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east lothian housing association

ON YOUR MARKS! GET SET! GO!

2012 will be regarded as an iconic year in British history. It has already been a year of achievement for many, but we have also had some notable successes of our own. Our trophy cabinet has been filling up...

We gained three important accreditations. Firstly from TPAS Scotland (the Tenant Participation Advisory Service). We work hard and honestly in trying to involve all those who use our services or have an interest in our business, so we are particularly pleased to have gained this accreditation.

Secondly we now proudly display our Happy to Translate logo, following a successful accreditation last autumn, and finally we achieved the Scottish National Standards for Information and Advice earlier this year. Advising customers is a key part of what we do, and the auditors were so impressed by our service that they did not highlight a single area for improvement! Not that we're resting on our laurels of course, as evidenced by the launch of our Facebook page and publication of our first How We're Doing leaflet.

On top of the accreditations, our new Head Office and associated flats development The Granary won two awards at the 2012 Scottish Home Awards. The development, which saved one of the most iconic buildings in Haddington from virtual dereliction, was highly commended in the "Best Refurbishment" category and won the "Best Small Affordable Development" award.

And not forgetting our maintenance company, R3, which also picked up its first award last year (being very highly commended in the Best Delivery of Customer Service category at the Select awards). The company is going from strength to strength and is already growing, with new customers, including Homes for Life Housing Partnership, already on board.

Finally, our Care & Repair service surpassed every target it was set last year, for the fifth year in a row, undertaking more work, and assisting more people across the county than ever before.

So, all in all, it has been a monumental year for the Association, which we will remember for our own reasons. There is more to come, but also the cover image of this report, whilst topical, is also a carefully chosen one – there are hurdles to be crossed, particularly if we are to continue to develop new homes in the future. We do hope that the awards our latest development has just secured do not turn out to be the last.

John Holcombe, Vice Chair

INSIDE TRACK

Like every good athlete, we know if we work harder, try new approaches, and continue to make changes (particularly small ones), we can be that bit better, that bit sharper, and achieve even more. We also know if we stop working hard or become complacent, we'll go backwards.

Athletic performances in 2012 have been endlessly compared to those in Beijing in 2008. It's useful to look at our progress over that same timescale.

Our 2008 annual report launched our online services. They are much better now after four years of development, and we're still way ahead of all our competitors in this field – we are still the only housing association in the UK with online staff, and with 100% of our services online. Since then we've become the first and only landlord in the UK to enable our tenants to book their own repairs appointments online, 24 hours a day. But, slowly, others are starting to catch us up, so if we want to stay ahead, we cannot stand still. And we won't, major improvements to our online allocations service are coming this autumn, and by next year we'll be looking at redesigning the whole website.

Over 80% of all our contacts with service users are now online. That's quite a big change on 0% four years ago.

Since 2008, we have increased the number of homes we own and manage by over 25%. We have moved to our new Head Office and increased our overall turnover by 70% (almost doubling our staffing levels) through the development of our maintenance company, R3. We have, in many ways, achieved the aims we set out four years ago.

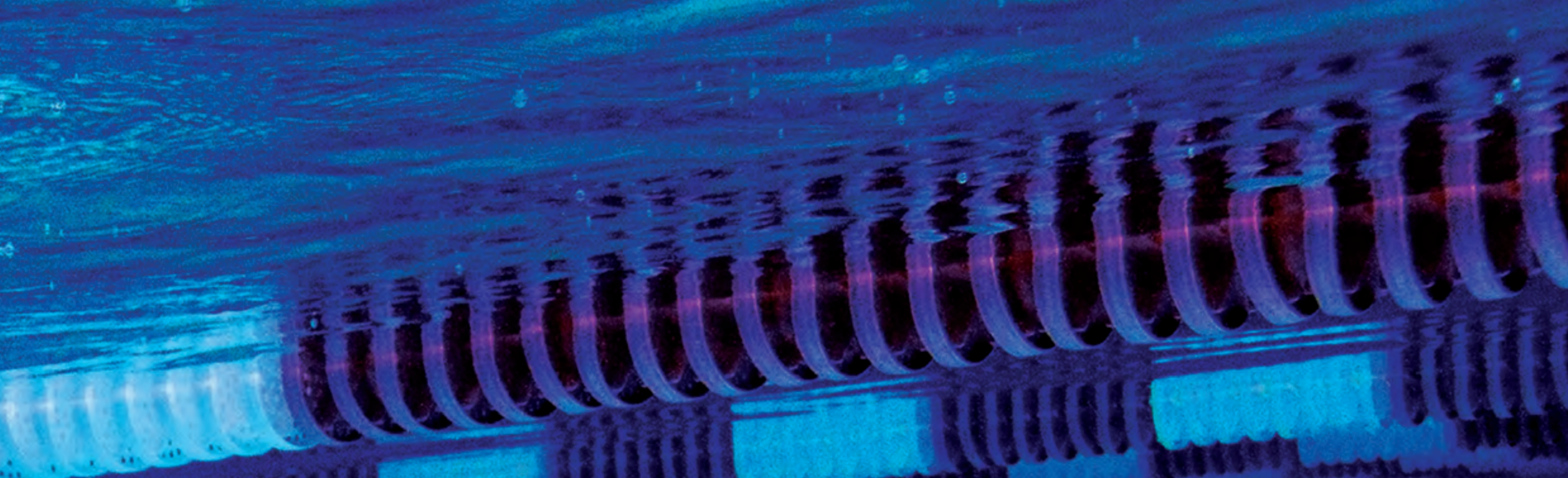
These are the headlines. But in the background, particularly in the last year, so much effort has gone in from our staff, largely unnoticed, to help us in this transformation of our business, and every single individual has contributed. I am as proud of them as I am of our achievements.

The accreditations in particular have helped us both improve our services and allowed us to compare them with the best of the rest. But now we need to think about the next four years – and we are. We are part-way through a visioning exercise, the outcomes of which should ultimately be the focus of our 2013 Annual Report. It will define our future strategy, and that's why we are involving every single member of staff in its development – they are the people who got us to where we are today, and they are also the people that will take us to where we want to be in the future.

That's also why we've started this exercise by turning our Staff Structure upside down. Those at the top are now the people providing frontline services. Everyone underneath them, down to me at the bottom, are there to support them and ensure they have what they need to provide those services.

It's a small change, but it's an important one. And it will help make us better.

Martin Pollhammer, Chief Executive



AT THE DEEP END

Keeping heads above water will become more of a challenge in the future, not just for us, but for many of our tenants too.

Welfare benefit reform will see the income of many of our tenants cut. From April 2013, the so called "bedroom tax" will see many of our tenants lose housing benefit where the government assesses them as having a "spare" bedroom. In 2013, tenants will start to lose their right to have their housing benefit paid directly to their landlord. There are serious concerns across our sector about how this will impact on our income streams.

All this means we need to consider how we best support our tenants and protect our income through these changes – for example, we have already increased staffing in our Welfare Benefits service and are undertaking a tenant census to establish how many people will be affected.

Other aspects of our external environment also remain uncertain. Summer 2012 saw 15 government consultations that affected housing associations – that's more than one a week. Regulatory reform continues – the detailed Tenant's Charter reporting requirements are at consultation stage and we are keen to ensure that these do not result in additional, unnecessary work. The Scottish Public Services Ombudsman (SPSO) is also imposing a new approach to complaints handling on our sector (based on a NHS model), which will require us to procure new software and record issues that we would have seen previously as minor service failures as complaints, with their attendant bureaucracy.

In addition, from the end of December 2012, the final parts of the Homelessness Etc (Scotland) Act 2003 come into force. This includes the provision that all Councils must find accommodation for all unintentionally homeless households. Whilst no-one would argue against the principle, the practice will be quite different, firstly as in areas like East Lothian the number of available homes required simply do not exist, and secondly, even if they did, with the cuts to welfare benefits, how are the most vulnerable going to pay for them? We will do all we can to help the Council with its new duty but we are concerned that increasingly the only route into affordable rented housing will be through homelessness.
We will therefore also do all we can to ensure the rights of our other housing applicants continue to be recognised and that they do not become effectively excluded from our homes.

Most significantly though, the fundamental changes made to Housing Association Grant (HAG) from April 2012 mean that building new affordable rented homes no longer makes financial sense for us. This does not necessarily mean that we will stop building, but we must now agree the scale on which we will continue to build in the future (if at all), understanding the impacts those decisions have on rent levels in particular.

We reached one significant decision last year however. In last year's annual report we talked about evaluating market and mid-market rent products. Although we established there was a good market for these homes in East Lothian, we did not consider them to be our core business, and because returns were low and risks significant, ruled out developing these products using either our own resources or private equity funding. This adds to previous decisions not to build or manage new housing for sale or for intermediate tenures (such as shared equity, shared ownership, LIFT, SFT models etc).

That's like moving from being a good all-round swimmer to deciding which events we will compete in. As a Group, we now specialise in three things – providing affordable rented homes through our core landlord role, providing maintenance services through our subsidiary company, R3, and sustaining independent living for older and disabled local residents through our Care & Repair East Lothian service.

Despite the challenges, we now need to focus on being the best we can be in our three chosen disciplines.

RESULTS

Financial Inclusion Service

Our Financial Inclusion Service, provided in partnership with Castle Rock Edinvar Housing Association, started operating last year, and has had an immediate positive effect for our tenants. The service is free, confidential, and available to any tenant seeking financial advice.

In 2011/12 106 cases were referred to the service, with 89 cases closed by the end of the financial year. As a result, the following gains were made for our tenants:

Backdated benefits £7,952
Ongoing benefits value (annually) £88,937
Social fund awards £7,543
Other £700

Each tenant helped was better off by an average of £1,000 per year!

Anti-Social Behaviour

We aim to respond to complaints about Anti-Social Behaviour in 3 days for the most serious (Category A) complaints, and within 10 days to Category C complaints (more details about our approach are available on our website). In 2011/12 we responded to over 90% of these complaints within our timescales. In total, we recorded 148 complaints about Anti Social behaviour last year as follows:

Category A - 1
Category B - 15
Category C - 132

Mutual Exchanges

With the shortage of housing locally, mutual exchanges, or home swaps, are playing an increasingly important role in helping people move home.

In 2011/12 we received 73 applications for mutual exchanges. All applications must be processed within 28 days, our average processing time last year was 19 days.

30 were approved
20 were refused by us
17 were refused by the other landlord
6 were withdrawn by one of the applicants

Reasons for refusal included:

The exchange would have led to overcrowding
The condition of one of the properties was unacceptable
Rent arrears
Anti-social behaviour

Over the year we worked with East Lothian Council to develop a joint mutual exchange service, hosted by ELHA. This allows tenants to join the exchange list online (on both east Lothian Council and ELHA's websites), complete their annual review online, and print the details of any properties they are interested in, including a location map. By significantly increasing the pool of potential exchanges for tenants to choose from we have made it easier for people to move home, an important improvement to services given the shortage of affordable homes to rent.

In 2012/13 we plan to further improve the service to make tenants more aware of the rules so that fewer exchanges are refused.

ACCOMMODATION

91% of all our allocations were made to Priority Pass holders, who account for only 14% of Registered Applicants. On average, we received over 100 applications for every home we advertised.

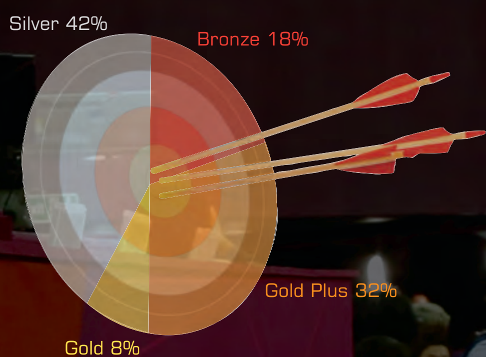
As at 31 March 2012, our Housing Register had:

3,287 live Registrations

96 Registrations 'on hold'

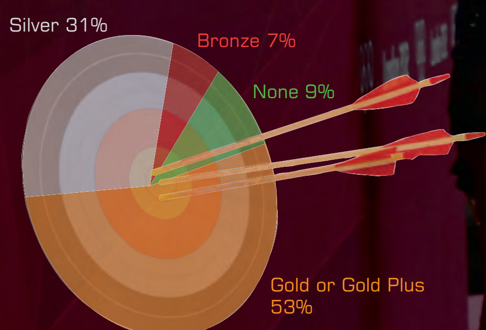
461 Applicants with Priority Passes:

Gold Plus	147	32%
Gold	37	8%
Silver	192	42%
Bronze	85	18%



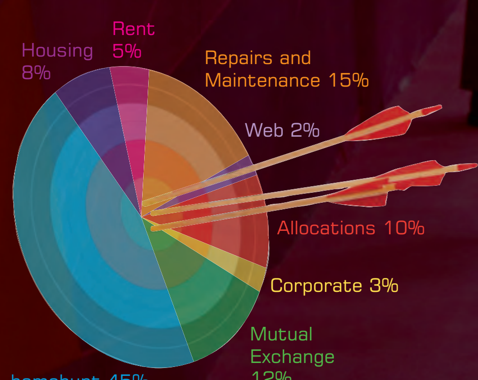
Last year, we created 116 new tenancies (58 re-lets, 58 new build) and allocated them as follows:

Gold or Gold Plus	61	53%
Silver	36	31%
Bronze	8	7%
None	11	9%



INFORMATION & ADVICE

Over the year, our Information and Advice Service dealt with 322 enquiries (the graph to the left sets out these by category). In addition, our website had over 100,000 visitors last year.



RENT ARREARS

Rent arrears fell to below 3%, and below target, for the first time in three years. We have worked hard in a challenging environment to reduce our arrears, and this work continues to be a priority for us as we hope to reduce arrears levels even further. Our void performance has also improved and is within target, as is void loss. We are also pleased with our repairs performance, a sure sign that our maintenance company, R3, is delivering the quality of service we expect.

	Target	Actual
Rent Arrears	3.0%	2.99%
Void Period*	21 days	20 days
Void Loss*	0.75%	0.62%

*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.

ROUTINE REPAIRS

	Target	Actual
Emergency (2 hours)	98%	96%
Right to Repair (24 hours)	100%	100%
Urgent (3 days)	95%	95%
Routine (10 days)	95%	95%
Gas services carried out on time	100%	100%

COMPLAINTS

We received 13 formal complaints during the year. We resolved 7 of them first time, whilst the remaining 6 were resolved after an appeal. None were referred to the Ombudsman.

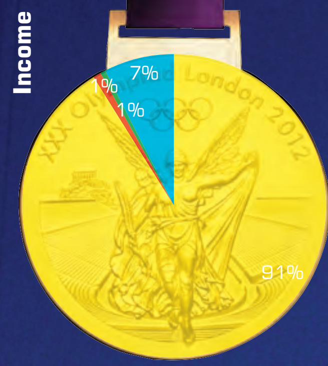
TRACK RECORD

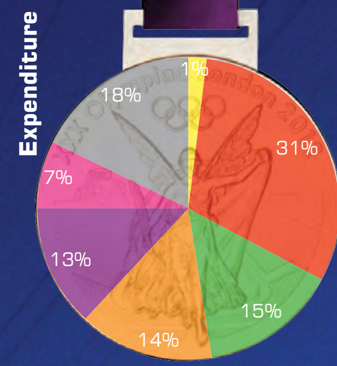
Despite incurring significant planned maintenance expenditure during the year, the Association has continued to grow and made a surplus for the year of just over £5k.

We spent a total of £1.9m during the year on the repair and maintenance of our homes; £0.7m on the day to day maintenance, £0.7m on planned and cyclical repairs and £0.5m on the replacement of major components (kitchens, bathrooms and heating systems). We transferred £0.2m from our designated reserves to help fund this expenditure.

We have changed our accounting policy on capitalising and depreciating housing expenditure this year. We now capitalise the cost of the major components we replace, showing them as an asset in the balance sheet, rather than as an expense in the Income and Expenditure Account. Expenditure in the Income and Expenditure account has therefore reduced, but this has been partially offset by an increase in the depreciation charge on our housing properties. We were required to re-state our 2010/11 accounts to reflect this change in accounting policy, and our net assets increased by £0.7m as a result.

During the year we spent £4.1m on the development of new homes, and increased the number of units in rent by 70 to 1,288. This development programme has been funded by a mixture of grant income (from the Scottish Government), private finance (through our loan agreement with East Lothian Council) and our own internal resources.





Year Ending 31 March 2012

Income	**£**	**%**
Rent and Service Charges	4,557,925	91%
Sale of properties	39,085	1%
Interest receivable	32,231	1%
Other Activities	366,142	7%
Total	4,995,383	100%
Expenditure		
Services	103,574	2%
Administration	1,532,405	31%
Reactive maintenance	730,755	15%
Bad Debts	17,366	0%
Planned and Cyclical Maintenance	720,645	14%
Housing Depreciation	649,328	13%
Other activities	351,764	7%
Interest Payable	883,805	18%
Total Expenditure	4,989,642	
Surplus (Increase in reserves)	5,741	0%
Total	**4,995,383**	**100%**

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