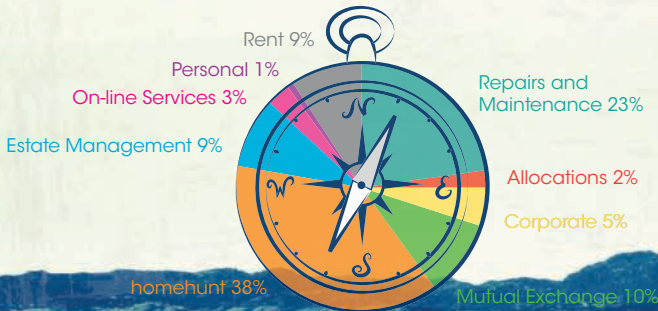
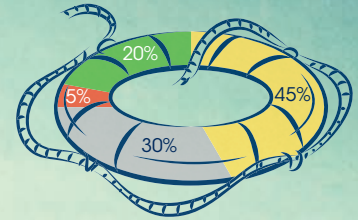
Last year, we created 126 new tenancies and allocated them as follows:

57 (45%) Gold Plus or Gold Priority Pass

38 (30%) Silver Priority Pass

6 (5%) Bronze Priority Pass

25 (20%) applicants with no Priority Pass



## NAVIGATIONAL AIDS

Over the year, our Information and Advice Service dealt with 322 enquiries (the graph to the right sets out these by category). In addition, our website had over 94,500 visitors last year.

## PERFORMANCE RADAR

Although rent arrears have fallen during the year (from 3.3% in 2010), they are still above target and remain of concern to us. We are less worried about our void performance as this relates to some of the problems we have had during the year as described in this report, and current performance is back under target. We are pleased with our repairs performance given the winter weather and R3 trading for the first time, and we hope to improve on it further in the coming year.

	Target	Actual
Rent Arrears	2.6%	3.1%
Void Period*	21 days	28 days
Void Loss*	0.75%	0.6%

\*The 'void' period is the time between a tenancy ending and a new one starting - i.e. any period where a house is empty and we are not receiving any rent for it.

### REPAIRS COMPLETED ON TIME:

	Target	Actual
Overall	93%	96%
Emergency (2 hours)	98%	96%
Urgent (3 days)	95%	97%
Routine (10 days)	95%	96%
Satisfaction with the repairs service	95%	93%
Gas services carried out on time	100%	99%

## COMPLAINTS

We received 4 formal complaints during the year, 1 more than the previous year. We resolved 3 of them first time whilst 1 was referred to the Ombudsman, who upheld our decision and rejected the appeal.



# TREASURE CHEST

The Association remains buoyant and made a very healthy surplus this year, of £1.2m. A significant proportion of this surplus (£0.8m) was generated from the cancellation of the excess Right to Buy creditor resulting from the set aside of our LSVT Sale and Purchase contract during the year. This was a welcome conclusion to 9 years of negotiations with the Scottish Government and its predecessors.

We spent £1.3m during the year on the repair and maintenance of our homes and transferred an additional £0.2m from our surplus to designated reserves. This will be spent on repairs and maintenance in future years, in addition to the annual budgets for maintenance expenditure.

During the year we spent £6.1m on the development of new homes, and increased the number of units in rent by 52 to 1,218. This development programme has been funded by a mixture of grant income (from the Scottish Government), private finance (through our commercial loan agreement with East Lothian Council) and our own internal resources. We also used our internal resources to purchase our new head office at the beginning of the year.

Year Ending 31 March 2011

<b>Income</b>	<b>£</b>	
Rent and Service Charges	4,156,132	▶
Sale of properties	15,944	
Exceptional Item (set aside of LSVT Sale & Purchase Agreement)	817,202	▶
Interest receivable	26,244	
Other Activities	474,741	▶
<b>Total</b>	<b>5,490,263</b>	
<b>Expenditure</b>		
Services	93,154	▶
Management & Maintenance Administration	1,484,263	▶
Reactive maintenance	574,183	▶
Bad Debts	22,084	▶
Planned and Cyclical Maintenance	721,209	▶
Housing Depreciation	167,512	▶
Other activities	460,220	▶
Interest Payable	806,449	▶
Surplus (Increase in reserves)	1,161,189	▶
<b>Total</b>	<b>5,490,263</b>	

