

LEARNING *from* **INSPECTION**

## HOUSING REPAIRS AND MAINTENANCE





The Audit Commission promotes the best use of public money by ensuring the proper stewardship of public finances and by helping those responsible for public services to achieve economy, efficiency and effectiveness.

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## SUMMARY

**Local authorities in England and Wales currently own approximately 3¼ million homes, and plan to spend around £4.8 billion on repairing, maintaining and improving this stock in 2001/02...**

- £2.4 billion on responsive repairs (those reported by tenants) and planned maintenance;
- £2.4 billion on capital improvements to council homes.

**The backlog of repair and improvement work in local authority housing stock is considerable...**

- £19 billion of work in England (1996);
- £750 million in Wales (1998).

**In 2000, Government in England and Wales made a commitment to bring all council housing up to a decent standard within a decade. English housing has a further target: one-third of non-decent homes should be brought up to standard by 2004. To assist this, capital available for improvements to council homes in England has increased significantly in the last two years. Local authorities need to take action to deliver the Government's housing decency targets and ensure that new money is spent effectively, for the benefit of current and future tenants.**

**Services currently delivered to residents – both tenants and leaseholders – are highly variable: there are often differences in performance between different parts of the service within one authority...**

- resources are not always spent on the most appropriate stock
- planned maintenance programmes are not completed on time, and often underspend
- there is little control of (relatively expensive) responsive repair work
- tenants and leaseholders are not involved as fully as they could be, in setting standards and in decision-making

- performance management and the use of basic monitoring information are poor
- value for money is not obtained when letting maintenance contracts

**As a result, of 34 inspections of repairs and maintenance services carried out by the Housing Inspectorate so far, less than 1 in 6 has been rated by inspectors as 'good'. There are, however, many examples of good and innovative practice among inspected authorities.**

**To run an effective repairs and maintenance service, an authority has to carry out several interlinked activities well, involving staff at different levels within housing and outside it, with challenge and support from members and with the involvement of residents...**

- adopting a strategic, long-term approach to repairs and maintenance, supported by an effective business planning process
- engaging more with residents, to improve services and input to decisions
- managing effective planned maintenance and capital programmes
- running efficient responsive repairs services;
- improving performance management and competition, and moving to new forms of procurement

**It is encouraging that nearly three-quarters of inspected authorities were likely to, or would, improve, with none that would not improve. Authorities need to use this capacity to change, building into their work the need to learn from other authorities, to deliver better, more efficient services to residents.**

# PREFACE

1. This paper is one in a series of 'Learning from Inspection' papers from the Audit Commission, which are based on the lessons emerging from best value inspection and other research. It is aimed at service heads, repairs and maintenance managers, and all those who need an overview of the issues facing housing repairs and maintenance services. It is not meant as an exhaustive guide, but is intended to highlight areas commented on by housing inspectors.
2. The Commission has produced a separate short briefing summarising the main messages from this paper. The briefing highlights the key issues for leading members and chief officers. A more detailed operational report, which discusses issues and good practice in more depth, is being produced for service managers.
3. Housing repairs and maintenance has been chosen as a topic for a 'Learning from Inspection' paper for several reasons: it is an issue of great concern to tenants and leaseholders in many authorities, having considerable impact on their quality of life; it accounts for a considerable level of public expenditure; and a good body of evidence is available from inspections already carried out.
4. The project was carried out by Maggie Kemmner and Rita Patel, under the overall direction of Greg Birdseye, of the Commission's Public Services Research Directorate. In producing this report, the team has drawn on the Audit Commission's learning from a range of sources: inspections carried out by the Commission's Housing Inspectorate – 34 inspections of repairs and maintenance services and 17 broader housing inspections which included coverage of repairs and maintenance; information from 24 local value-for-money audits of responsive repairs services; and interviews with a further group of authorities carried out by the project team. We have also analysed national data and taken part in wider discussion with relevant stakeholders.
5. Although highlighting areas of difficulty for repairs and maintenance services, this report shows how some authorities have achieved change, for example, in delivering well-managed capital programmes, or in increasing the efficiency of their responsive repairs services. It should therefore help all authorities to improve their service, particularly through their best value reviews.

## BACKGROUND

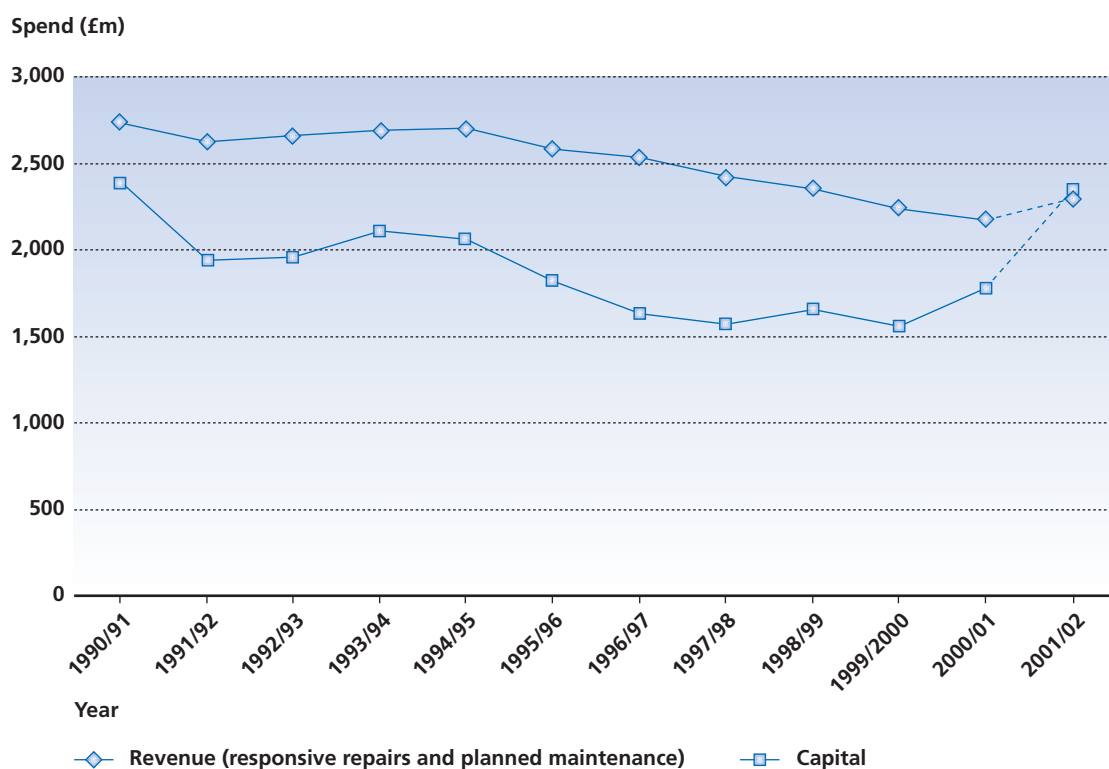
6. Local authorities in England and Wales currently own about 3¼ million homes, and plan to spend around £4.8 billion on repairs, maintenance and improving their stock in 2001/02. Almost one-half<sup>I</sup> of this will be spent on responsive repairs and planned maintenance, and the remainder<sup>II</sup> on capital improvements to council homes. Capital spending will increase significantly in 2001/02, to, in real terms, just less than 1990/91 levels (EXHIBIT 1).

I CIPFA HRA Statistics 2001/02: planned gross expenditure.

II England 2001 Housing Investment Programme: Housing Annual Plans; Welsh capital forecast returns 2001/02.

#### EXHIBIT 1 Expenditure on repairs and maintenance for 1990/91 to 2000/01, and planned spending for 2001/02 – England and Wales (1999/2000 prices)

Capital spending in 2001/02 will increase significantly to reach approximately 1990/91 levels.



Note: Figures for 2001/02 are planned amounts.

Source: (Refs. 1 and 2); England 2001 Housing Investment Programme: Housing Annual Plans; Welsh provisional capital outturn returns 2000/01; Welsh capital forecast returns 2001/02.

7. The backlog of repair and improvement work in local authority housing stock is considerable: in England, it was estimated that £19 billion of work was outstanding in 1996<sup>I</sup> (the most recent House Condition Survey); in Wales, the figure was £750 million in 1998.<sup>II</sup> The condition and repair of their homes is of the highest concern to tenants in most authorities.
8. Some authorities have well-constructed stock, have kept up to date with investment, and have sufficient resources to fund the needs of their stock: the challenge for these authorities is to plan investment for the coming years, to make sure that they are in an even better position in 30 years' time. Other authorities have a considerable backlog of work, resulting from poorly constructed stock, years of inappropriate or under investment, or insufficient resources; this is compounded if accompanied by low demand. These authorities face a considerable challenge: how to bring their stock up to an acceptable standard as well as allowing for future investment needs.

## NEW ENVIRONMENT

9. In the Housing Green Paper (Ref. 3), the Government set out a strategy for improving the quality of social housing in England and made a commitment to bring all housing up to a decent standard within a decade. It set a target for the number of homes not meeting decency standards to be reduced by one-third between 2001 and 2004.
10. The Government has recently introduced a requirement for business planning in English local authority housing. The system is currently in its first 'live' year; all authorities are expected to have fully capable information and planning systems within five years. A shift in thinking is required: authorities need to consider the life cycle and sustainability of their stock, and repairs and maintenance requirements over the next 30 years, rather than concentrating on annual programmes and budgets. They have to set a timetable for eliminating backlog repairs, and for carrying out ongoing maintenance.
11. The National Assembly for Wales (the National Assembly) has produced a 'National Housing Strategy for Wales' (Ref. 4) which reflects the themes and proposes some of the measures introduced in England, including business planning, which will be introduced in 2003. The National Assembly is 'committed to bringing all existing social housing up to quality standards...within ten years'.
12. Capital allocations for local authority housing in England increased significantly in 2001/02, by £856 million over that available in 2000/01 (to £2.2 billion). Funding in Wales has increased at a rate just above inflation.

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I English House Condition Survey – 1996.

II Welsh House Condition Survey – 1998.

## REPAIRS AND MAINTENANCE SERVICES

13. To deliver an effective repairs and maintenance service, an authority has to carry out several interlinked activities well (**EXHIBIT 2**), involving staff at different levels within housing and outside it, with challenge and support from members and with the involvement of residents. Well-trained staff and good information technology are integral to success.

### EXHIBIT 2 Delivering an effective repairs and maintenance service

Several interlinked activities are needed to improve repairs and maintenance services.



Source: Audit Commission

# 1. SETTING A STRATEGIC, LONG-TERM APPROACH TO MAINTAIN DECENT, SUSTAINABLE HOMES

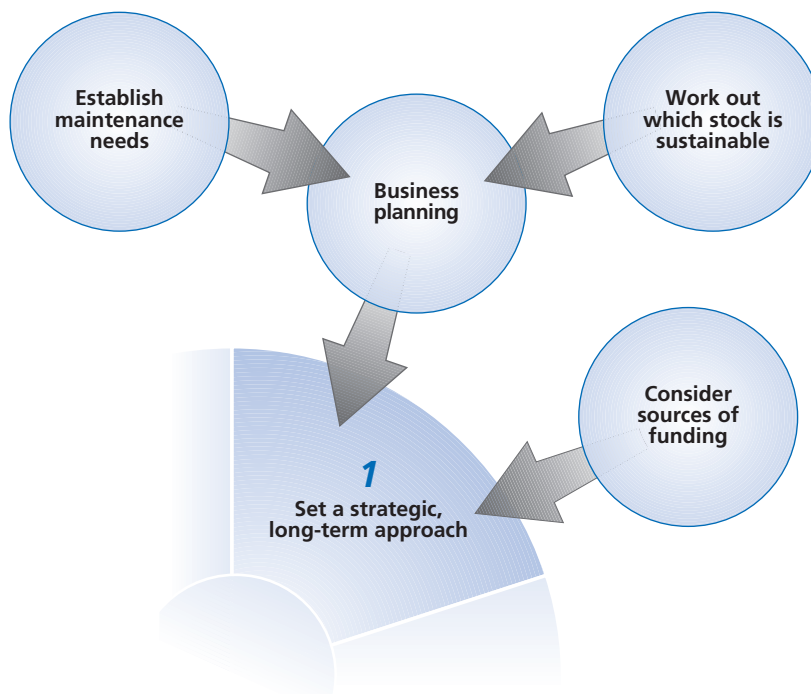
14. While this report does not focus explicitly on housing strategy, repairs and maintenance forms part of that wider strategy. Authorities are investing in their homes when they maintain them, and they need to be sure that the investment they make is in the type of housing that their current and future population will need: channelling funding to those properties in the greatest need of maintenance, in areas that are sustainable in the long term. Repairs and maintenance are tools that help to deliver the housing strategy, as well as the broader authority aims of regeneration and community safety.
15. Authorities are currently not adopting a sufficiently strategic approach to repairs and maintenance. Many authorities have based past investments on broad policies or out-of-date stock information, which do not relate to current maintenance needs or the sustainability of neighbourhoods. Up-to-date, accessible information on stock condition and current and future demand for homes is often lacking. The need to produce business plans requires authorities to improve their stock condition and housing needs information, and target resources accordingly; however, this process will take several years to implement fully, and until then money may be wasted in some areas. Furthermore, in smaller authorities, there is often insufficient human resource capacity to adopt this strategic approach. If authorities do not provide information systems and human resources to support business planning, they may find themselves in financial difficulties in future years. In drawing up their repairs and maintenance plans, local authorities will need to consider a range of factors, and ensure that they have appropriate information for each (**EXHIBIT 3**).

## ESTABLISHING MAINTENANCE NEEDS ACROSS PROPERTIES

16. Stock condition information should be used to prioritise investment and target increases in capital funding on dwellings that do not meet the decency standard. Evidence from inspections and fieldwork suggests that some authorities do not currently have adequate information with which to plan investment: some information dates from 1995 or earlier; sample sizes vary; and major building elements are covered to different extents (some surveys are of external elements only).
17. Surveys can become obsolete over time, as maintenance is carried out on homes. They can remain effective forward planning tools, if information on works carried out is added to the system on a regular basis. Many authorities are, however, not storing their stock condition data in a form where it can be accessed and updated, and are not linking it with the planned and responsive repairs systems. Many surveys are discrete five-yearly (or less frequent) events. By comparison, a continuous survey process (sampling 'diagonally' across estates and stock types over time) can sustain an emphasis on stock condition so it is easier to update, and builds up a more complete picture over time. There remains concern about the reliability of surveys: many authorities are commissioning surveys now, and they should refer to existing guidance (**Ref. 5**).

### EXHIBIT 3 Setting a strategy for housing repair

Housing repair plans need to be linked closely with housing strategies, using good information on maintenance needs and sustainability of properties.



Source: Audit Commission

18. Many recent stock condition surveys were carried out before the publication of the decency standard, and property databases will not necessarily hold information relevant to the standard (particularly on kitchens and bathrooms). This means that many authorities do not yet know for certain which, or how many, of their homes do not meet decency standards. Not only will it be hard to establish an accurate baseline for the level of non-decent homes, but also authorities' current programmes of work may not be focusing funding appropriately on non-decent homes. Supplementary stock condition surveys may need to be conducted, and work programmes changed (and procured) to target work on non-decent homes: all of which takes time. Ensuring that short-term targets for England are delivered (one-third of non-decent homes should be brought up to standard by 2004) may prove to be difficult.

## WORKING OUT WHICH STOCK IS SUSTAINABLE

19. A decision to carry out backlog maintenance or investment in stock has to take into account the extent to which the stock will be needed, or wanted, by prospective tenants in the (short- and long-term) future. Repairing stock to a decent standard may also help to stimulate demand for certain properties.
20. Where demand for social housing is declining,<sup>1</sup> authorities need to make hard decisions about which of their housing communities is sustainable, and focus investment on these areas, to benefit the community of tenants as a whole. Managed disinvestment will be appropriate for some other areas (within legal repair obligations). This can be politically difficult, and decisions need to be made involving those residents whose communities will be affected. There is a need to inform and communicate well with tenants, to facilitate debate on sustainability. In Sheffield, for example, 22 tenant representatives were included on the 'Future of Council Housing' steering group. The approach takes commitment from elected members, and will require considerable senior officer support.
21. Authorities need to obtain good information on their housing communities, across tenures, to establish where there is, or there is risk of, low demand; and determine the reasons for low demand, and whether intervention could help. Leeds City Council has developed a 'Neighbourhood-Oriented Model Of Area Demand' to highlight local neighbourhoods in particular difficulty, so that local area panels are better informed when developing local business plans (**CASE STUDY 1**).

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<sup>1</sup> Even in authorities where overall demand is high, there are pockets of low demand. In these cases, investment may be needed to remodel or replace unpopular stock, as part of a co-ordinated approach to regenerate local communities. A few authorities face an overall decline in demand, but most have a mixed pattern of demand across their social housing communities.

### CASE STUDY 1 Leeds City Council – Neighbourhood-Oriented Model of Area Demand (NOMAD)

The Neighbourhood-Oriented Model of Area Demand draws together a range of housing and social indicators for 180 neighbourhoods (local lettings areas) in Leeds. The model is used to inform decisions on the future sustainability of council housing. The ten indicators are:

#### Demand, mobility related

- number of applicants per vacancy
- local authority voids as percentage of stock
- tenancy turnover
- percentage of all council tenants resident for under two years.

#### Housing market related

- all empty homes as percentage of all housing
- average house prices across all properties

#### Social condition related

- domestic burglary rate
- performance of local schools at GCSE
- benefit dependency
- performance of local schools at key stage 2

For a neighbourhood, each indicator value is scored by comparing it with the Leeds average. Some indicators are weighted higher than others, reflecting their impact on demand for social housing. Total scores are used to classify neighbourhoods into four groups: areas in significant decline; areas on the edge; popular areas with specific problems; and popular areas. Results of the model are reflected back to local managers, and broadly concur with their perceptions. Results will be considered by area panels, whose objectives are to look at local options and set up local business plans. Panels will also have details of the investment needs of the stock in the medium to long term; long-term income/expenditure profiles for their areas; stock profile information; and results from a research study on housing requirements across all tenures.

Contact: Huw Jones, Principal Strategy and Information Officer, Leeds City Council.

Source: Audit Commission project fieldwork

## BUSINESS PLANNING AND IMPLEMENTATION: SETTING BUDGETS AND PLANS FOR INVESTMENT IN LINE WITH MAINTENANCE NEEDS OF SUSTAINABLE STOCK

22. Once the maintenance needs of, and demand for, an area have been established, investment should follow in line with the business plan which should include cost-benefit analyses of investing in different neighbourhoods. Business plans are long term, and new funding can be rolled over from year to year. This is a considerable change from most authorities' former approach to investment, delivered through yearly budgeting and procurement cycles. Many aspects of business planning are technical; however, these need to be balanced with a participative approach. Residents and staff should have the opportunity to contribute to decisions and understand what is required and why. This further highlights the need for resident support and information. However, aside from the need for better information for business planning, the human resource capacity needed is lacking in some authorities,<sup>I</sup> which will impact on the long-term success of investment and the business planning approach.
23. Once a plan is developed, it has to be turned into practice, with investment following the plan. Evidence suggests that many authorities are currently not focusing their maintenance spending on sustainable areas: spending on planned maintenance and capital projects is often spread over local housing areas without any consideration of the long-term viability of the homes, or is based on out-of-date historical budgets. Area budgets are often still distributed based on the number of homes in each area, irrespective of maintenance or housing need. Authorities often deliver maintenance in accordance with policy rather than need, and many authorities are setting up major programmes of replacements before they receive their new stock condition survey results<sup>II</sup> or have full details on the sustainability of their neighbourhoods. Ultimately these authorities may not have the resources to maintain their stock adequately.

<sup>I</sup> For example, one inspected authority had very low numbers of housing staff, who were struggling simply to monitor their services; another authority's director was heavily involved in operational details, as there were few middle managers.

<sup>II</sup> For example, one authority was committed to renewing all the windows in its stock on an area basis in a five year programme – in the absence of information on whether this money was targeted appropriately.

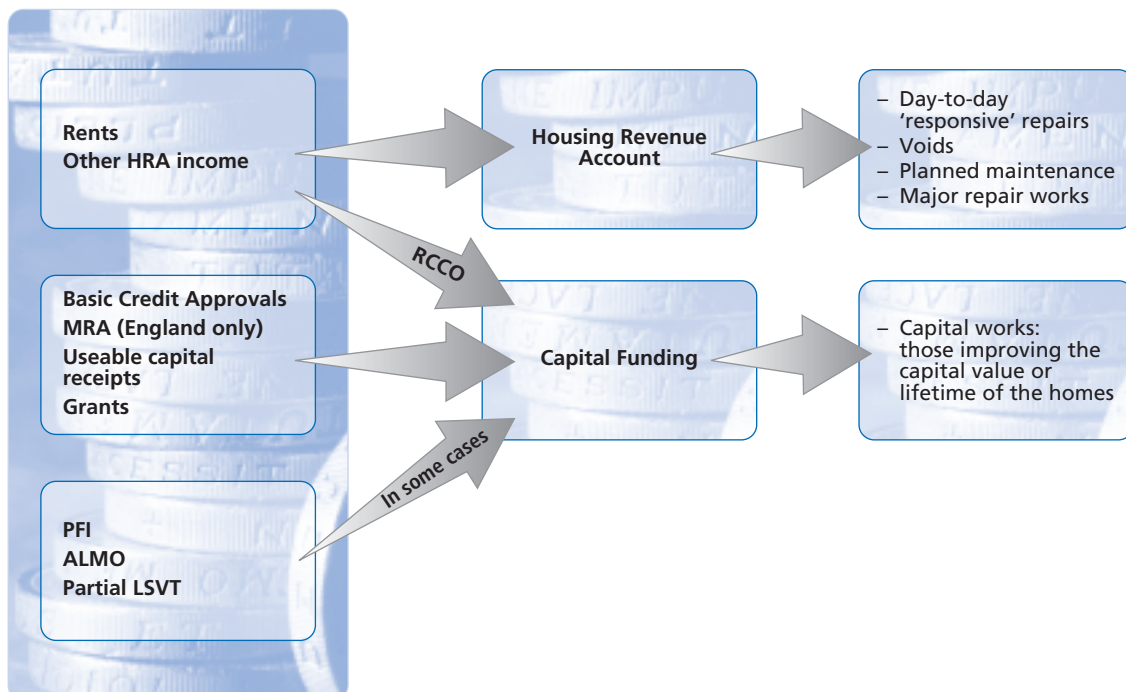
24. The impact of responsive repair spending is often overlooked at a strategic level: planned and responsive works are carried out by different groups of staff between whom links are often missing. Using planned investment as a tool to pre-empt responsive work, using responsive repair information to inform planned programmes and reducing responsive work to fit with the overall plan for housing condition (while mindful of legal obligations), are discussed in Chapters 3 and 4.
25. Having set a clear strategy for the level, type and location of stock that the authority wishes to make available to tenants in the future, and having worked out the maintenance funding this will require, authorities need to consider sources of funding to meet these needs.

## CONSIDERING SOURCES OF FUNDING

26. The comparative amount an authority has available for current and future investment in and repair to stock is largely determined by its past rent policies; and by current Government controls of capital credit approvals and rents. There is a wide range of sources of funding, to be spent on different types of repairs and maintenance (**EXHIBIT 4**) (Appendix 1).

### EXHIBIT 4 Sources of funding for repairs and maintenance

There is a wide range of sources of funding, to be spent on different types of repairs and maintenance.



Source: Audit Commission

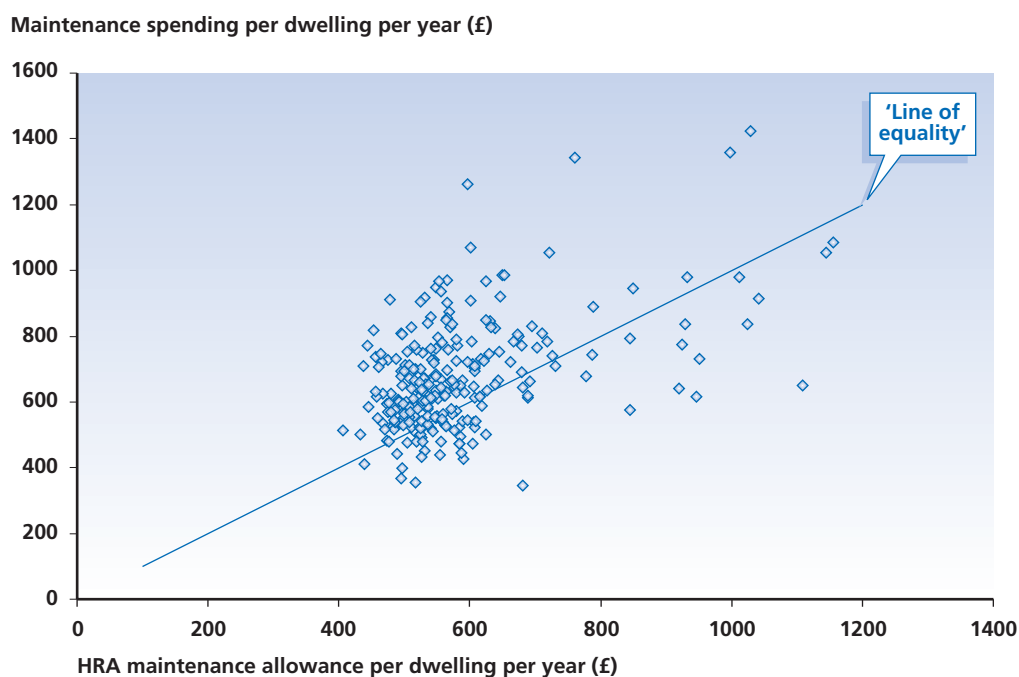
## REVENUE FUNDING

27. The resources available to an authority will depend in part on how it set rent levels before the Government introduced guideline rents in 1996/97, and local political will to increase rents subsequently.<sup>1, 11</sup> If an authority has (or had) a policy of setting low rents, it is possible that it did not take into account the real amount needed to repair and maintain its homes.
28. In 2000/01, the Government's estimate of what authorities need to spend on repairs, the Housing Revenue Account (HRA) maintenance allowance,<sup>11</sup> totalled £1.8 billion (England). Authorities make their own decisions on whether to spend more or less on repairs than the maintenance allowance. English authorities are using rents and other HRA income to spend £150 million (8.7 per cent) more on repairing their stock than the maintenance allowance calculations assume they need to (EXHIBIT 5).

- I Most authorities charge more rent than the Government's guideline rents suggest, by an average of 14.5 per cent.
- II Before 1996/97, authorities could increase rents as they saw fit without penalty; now they risk paying increased rent rebates to tenants on low incomes if they increase rents above guideline increases.
- III (not including the management allowance).

### EXHIBIT 5 Actual revenue spend per dwelling on maintenance, compared with what Government calculates authorities should spend – England 2000/01

Most English authorities are spending more than the Government's calculated level.



Note: Each point on the graph represents an individual authority. If an authority's actual spending equalled the Government's calculated level, the point would fall on the line. The majority of points are above the line – on average, spending is 8.7 per cent more than the allowance.

Source: DTLR, *List of Management and Maintenance Allowances per Dwelling, 2000/01*; CIPFA HRA Statistics 2000/01

29. Some authorities spend considerably less than their maintenance allowance on repairing their homes. This may be because their need is less than the allowance anticipates; money is being diverted into other HRA expenditure, like tenancy management; or because their rents are lower than expected. When rents are restructured,<sup>I</sup> authorities will have little choice over rent levels: authorities should make the most of the current flexibilities to improve stock where possible. It is important to communicate with those members and tenant representatives involved in rent discussions on business planning principles and the effects of rent restructuring.

## CAPITAL FUNDING

30. The Government's strategy for England<sup>II</sup> is to tackle the £19 billion backlog of repair and improvements, setting the decent homes standard and introducing HRA business planning (Ref. 6). Supporting this, the Comprehensive Spending Review (CSR), announced in 2000 increased capital resources available to housing in England in 2001/02 by £856 million over that available in 2000/01 (to £2.2 billion). This planned increase will have the effect of restoring the overall level of Government-determined capital that is spent on HRA housing, in real terms, to around its 1990/91 level.<sup>III</sup>
31. All English authorities have received increases in capital funding, with most increases ranging from 20 per cent to 350 per cent of the HRA housing Basic Credit Approvals (BCAs) allocated to them in 2000/01.<sup>IV</sup> The increase in funding was allocated via a new mechanism, the Major Repairs Allowance (MRA) (Appendix 1). Funds allocated via the MRA amounted to £1.66 billion in 2001/02.<sup>V</sup> Credit approvals allocated as BCAs (for HRA housing) reduced from £1,285 million in 2000/01 to £476 million in 2001/02 (EXHIBIT 6). Special Credit Approvals have been discontinued.
32. The Government's formula for allocation of the MRA is based on an authority's stock profile rather than the stock's current state of maintenance. The Government has said that BCAs will continue to be used to address backlogs (Ref. 7); however, BCAs reduced between 2000/01 and 2001/02, and currently five per cent of this reduced resource relates to backlog<sup>VI</sup> (Ref. 8). It is therefore likely that some authorities will have problems resourcing backlog work. This may be particularly true for urban authorities, who have benefited least from the MRA (EXHIBIT 7, overleaf). South-eastern district councils have benefited particularly.

I The Government has proposed that local rents will be determined by two main factors: 'rental value' (based on the type of dwelling, its quality, and local value in the rental market), and the level of local earnings.

II Authorities in Wales have been allocated an overall increase in housing capital funding of 4.9 per cent between 2000/01 and 2001/02, via the basic credit approval and special credit approval mechanisms. Wales will not be introducing the MRA in the short term: the National Assembly is consulting on the MRA in 2001/02.

III Ref. 1. England 2000 and 2001 Housing Investment Programme: Housing Annual Plans; Welsh provisional capital outturn returns 2000/01; Welsh capital forecast returns 2001/02.

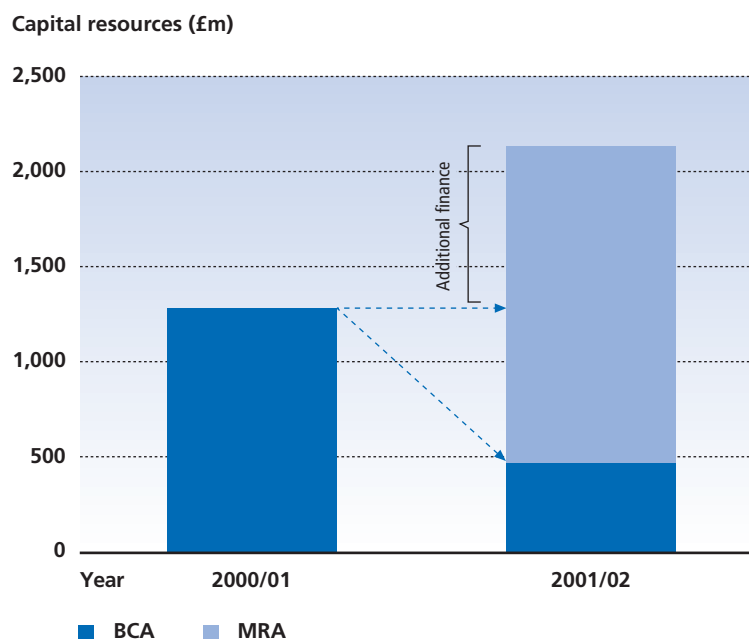
IV Authorities who previously did not have BCAs still get MRA: this accounts for very large increases in Government capital funding for a few authorities – for example, more than 1500 per cent in some cases.

V The £856 million new money allocated in the CSR, together with £809 million diverted from the Basic Credit Approval (BCA) mechanism.

VI The 'backlog' element of an authority's credit approval is based on the backlog that the authority's stock is expected to have, based on archetypes. It is not based on actual backlog.

**EXHIBIT 6 Government credit approvals and the MRA in 2000/01 and 2001/02**

The capital resources available to authorities have increased significantly between 2000/01 and 2001/02.



Source: DTLR HRA Subsidy Determinations 2000/01 and 2001/02

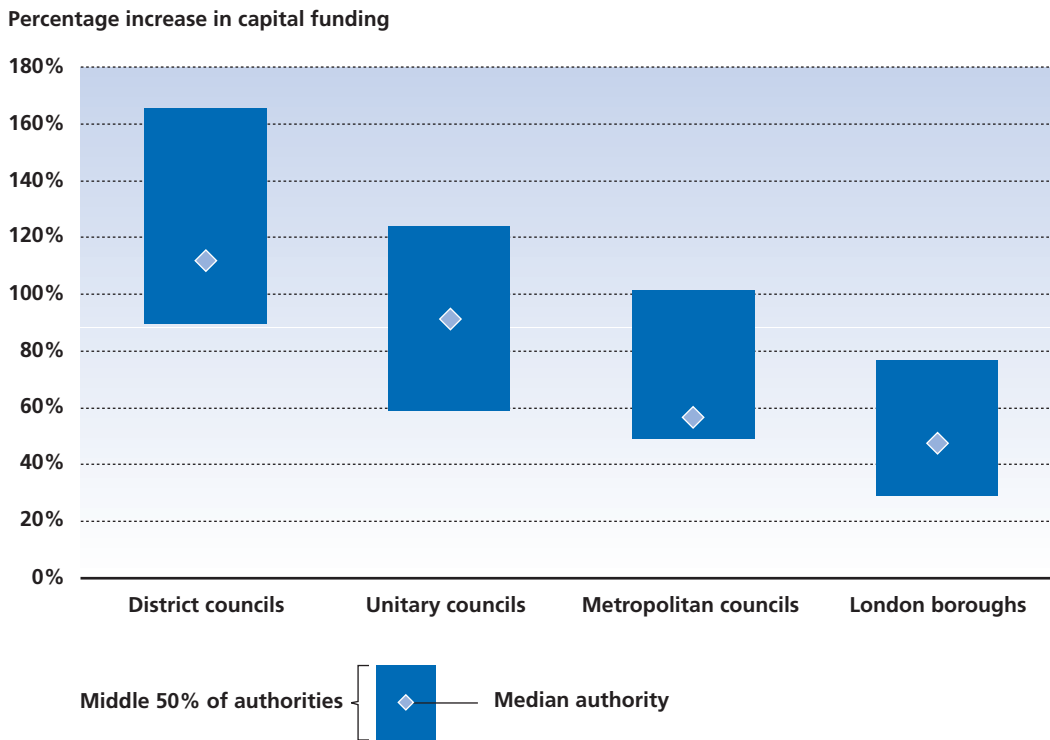
33. Comparison of what authorities received in 2001/02, (as MRA and BCA) with what they *would* have got had all the new finance been made available by the old BCA mechanism,<sup>I</sup> shows that, relatively, the city areas – London boroughs and metropolitan councils – have lost out, by 11 per cent and 6 per cent on average. London’s share of capital allocations has reduced from 34 per cent to 29 per cent. These are the authorities that, in particular, face the problems of a backlog of repair on system-build (1960s and 1970s) stock; they may struggle to meet the Government’s standards for decency.
34. In 2002/03, housing capital allocations through the single capital pot will be based on the indices of deprivation 2000, and the share of capital relating to stock condition will increase. Also the Government will be targeting 112 deprived areas with further funding (Ref. 9). However, determinations of BCA and choice of the 112 authorities are not related to actual backlogs. Furthermore, as this BCA funding will be through the single capital pot mechanism, there is no guarantee that it will be spent on HRA capital works, although the Government will be monitoring progress.

<sup>I</sup> This calculation simply apportioned capital funds available in 2001/02 according to the proportions received in 2000/01, removing authorities that have transferred some or all of their stock.

- 35. The increase in funding the MRA brings is to be welcomed, but in order that the Government's decent homes targets are met, it would be more suitable to allocate some of the new resources through a funding stream specifically related to actual backlog, on which authorities' business plans will provide information. Currently, the fact that no central funds have increased to specifically address backlog, combined with rent policy, the distributional effects of the MRA, and continued limitations on the use of capital receipts from right-to-buy, means that some authorities may have funding problems. They will need to consider other options such as the Private Finance Initiative, setting up an Arms-length Management Organisation, or transferring their stock to a housing association, to improve the condition of their stock.

**EXHIBIT 7 Actual capital allocations in 2001/02 compared with what authorities received in 2000/01 (England)**

All authorities have had increases in capital funding, but district councils have benefited the most, and London boroughs the least.



Note: Partial and full stock transfer authorities omitted.  
 Source: DTLR HRA Subsidy Determinations 2000/01 and 2001/02

36. Setting up a comprehensive plan for repairs and maintenance, based on up-to-date stock information, reflecting maintenance need and sustainability, and taking account of available funding, is the first step towards providing well-maintained dwellings for tenants and leaseholders. Authorities and the Government need to address a number of issues to ensure that resources for repairs and maintenance are put to best use (**CHECKLIST 1**).

### **CHECKLIST 1** Setting a strategic, long-term approach to maintain decent, sustainable homes

#### **Authorities need to:**

- Provide resources to develop models of, and collect data on, local housing sustainability, in conjunction with neighbouring authorities where suitable.
- Ensure that good practice guidance is followed, to develop robust stock information.
- Invest in IT that enables stock condition data to be updated easily, by learning from authorities that are already in the process of procuring systems, and train staff in using it.
- Realign planned maintenance and capital budgets to correspond with actual maintenance needs of sustainable stock, investing according to need – and when need arises – not according to policy.
- Ensure that responsive repair policies and spend fit with the business plan.
- Make the most of remaining flexibility to set rents, negotiating with tenants to increase revenue funds where possible, to maintain stock.
- Communicate with tenants' representatives to explain business planning, rent restructuring, the decent homes standard, and housing finance, so they can contribute to the housing strategy and decision-making.

#### **The Government should:**

- Consider allocating some of the new capital resources for England through a funding stream specifically related to actual backlog, so that the decency targets can be met by all authorities.



## 2. ENGAGING EFFECTIVELY WITH RESIDENTS ABOUT THEIR HOMES

37. An important input to the strategic direction for housing maintenance must come from residents, to ensure that priorities reflect their needs and aspirations as far as possible. Historically, while housing departments have had some interaction with tenants, particularly around rent-setting, they have not always discussed elements of the repairs and maintenance service with them, unless complaints arose. Technical sections, which usually draw up programmes of work and manage repair and maintenance contracts, have often approached the housing stock in a more distant and functional way, focusing more on the asset than its inhabitants.
38. In general, authorities have improved involvement of residents (tenants and leaseholders resident in local authority stock), and inspectors have found a number of examples of innovative schemes for engaging residents in setting standards for, and monitoring, repairs and maintenance services. There are, however, still barriers between the technical side of housing maintenance and residents that need to be addressed. Residents are involved at a low level in many authorities, but are involved less frequently in mainstream decision-making or in selecting contractors (**EXHIBIT 8**). Many authorities need to follow the example of others and make progress in involving residents in many aspects of service delivery (**EXHIBIT 9**): setting standards, selecting contractors, receiving and commenting on performance information, and contributing to performance monitoring.

### EXHIBIT 8 Levels of residents' involvement

Residents are often less involved in mainstream decision-making.

Most frequent



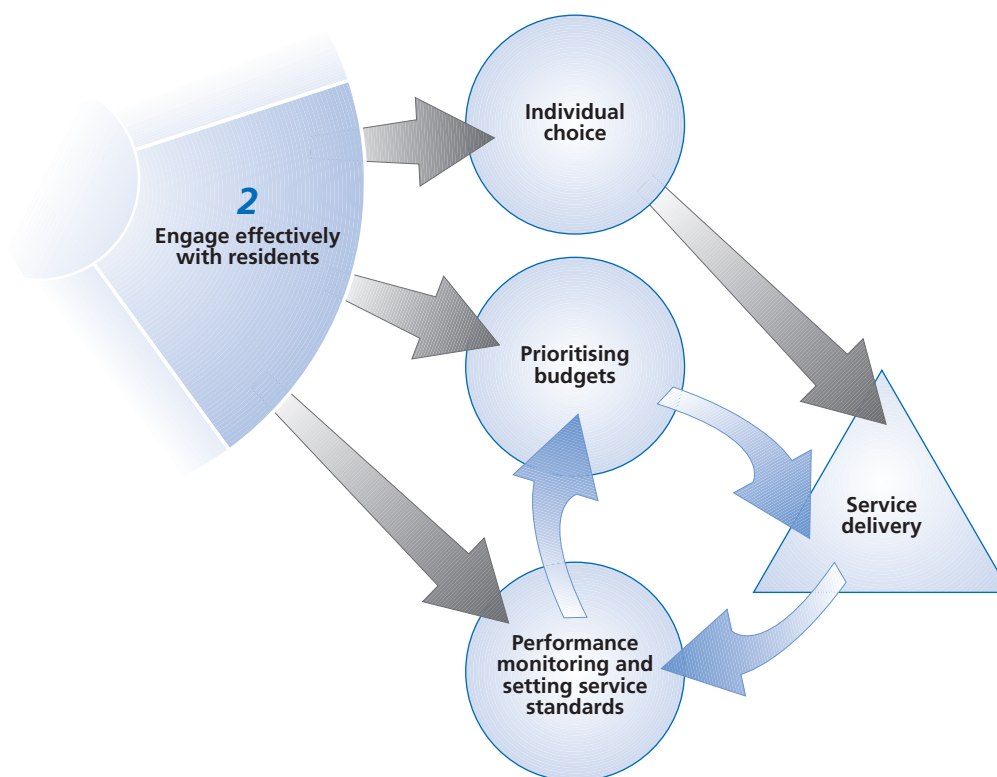
- Annual tenants' broad satisfaction survey
- Satisfaction cards – responsive repairs
- Tenants' forum discusses repairs complaints
- Tenants' forum discusses maintenance priorities/ planned works programme
- Tenants set customer care standards for responsive repairs
- Performance information fed back to tenants' forum
- Local tenants allowed individual or group choice of fittings/colours
- Performance information fed back to whole tenant population
- Tenants have some control over specific budgets
- Local tenants set up timetabling and decanting for major works
- Tenants' forum has major inputs to prioritising mainstream maintenance budgets
- Tenants set methods statements and take part in interviewing contractors
- Local tenants feedback after planned or capital works

Least frequent

Source: Analysis of Housing Inspectorate reports and project fieldwork

## EXHIBIT 9 Involving tenants and leaseholders

Tenants and leaseholders should be given opportunities for involvement at all stages of service delivery.



Source: Audit Commission

## INVOLVING RESIDENTS IN DECISION-MAKING, SETTING STANDARDS AND SELECTING CONTRACTORS

39. The introduction of Tenants' Compacts to guide and develop, on a negotiated basis, the process of involving tenants throughout service delivery, is a major step forward. However, compacts have not been introduced at all authorities (in only just over one-half of inspected authorities); and often residents at inspected sites felt that, while they were consulted, they did not play a part in decision-making. There are many examples from inspection where policies or services were altered without consultation with or input from residents, or where residents' requests were ignored. Although there is broad recognition of the importance of residents' views, often residents still feel frustrated that, although they are listened to, nothing then happens. However, by taking forward residents' ideas (often relating to customer care), and including residents in mainstream decisions, some authorities have made good progress in this area (**BOX A, overleaf**).

### BOX A Tenants' initiatives and involvement

In **Kirklees**, several service initiatives suggested by the tenants' federation have been implemented: the handy-man scheme (where local caretakers do minor repairs); improvements in customer care including the use of badges/uniforms; joint inspections by housing staff and the contractor; improvement in the quality of materials; changes to the variation approval system to allow operatives to do extra work worth up to £50.

**Barnet** is setting up participation panels following agreement of their Tenants' Participation Compact. Their role will be to develop services standards, discuss performance and set priorities for planned and capital works.

In **Brent**, tenant representatives have set standards for services since the early days of Compulsory Competitive Tendering.

In **Kensington and Chelsea**, where housing management is run by a Tenants' Management Organisation, tenants are members of consultant and contractor interviewing panels for capital works (which are run by the authority).

Tenants in **Barnet** were heavily involved in creating the test criteria by which methods statements would be judged: particularly those relating to customer care. They helped mark the tender submissions and also interviewed contractors.

**Gosport** tenants have input to contractor selection methodology and to the selection itself.

*Source: Analysis of Housing Inspectorate reports and project fieldwork*

## EMPOWERING RESIDENTS SO THAT THEY CAN HELP TO PRIORITISE MAINSTREAM REPAIRS BUDGETS

40. Residents sometimes have control over particular local budgets, such as estate improvements or security budgets. In comparison, although *mainstream* maintenance budgets are often consulted on, the level of real influence residents have (for example, over how, or in which area, or on which estate money is to be spent) is variable.
41. Authorities have to balance residents' views with several considerations: availability of finances and the building needs of the housing stock are major factors. Communicating with residents (on local authority finance, business planning and the decent homes standard, for example) will help them to adopt a more holistic view and to make decisions while being aware of the constraints, financial and political, that authorities operate under. Increases in capital funding mean that some authorities will have huge increases in their work programme. Authorities need to build the capacity, among their residents, to make increased contributions to business planning, by communicating, informing and broadening involvement.

## INVOLVING RESIDENTS IN PERFORMANCE MONITORING

42. It is common for residents to *contribute* information to enable someone else to assess the quality of the repairs service.<sup>1</sup> However, residents seldom receive feedback on their input. Providing feedback is a courtesy that will encourage residents to respond in future, as they become more aware of the effect that their input can have.

<sup>1</sup> This usually constitutes sending back satisfaction slips after responsive repairs are carried out. Residents' input is less regularly sought after planned works.

43. There is varied practice on *sharing broad service performance information* with residents so they can assess it and feedback their views. Establishing a channel for feedback is important, especially since the requirement to produce an annual report to tenants has ceased. Authorities typically provide information to their residents' forum, or to all residents in a newsletter, or both. While the majority of authorities deal with this in some way, a minority of authorities do not perform well in this area, and do not give any repairs performance information to residents. Also, performance information given to residents does not always provide sufficient information to allow the residents to judge whether performance is good or bad. It needs to include comparative data (for different local areas and other authorities), and should reflect better the factors that residents feel make services good (or not), such as the percentage of jobs where the tradesperson cleaned up afterwards.
44. Engaging tenants in discussion of performance will increasingly equip them for involvement in setting contract standards and selecting contractors – for example, setting customer care criteria by which methods statements are judged.

## ALLOWING RESIDENTS MORE INDIVIDUAL AND GROUP CHOICE WITHIN LOCAL SCHEMES

45. Once overall priorities have been decided, local residents can be involved in the details of schemes. Authorities' practice in this respect is highly variable. Authorities sometimes involve residents well in one local area or for one scheme only, failing to draw authority-wide lessons from their initiatives. There remains in a minority of authorities an opinion that 'the homes are, solely, the council's property' and that offering residents a choice is not necessary, and if done, is done as a favour. Most authorities, however, increasingly allow local residents a choice within schemes (**BOX B**), by involving them in what is done, when and how.

### BOX B Examples of local tenants' choice in schemes

In **Kensington and Chelsea**, which has the country's largest Tenants' Management Organisation, tenants have been actively involved in management of the capital programme (organised by the local authority) for some years. Local tenants' associations are consulted on the design briefs for contracts, and comment on schemes before they are considered by members. Arrangements are also in place to consult with residents on a one-to-one basis if they wish.

**Sutton** is regenerating its Roundshaw estate. Tenants were all consulted on home designs, and the local tenants' association was involved in the detailed planning of the decant, refurbishment and rebuild programme.

Tenants in **Hammersmith and Fulham** are able to choose certain aspects of external redecorations by majority decision.

**Barnet** operates an 'elderly redecorations scheme' which allows tenants to choose what work is done on their home. Each room decorated and each improvement is given a number of points. Each tenant may 'spend' up to 8 points. In exceptional circumstances this can rise to 10. Each point is worth about £50 so this controls how much is spent on each property. Rooms can be redecorated or minor improvements made, for example, new bath, new door, new kitchen unit.

**Gosport** offers tenants an individual choice of window type, doors and colours.

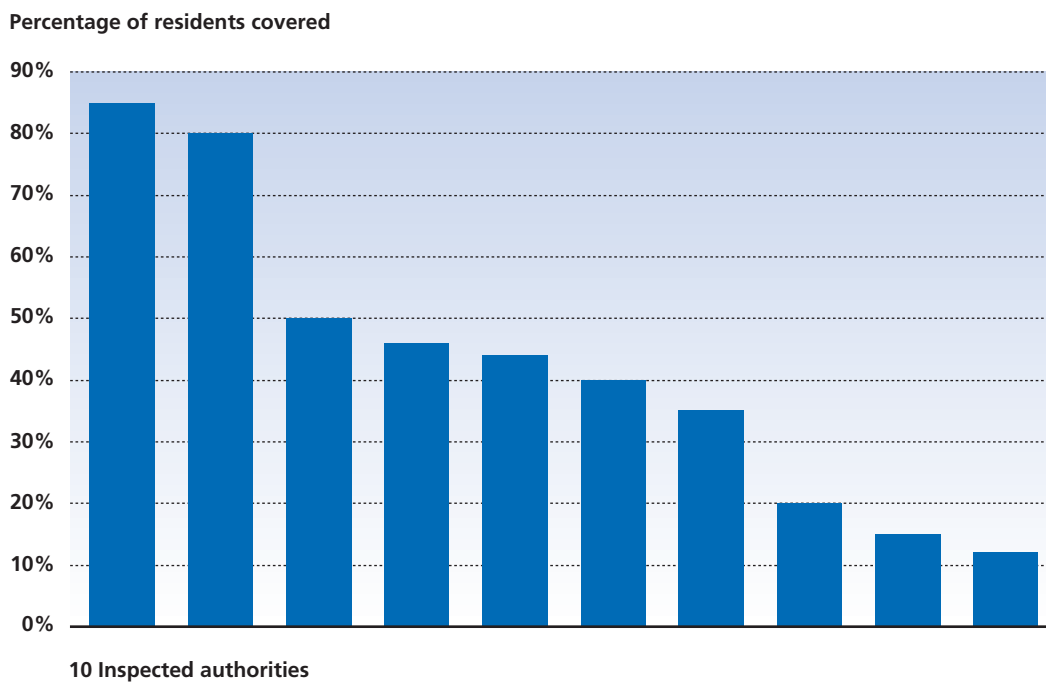
*Source: Analysis of Housing Inspectorate reports and project fieldwork*

## DEVELOPING DIFFERENT WAYS TO INVOLVE MORE RESIDENTS AND ENGAGE HARD-TO-REACH GROUPS

46. Evidence from the Commission’s inspections and other work suggests that current participation structures do not involve a broad enough cross-section of the community, and often simply involve too few residents (**EXHIBIT 10**). Improving this can be very difficult, but to do so, authorities need to use a mixture of ongoing and one-off approaches to consultation, linking with established groups, such as minority ethnic community groups.

### EXHIBIT 10 Coverage of tenants’ and residents’ associations

Very few authorities have more than one-half of their residents covered by a residents’ association.



Source: Analysis of Housing Inspectorate reports and project fieldwork

## IMPROVING THE INVOLVEMENT OF LEASEHOLDERS

47. Some authorities, particularly London boroughs, have a significant proportion of dwellings occupied by leaseholders: for example, Wandsworth has 45 per cent leaseholder occupation of its stock. Leaseholders have a strong interest in the appearance and maintenance of their homes, which affect their value. Too often, authorities think of leaseholders as a burden, or a nuisance, rather than realising the positive effect that a mix of tenure can have on sustainability, and viewing leaseholders as partners in improving housing and regenerating communities. Many authorities do not anticipate well the issues in which leaseholders will have an interest, and as a result, appropriate consultation does not always take place. In most authorities, leaseholders take part in local residents' associations with council tenants, which may marginalise their distinct views. Some authorities have, as well as these structures, a separate forum for leaseholders. However, accountability to, and communication with, the broader community of leaseholders need to be improved.
48. When maintenance contracts are set up, leaseholders have to be served notice under Section 20 of the Landlord & Tenant Act 1985.<sup>1</sup> Serving notices can delay work considerably if not planned for properly. Increases in capital maintenance funding available to English councils means that Section 20 work will need to be further prioritised across councils. Other communication with leaseholders on repair services and how to contact them is often poor: new leaseholders are sometimes not even given any information on who to contact in a repairs emergency.
49. By improving the involvement of residents in different aspects of service delivery, and increasing participation across communities, authorities can aim to deliver far more customer-focused repairs and maintenance services. Authorities need to take action in a number of areas (**CHECKLIST 2**).
50. Having set up effective strategic plans based on residents' needs, authorities need to ensure that maintenance programmes are effectively planned and managed. This is the focus of the following two chapters: Chapter 3 is on planned and capital programmes; Chapter 4 is on responsive repairs services.

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<sup>1</sup> Notices are designed to advise leaseholders of tenders received and a detailed breakdown of the bill they are likely to receive for the work.

### CHECKLIST 2 Engaging effectively with residents

#### Authorities need to:

- Increase the involvement of residents in mainstream decisions, like prioritising maintenance budgets, setting standards and selecting contractors.
- Communicate with residents, about business planning, finance and the decency standard.
- Improve regular channels to feed back clear service performance information.
- Offer more opportunities for individual choice of finishes and components.
- Link with established community groups and use new methods to broaden and increase involvement.
- Set up participation structures for leaseholders that are accountable and link with those of tenants.
- Set clear responsibilities and establish guidance for communication with leaseholders: on service charges, repairs services and costs, major works and new partnering-type contracts.

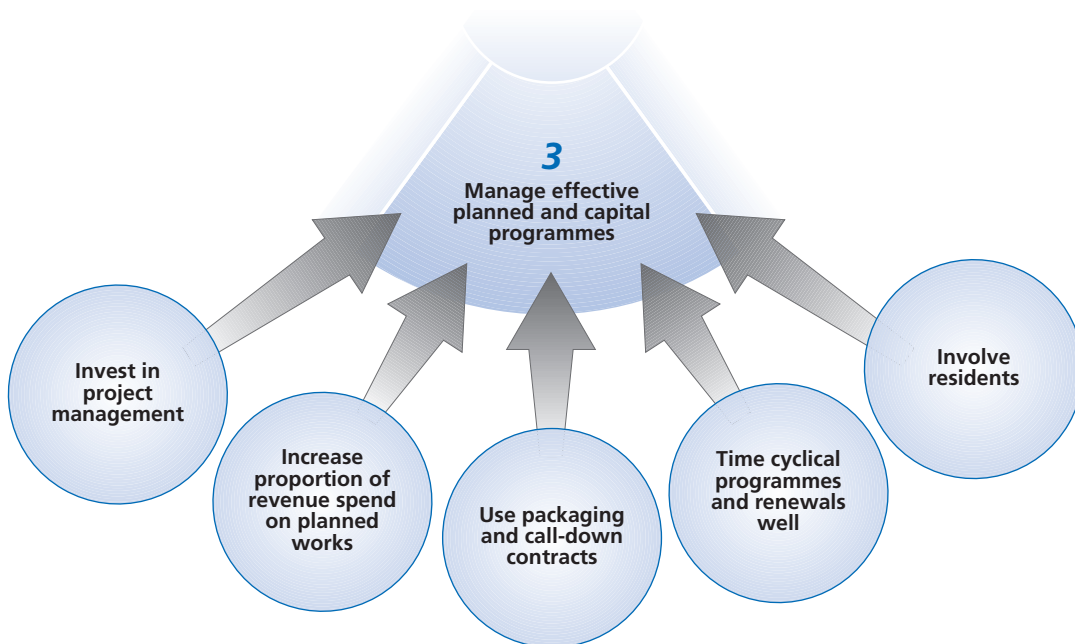
## 3. MANAGING EFFECTIVE PLANNED AND CAPITAL PROGRAMMES

51. Planned and capital programmes are delivering around £3.7 billion of planned maintenance and capital improvement to council homes in England and Wales this year.<sup>1</sup> Spending this money effectively has been a challenge for many authorities: as more capital funding is now available, it is more pressing than ever that authorities manage these programmes well. Failure to manage programmes and investment well will impact directly on authorities' ability to deliver the Government's decency targets. Project management, budgeting skills, and human resource capacity need to be improved, to make full and effective use of planned revenue and capital budgets (**EXHIBIT 11**). Authorities should also investigate alternative forms of contract and procurement arrangements to develop more efficient and improvement-focused relations with contractors. Inspectors found examples of authorities where capital and planned work programme management had been significantly improved from positions of considerable underspending, and inefficient use of money, to well-delivered, effective programmes.

<sup>1</sup> Authorities visited by inspectors were spending between £1.0 million and £28.4 million on their planned programmes (funded from revenue) and £1.8 million and £25.5 million on their capital programmes.

### EXHIBIT 11 Managing effective planned and capital programmes

Authorities need to take action in several areas to deliver improvements in planned programmes.



Source: Audit Commission

## INVESTING IN PROJECT MANAGEMENT AND WORKING WITH CONTRACTORS SO THAT BUDGETS ARE SPENT FULLY AND ON TIME

52. Evidence from inspection reports and interviews suggests that some authorities have considerable difficulties using all the money available to them for planned and capital works. Underspends in visited authorities ranged from 5 per cent to 46 per cent. Serious capital underspends in some authorities have resulted in subsequent years' credit approvals being reduced by the Government. There are several underlying reasons for these problems:
- Projects tend to be developed/specified too late and too slowly (often as a product of the former annual budget and planning cycle), so they are not ready, on the shelf, for contractors to start work early in the year.
  - Contractors agree to do work that they cannot deliver (due, for example, to staff shortages).
  - The client is not 'strong' enough: project and budget management skills are poor, and there is high staff turnover (and possibly shortages of technical and project management staff), so problems are not picked up and addressed early enough.
  - There is an overcautious approach to programming, as authorities are unsure of their ability to prevent overspends – resulting in consistent underspend – or
  - There is insufficient control of work done and monitoring of budgets, resulting in overspend (less frequently).
  - Separate budgets may be managed in different local offices, which do not all have the same project and budget management skills or accord planned works the same priority.
  - Insufficient time is left for consultation with tenants and leaseholders.
53. Evidence from inspection shows that these problems can be successfully addressed (**CASE STUDY 2, overleaf**). Unless authorities improve their management of capital and planned programmes, there will be considerable problems for delivery of the Government's improvement agenda, and use of the MRA. A longer-term view of programmes, rather than an annual one, is important for improvement in this area. Different forms of contract and work packaging can help.

## CASE STUDY 2 Improvements in management of capital programmes in Camden

The London Borough of Camden had a period of underspending on its capital programme, which reached significant levels in 1994/95. As a consequence, Camden's BCA was reduced, and the authority received a critical report from the District Auditor. Furthermore, due to problems in project management, the external redecoration programme failed in 1996. At that time, the authority did not have any stock condition survey information, so it did not have the means to prioritise budgets and programmes across or within local office areas. Staff turnover was high. Camden had had difficulty recruiting staff of high enough calibre.

### What Camden did to improve

Management and delivery were overhauled. The Director created a new post – assistant director of renewals – to manage a newly prioritised capital programme. The assistant director's brief was 'to keep tight control on the spending profile by recentralising the programme and building a Technical Client Services Group to compose, procure, monitor and deliver the programme'.

Under the management of the new assistant director, within the technical services client group, new project management posts were created, to manage schemes. Budgets were centralised to keep tighter control. Comprehensive monitoring for spending and project progress was introduced, using the CapFund database. This produces a monthly capital statement, monitoring key dates, spending, variance and outturn. Project officers and other staff were trained on this software, and on concepts in capital programming. Four stock condition surveys were commissioned: findings of the stock condition surveys were used to prioritise works, and develop a 14-year programme, worth over £230m. Camden introduced flexible over-programming to maximise spending and allow for unexpected increases in funding or slippage.

The building design service (architects department) was outsourced, making considerable commissioning savings. To address shortages in project management staff, Camden adopted a set of approaches: it used some consultants to fill vacancies, and also seconded in local office staff, providing them with comprehensive training to fit their new role. To help to find a longer-term solution, independent recruitment consultants were employed to advise on job descriptions and pay scales, and on whether current packages were sufficient to attract and retain a good selection of candidates.

### What the outcome was

The long-term programme is targeted, and based on sound stock information; financial control is now much better; and there has been great improvement on programme slippage.

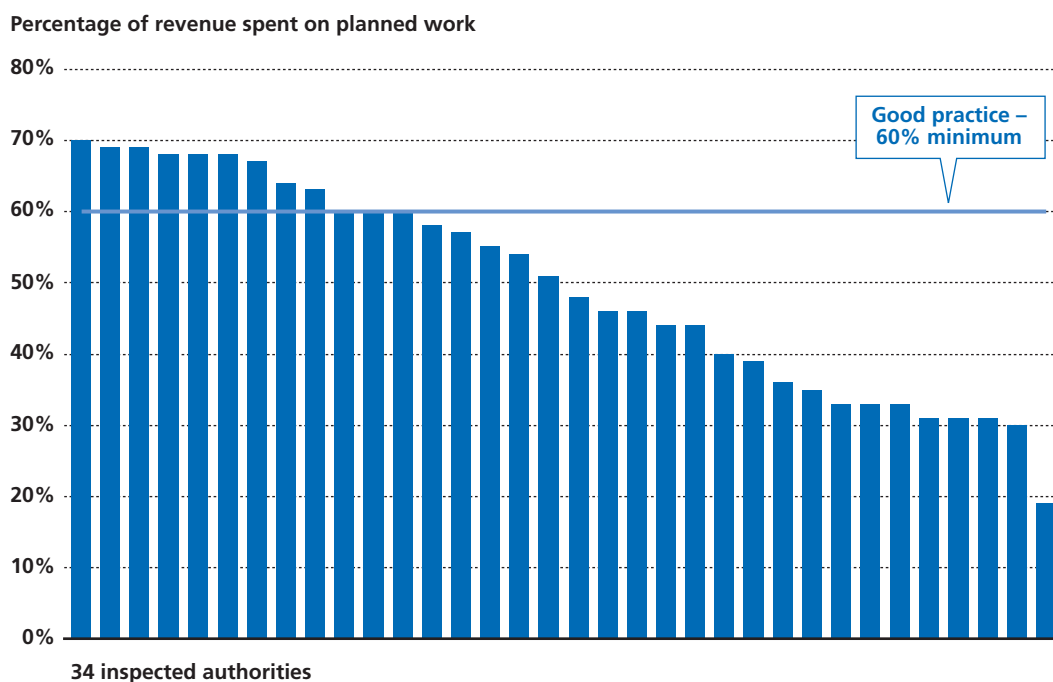
*Source: Analysis of Housing Inspectorate reports and project fieldwork*

## INCREASING THE PROPORTION OF REVENUE SPEND ON PLANNED MAINTENANCE

54. Planned works are better value for money than responsive works (if procured efficiently and at an appropriate time), as work can be carried out in bulk, and the overheads involved in supporting tradespeople and vehicles on a responsive contract are avoided. Planning work enables spending to fit with the housing business plan, whereas responsive spending is comparatively uncontrolled. Previous analyses have encouraged authorities to increase the proportion of their revenue spending on planned works. Many authorities are still not adopting a sufficiently planned approach: two-thirds of inspected authorities are spending too low a proportion of their revenue repair budget on planned works (**EXHIBIT 12**).

**EXHIBIT 12 Proportion of revenue repair budget spent on planned maintenance**

Over two-thirds of inspected authorities were spending too low a proportion on planned work.



Source: Analysis of Housing Inspectorate reports

55. It is important that targets to increase the proportion of planned maintenance spending are set. Many authorities have not set hard targets; where there are any, these are often not challenging enough, or a concrete plan for achieving them has not been set out. However, some authorities are addressing these concerns, for example, Kirklees has been implementing a policy of increasing its planned maintenance spending to 70 per cent for several years (**CASE STUDY 4, page 31**).
56. In most authorities, planned works and responsive works are managed, ordered and carried out by separate teams of people. This makes it very difficult to change the balance between the two types of work. Improving the balance depends on close operational links like batching up non-urgent responsive repairs to form planned works, making sure only appropriate repairs are ordered under the responsive budget, interrogating the responsive repairs system to inform planned and cyclical programmes, and avoiding ordering responsive repairs when planned works are due.
57. Authorities should consider whether bringing together overall management responsibility for planned, capital and responsive works could help. This could improve links, help to achieve strategic aims and enable the repairs service to contribute to business planning and fit with housing and community strategies better.

## USING PACKAGING AND CALL-DOWN CONTRACTS TO GET BETTER VALUE FOR MONEY

58. Putting together programmes of work into large packages allows contractors to price more competitively due to economies of scale; internal commissioning costs can also be reduced.<sup>I</sup> Authorities need to realise more opportunities to package works together in an area or across dwelling types.<sup>II</sup> Sometimes, the management of local financial regulation processes are a bureaucratic barrier to packaging larger contracts: authorities should ensure that their scrutiny processes are more timely and effective, to support innovation better.
59. Call-down fixed-term contracts, based on a schedule-of-rates, can be used for planned work (**CASE STUDY 3**). These contracts require more commissioning effort up-front, but may improve costs over the lifetime of the contract by reducing the yearly tendering and final account processes. These contracts provide a standard basis for work in any of a council's properties, without annual peaks and troughs in work and labour costs. Prices and specifications for an anticipated level of work are agreed (involving the contractor fully) at the start of the fixed-term contract. However, control of work and costs needs to be good to ensure that there is no over-specification of work.
60. Under some partnering contracts, authorities pay the contractor a fixed cost for anticipated work, moving away from a 'pricing' approach. At any point during the contract, the authority can request work in groups of homes without having to make detailed specifications and invite tenders. Output requirements, not inputs, are specified. Workflow to the contractor is steadier, which reduces labour costs. In return, the authority has better medium-term cost security. Also, after initial increases in commissioning to establish the contract, less ongoing design/technical input is required, reducing client costs, or allowing resources to be focused on quality monitoring and project management.

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I Commissioning costs in authorities are sometimes very high: in inspected authorities they varied between 9 per cent and 24 per cent.

II Packaging is not the same as 'total house refurbishment', which may replace components before their useful lifetime.

### CASE STUDY 3 Use of call-down contracts in Barnet

The London Borough of Barnet has a three-year arrangement for a volume of heating work independent of its location. The core programme is loosely specified (for example, at the start of the year, aim to do x boilers in estate y), as well as other programmes Barnet might want to bring forward quickly. A schedule of rates is used, as there are different boilers in different estates or homes. The longer-term arrangement gets more commitment from contractors. They still have a contract, with break clauses to use if necessary. The system was piloted on heating, and subsequently used on kitchen upgrades, bathroom upgrades, and perimeter security works. Barnet will apply it to external redecorations next.

*Source: Analysis of Housing Inspectorate reports and project fieldwork*

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## MANAGING WELL-TIMED AND COST-EFFECTIVE CYCLICAL PROGRAMMES AND RENEWALS

61. The timing of renewal of building components and sub-components, and that of cyclical programmes has a great impact on cost-effectiveness and, potentially, on safety.
62. Renewals to building components can be programmed based on their standard estimated industry lifetimes, or on a 'just-in-time' strategy,<sup>I</sup> which can make better use of resources. However, it requires authorities to collect very good information on building components and responsive repairs. If considering this approach, authorities should estimate the technical and contractor capacity to deliver programmes quickly once the appropriate point in time has been determined.
63. Cyclical programmes often fall behind, with considerable knock-on costs. Rigid cycles may not make the most effective use of resources, but information to assist decisions on timing is key, otherwise greater, more expensive failures occur. Furthermore, the state of repair of external and communal areas are understandably a source of contention with tenants, who decorate and care for their own flats (internally) but often feel let down by the council's contrasting standards for external decoration.
64. Annual gas servicing and safety checking contracts are of particular concern to inspectors. Annual gas installation checks are a relatively recent legal responsibility for landlords, and the (safety and legal) risks of not carrying out checks are high. Performance and procedures in inspected sites were highly variable. Problems often stem from access problems and not all authorities have set up adequate procedures to address this. As the landlord's responsibility for safety checks is relatively new, some tenants may be unaware of its importance.<sup>II</sup>

## INVOLVING RESIDENTS IN PLANNED AND CAPITAL WORKS

65. Residents are often unhappy about the extent of *advance* communication on major works, particularly relating to security issues, decanting options and timetables, and refuge and access arrangements. They also want better consultation *during* works: plans can change while works are being carried out, due to unexpected difficulties, and this can affect designs, specifications or timetables agreed earlier with tenants. Having *completed* a major project, some authorities' attention moves on to the next project: but many (for example, Kensington and Chelsea, Gosport and East Riding) do take the time to learn from tenants, how they felt about the process and its outcomes.

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I For the former, if, for example, a boiler's expected lifetime was 15 years, all boilers would be replaced on a 15-year cycle, whether they needed replacement or not. Many could function normally for 25 or 30 years. Just-in-time strategies allow usage to extend beyond industry lifetimes: there will be some early failures repaired as responsive repairs; the whole body of boilers is replaced when this failure rate increases and there is therefore evidence that the bulk of boilers is beginning to fail. This involves detailed cost/benefit calculation.

II Brent has put advertisements in the local press to get the message across. Sheffield has promoted the importance of safety checks and servicing using a variety of methods: posters in public areas; a flag on the IT system to indicate where a service had not been undertaken, when tenants reported other repairs; inclusion of a section on gas servicing with the rent increase letters sent to all tenants; and a section in the annual report to tenants.

66. By project-managing and working with contractors to ensure that all allocated resources are spent on time, increasing revenue spending on planned maintenance, and packaging and timing investment to get maximum value for money, authorities can make far better use of the resources available to them. Without improving in this area, authorities will have difficulty achieving the Government's decency standard targets (**CHECKLIST 3**).

### **CHECKLIST 3 Managing effective planned and capital programmes**

#### **Authorities should ensure that they:**

- Improve use of capital resources by:
    - increasing the profile of planned and capital works, by emphasising senior management and member ownership;
    - starting to plan very early for next year's programmes, so work specifications are ready on the shelf before April, and set longer-term programmes (this is easier now because of the MRA);
    - making sure that time for consultation is built into the process, and that consultation receives a high priority in the council and is someone's responsibility;
    - always having some extra programmes ready, to start work on if other projects slip;
    - improving client project management, by recruiting, training and rewarding good staff; supporting them with accurate budgeting and project management software; and
    - managing client project staff under a strong management structure.
  - Set realistic targets for increasing the level of revenue-funded planned repairs, and consider practical arrangements to improve operational links between responsive work and the planned and capital programmes.
  - Use procurement to increase value for money (see also Chapter 5), by considering call-down contracts, and packaging work.
  - Adopt flexible renewal programmes, optimising the renewal interval, to provide greater value for money without incurring too many (expensive and disruptive) responsive repairs when components fail.
  - Prioritise (with tenants) cyclical works (for example, painting) where failures will have a knock-on effect on maintenance costs, like the need to replace rotten windows.
  - Use appointment systems for gas servicing and develop policies to address no-access cases.
  - Allow residents more opportunity to input to practical aspects of the work, and to feedback their views afterwards.
  - Work with contractors to build an environment of communication and trust with long-term aims (Chapter 5).
-

## 4. RUNNING EFFICIENT RESPONSIVE REPAIRS SERVICES

67. By maximising spending on planned and capital work, an authority's responsive repair workload could be expected to decrease. However, there will always be a need for a service responding to unexpected failures. Approximately £1.1 billion is spent per year on responsive repair work (by English and Welsh authorities). There is wide variation in the level of work carried out across authorities: differences reflect the condition of the stock, tenant behaviour and authority procedures (or lack of them). Authorities need to control their level of spending on responsive repairs, within legal obligations, so that they can channel money to more cost-effective planned works. There are considerable efficiency savings to be made.
68. The responsive repairs service is one of the most visible services a council provides to tenants. Residents want quality repairs carried out on time, and on a tradesperson's first visit, and they want to be offered appointments. Delivering this is difficult and requires an authority to be good at several inter-related things at the same time (**EXHIBIT 13, overleaf**). Most authorities deliver good emergency responsive repair services. Many have good provision for customer care in contracts, and have set up, or are piloting, appointment systems. In many authorities, however, improvement is needed. A failure to control activity in this area impacts on the authority's ability to invest strategically in its stock. This in turn will make it harder to deliver the Government's decency targets. Staff training, IT, and performance management are recurring aspects that need to be strengthened by housing clients and contractors alike.

### REDUCING THE LEVEL OF RESPONSIVE WORK

69. Inspected authorities were spending between 30 per cent and 81 per cent of their revenue repairs spend on responsive work: two-thirds of authorities were spending more than the 40 per cent good practice target level. Aside from the level of repair orders made, far too many repairs are inappropriately ordered on emergency codes,<sup>1</sup> which increases costs. Most authorities spending more than 40 per cent of their repairs revenue budget on responsive repairs need to reduce this by:
- setting aims and targeting expenditure for the whole service, and controlling budgets;
  - training staff (including out-of-hours staff) on repair-ordering policy, business concepts and budgets, so that the service becomes less demand led;
  - reducing the level of expensive emergency work, ensuring that repairs clerks do not over-prioritise repairs, by setting and monitoring a policy on which repairs qualify; and

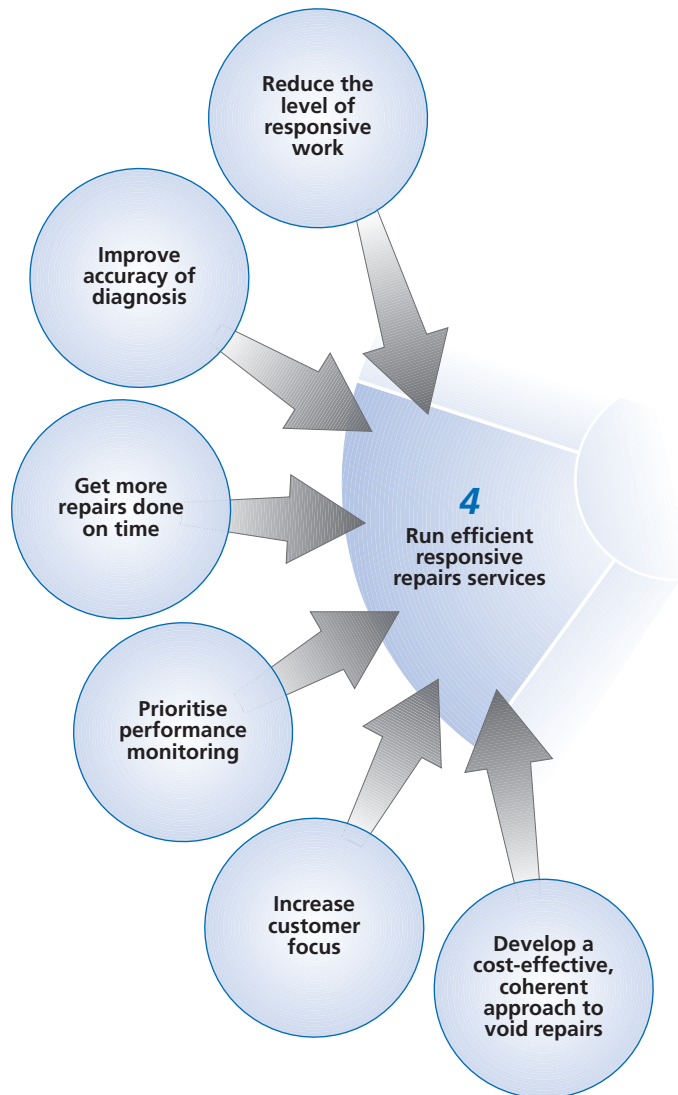
<sup>1</sup> 24 inspected authorities were carrying out between 12 per cent and 50 per cent of their responsive work on 24-hour codes. 8 out of 10 were carrying out more than 20 per cent emergency work. Many of these repairs were over-prioritised. Emergency work attracts premium payments, or, if there is no premium, a high level of emergency work will be reflected in a more expensive overall contract.

- linking with planned work programmes and increasing the proportion of planned work carried out (Chapter 3).

Real improvements are possible in these areas (**CASE STUDY 4**).

### EXHIBIT 13 Running an efficient responsive repairs service

Responsive repairs services are complex, and efficiency depends on several elements.



Source: Audit Commission

## CASE STUDY 4 Reducing spending on responsive repairs at Kirklees

Responsive repairs spending was high and budgets were overspent; both planned and responsive repair spending were not well controlled at Kirklees Metropolitan Council. Responsive repair problems were evident in four areas:

1. Budgets were not allocated to apply downwards pressure on responsive work, or according to need. They were delegated down to 17 area offices, and allocated on a historic spending basis.
2. The 55 generic repair-ordering staff were not acting in line with procedures, and there was inconsistency between offices. Accuracy of ordering was a problem. Turnover was high: people were in the job for 18 months maximum.
3. A high number of jobs were being ordered on emergency codes. Local managers weren't giving procedures enough priority and monitoring of policy was not good. With so many emergencies, the Direct Labour Organisation (DLO) had to be much more mobile and vehicle costs were large.
4. Jobs were charged slowly, and repairs were misdiagnosed, which caused errors in the commitment accounting system.

### What Kirklees did to improve

Kirklees studied why area offices were not able to control spending, looking at processes, supervision, management, information, and whether budgetary techniques were being used. It set achievement of a 70:30 planned: responsive split in spending on repairs as a strategic aim.

A 'unit maintenance allowance' was set up: an average of spending across all the properties, weighted for size of property. It was phased in gradually. Improved monitoring information was collected for the individual areas, on: projected overspend, volume of orders, and spending, on a four-weekly basis. The number of generic reporting staff is still a problem though: Kirklees plans to introduce a repairs call centre, with a diagnostic system where it is easier to train staff. Emergency repairs policy was reinforced by reissuing procedure notes and providing more training to frontline staff. Fortnightly client-contractor financial meetings have been set up. Charging is now much more up to date: 96 per cent of jobs are charged within a month of completion. Clerks are required to put real estimates into the commitment accounting system. External non-urgent repairs (for example, fences and paths) are batched, to get increased discounts on the Schedule of Rates.

### Outcomes

With standards reinforced across the board, in the first year the responsive repair budget underspent by £750,000. Instant responses were reduced from 18,000 to 5,000 per year over three to four years. Tenants accepted the reduction in budgets as they realised they could get more value from planned work: but wanted the budgets ringfenced for repairs.

### Effect on the DLO

The DLO business plan was 'turned upside down' by the reduction in responsive spending, and the £750,000 underspend in one year. Now, the housing department gives the DLO three-year indicative (not guaranteed) budgets. Client and DLO meet in quarter four to discuss the next year's budgets. The housing client makes clear how much it is intending to spend on responsive repairs and planned works.

The improvements in tenant focus and service delivery in the DLO have made them an attractive provider to other social housing providers. The DLO had £400,000 turnover last year from work other than on Kirklees housing stock.

Contact: John Roberts, Kirklees Metropolitan Borough Council

Source: *Analysis of Housing Inspectorate reports and project fieldwork*

## IMPROVING THE ACCURACY OF DIAGNOSIS

70. Diagnosing a repair correctly, so that operatives turn up at tenants' homes with the right materials, tools and time to do a job, first time, is a critical success factor for the service and remains a problem for many authorities. Poor diagnosis wastes time and money, and affects client-contractor relations. It diverts resources to processing variation orders and pre-inspection.<sup>1</sup> To improve diagnosis, authorities need to:

- invest sufficiently in training staff who take repairs orders, and consider the balance between specialist and generic working;
- reduce the complexity of repair ordering by simplifying the schedule;
- provide a diagnostic handbook or software to staff, and train them in its use; and
- consider introducing some degree of flexibility, by leaving some diagnosis to operatives, to cope with inaccuracies.

Canterbury City Council has adopted an approach where the running of the call centre (repair diagnosis and ordering), and repair work are both carried out by an external contractor, under a fixed-budget contract (**CASE STUDY 5**), which moves to the contractor the risk of inaccurate diagnosis. Whether the contractor gets diagnosis right or not still impacts on tenants, however, and the Council monitors contractor performance accordingly.

<sup>1</sup> Between 22 per cent and 99.8 per cent of inspected authorities' repair orders resulted in variation; nearly three-quarters of authorities had variation orders for over 50 per cent of their repairs. Inspected and audited authorities were carrying out between 1 per cent and 63 per cent pre-inspections, which delay repairs considerably and reduce resources for performance monitoring.



## CASE STUDY 5 Canterbury City Council responsive repair contract

In 1998 Canterbury City Council decided to move to one output-based contract, as its former contracts had performed variably and monitoring was duplicated. A 3 (+2) year contract was awarded to Serco, covering all voids, responsive repairs and gas servicing for all its 5,400 homes. The contract is run and monitored centrally, and monitoring information is split by ward. Specifications included response times (immediate, 5 and 20 days) and minimum void repair standards. A philosophy of 'right first time' was established.

There is no schedule of rates. Fixed budgets for repairs, contractors' overheads and profit were agreed up front as part of the contract. The contract value averages £2 million per annum: £1.5 million for the repairs work (tradespeople and materials), £350,000 for contractor administration and £150,000 contractor profit. The £1.5 million was calculated based on Canterbury's analysis of expected work levels based on past years' responsive repairs workload, and estimates of how much this would cost. Client contract managers and Serco agreed, and refine yearly, how the £1.5 million is split across: general responsive repairs, voids, garages, gas servicing. There is no incentive for Serco to 'over-specify' work, as the contract sum is fixed.

Tenant calls go straight to Serco, and repair staff order the job on Serco's internal schedule of rates (risks of misdiagnosis are passed to the contractor). A job ticket, satisfaction form, tenant letter and materials order are generated straight away.

Instead of getting around 25,000 invoices a year, the council receives 12, one a month for one-twelfth of the contract sum. This has enabled it to release administrative resources for other work. Budgets are monitored monthly against Serco's actual spending (after any variation orders). Notional charges for a job are constant no matter under which priority category they were delivered – out-of-hours, emergency or normal. (Costs were developed to allow for some emergency work.) The Council accesses Serco's records, to check spending.

Any increases in demand have, so far, been of a low enough level to be met within the contract. During one difficult winter, demand was such that work had to be reprioritised, and (due to manpower constraints) 'normal' category work was extended to 35 days. Work was accommodated later, within budget. Year-on-year, Canterbury reports that more and more jobs have been carried out within the £1.5 million.

Performance indicators for each ward, including tenant satisfaction responses, evening telephone checks, response times and supervisor's quality checks are reviewed monthly (at a meeting including tenant representatives): Canterbury can audit this information by checking on Serco's system. Initially, client post-inspections ran at 10 per cent to 15 per cent, but this has been scaled down as people were often not at home, jobs were of low value and performance was good. Canterbury now targets post-inspection on all voids, and high value jobs. Serco's supervisors carry out 10 per cent checking of jobs: if a tradesperson has not completed a job properly they are recalled, but not paid for their work.

Joint initiatives are developed at the Contract Development group which meets bi-annually, and includes tenants. One such development was the 'Repairs Caravan'. PIs were used to identify which wards were giving rise to high numbers of calls. Serco then targeted one ward at a time: they sent out letters saying they would be in the area and then visited every property to check whether certain repairs were needed. This was later refined to a list of six items, including clearing gutters, rehanging doors, and repairing window fixings. Repairs are then called through to the call centre as if they were normal responsive repairs. Charges come out of the £1.5 million contract. Currently three wards have been covered and a fourth is planned.

Contact: Chris Seeman, Canterbury City Council

Source: *Analysis of Housing Inspectorate reports and project fieldwork*

## GETTING MORE REPAIRS DONE ON TIME

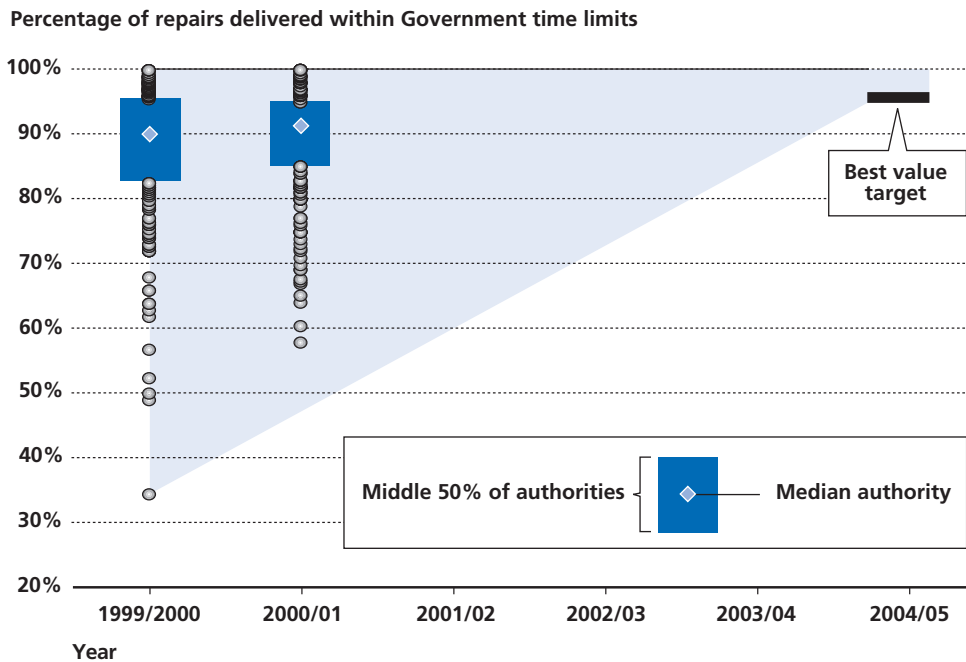
71. Authorities set their own target times for different categories of repair. The Government also requires authorities to monitor whether they complete certain types of urgent repair on time. Authorities are broadly improving their performance on completing emergency and urgent jobs on time, in line with best value targets (EXHIBIT 14). This follows years of static performance (EXHIBIT 15). They are not, however, performing so well for less urgent jobs: 24 per cent of authorities<sup>1</sup> have an average repair completion time of over 30 days. Tenants in some authorities are waiting for unacceptably long periods for repairs: for example, 100 days on average. An authority will need to have a co-ordinated approach in several areas before it can improve on meeting its response targets. To improve, authorities need to:

- improve diagnosis of repairs (reducing the need for pre-inspections which delay works);
- improve budgetary control, so that budgets are not exceeded and non-urgent repairs are not delayed at end of year to meet spending targets;

<sup>1</sup> Performance information for England, estimates, 2000/01.

### EXHIBIT 14 Performance on completing emergency repairs within Government time limits: England

Authorities improved their performance on completing emergency repairs on time during 2000/01.



Note 1: Only 227 out of 353 English authorities could provide estimated PI data for 2000/01. 1999/2000 performance is shown for those 227 English authorities able to provide information for both years. The level of improvement required, if these authorities are to meet top 25 per cent performance within 5 years, is indicated.

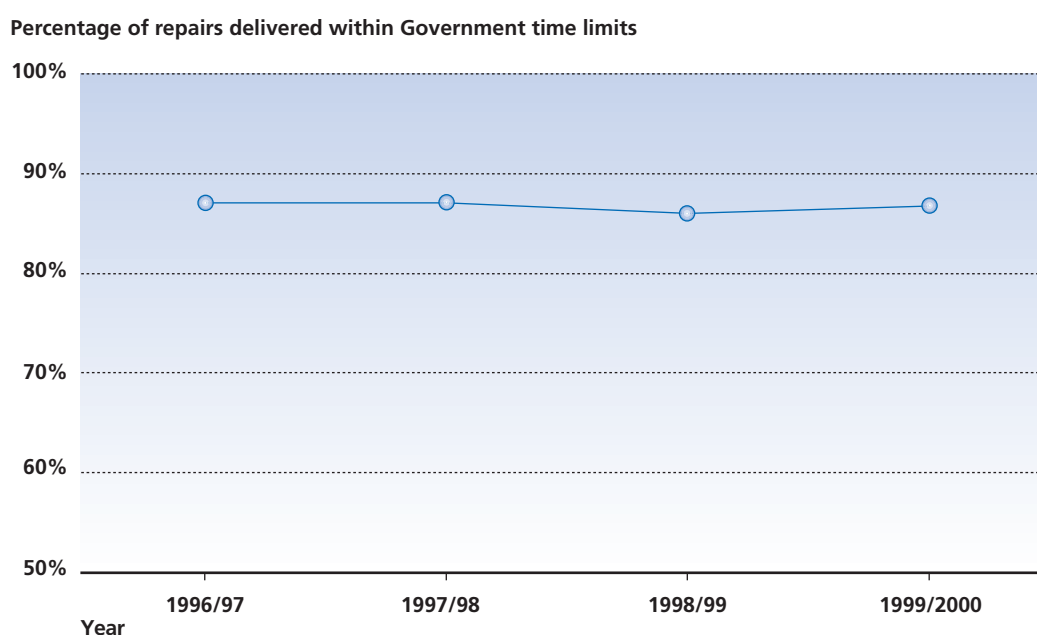
Note 2: Similar comparisons are not possible for Wales because definitions have changed year-on-year. However, on average, performance has shown some improvement.

Source: Best Value Performance Indicators: 1999/2000 Actuals; 2000/01 Estimates

- set clear, easily monitored time targets, and compare their non-urgent targets with other authorities;
- use flexible contractors, who can provide or develop multi-skilled workers, and ringfenced resources for emergency, normal and void work; supporting them to address shortages of key tradespeople;
- set up direct IT links with contractors; and
- consider using handy-persons for small repairs where productivity and added value can be demonstrated.

#### EXHIBIT 15 Performance on completing emergency repairs within Government time limits: England and Wales

Authorities in England and Wales have not delivered improvement on this PI during recent years, up to and including 1999/2000.



Source: Performance Indicators for English and Welsh Authorities: 1996/97 to 1999/2000 Actuals

## PRIORITISING PERFORMANCE MONITORING

72. Jobs that are not complete or are of poor quality are sometimes still charged for, and some contractors frequently overcharge for work. Authorities put a lot of resources into diagnosing repairs, payment processing and agreeing jobs with contractors. In comparison, the level of performance monitoring carried out varies considerably. Some authorities carry out a very low level of post-inspection. It is not clear how they ensure that their, and their residents', money is being well spent. Authorities need to refocus their effort and consider the level of resources they put into monitoring contractors' performance, by:
- increasing and ringfencing client resources for post-inspection;
  - targeting post-inspections on the riskiest jobs (for example, multi-trade, or based on past poor performance or complaints);
  - co-ordinating better with contractors' own post-inspection arrangements; and
  - using residents to help to monitor performance, and building up information on their complaints to improve the service.

## INCREASING CUSTOMER FOCUS

73. Authorities need to make sure that access arrangements meet what residents want, are well publicised, uncomplicated, meet the communication needs of all residents,<sup>I</sup> and are preferably free. Most authorities allow tenants to access the service through multiple routes, telephoning an office or call centre, or reporting to an office in person.<sup>II</sup> However, information on the repairs service and how to access it is often either not readily available or inconsistent. Tenants are not always kept sufficiently up to date with changes in access arrangements, and entries in local telephone books or leaflets are not always reliable or consistent.
74. Introducing an appointment system so that customers can be offered appointments when they ring up is hard, takes time to do well, and should be developed involving client staff and tenants, and in close liaison with the contractor and its operatives. Appointments can be made, in theory, for all non-emergency (24-hour) repairs. The level of appointments delivered differs starkly between authorities: many of the current systems are pilots, or only cover limited categories of repairs (for example, plumbing only, or repairs with response targets over 10 days).
75. Tenants can be responsible for some repairs, such as replacing window-panes, which they may order through the responsive repairs service. Failure to follow up recharges to tenants, or to pursue them with legal action, where necessary, leads to a culture of non-payment in some authorities. One authority was losing 2 per cent of its overall responsive repairs budget because of failure to collect 97 per cent of charges to tenants. Authorities, therefore, need to make sure that policy is clear to tenants, and that they set and reinforce the recharging policy, targeting recharging work on cases where there will be the most benefit.

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I LanguageLine is available at many authorities. However, some authorities, even among those with high levels of minority ethnic tenants, did not provide a multilingual facility at all repair reporting centres. A minority of authorities have Minicom facilities for use by tenants with hearing difficulties.

II In authorities that kept records, between 50 and 90 per cent of repairs were reported by telephone.

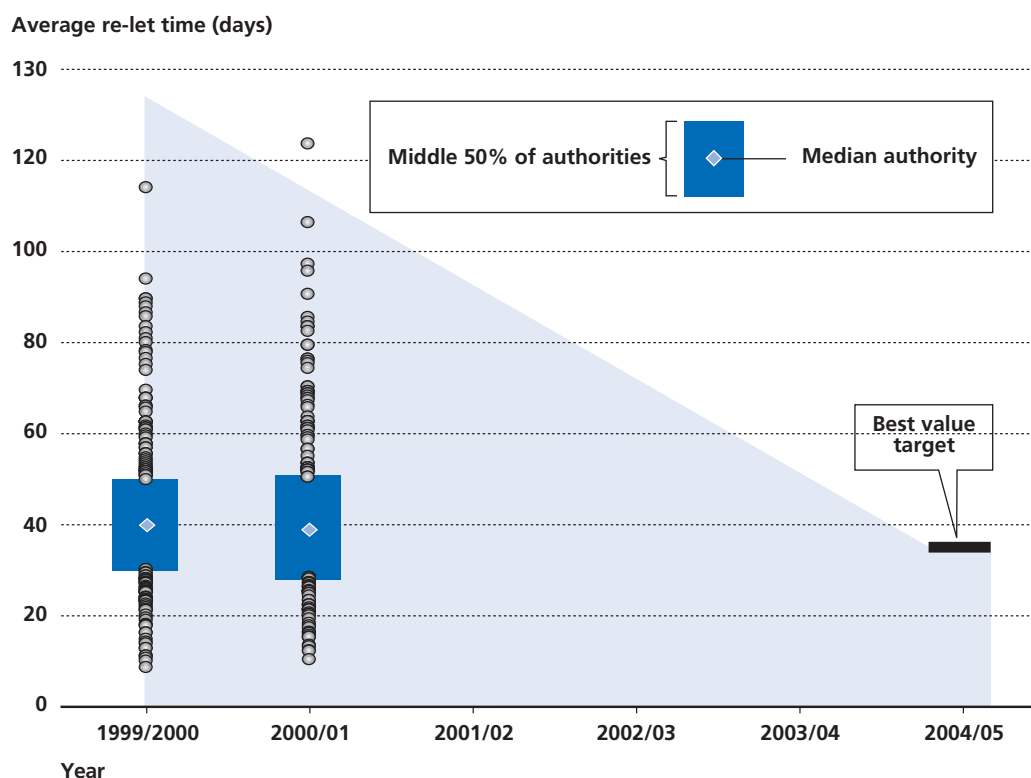
## A COST-EFFECTIVE, COHERENT APPROACH TO REPAIRS ON VOID PROPERTIES

76. Repairs to void properties are responsive in nature, but are very different from responsive repairs ordered by tenants: any delay in repairing a void has an immediate effect on rental income for that property; the link with housing allocations is crucial; and no tenant is resident in the property, so it is easier (and cheaper) to carry out the work.
77. Authorities are not managing to improve their void re-let times in line with best value targets (EXHIBIT 16): this is against a background of worsening performance over the last seven years (EXHIBIT 17, overleaf). To speed up the *repair*<sup>1</sup> aspects of void management, authorities need to: improve links with tenancy management, by introducing practical measures like pre-allocation and pre-inspection; and negotiate with the contractor for ringfenced void repair resources, faster turnaround times, and for reduced rates.

<sup>1</sup> The length of time a property is empty relates to demand for the property, the process of tenancy management and allocation, whether repairs happen on time and how much repair work is needed.

### EXHIBIT 16 Performance on re-letting voids, England

Authorities are not managing to improve their void re-let times in line with best value targets: average performance for 263 out of 353 English authorities is marginally better, although the spread of performance is worse. There needs to be considerable improvement in order that best value targets are met.



Note 1: 1999/2000 performance shown, with projected levels of improvement required if all authorities are to meet top 25 per cent performance within 5 years. 2000/01 performance (estimated PIs) shown, for the same authorities.

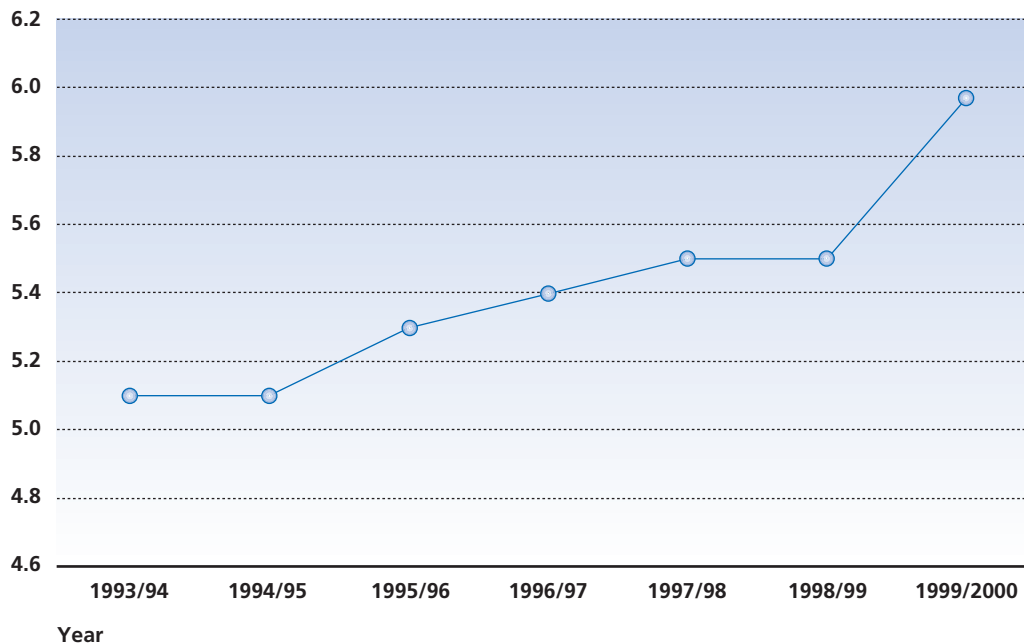
Note 2: The chart is for England only. On average, performance in Wales has shown marked improvement.

Source: Best Value Performance Indicators for 263 English Authorities: 1999/2000 Actuals; 2000/01 Estimates

**EXHIBIT 17 Performance on re-letting voids, England**

Performance has got worse over the last seven years.

Average re-let times (weeks)



Source: Best Value Performance Indicators for English and Welsh Authorities: 1993/94 to 1999/2000 Actuals

78. Authorities spend greatly differing amounts on repairing their void properties. The standard to which they carry out the work (lettable standard) should link closely with business plans, but often does not.<sup>1</sup> Current tenants should be involved in setting standards within the context of maintenance needs of all properties, so resentment of new tenants does not form.
79. Many authorities need to deliver step change in their responsive repairs services, and learn from the performance and procedures in the best authorities. Failure to control spending in this area impacts on an authority's ability to invest strategically in its stock. This in turn will make it harder to deliver the Government's decency targets. By controlling the overall level of responsive work, improving diagnosis of repairs, getting less urgent as well as urgent repairs completed on time, improving performance monitoring and increasing customer focus, they can deliver real improvements for residents and achieve far better value for money. They also need to take firm action to speed up the management and repair of voids. To achieve this, they need to take co-ordinated action across a range of operational areas (**CHECKLIST 4**).

<sup>1</sup> The lettable standard for an area should balance the benefits of increased property marketability, with the likelihood that expenditure will be worth it in the long term: if the area is in low demand, then spending large amounts will probably not help.

#### CHECKLIST 4 Running efficient responsive repairs services

##### Authorities should:

- Set and reinforce both policies and budgets for the responsive service, including a policy on emergency repairs, and one on transferring repairs to the planned programme.
  - Improve use of budgetary information and speed of its feedback to those ordering repairs (by improving IT and training staff) so that there is better control of ordering throughout the year and across staff and local offices.
  - Train staff on: repair-ordering policy, business concepts and budgets (so the service becomes less demand led); and building technology and the schedule of rates (so accuracy improves).
  - Increase and ringfence client resources for targeted post-inspection, reducing resources for pre-inspection; and use tenants to help to monitor performance; so that performance monitoring improves.
  - Reduce the complexity of repair ordering by simplifying the schedule, and consider introducing some degree of flexibility, by leaving some diagnosis to operatives, to cope with inaccuracies.
  - Work with and develop flexible contractors, who are or will introduce multi-skilling.
  - Set clear, easily monitored response time targets, and compare non-urgent targets with other authorities.
  - Ensure that access to the service is equitable, and that all residents are offered an appointment (except for urgent repairs) when they ring up.
  - Make sure that recharging policy is clear to tenants, set and reinforce the recharging policy, and target recharging work on cases where there will be the most benefit.
  - Improve links between tenancy management and repairs management, and involve the repairs contractor to speed up void management.
  - Agree a lettable standard for voids, with tenants and those responsible for housing strategy.
-

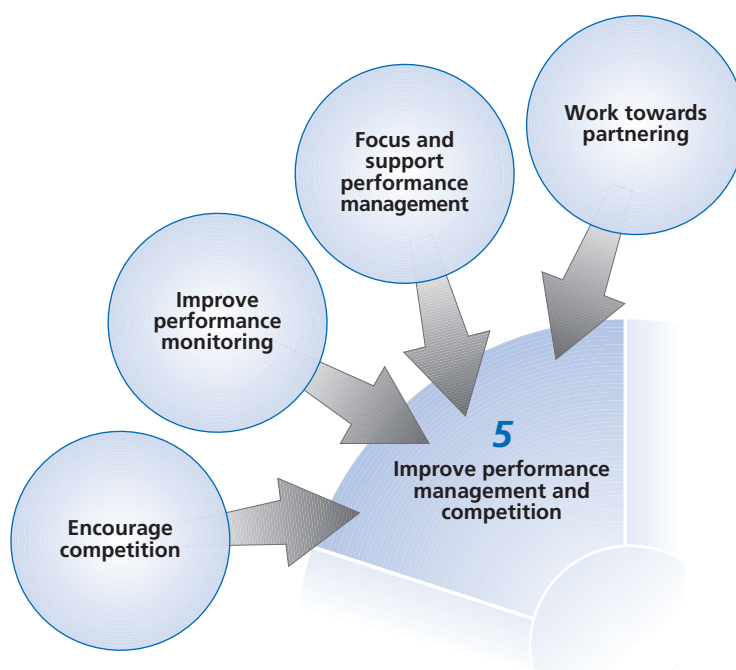
## 5. IMPROVING PERFORMANCE MANAGEMENT AND COMPETITION

80. Housing maintenance expenditure is the single largest area of spending for many authorities: authorities in England and Wales planned to spend £4.8 billion on these services in 2001/02. Responsive and planned maintenance services are delivered through a range of internal and external contractors. Choosing contractors well and managing contracts (whether internal or external) to ensure good performance are critical factors in determining whether this public and tenants' money achieves the objectives of authorities, tenants and the Government.
81. Councils now have to take into account quality and customers' needs, as well as costs, when reviewing their services and letting and monitoring contracts. Many inspected authorities could not demonstrate that they had awarded contracts using sufficiently competitive processes. Specification of desired outputs, including quality measures, needs to improve; relationships between client and contractor should focus more on improvement; and clients need to carry out more rigorous, focused performance monitoring. Authorities need to set an outcome- and improvement-focused environment by operating transparent competition, improving performance monitoring, focusing performance management and working towards partnering<sup>1</sup> (EXHIBIT 18).

<sup>1</sup> See also a further Audit Commission publication on procurement and competition, to be published spring 2002.

### EXHIBIT 18 Improving performance management and maintaining competition

Authorities need to set an outcome- and improvement-focused environment.



Source: Audit Commission

## ENCOURAGING COMPETITION

- 82. Authorities must have transparent, open competition against clearly defined criteria to get the best service for tenants and local residents. Supplier confidence will be increased, and the local market will improve, if it is demonstrated that appointment of contractors is open and fair. However, to do this the authority needs to be clear what it wants to achieve from the service. Contracts are sometimes let without full competition from a range of suppliers: packaging of work can be used to stimulate interest from potential suppliers of different sizes, but is often used as a mechanism for limiting competition (**BOX C**).
- 83. Problems stem from the fact that there is often too much focus on who the contractor is, with a tendency to protect the interests of internal contractors – now known as Internal Trading Organisations (INTOs); and not enough focus on outcomes for the housing stock and the tenant customer. The Local Government Act 2000 gives authorities duties to promote or improve the well-being of their area. This has been interpreted by many authorities to mean that they can use procurement to support local suppliers and economic development. However, authorities need to take into account the cost of an expensive or poor quality contract to the community as a whole. EU procurement rules prohibit actions damaging fair and open competition. Authorities can help local businesses compete (by telling them what they expect from suppliers, for example, or by packaging contracts so as not to exclude local businesses). But preferential treatment is unlawful.
- 84. Many current maintenance contracts have insufficient emphasis on quality and qualitative factors in tendering. To improve the focus on quality and outcome for tenants, tenants themselves should be involved in setting contract standards, devising methods statement test criteria, and interviewing contractors.

### BOX C Examples of insufficient competition

Some authorities operate an inappropriately high cost threshold, above which work is tendered out. In one authority packages worth over £200,000 were negotiated with the Internal Trading Organisation (INTO), which submitted quotes based on 1996 prices plus inflation.

Authorities sometimes used packaging to limit the level of external interest there would be in the work. For example, one authority which owned a large number of homes let just one contract for responsive repairs, rather than dividing the authority into different contract areas. This limited interest to the INTO and a few big suppliers, excluding small local and medium-sized businesses from competing.

At the end of CCT, some authorities simply extended their current contract with the INTO into one that was 'deemed to exist', without any rigorous competition.

One authority said it was considering partnering, but only with its INTO.

A district council's INTO was making losses. Its staff had low productivity: 60 per cent of staff achieved less than 90 per cent productivity, and for the previous year a third of staff failed to achieve their targets. Managers had done little to prevent this occurring again. 60 per cent of work was subcontracted, at rates often lower than the contract rates. This supported the INTO financially. There was no business plan for the INTO. Its real cost was not made clear to tenants or councillors, there was no analysis of its long-term viability or of the quality of its work. Value for money was thus not demonstrated.

*Source: Analysis of Housing Inspectorate reports and project fieldwork*

- 85. Once contracts are let, there is often little downward or competitive pressure on costs to ensure value for money. For example, many authorities negotiate reductions on the schedule of rates for large packages of work: but often the threshold is too high or they do not always use all the available opportunities to package work; some contracts are based on out-of-date schedules of rates plus inflation: efficiency improvements are not being shared with the client.

## IMPROVING PERFORMANCE MONITORING

- 86. The use of performance information on responsive and planned/capital work is variable. Many authorities do not make use of the wealth of information available to them on their repairs systems, by failing to aggregate it into useful management information. Good management information and performance monitoring are often lacking, which has an immediate impact on authorities' ability to ensure a quality service is being delivered. Authorities need to build a strong, well-informed client function with good performance and budget monitoring of its own, so it has a basis for comparing and checking the contractor.

## FOCUSING AND SUPPORTING PERFORMANCE MANAGEMENT

- 87. Management of contracts, using performance information, needs to be improved. Meetings between contractor and client are often poorly focused and sometimes over-frequent, with attendees poring over job and payment details, rather than concentrating on major outcomes and irregularities, and identifying where improvements could be made. Often, the focus is on costs and timings: quality needs to be built in to performance assessments, including resident satisfaction information. Several inspected authorities had put improvements on hold, because they were part-way through a contract period with their current provider. This delays improvements for tenants and reinforces a culture of no change: service improvements can be agreed in addition to a contract, and would help both client and contractor to move forward when the contract comes up for renewal.
- 88. Performance management within contractors is often too focused on finishing work in the minimum timespan. In a culture where the only profitable time is spent carrying out repairs this is understandable: under new partnering or fixed-price contracts, or where there is a more responsive client-INTO relationship, things have improved. However, individual feedback to and appraisal of operatives is not consistent across contractors. In the best authorities, tenants' comments and results of post-inspections were linked back to the individual workman that carried out the repair, for discussion in appraisal meetings. Authorities should recognise the needs of contractor staff, and make requirements and cost allowances for staff training and feedback in contracts, which will ultimately lead to a better service.

## WORKING TOWARDS PARTNERING: DEVELOPMENTS IN PARTNERING AND CLIENT-CONTRACTOR SPLITS

89. *Rethinking Construction (Ref. 10)* proposed a way forward for relationships between client and contractor, in construction and maintenance. Emphasising the need for performance information and management to underpin sustained improvements and competition, it promoted long-term agreements, and a move away from formal contracts. The aim is that client and contractor, openly admitting their interdependence, work together to improve services, and share the benefits. Contractors benefit from a more assured long-term workflow; clients benefit from being able to trust the contractor and so divert resources from checking and enforcing a contract; both 'sides' can benefit from better relations, reduced costs, improved quality, and innovation. This requires a change to the mindset of many officers, members and contractors.

### CLIENT-INTERNAL TRADING ORGANISATION RELATIONSHIPS

90. In authorities that have an INTO, movement away from adversarial relations and short-term contracts is similar to a partnering approach. To benefit from changes, authorities and their INTO partners need to keep moving forward on the partnering improvement agenda, rather than fall back to pre-CCT relations which often acted to the disadvantage of tenants and taxpayers. Housing managers should also determine whether the INTO is the most appropriate long-term partner before moving into these new arrangements. In visited authorities with an INTO, steps towards changing the relationship between client and contractor had been made (**BOX D**), sometimes to the benefit of the service, but not consistently so.

#### BOX D 'Dissolving' the client-contractor split

Many in-house contractors had been merged into the housing management structure.

Some authorities had quickly taken measures to reduce duplication: payment processing/invoice checking staff numbers had been reduced. In one site, for example, there were 25 staff involved in invoicing activities; those on the 'INTO' side were mostly former tradespeople supervisors, and were returned to trade work when the INTO came under the housing management structure.

Some authorities had retained their underlying short-term contracts, with the aim of a gradual move to long-term arrangements.

Among authorities where a contract was 'deemed to exist', there was little objective consideration of whether the INTO was an appropriate long-term partner.

Some authorities had simply absorbed their INTO into the housing management structure when the CCT contract expired, with no rigorous assessment of whether the INTO was the most suitable provider.

*Source: Analysis of Housing Inspectorate reports and project fieldwork*

## PARTNERING APPROACHES

91. Some authorities have set up partnering agreements already. This has not always gone smoothly. Some clients have rushed into partnership which has left them with unsatisfactory partners, an insufficiently-developed performance monitoring framework and a contract that does not promote improvement. However, even where partnering was not rushed, authorities have made similar mistakes (**BOX E**).
92. Authorities face several barriers when setting up partnering agreements: standing orders may need to be changed; a new approach to risk needs to be developed; and tried and tested means of procuring (three-year contracts) should be relied on less and less. Some authorities, whose contracts are performing satisfactorily, may feel there is little incentive for them to change their approach. These authorities should note the great improvements that partnering has brought to other industries, as highlighted in *Rethinking Construction*, the targets for continuous improvement set out in the report,<sup>1</sup> and the experience of authorities whose partnering arrangements have allowed them to deliver improved outcomes for citizens across a range of services. They should also consider how their costs fluctuate and how resources are absorbed by commissioning and monitoring. In an environment of ongoing service improvement, and increased expectations of housing, today's satisfactory performers who do not embrace change risk being left behind.
93. Partnering can deliver great benefits to authorities: several authorities have made progress, addressing some of the difficulties in setting partnerships up and establishing innovative arrangements, using external providers for the delivery of services and of management expertise (**CASE STUDY 6**).

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<sup>1</sup> Reduce: construction time by 10 per cent per annum (pa); capital cost by 10 per cent pa; number of defects on handover by 20 per cent pa; number of reportable accidents by 20 per cent pa. Increase: number of projects completed to time and budget by 20 per cent pa; productivity by 10 per cent pa; turnover and profits of construction firms by 10 per cent pa.

### BOX E Problems to be avoided when introducing partnering

Many authorities have not historically had a strong contract-management culture on the client-side, and some had poorly performing INTOs. Under partnering, these authorities still have little influence over contractor performance and had unjustifiably assumed that things would be better.

Authorities have not always adopted appropriate performance indicators for the partnership. *Rethinking Construction* sets out 12 national PIs, and DTLR with the Housing Forum has developed some key PIs for repairs and maintenance which are currently being piloted.

The contracts or agreements underlying partnerships do not always promote improvement: rewards are not shared, and there is little incentive for developments or reduction of costs.

Sometimes contractors chosen are not appropriate, as they do not have the capacity to deliver partnering in repairs and maintenance. Some are picked for experience of partnering in another area (new-build, for example); some use subcontractors who were not signed up to a partnering approach; some were not chosen on the basis of sound performance information.

The gradual build-up of trust that is necessary is often missing. Some authorities forfeit their client performance management role very early, before being in a position to understand and trust the contractor's performance information systems to collect monitoring data for the partnership.

Source: Analysis of Housing Inspectorate reports and project fieldwork

## CASE STUDY 6 London Borough of Barking and Dagenham – Use of partnering to provide management and procurement skills to the capital programme

Although the authority's recent housing repairs and maintenance inspection report resulted in a 'poor' rating, the inspectors judged that the service would definitely improve. Inspectors were positive about the improvement plan and the authority's ability to manage change.

Under phase 1 of Barking and Dagenham's capital programme, started in 1996, more work was being done than anticipated and costs escalated. Financial control was such that managers were not aware of the increased costs until too late. The programme was suspended for 18 months while an enquiry took place.

### What Barking and Dagenham did to improve

A budget of £71 million for work on the remaining 16,000 homes was set, with the original target completion date. Local managers concluded that additional skills and expertise were needed, in procurement and in project management, to deliver the programme and to save the Council money. These skills were not readily available in-house.

Schal International were selected as project management partners. Schal's proposals predicted initial cost savings of up to 15 per cent, and subsequent savings of 4 to 5 per cent year on year. A flexible partnering arrangement with common objectives was set up. A contract (which included a 3-month pilot period) underlies this, and enables the council to give one month's notice of termination as sanction. The partnership had some difficulty defining objectives and outputs by which Schal's contribution would be judged. It is currently measured in terms of overall success of the programme – which depends on council *and* Schal staff. Some of the softer objectives do not have output targets. It is an objective of the management partnership that council staff acquire skills from Schal staff over time. A structured programme for skills transfer is being set up. Benchmarking is carried out against phase one costs, and strategic reviews were set up for six-monthly periods to assess the effects of procurement, review the 'softer' objectives and progress of on-site work.

Schal are paid based on the numbers of staff they supply. These numbers are flexible (and the flexibility is built into the contract) – Barking and Dagenham can ask for more, or less, input at any point. The programme management structure does not differentiate between external and internal staff. The mixed team consists of 11 Schal and 30 council staff. Schal provide management expertise, via a procurement manager, a programming manager, a commercial (contracts) manager, a senior project manager (responsible for operational management), and assistant project or 'package' managers, each of which manages a trade contract (liaison and financial control). They also produced a systems and procedures manual. The council provides the finance manager, and staff with knowledge of the stock. Site supervision is from three (soon to be two) area offices staffed entirely by council employees.

Contracts were set up with separate trade contractors and materials suppliers direct (before, there had been three main contractors who used several subcontractors). Contracts are lump sum contracts based on detailed up-front work specifications. A minority of work is via a schedule of rates.

### Outcomes

Budgets for Phase 2 of the Shape-Up programme assumed a saving of 20 per cent over historical benchmark costs, and ongoing savings of 4 per cent per year. On the first round of contracts, totalling £16.2 million, this target was exceeded. The projected total saving *above* target is £2.1 million or 12.5 per cent. Total Phase 2 savings (with two years left to run) are now approaching £8 million, £4 million of which will be used for additional capital works.

Procurement of direct contracts with trades and suppliers brought cost savings, and enabled the remainder of the programme to be delivered in the compressed timespan. It also helped deliver the local employment opportunities (an objective), as the smaller contract sizes encouraged small local suppliers. (Some contract packages were larger as contractors were successful in more than one area.)

The programme of skills transfer has been delayed as the Council has had difficulties recruiting staff: however, staff are now in place. Increases in the capital programme *alongside* the Shape-Up programme (due to MRA funding) mean that the team and its workload can grow. The aim is to appoint council employees to shadow the roles of senior Schal staff (as, for example, assistant procurement managers) and learn from them. Council staff also attend Schal training courses in general and construction management. As workload decreases, there will be a structured reduction in Schal staffing. It is envisaged that the first Schal staff to be replaced by council staff will be the package managers.

Contact: Neville Brook, London Borough of Barking and Dagenham

Source: Audit Commission project fieldwork

94. Performance management and procurement are essential to ensuring the contracts under which services are delivered are focused on the authority's objectives, encourage improvement, and are with the partners who can deliver what is needed; and to ensuring the contracts deliver what is expected (**CHECKLIST 5**). The strategic importance of good procurement and performance management has been overlooked by some authorities.

### CHECKLIST 5 Improving performance management and competition

#### To deliver the improvements expected, authorities should:

- Strengthen the client function, by investing in human and IT resources to check contractor performance and analyse available data on quality, timing and cost performance.
- Set clear, transparent criteria, including quality requirements developed with residents, for the selection of contractors by open competition.
- Use packaging of work to increase interest from a diversity of suppliers, and to reduce costs under existing contracts.
- Use time with contractors to focus on performance improvement and major irregularities.
- Objectively assess whether their Internal Trading Organisation (INTO) is the appropriate partner to deliver services, and maintain audited checks on INTO performance and costs under any re-merged structure.

#### When developing partnership arrangements, authorities should:

- Select partners carefully based on a range of quality and cost indicators; select partners with experience in the relevant area where possible, and those who can demonstrate they have good quality control systems.
- Adopt clear quality criteria (such as the results of post-inspections, and customer care feedback), focusing on the end customer – tenants and leaseholders.
- Select, with partners and including tenants and leaseholders, a range of key performance indicators including the quality criteria, cost, response timings, etc. Be clear about the desired outputs, more than the inputs.
- Build the partnership *carefully*, retaining a strong client role and recourse to the underlying contract until trust is earned through sound performance monitoring and improvement.
- Develop trust and confidence in the monitoring information through openness: risks and savings should be identified and shared. Keep up client side monitoring, if necessary in parallel with contractor monitoring, until trust is developed.
- Set up formal partnership discussion with all partners, to review performance, identify and share risks, set objectives, negotiate and manage change.
- Incorporate incentives for improvement in contracts, as well as ways of dealing with changes in requirements.
- Develop contract management skills, and invest in people expert in managing contractors, in preparation for when contracts become longer and more complex.
- Consider trying partnering out in one area before going council-wide.

## 6. CONCLUSION

95. The best value regime and inspections of housing are still in their early days. Several inspected authorities carried out their reviews of repairs and maintenance services before the Government's guidance was published. It is encouraging that inspectors felt that so many authorities' services, on the basis of their best value reviews (BVRs) and improvement plans, were expected to, or would probably, improve. Of 34 services inspected by the Housing Inspectorate, almost three-quarters were thought by inspectors to be likely to, or would definitely, improve, with none that would not improve (**EXHIBIT 19**). This compares favourably with the recent analysis of over 500 best value inspections carried out in England and Wales (**Ref. 11**) which found that one-half of BVRs would not, or were unlikely to, lead to improvement.

### EXHIBIT 19 Housing repairs and maintenance best value inspection outcomes (34 inspections)

Relatively few services have been rated as 'good' but almost three-quarters were thought likely to improve.



Source: Analysis of Housing Inspectorate reports

96. However, only 5 (15 per cent) repairs and maintenance services have been rated as 'good'. This compares poorly with the overall picture from best value inspection, where 37 per cent of services were rated 'good' or 'excellent'. Much long-understood good practice has not yet been put into effect by many authorities. Some basic improvements need to be made.
97. The challenge for these authorities is to maintain the momentum achieved during BVRs, using their capacity to change, and to build into their everyday work a requirement to continue learning from others. Improvement plans are the core tools to help service managers deliver real improvements for tenants and leaseholders: senior managers should demonstrably support those officers implementing the plan, and scrutineers should continue their involvement in the change process by regularly checking progress against plans.
98. Other authorities who have yet to carry out reviews in this area should consider their performance in the areas raised in this report and compare processes and outcomes with those authorities that have delivered real change and improvements for residents.
99. Local authority housing currently faces greatly increased expectation of what it can deliver, in terms of community regeneration, community safety and health. Although capital funds for housing in England have increased, authorities face major decisions on the future resourcing of their stock, and how and by whom services will be provided. Repairs and maintenance services are central to delivery of these objectives, and critical to the future sustainability of authority-owned housing. By making operational improvements, increasing involvement of tenant and leaseholder partners, improving performance management and modernising procurement, managers can deliver stronger repairs and maintenance services which are more able to contribute to their authority's strategic aims, and help to support more vibrant, safer and healthier communities.

## APPENDIX 1: SOURCES OF FUNDING FOR DIFFERENT TYPES OF REPAIR

### REVENUE FUNDING

- i. Spending on repairs covered by the Housing Revenue Account include:
  - responsive repairs (when a tenant rings up to report a breakage or failure);
  - void repairs (repairs carried out on an empty property, prior to re-letting);
  - cyclical repairs and servicing (for example, external redecorations, gas appliance testing); and
  - planned repairs (for example, planned replacement of electrical wiring, or replastering).
- ii. As part of Housing Subsidy calculations, the Government anticipates local authorities will spend a certain amount on repairs, included in the 'management and maintenance allowance'. This is calculated based on characteristics of the authority's stock, adjusted by regional cost figures. As an allowance, it is a figure indicating what the Government estimates the authority will need to spend. What the authority actually has available to spend depends on the Government's assessment of local housing subsidy, and actual local rents and rent rebates.

### CAPITAL FUNDING

- iii. The Government allows authorities to borrow a limited amount to finance capital spending each year on 'work that increases substantially the open market value<sup>1</sup> of homes. Borrowing is limited in order to control the Public Sector Borrowing Requirement. Approvals to borrow (Basic Credit Approvals) are issued to all authorities on a partly needs-based, partly competitive basis, taking into account stock number and types, and the local housing strategy. The total amount available to authorities is determined by the Comprehensive Spending Review. Authorities can supplement this capital resource with transfers from their Housing Revenue Account (RCCO), and with capital receipts (after set-aside) from the sale of council homes and land. Investment on housing from authorities' own resources is around £900 million per annum. Authorities can gain extra scope to borrow by setting up an Arms-Length Management Organisation (ALMO), or enter into partnerships under the private finance initiative (PFI) to increase investment in their stock.
- iv. Up to £460 million is being made available for authorities with ALMOs that have a proven record of excellence in housing management and a clear strategy for their stock. New PFI schemes in housing will be worth £300 million in 2002/03 and in 2003/04. Currently, eight local authorities are taking part in pathfinder PFI schemes worth £160 million.
- v. There is, in practice, a range of interpretations of what the requirements of the definition of capital are. Replacement of windows could be categorised as a repair – however, if it extends the life of the asset, or is an improvement over the original window specification, for instance double glazing, then it could be categorised as an improvement.

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<sup>1</sup> Local Government and Housing Act, 1989, section 40(3b).

## THE MAJOR REPAIRS ALLOWANCE (MRA)

- vi. The MRA is not passed to authorities as part of the credit approval process but is given to authorities like a grant, which passes through the HRA to be held in a separate account. MRA is not apportioned to authorities in the same way as BCAs. MRA is based on a set of archetypes, and the standard lifetimes of building components relating to the archetypes. (There is some debate about whether the standard lifetimes used are appropriate: for example, to expect a kitchen to last 30 years is perhaps unrealistic). Funding is calculated based on the amount needed to keep stock in a reasonable state of repair – but funds do not allow for the current state of repair or current improvement backlog.
- vii. The MRA acknowledges the need for ongoing support of capital resources, and emphasises the fact that authorities need to plan, long term, the resources required to maintain their homes. MRA can be carried forward to build up a reserve to pay for future works, and is intended to be calculated on a consistent basis, allowing authorities to plan expenditure in a more stable, long-term context. This encourages authorities to plan strategically for the future.

## APPENDIX 2: AUTHORITIES COVERED BY THIS WORK

Inspections of repairs and maintenance/housing capital programme	Broader housing inspections including repairs and maintenance	Information taken from value-for-money audits of responsive repairs services	Visits or follow-up interviews by the Audit Commission project team
Barnsley Metropolitan Borough Council	Ashfield District Council	Adur District Council	Ashfield District Council
Barrow-in-Furness Borough Council	Bournemouth Borough Council	Barrow-in-Furness Borough Council	Basildon District Council
Birmingham City Council	Canterbury City Council	Bolsover District Council	Canterbury City Council
Cannock Chase District Council	Carrick District Council	Bolton Metropolitan Borough Council	Carrick District Council
Carmarthenshire County Council	Charnwood Borough Council	Bury Metropolitan Borough Council	East Riding of Yorkshire Council
Castle Morpeth District Council	Chester-le-Street District Council	Castle Morpeth District Council	Kirklees Metropolitan Borough Council
Gedling Borough Council	Darlington Borough Council	Chester-le-Street District Council	Leeds City Council
Gloucester City Council	East Riding of Yorkshire Council	Epping Forest District Council	London Borough of Barking and Dagenham
Gosport Borough Council	Exeter City Council	Erewash Borough Council	London Borough of Barnet
Isle of Anglesey County Council	Flintshire County Council	Kirklees Metropolitan Borough Council	London Borough of Brent
Kirklees Metropolitan Borough Council	Harrogate Borough Council	Leeds City Council	London Borough of Camden
London Borough of Barking and Dagenham	Hyndburn Borough Council	London Borough of Lewisham	London Borough of Greenwich
London Borough of Barnet	Liverpool City Council	Middlesbrough Borough Council	London Borough of Hammersmith and Fulham
London Borough of Camden	London Borough of Brent	Newcastle upon Tyne City Council	Sheffield City Council
London Borough of Enfield	Uttlesford District Council	North Warwickshire Borough Council	
London Borough of Greenwich	Vale Royal Borough Council	Rossendale Borough Council	
London Borough of Kensington and Chelsea	Wellingborough Borough Council	Salford City Council	
London Borough of Redbridge		South Derbyshire District Council	
London Borough of Tower Hamlets		Stoke-on-Trent City Council	
London Borough of Waltham Forest		Wakefield City Council	
Newcastle upon Tyne City Council		Wansbeck District Council	
Macclesfield Borough Council		Winchester City Council	
North Hertfordshire District Council		Woking Borough Council	
North Lincolnshire Council		City of York Council	
Pendle Borough Council			
Preston Borough Council			
Salisbury District Council			
Selby District Council			
Sheffield City Council			
South Cambridgeshire District Council			
Southend-on-Sea Borough Council			
Three Rivers District Council			
Wakefield City Council			
Wear Valley District Council			

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