

STATES OF JERSEY



HOUSING REPAIRS AND MAINTENANCE

**Presented to the States on 5th February 2015
by the Comptroller and Auditor General**

STATES GREFFE



Comptroller and Auditor General
Housing Repairs and Maintenance

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JERSEY AUDIT OFFICE

Housing Repairs and Maintenance

Background

- 1.1 On 1 July 2014 the States of Jersey ('the States') transferred its 4,500 units of social housing to Andium Homes. Andium Homes is a company wholly owned by the States, accountable to the States as shareholder but with a greater degree of operational and financial freedom than the States' Housing Department.
- 1.2 Andium Homes is embarking on major capital investment to bring the housing stock up to the UK government's 'decent homes' standard: the standard specifies that all social housing should be free of health and safety hazards, in a reasonable state of repair, have modern kitchens, bathrooms and boilers and be adequately insulated. In addition Andium Homes spends approximately £2.4 million per annum on responsive repairs and £6.3 million per annum on planned maintenance (see Exhibits 1 and 2).

Exhibit 1: Composition of responsive repairs for 2013

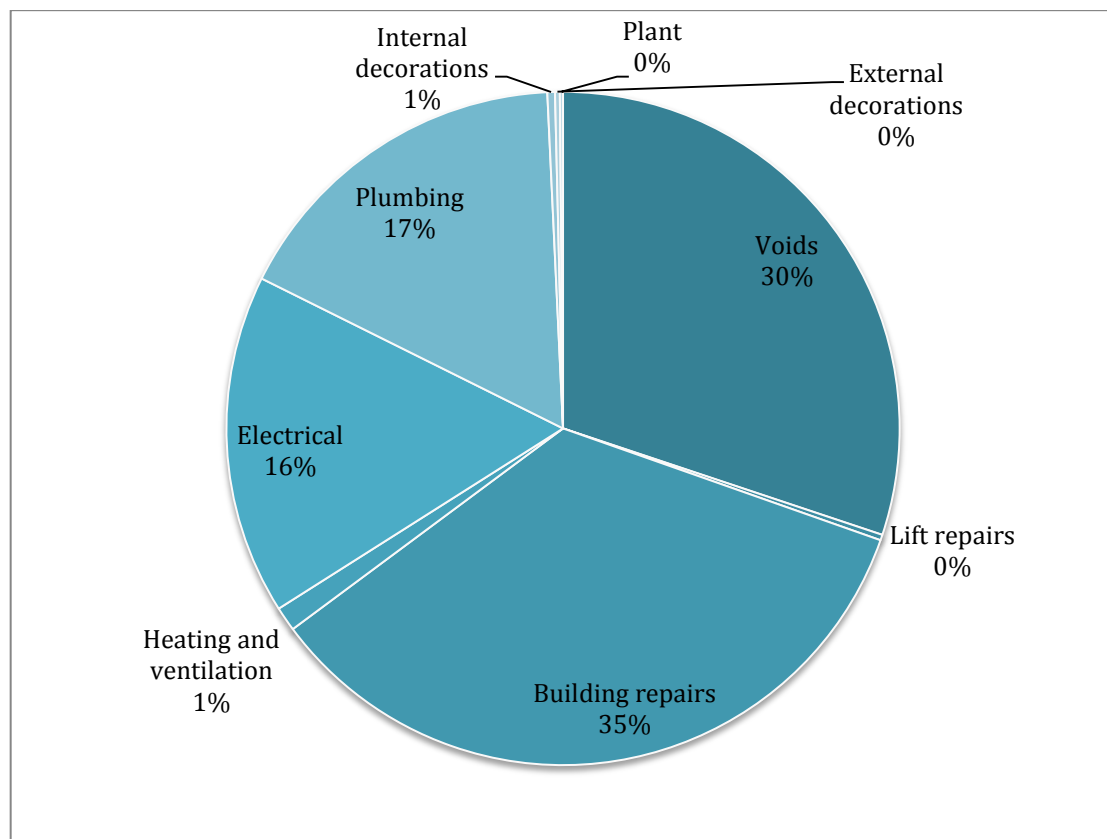
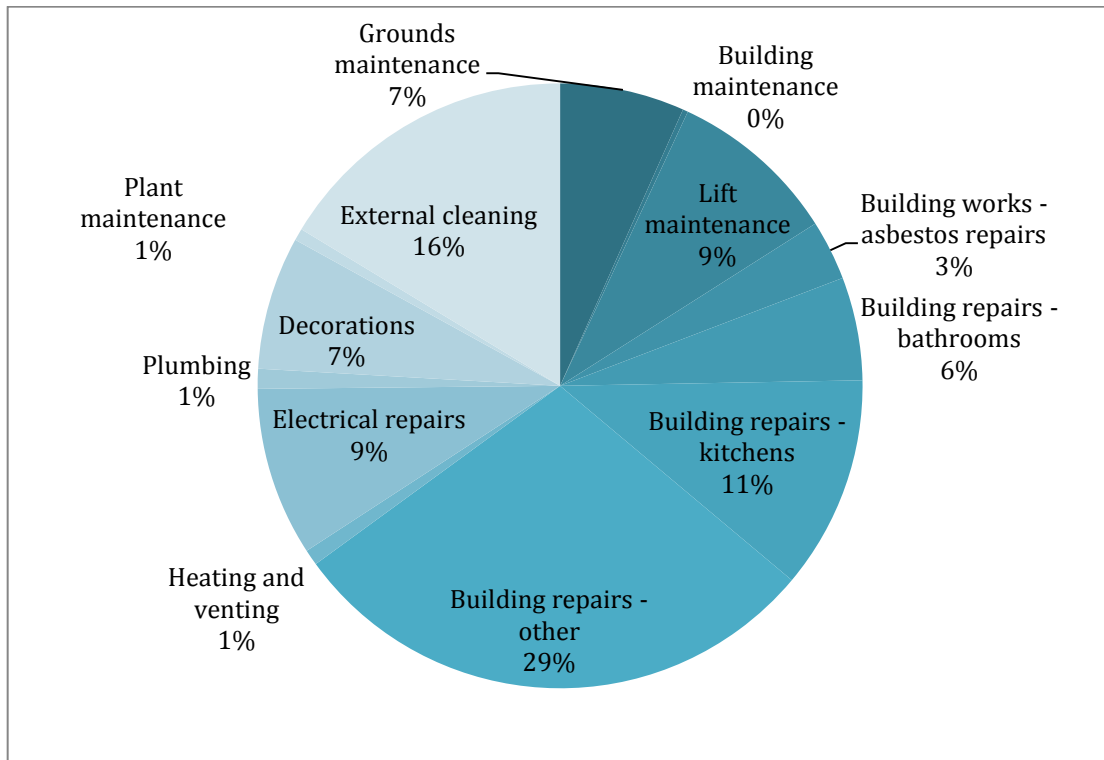


Exhibit 2: Composition of planned maintenance for 2013



1.3 Some concerns have been raised with me about the value for money that was secured by the Housing Department from its expenditure on repairs and maintenance.

1.4 To deliver an effective repairs and maintenance service, a social housing landlord needs to:

- set a strategic long term approach;
- engage effectively with tenants;
- manage planned programmes effectively;
- run an efficient responsive repairs service; and
- improve performance management and competition.

(See Exhibit 3.)

Exhibit 3: Delivering an effective repairs and maintenance service



1.5 This review is based on work undertaken between May and August 2014, covering the period of transition to Andium Homes.

Objectives and scope

- 2.1 The review considers the adequacy of arrangements for the management of housing repairs and maintenance by Andium Homes.
- 2.2 This high level review was undertaken, through a combination of interviews with Andium Homes' staff and review of documentation, focussing on the way in which Andium Homes:
 - establishes its planned repairs and maintenance programme;
 - tenders for responsive and planned housing repairs and maintenance work;
 - allocates responsive and planned housing repairs and maintenance work to contractors;
 - supervises responsive and planned housing repairs and maintenance work;
 - monitors contractor performance, and
 - engages with tenants on repairs and maintenance.
- 2.3 Each of these areas is considered in turn in the sections below.
- 2.4 As part of this review I considered issues raised with me in the context of these objectives.
- 2.5 The review did not extend to validating underlying information prepared by Andium Homes or its professional advisors.

Establishing the planned maintenance programme

- 3.1 An effective planned maintenance programme relies on comprehensive housing condition information. Stock condition information should be used to prioritise investment. Surveys can become obsolete over time as maintenance is carried out on homes. For information held to be used as an effective forward planning tool, it needs to be updated on a regular basis. Stock information, along with demand and financial information, form the basis of effective planning of a maintenance programme. The effective planning of a maintenance programme can aid in reducing the level of backlog maintenance.
- 3.2 Andium Homes holds detailed information about the type of housing stock, its age and its type of build. Andium Homes uses a condition survey to identify the level of work required to bring properties into a decent condition. The condition survey is undertaken by an independent UK firm of property and construction consultants, which maintains the database for Andium Homes. The survey is updated bi-annually. On an annual basis the survey information has been used to inform the planned maintenance programme. The former Housing Department had to take into account the resources available, as set out in the States' Medium Term Financial Plan; Andium Homes has a greater degree of freedom about the timing of expenditure.
- 3.3 Identified backlogs in maintenance are a common feature of social housing provision but the structured approach that has been taken to planned maintenance work has enabled a reduction in the level of backlog maintenance from £48 million in 2010 to £41 million in 2014.
- 3.4 It is accepted good practice to reduce responsive repairs and increase works on planned maintenance. Over the longer term, this can achieve significant savings and lead to more satisfied tenants. 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 overseeing tradespeople and vehicles on a responsive contract are avoided. Planning work can contribute to achieving the 'decent homes' targets, whereas responsive spending is comparatively uncontrolled.
- 3.5 The consensus is that a well-performing social housing landlord should be spending 60% - 70% of its total repairs and maintenance budget on planned rather than responsive works. Andium Homes is exceeding this benchmark by budgeting for 81% of works on a planned basis for 2014 and achieving this proportion in 2013.

Tendering responsive and planned housing maintenance work

- 4.1 The objective of putting work out to tender is to secure the best price for doing the job properly. This is achieved by developing and implementing appropriate strategies for procurement, taking account of both cost and quality, and complying with internal procedures.
- 4.2 Andium Homes is committed to open and transparent procurement and uses the Channel Islands Procurement Portal for tender opportunities.

Procurement strategies

- 4.3 Effective procurement involves consideration at the outset of the best means of securing value for money through tendering work. This is usually documented through preparation of a procurement strategy or equivalent document that considers the relevant market, including how procurement can assist in developing the market where competition is limited.
- 4.4 States of Jersey procedures require procurement strategies to be prepared for works over £100,000. Our testing identified compliance with those requirements.
- 4.5 Although procurement strategies are not required for planned works below £100,000, such strategies would:
- increase transparency and therefore reduce the risk of challenge to procurement decisions; and
 - assist in developing markets.
- 4.6 For these cases we considered whether there was reference to market development of contractors in other strategy documents but found no such references. A good market development strategy for contractors would include:
- a picture of supply and demand at present and in the future;
 - analysis through the use of relevant information from a range of sources; and
 - consideration of potential as well as actual services.

Recommendation to the States of Jersey

- R1** Even where procurement falls below the threshold for preparation of a procurement strategy, require some consideration of market development.

Recommendation to Andium Homes

R2 Develop, implement and monitor the effectiveness of a market development strategy for contractors.

Responsive repairs

- 4.7 For responsive works the use of a pre-priced schedule of rates is regarded as best practice. Research has demonstrated that its effectiveness can be improved by:
- offering work on a trade by trade basis to encourage specialist companies;
 - dividing the work into areas;
 - reducing detail to simplify administration; and
 - indicating previous years' work volumes.
- 4.8 A large tender exercise for responsive repairs contracts was initiated by the Housing Department in 2010. Three year contracts were let from January 2012 with an option to extend by a further year. In line with good practice, the work for responsive repairs was packaged into lots by trade.
- 4.9 For responsive repairs work, there is provision for prior agreement to variations in prices from those in the pre-priced schedule of rates as adjusted by the successful tenderer. Management stated that the incidence of such variations is relatively low and this was confirmed by sample audit testing. However, Andium Homes' systems do not allow ready identification of such variations, impeding the ability to monitor them.

Recommendation to Andium Homes

R3 Develop the management information system to enable the monitoring of variations to contractual rates and, where appropriate, corrective action.

Planned maintenance

- 4.10 Packaging work, use of call-down contracts and partnering arrangements can increase effectiveness of planned maintenance programmes.
- 4.11 Andium Homes packages planned maintenance works into large packages for tendering. This enables contractors to price more competitively due to economies of scale. The contracts for planned maintenance are let for between one to three years, usually with an option to extend for a further year. The time period of the contracts also reduces administration time spent on tendering exercises.
- 4.12 Andium Homes' management has explained that in undertaking planned maintenance work, the type of work on an estate is packaged into bundles and takes into account other planned work. For example, management has explained that when roofing work is undertaken, other works that require scaffolding such as external repairs and decoration work are undertaken at the same time. Testing to support management's explanations has not been undertaken as part of this review.

Allocating responsive and planned housing maintenance work to contractors

- 5.1 The availability of more than one contractor to undertake works of a specific type provides resilience to Andium Homes. But Andium Homes needs to be able to show the consistent application of objective criteria for the allocation of work between contractors in order to avoid allegations of impropriety and to demonstrate that it has secured value for money. Value for money embraces not just cost but also delivery of good quality work to agreed timescales.
- 5.2 There are a number of areas where there are multiple contractors appointed to undertake works e.g. contracts for kitchen and bathroom replacement, decoration works and voids (repairs and maintenance to vacant properties between tenancies). Andium Homes aims to split works approximately evenly across the contractors.
- 5.3 There are a number of areas where there is scope for improvement:
- Andium Homes sets an expectation of allocating work equally between contractors rather than making an initial assessment of the capacity of contractors. This might lead to a different desired allocation of work between contractors to secure value for money;
 - allocation decisions are made by individual managers without a suite of Key Performance Indicators (KPIs) on quality and timeliness to inform their decisions; and
 - the Key Performance Indicators received by Andium Homes' senior management team do not include indicators on the allocation of work between contractors.

Recommendation to Andium Homes

- R4** Following future procurement exercises leading to the appointment of multiple contractors, establish target work allocations based on objective factors, including the assessed capacity of contractors.
- R5** Develop a suite of Key Performance Indicators on quality and timeliness to inform decisions on the allocation of work between contractors.
- R6** Include in the Key Performance Indicators reported to senior management indicators to allow monitoring of the allocation of work between contractors.

Supervising responsive and planned housing maintenance work

- 6.1 Inspections of completed work are an important means of ensuring that work is undertaken to a satisfactory standard. Inspections are most problematic for responsive work: good practice involves inspecting 10% to 20% of completed jobs, targeting larger, more complex or more expensive jobs. Post-inspections of the greater volume of simpler and cheaper jobs are not easily justified on cost grounds. Tenant feedback via repair completion satisfaction questionnaires is a reasonable alternative.
- 6.2 Adequate arrangements are in place for inspection of completed planned maintenance, using either Andium Homes' staff or independent surveyors.
- 6.3 Although Andium Homes undertakes some post-inspections of responsive repairs work it relies mainly on surveys of client satisfaction and feedback, sending a postal survey quarterly to a sample of 100 tenants who have had work completed. The feedback is used to inform contractors of any remedial works needed where the work was not undertaken satisfactorily.

Monitoring performance

- 7.1 Good performance management of contractors' work, using key performance information, is critical to service delivery and improvement. The absence of management information, or its ineffective use, has an adverse impact on a landlord's ability to ensure that a quality service is being delivered.
- 7.2 Andium Homes' management team monitors financial and performance information on a monthly basis. Monitoring includes:
- the level of expenditure against budget; and
 - a number of key performance indicators, including the cost, volume and average job costs for responsive repairs, average re-let times, average time to complete voids refurbishment works, the number of void properties and satisfaction scores.
- 7.3 Monitoring is supplemented by satisfaction surveys:
- for planned maintenance work Andium Homes sends surveys to all tenants who have had planned maintenance work completed. The response rate to surveys for planned maintenance was 35% in 2013, slightly below the best practice response rate of 40%. However, the overall satisfaction score for planned maintenance in 2013 was 98%, indicating a high level of satisfaction with the service; and
 - for responsive repairs the results of the bi-monthly postal tenant surveys of a sample of tenants are used. The proportion of work surveyed is in line with best practice and the percentage response rate in 2013 was 37%, slightly below the best practice response rate of 40%. The level of satisfaction with work for March and April 2014 was 93%, above the UK average of 83%.
- 7.4 Although the headline results of these surveys are routinely reported to the Andium Homes' management team, there are limitations on the information available:
- the key indicators on responsive repairs are not disaggregated by trade, meaning that reliance has to be placed on monitoring individual open orders;
 - the results of tenant satisfaction surveys for responsive work are not disaggregated by contractor; and

- whilst contracts for responsive works include agreed timeframes for undertaking work depending on the urgency attributed to it, categorisation and target times are not captured by the management information system. It is therefore not possible to monitor at an aggregated level performance against these standards or the incidence of works to which different priority times are attributed.

7.5 Andium Homes has recognised the need to improve management information and in November 2014 it published its Information Technology Strategy 2015-2019.

Recommendations to Andium Homes

- R7** Seek to increase participation rates in tenant satisfaction surveys through, for example, face to face and telephone interviews.
- R8** Develop Key Performance Indicators to facilitate monitoring of the results of tenant satisfaction surveys by contractor and implementing appropriate corrective action.
- R9** Develop a suite of Key Performance Indicators to facilitate monitoring of responsive work by different trades and by priority categories and implementing appropriate corrective action.

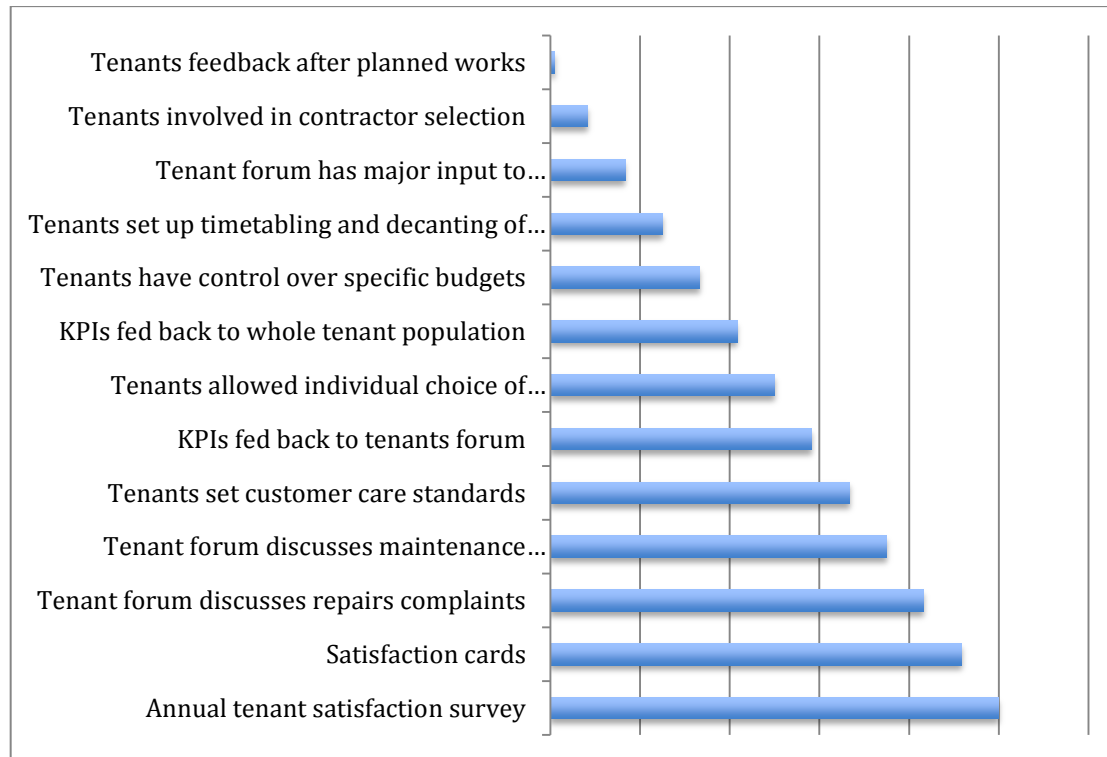
Tenant engagement

8.1 Good tenant engagement seeks to involve tenants across a number of areas of activity including:

- programme planning;
- setting standards;
- drawing up the design brief;
- deciding spending priorities;
- reviewing performance; and
- discussing policy and practice innovations and changes.

8.2 Tenants are often less involved in mainstream decision making. Research by the UK Audit Commission highlights the range of tenant involvement encountered across a number of social landlords (see Exhibit 4).

Exhibit 4: Level of tenant involvement



Source: Analysis of Audit Commission housing inspection reports

8.3 Andium Homes currently secures some tenant involvement in decision-making. For example:

- it consulted tenants on plans for maximising the use of housing stock on an existing estate before refurbishment work and accepted an alternative schedule of works proposed by tenants, securing a saving of £100,000;
- it offers residents the opportunity to be involved in the design and selection of colours for replacement kitchens and bathrooms. There is an overall budget for the works but within this tenants can make a number of choices based on their personal preferences;
- a tenant forum was established in 2007 as a partnership between the former Housing Department and tenants. Tenants are elected to act as a consultative group and conductor of information between tenants and staff of Andium Homes; and
- there is some tenant engagement in the selection of contractors. For example, tenants were included on the selection panel for the voids contracts.

8.4 Andium Homes' Strategic Business Plan sets out the vision and objectives for the future. It places the tenant at the heart of its plans with a number of strands for building on tenant engagement. For example, Andium Homes Academy has been established, whose aim is to improve client understanding of the business and the services offered.

8.5 There have been welcome changes since Andium Homes was established: a tenant now serves on its Board and there are plans for a further tenant to join the Board.

8.6 However, there is scope for further tenant involvement:

- whilst service standards, such as response times, are included in contracts, there has been limited input from tenants in setting these standards;
- it is common for residents to contribute information to enable someone else to assess the quality of the repairs service. However, residents seldom receive feedback on their input. Providing feedback will encourage residents to respond in future, as they become more aware of the effect their input can have; and
- currently there is some feedback to tenants through community newsletters but this could be improved by the regular inclusion of performance information.

- 8.7 Ultimately the real evidence of successful tenant engagement is a demonstrable operational impact.

Recommendations to Andium Homes

- R10** Extend tenant involvement in both decision making and setting standards for housing repairs and maintenance.
- R11** Provide feedback to tenants on the results of satisfaction surveys and the action taken in response to concerns raised.
- R12** Periodically review the operational impact of tenant engagement.

Conclusion

- 9.1 There are a number of areas where Andium Homes is following best practice in the management of housing repairs and maintenance. For example, it exceeds best practice targets for the proportion of work undertaken on a planned basis and it actively monitors tenant satisfaction. There are welcome developments in tenant engagement.
- 9.2 There is, however, scope for improvement with a particular focus on:
- development of the market for housing repairs and maintenance;
 - enhanced management information. Such information is important as it facilitates effective monitoring of the service provided and the performance of contractors. In turn, this helps Andium Homes to demonstrate systematic monitoring and place any specific concerns about performance in context; and
 - enhanced tenant engagement, both in setting standards for housing repairs and maintenance and feeding back on performance (including action taken in response to any feedback received).
- 9.3 The Key Performance Indicators currently available to senior management do not cover all key areas of performance for responsive repairs and therefore impede Andium Homes' ability to manage its contractors and demonstrate that it is securing value for money.

Appendix 1

Recommendation to the States of Jersey

- R1** Even where procurement falls below the threshold for preparation of a procurement strategy, require some consideration of market development.

Recommendations to Andium Homes

- R2** Develop, implement and monitor the effectiveness of a market development strategy for contractors.
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- R11** Provide feedback to tenants on the results of satisfaction surveys and the action taken in response to concerns raised.
- R12** Periodically review the operational impact of tenant engagement.



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