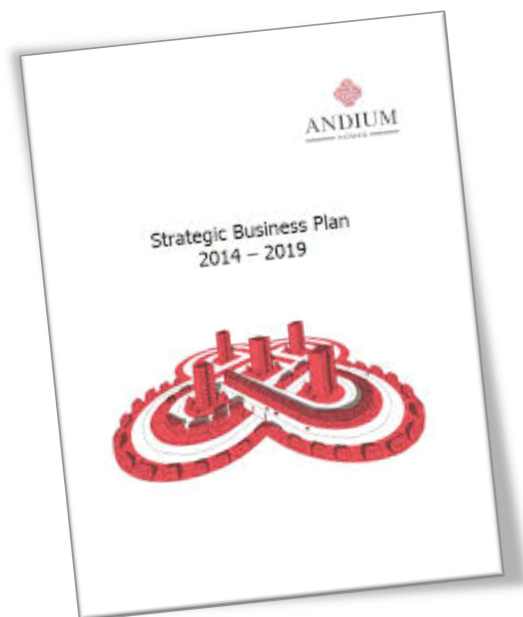




# Public Accounts Committee



## Andium Homes – Repairs and Maintenance

Following up the Report of the Comptroller and Auditor  
General

Presented to the States on 19<sup>th</sup> May 2015

PAC.1/2015

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## Summary

Andium Homes is maintaining a best practice approach to planned maintenance works. While there remains room for improvement in its management of responsive maintenance, the company is taking active steps to improve its performance.

Andium Homes has already begun to take advantage of the greater operational freedom afforded by incorporated status. It is reviewing existing practice, re-engineering maintenance contracts and working harder to develop the local market for repairs and maintenance. Importantly, Andium has both accepted that it needs better management information to underpin the company's modern approach and developed a plan to deliver improvements. This plan involves up-front investment in information technology, to be delivered within a clear and openly declared timeframe, with the goal of unlocking specific savings in the medium term. In the coming months we hope to find that other operations remaining within the public sector are copying this approach.

Further work could be undertaken by Andium to help guard against the risk of paying too much for its new IT and to ensure that the new systems will be fully capable of generating accurate, timely and appropriate data to support decision making.

The company's tenant engagement strategy would also benefit from ongoing attention. Andium devotes significant resource to tenant engagement and is relatively advanced in its use of social media. Such activity should be evaluated regularly and dispassionately as part of a cycle to deliver continuous improvement. Other engagement activities include dialogue with the Tenants' Forum and other localised groups. Accepting that these groups are necessarily independent, they are also inherently well placed to collate valuable data for Andium. It is therefore in Andium's interest to continue fostering their development within a more structured framework.

## **Recommendations**

1. Before completing procurement of its new line of business IT system, Andium Homes should endeavour to benchmark its estimate for the cost of the system against costs incurred by comparable social housing providers in other jurisdictions.
2. Andium Homes should ensure that its new line of business IT system is suitably specified and configured to deliver appropriate improvements in management information concerning repairs and maintenance activity, as per the recommendations made in R.9/2015.
3. Andium Homes should offer to assist the independent Tenants' Forum to review its links with localised resident groups during 2015 and, where necessary, to improve communication with resident groups on matters falling within the Forum's terms of reference.
4. Andium Homes should review the management information at its disposal concerning the effectiveness of tenant engagement processes and ensure that any weaknesses are addressed during procurement and implementation of the new line of business IT system.

## 1 Introduction

1.1 Andium Homes has now been an incorporated company for some 10 months. The company remains accountable to the States as the sole shareholder (via the Treasury's shareholder management function) for the performance of its social housing operation.

1.2 Andium Homes currently budgets for expenditure of £8.5 million per annum on planned and responsive maintenance covering some 4,500 units of accommodation. The C&AG's report of February 2015 on repairs and maintenance ([R.9/2015](#) refers) explains that the States' social housing provider can demonstrate provision of an effective repairs and maintenance service by doing the following –

- setting a strategic long term approach;
- engaging effectively with tenants;
- managing planned programmes effectively;
- running an efficient responsive repairs service; and,
- demonstrating improved performance management and competition

1.3 The C&AG concluded that Andium Homes was performing well in several key areas. Detailed information was held regarding housing type, build and condition. Budgeting for planned works as a percentage of total spend was exceeding best practice benchmarks.

1.4 Scope for improvement was nevertheless found in how Andium was approaching market development, collation and utilisation of management information, performance monitoring, demonstrating value for money and tenant engagement.

1.5 In this report, we examine the response to the 12 recommendations made by the C&AG with a view to confirming that active and relevant steps are being taken to further improve the performance of Andium Homes on repairs and maintenance.

## 2 Management Information

2.1 The quality of management information available to the board and senior management team at Andium Homes remains less than ideal. Significant steps are nevertheless being taken to address the problem.

2.2 Existing systems do not allow Andium Homes to conduct straightforward monitoring and, where necessary, correction of variations to contractual rates. They also impede the ability of the board and senior management team to demonstrate that value for money is being achieved. The existing systems do not produce a defined suite of key performance indicators (KPI's) covering –

- quality and timeliness of works by contractor,
- tenant satisfaction levels achieved by contractor,
- different trades and priority categories

2.3 Andium Homes submits that issues in the quality of its management information are generally a reflection of the tools at its disposal to process data, rather than a consequence of weaknesses in the operational data it collects. The company collects data regarding the timeliness and quality of work done. All planned maintenance works are inspected. Responsive repairs are subjected to a reasonable volume of random sampling, supported by tenant feedback via surveys and a programme of quarterly community visits that all staff undertake. Feedback received is utilised in management reporting. This has, Andium maintains, been sufficient to allow it to identify patterns of lower quality work and take appropriate action where necessary. Andium nevertheless accepts that tenant survey response rates are currently running below 40 per cent and that it has scope to improve the quality of data generated by those surveys.

2.4 Andium Homes contends that it is committed to becoming an outcome-focussed operation driven by high quality data. To that end, the company is utilising existing systems to feed the production of a financial information pack. This pack is updated for the senior management team on a monthly basis and is also presented to the board in conjunction with an updated planned maintenance programme. Specific KPI's featured within the pack have been included to cover repairs and maintenance. They include -

- average rent days lost due to properties being void (excluding capital projects),
- percentage of homes meeting the Decent Homes Standard,
- percentage of open areas meeting the “Andium Homes Standard,”
- client satisfaction with their neighbourhood as a place to live,
- average days to complete void works (year to date), and

- number of response repair jobs raised (current month)
- 2.5 Having reviewed an extract from the financial information pack, we accept that Andium utilises some relevant KPI's regarding repairs and maintenance. There is nevertheless scope for Andium to develop its management information in this area.
- 2.6 Examples of best practice measures for demonstrating value for money in repairs and maintenance are readily available. They include, but are not exclusive to, the UK Housemark repairs value for money toolkit published in April 2012.<sup>1</sup> Such measures tend to break down data by contractor and allow for monitoring by trade and priority categories.
- 2.7 Andium Homes submits that issues with the quality of its management information are a function of its existing housing management IT system, which the company is actively working to replace as part of a broad 4 year IT strategy with a total budgeted capital cost of not more than £780,000. Expressions of interest have already been sought for a new 'line of business' IT system, which will account for the majority of planned capital expenditure. The company aims to conclude procurement by September 2015 and to implement the system by September 2016. Implementation is expected to achieve higher quality management reports, to allow for 3 staff savings and to facilitate the reallocation of other resource to assist with responsive repairs governance.
- 2.8 Andium Homes is also reengineering its response repairs contract with a view to minimising administrative overhead and aligning data provision with the requirements of the business. It nevertheless acknowledges that monitoring the information generated by the new contract will be more difficult until the new IT system is operating. In the interim, contractors will have to provide information to the company manually rather than via the planned IT interface. As a consequence, the administrative overhead for the company will be greater in the short term.
- 2.9 A similar reengineering process for tenant feedback is underway. For example, since June 2014 Andium Homes has been operating a comprehensive programme of estate visits by utilising its full complement of just over 50 staff. Initially, tenant feedback collated from these visits concentrated on maintenance failures in open and communal spaces, together with improving stock information. Since March 2015, Andium has been utilising the programme to collect data to inform 2 specific KPI's concerning neighbourhood satisfaction levels and achievement of the Andium Estate Standard.
- 2.10 Although we acknowledge the desire and effort being made by Andium to improve its systems and the management information generated by them, we invite the company to consider

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[http://www.housemark.co.uk/hmresour.nsf/resourceslookup/RepairsVFMreport.pdf/\\$File/RepairsVFMreport.pdf](http://www.housemark.co.uk/hmresour.nsf/resourceslookup/RepairsVFMreport.pdf/$File/RepairsVFMreport.pdf)



whether the timescale for implementation of the new line of business system is ambitious. The company has only recently separated from a public sector organisation that has historically had some difficulty with achieving rapid change. In this case, the scale of change envisaged is significant and the corresponding training requirements for approximately 50 employees are not to be underestimated.

- 2.11 Regarding the anticipated cost of the new IT strategy, £780,000 is not an unreasonable sum for an organisation of this type and size but neither is it insignificant. This sum has, we understand, been calculated with the benefit of feedback from potential IT systems providers and with the benefit of advice from an external consultant. We invite Andium Homes to go further and seek to benchmark the anticipated cost of its new line of business systems procurement and implementation using information from similar social housing organisations in the UK or in other comparable jurisdictions.
- 2.12 It became apparent during our public hearing with members of the Andium Homes board on 26th February that the decision to pursue a major IT procurement post-incorporation had been deliberate. Andium is no longer required to take direct account of IT infrastructure, policy and compatibility requirements applied by the States of Jersey. As a consequence, the company believes that it can execute procurement and implementation at a faster rate and can ultimately deliver a system that is better focussed on meeting specific client and company needs. On the basis of this frank assessment, we invite the Chief Minister's Department to consider whether there are lessons to be learned with regard to the information systems requirements of operations that remain within the public sector.

**Recommendation 1:**

Before completing procurement of its new line of business IT system, Andium Homes should endeavour to benchmark its estimate for the cost of the system against costs incurred by comparable social housing providers in other jurisdictions.

**Recommendation 2:**

Andium Homes should ensure that its new line of business IT system is suitably specified and configured to deliver appropriate improvements in management information concerning repairs and maintenance activity, as per the recommendations made in R.9/2015.

### **3 Securing Economy, Efficiency and Effectiveness**

- 3.1 We acknowledge the good standard of performance demonstrated by Andium Homes in respect of its planned maintenance programme. We nevertheless note that the company's ability to secure value for money from maintenance contracts is affected by the status of the local contractor market. This is equally the position for various operations that remain an integrated part of the States of Jersey. In this regard, the C&AG identified scope both for Andium Homes to enhance its market development strategy and for the States of Jersey as a whole to give greater thought to market development in cases where planned works are valued at less than £100,000.
- 3.2 Andium Homes maintains that it encourages market development for lower value contract work by giving feedback to contractors that fail to achieve approved contractor status and by then inviting them to reapply. It nevertheless accepts that it can do more. To that end, the company's initial response has been to send out marketing questionnaires to prospective contractors and to invite prospective contractors to a bidders' meeting in the last week of April 2015. We understand that significant new contractor interest has been generated as a consequence of following the recommendation. Further positive actions are reportedly to be taken as part of a new procurement strategy, which Andium Homes will need to monitor and evaluate regularly.
- 3.3 The States of Jersey response has also been positive, albeit a little slower in practice. We are clear that the Minister for Treasury and Resources supports the principle of requiring market development to be considered whenever States departments conduct procurements valued at less than the current threshold of £100,000. Nonetheless the specific action to be taken, although a step forward, will not fully implement the C&AG's recommendation. The Corporate Procurement Team is to incorporate into the overarching States of Jersey procurement strategy some guidance on when developing a procurement strategy is beneficial irrespective of threshold levels. This stops short of the recommendation to create a requirement. We note also that no timescale for provision of this new guidance has been offered and that, as at April 2015, updated advice had yet to be published on the States of Jersey intranet.
- 3.4 R.9/2015 also recommended changes to the way maintenance work was allocated. Such allocations by Andium Homes and its Housing Department predecessor had for some time been determined on the basis of a policy that the company described as necessarily 'defensive.' A key objective had been to mitigate scope for accusations of unfair treatment of individual contractors. To achieve this aim, Andium split allocations as evenly as possible between multiple contractors and enforced the minimum quality standards required in its contracts.

- 3.5 Andium Homes has indicated to us that, having reflected on the recommendation to move to target work allocations based on objective factors, it readily accepts the case for change and the scope to push for greater value for money. The company is now making arrangements to assess contractor capacity by way of amended pre-qualifying questionnaires and it has revised relevant terms within maintenance contracts. Six KPI's have been devised to allow management to measure performance between contractors. An annual rebalancing of work allocations will reportedly be carried out on the basis of these new KPI's. Reporting on these new KPI's and the underlying data collation process are expected to have some administrative impact and this will not be alleviated until the processes are handled by the new line of business IT system. Andium nevertheless deserves credit for having moved quickly on this matter and we look forward to finding out how the new allocation process is operating when we follow-up this review in due course.
- 3.6 In retendering its responsive repairs and voids contracts, Andium is now seeking to minimise its administration of orders and invoices in order to concentrate on the management of outcomes, to include increased inspections of works. New contracts are being based on a fixed price per property / void basis for a particular trade or trades.
- 3.7 We have two concerns regarding the redesigned response repairs and voids contracts. First, the redesign has been informed by a consultant's report that does not include a full analysis of the pros and cons of the planned retendering in an island market with limited scope to utilise alternative contractors. Second, we are mindful that Andium requires good quality management information to sustain this new approach, yet the new line of business system that should help to raise standards will not be implemented until after the new contracts are adopted. New contracts are designed to transfer risk to the contractor. In turn, contractors will seek to mitigate that risk by pricing their bids on the basis of good quality information from Andium Homes. On that basis, we had initially been minded to propose that Andium proceed by piloting the new approach and conducting a suitable evaluation. Andium Homes has nevertheless assured us that it has a suitably robust and thorough formulaic process for determining a viable fixed price per unit and that the process is underpinned by appropriate management information in this area. We note this assurance and we look forward to noting the anticipated positive outcome in due course.
- 3.8 Andium Homes acknowledges that poor management information on variations to contractual rates have been affecting its ability to demonstrate value for money. The company is confident that its revised contracts will address this weakness. In the intervening period, the company has taken the interim step of requiring such variations to be signed off at Director level and reported on monthly. We are advised that this interim step has not created significant additional administrative overhead.

## 4 Tenant Engagement

4.1 Andium Homes is enthusiastic about customer focus and it devotes significant resource to tenant engagement. The company engages with residents groups, executes surveys, runs a major programme of face-to face visits and utilises social media. Such efforts are appropriate given the probable value to Andium of data held by tenant groups. In this regard, we detect scope for Andium to review its engagement structure with a view to securing greater value from this work.

4.2 A tenant representative sits on the Andium board. There is a positive intention to recruit a second tenant representative later this year.

4.3 An independent Tenants' Forum has been in operation for some years now. In addition, a number of localised residents groups exist, some of which are represented on the Forum. Whereas a number of residents groups operate on a relatively informal basis, the Tenants' Forum has had a formal constitution since June 2009. This constitution lists 8 aims and objectives, including –

- the promotion of views and protection of rights and interests of tenants regarding management, maintenance and improvement of homes, neighbourhoods and local amenities, and
- acting as a consultative group and conductor of information

4.4 During our public hearing with tenant representatives we heard that the Tenant's Forum tended to operate at a more strategic level (e.g. by providing feedback to Andium on prospective development plans). Tenant feedback on maintenance work was more likely to be fed back to Andium Homes independently or via a localised resident group, not all of which are formally represented at Tenants' Forum meetings. Accepting that Andium Homes endeavours to engage with both the Tenants' Forum and with all resident groups, we wonder whether the aims and objectives of the Forum are made harder to fulfil because relevant information regarding maintenance matters might be known only to one or more unrepresented resident groups. Andium may be having to work harder than necessary to obtain the feedback it needs to improve service provision for tenants.

4.5 Andium is contemplating an annual feedback survey and quarterly reporting back to the Tenants Forum on client satisfaction. This should be a positive development but the effectiveness of quarterly reporting back may again be impacted by the quality of links between the Forum and localised resident groups. It would perhaps be in Andium's

interest to offer to work with all stakeholders to maintain or improve these links as necessary.

4.6 Andium Homes accepts that it should seek to increase tenant survey response rates concerning both planned and responsive maintenance. Our own feedback from tenants indicates that automatic entry of respondents into a modest prize draw might act as a suitable incentive. We are therefore pleased to note that Andium has already acted on this small-scale but potentially useful proposal.

4.7 We are impressed by the quality of efforts being made by Andium Homes to engage with their tenants using social media. The company advises that it should have published satisfaction scoring and certain KPI results using social media by June and that this process will be maintained. In the interim, Andium included two pages of company performance information in the latest edition of its Community News magazine, which is sent twice a year to all Andium properties. While both of these measures are laudable, we are unclear as to what information the company has on the true size of its social media audience, on the readership of its magazine and on the potential to expand either one. Publicly available data indicates that the social media audience is currently small.

**Recommendation 3:**

Andium Homes should offer to assist the independent Tenants' Forum to review its links with localised resident groups during 2015 and, where necessary, to improve communication with resident groups on matters falling within the Forum's terms of reference.

**Recommendation 4:**

Andium Homes should review the management information at its disposal concerning the effectiveness of tenant engagement processes and ensure that any weaknesses are addressed during procurement and implementation of the new line of business IT system.

## 5 Conclusion

- 5.1 Andium Homes is to be congratulated for maintaining a best practice approach to planned maintenance works. While there is room for improvement in its management of responsive maintenance, we have been impressed by Andium's willingness to revisit existing practice and embrace constructive criticism. The onus now is very firmly on the company to make best use of the greater operational freedom afforded by incorporated status to keep raising standards for tenants and for the shareholder, as it has promised us it will do.
- 5.2 Relevant, high quality management information made available in a timely manner will be of critical importance to the board and managers of Andium Homes as they strive for continual improvement. Although we harbour certain reservations regarding the budgeted cost and timetable for implementation of the new IT strategy, we are satisfied that the new strategy acknowledges the importance of tackling this issue. In the interim, the company needs to consider carefully the risks arising from some of the changes it is looking to make before the strategy addresses those existing weaknesses in management information.
- 5.3 In citing the importance of management information, we make no apology for repeating a message found in successive reports authored by the C&AG and by our predecessor committee in recent years. Data-driven decision making must become a key element of public sector culture. Without it, the States of Jersey will be struggling ever harder to remain sustainable. In this regard, we learn that a former public sector organisation deliberately waited until incorporation in the belief that it would then stand a better chance of implementing a strategy to improve its management information. This decision warrants the attention of the Chief Minister's Department and the Corporate Management Board.
- 5.4 Further promises have been made by Andium regarding tenant engagement. We look forward to seeing Andium's commitment and positive initial efforts translating into further positive change for tenants in the medium term.

## **Appendix 1: Terms of Reference**

To consider the response of Andium Homes and the Treasury and Resources Department to the Comptroller and Auditor General's report on Andium Homes (formerly the Housing Department) repairs and maintenance and, in particular, the adequacy of plans to implement the 12 recommendations made therein.

## **Appendix 2: Witnesses Heard and Written Evidence Considered**

### **Witnesses**

Chairman, Andium Homes

Chief Executive, Andium Homes

Chief Operating Officer, Andium Homes

Chair, Tenants' Forum

Chair of High Rise Panel

Head of Liberation Court Residents' Association

### **Written Evidence**

Comptroller and Auditor General's Report R.9/2015

Andium Homes Response to recommendations made in R.9/2015, including –

- Board paper, dated 24th February 2015, concerning response repairs and void maintenance contracts
- Andium Homes procurement strategy for responsive and void property works contracts
- Andium Homes IT Strategy 2015 - 2019
- Andium Homes Community Contact role specification

Response, dated 24th February 2015, of the Minister for Treasury and Resources to the report R.9/2015

Extracts from Andium Homes financial information pack (as submitted to the Andium Board)

File notes of evidence submitted to the PAC office by various stakeholders.



### **Appendix 3: Committee Membership**

#### **States Members**

Deputy A.D. Lewis (Chairman)

Deputy S.M. Wickenden (Vice Chairman)

Connétable C.H. Taylor

Deputy J.A. Martin

#### **Independent Members**

Mr. G. Drinkwater

Mr. R.J. Parker

Mr. M.J. Robinson