



**Office of the Comptroller and Auditor General**

**Housing Repairs and Maintenance: Follow-up**

**25 April 2019**



JERSEY AUDIT OFFICE

**R.47/2019**

## **Housing Repairs and Maintenance: Follow-up**

### **Introduction**

- 1.1 Andium Homes was established on 1 July 2014. Andium Homes is a States controlled company that provides landlord services to over 10,000 people in more than 4,500 homes.
- 1.2 In February 2015 I reported the results of my review of Andium Homes' management of repairs and maintenance. I identified areas where Andium Homes was following best practice in the management of housing repairs and maintenance: for example, it was exceeding best practice targets for the proportion of work undertaken on a planned basis and it actively monitored tenant satisfaction.
- 1.3 However, I concluded that there was 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 to 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).
- 1.4 In May 2015 and July 2015 the Public Accounts Committee received reports from Andium Homes detailing progress in implementing the recommendations in my original report.

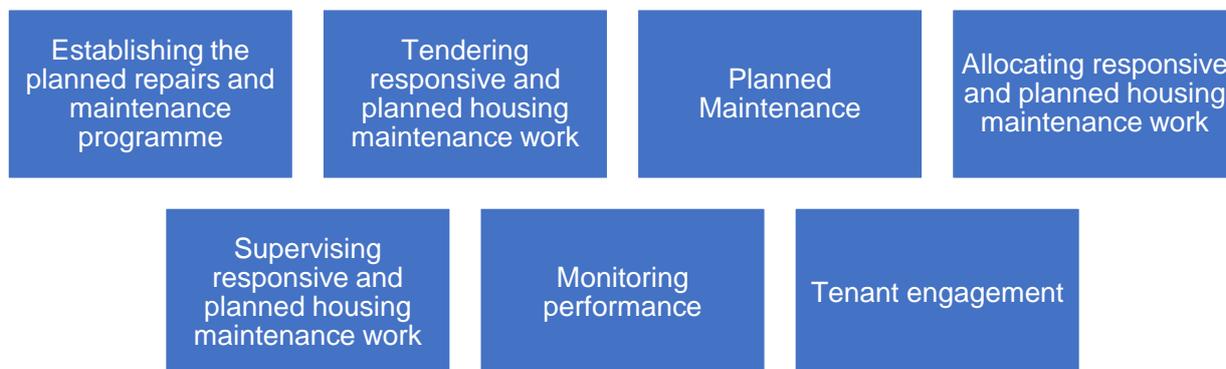
### **Objectives, scope and approach**

- 1.5 The objectives of the review are to evaluate:
  - the progress Andium Homes has made in implementing agreed recommendations;
  - the extent to which the recommendations as implemented have addressed the improvement areas identified in the report; and
  - the adequacy of plans for the implementation of any outstanding recommendations.

## Progress in implementation of recommendations

2.1 In undertaking the review, I looked at the areas identified in my 2015 report (Exhibit 1).

### Exhibit 1: Focus of my work



### ***Establishing the planned repairs and maintenance programme***

2.2 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. In 2015 I reported that based on 2014 data the benchmark was exceeded as 72% of budgeted expenditure was on works on a planned basis. In 2018 this proportion had risen to 78% (see Exhibit 2).

### Exhibit 2 Expenditure on responsive repairs and planned maintenance

Area	2014 Expenditure	2018 Expenditure
<b>Responsive repairs</b>	£2.4m	£2.1m
<b>Planned maintenance</b>	£6.3m	£7.5m
<b>Total</b>	£8.7m	£9.6m
<b>Proportion of expenditure on planned maintenance</b>	72%	78%

Source: Andium Homes financial management reports

### ***Tendering for responsive and planned housing repairs and maintenance work***

2.3 Good procurement practice is essential for extracting the best value from contracts both in terms of costs and quality of the goods and services

procured. In 2015 I reported the need to improve market development and develop a market development strategy.

- 2.4 Andium Homes has made good progress in this area. Andium Homes engaged external consultants to support market development through:
- production of a market development strategy;
  - running a bidders' meeting in April 2015; and
  - running a market development day in March 2016.
- 2.5 The first recommendation in my 2015 report was a wider action for the States to consider whilst the remainder of the recommendations were specific to Andium Homes. Progress against recommendations concerning procurement and tendering is assessed in Exhibit 3.

**Exhibit 3: Tendering for responsive and planned housing repairs and maintenance work: progress in implementing recommendations**

Recommendation	Action	Evaluation
<p><b>R1 Even where procurement falls below the threshold for preparation of a procurement strategy, require some consideration of market development.</b></p>	<p>The States have established a new Commercial Services Directorate in the Chief Operating Office to bring more rigour to market development and third-party supplier relationships, strategic and operational procurement, commercial contract management, strategic supplier relationship management and commercial negotiations.</p> <p>Work is now underway to deliver a new commercial framework for the organisation in 2019, with key metrics identified that set a baseline of the current position. The Commercial Services Directorate is also working to deliver a pipeline of procurements with a value worth more than £100,000, which management believe will enable the States to develop packages of work strategically and deliver better economies of scale to leverage the States' procurement activity in the market place.</p>	<p><b>Not implemented</b></p> <p>Work is underway focussing on high value procurement.</p>

Recommendation	Action	Evaluation
<p><b>R2 Develop, implement and monitor the effectiveness of a market development strategy for contractors.</b></p>	<p>Andium Homes has prepared a market development strategy with the assistance of a housing management consultancy.</p> <p>Andium Homes has also run market development days covering areas such as property maintenance, planned maintenance, responsive repairs and voids (empty property) contracts.</p> <p>Andium Homes has implemented a responsive repairs strategy that has led to a reduction in the number of contractors from nine to two – one for plumbing and electrical responsive repairs and one for all other trades. The contracts:</p> <ul style="list-style-type: none"> <li>• are for a fixed price per property with a financial cap;</li> <li>• require the contractors to take initial calls directly from the client and, if the fault cannot be resolved over the telephone, set an appointment to attend and repair; and</li> <li>• schedule routine repair appointments up to 8pm on working days and Saturday mornings.</li> </ul> <p>Andium Homes monitors the effectiveness of the procurement strategy through review of contractor performance. In addition Andium Homes focusses on developing the market by encouraging contractors onto the approved contractor list and keeping pre-qualification information up to date.</p>	<p><b>Implemented</b></p>

### **Responsive repairs**

- 2.6 For responsive repairs, 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: and
  - simplifying administration.
- 2.7 At the time of my 2015 review Andium Homes used nine contractors for responsive repairs split by trade. Following a subsequent procurement exercise the number of contractors has been reduced to two with the contracts split by trade.
- 2.8 In my 2015 report I recommended that Andium Homes develop its management information system to enable the monitoring of variations to contractual rates and, where appropriate, take corrective action. Andium Homes implemented a new housing and financial management system in November 2016. The system includes service user and contractor portals which will enable clients and contractors to access information in real time. The contractor portal is planned to go live in quarter two of 2019.
- 2.9 Progress in implementation of my recommendation has been slower than was set out in the original action plan. However, full implementation of the new system is underway and is due to be completed in quarter 2 of 2019 (see Exhibit 4).

### **Exhibit 4: Responsive repairs: progress in implementing recommendations**

Recommendation	Action	Evaluation
<p><b>R3 Develop the management information system to enable the monitoring of variations to contractual rates and, where appropriate, corrective action.</b></p>	<p>The payment mechanism for contracts has moved from a schedule of rates to a price per property. This has resulted in fewer instances where there is a price variation. For work that is over the cap prior approval is required. There is a mechanism in place to monitor variations.</p> <p>A new management information system is being implemented with full implementation due in Q2 of 2019.</p> <p>Andium Homes is developing the system to include a contractor portal due to be implemented in April 2019. The online portal should allow contractors access to the business system to manage and</p>	<p><b>Partially implemented</b></p> <p>Plans are in place to complete implementation of the portal and the management information system.</p>

Recommendation	Action	Evaluation
	<p>assign work on the basis of priority.</p> <p>Implementation of the new business system should enable Andium Homes and contractors to access real time information and Key Performance Indicators (KPIs). Service users should be able to access and update personal information as well as providing feedback on the service.</p> <p>A 'Client App' is being developed for both Android and Apple device users. Amongst other things, it will allow clients to report repairs needed and track progress. It will also allow completion notifications and satisfaction requests to be sent to clients. The App is currently in test and is planned to be available by the end of June 2019.</p>	

### ***Planned maintenance***

- 2.10 Good practice for planned maintenance involves packaging work, use of call-down contracts and partnering arrangements. These measures can increase effectiveness of planned maintenance programmes.
- 2.11 Since my 2015 review the approach for the letting of planned maintenance has changed. Instead of multiple contractors covering the same geographic area, work is now packaged into facilities management and decorations. Decoration contracts have been awarded to 4 contractors split across 220 sites. The contracts are based on National Housing Federation fixed price per property contracts. This has made the management of the contracts easier and the move to a different payment mechanism has streamlined the payment process.

### ***Allocating responsive and planned housing repairs and maintenance work to contractors***

- 2.12 At the time of my original report multiple contractors were appointed to undertake works in parallel e.g. contracts for kitchen and bathroom replacement. I highlighted the importance of monitoring the allocation of work to contractors to help demonstrate that value for money was being secured and the risk of impropriety minimised.
- 2.13 Andium Homes no longer lets contracts to multiple contractors for single packages of work. Therefore my original recommendations are no longer

directly relevant in whole or part but they have been implemented. Progress with implementing the recommendations is set out in Exhibit 5.

**Exhibit 5: Allocation of work to contractors: progress in implementing recommendations**

Recommendation	Action	Evaluation
<p><b>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.</b></p>	<p>This recommendation is no longer applicable given the change in approach to single contractors for a package of work.</p>	<p><b>No longer relevant</b></p>
<p><b>R5 Develop a suite of Key Performance Indicators on quality and timeliness to inform decisions on the allocation of work between contractors.</b></p>	<p>This recommendation is no longer directly applicable given the change in approach to single contractors for a package of work.</p> <p>However, Andium Homes now monitors contractors against a suite of Key Performance Indicators (KPIs) covering both quality and timeliness. Contracts allow allocation of work to other contractors if quality standards are not met.</p>	<p><b>Implemented</b></p> <p>The recommendation is no longer directly relevant but the key aim of the recommendation which was to develop KPIs on quality and timeliness has been met.</p>
<p><b>R6 Include in the Key Performance Indicators reported to senior management indicators to allow monitoring of the allocation of work between contractors.</b></p>	<p>Andium Homes reports KPIs by contractor.</p>	<p><b>Implemented</b></p> <p>The recommendation is no longer directly relevant but the key aim of reporting relevant KPIs to senior management has been met.</p>

### ***Supervising responsive and planned housing repairs and maintenance work***

- 2.14 Inspections of completed work are an important mechanism to assess whether the work has been undertaken to a satisfactory standard.
- 2.15 In my 2015 report I identified adequate arrangements for inspection of completed planned maintenance but limited inspection work undertaken on responsive repairs, largely attributed to capacity issues.
- 2.16 Subsequently, the operational changes to responsive repairs have led to efficiencies freeing capacity to undertake more inspection of responsive repairs.

### ***Monitoring performance***

- 2.17 Good performance management of contractors' work, using key performance information, is critical to service delivery and improvement.
- 2.18 In my 2015 report, I noted some limitations in the reporting of performance information. Andium Homes revised the performance information for the senior management team to include more detailed information and good progress has been made in implementing the recommendations in the original report (see Exhibit 6).

### **Exhibit 6: Monitoring performance: implementation of recommendations**

<b>Recommendation</b>	<b>Action</b>	<b>Evaluation</b>
<b>R7 Seek to increase participation rates in tenant satisfaction surveys through, for example, face to face and telephone interviews.</b>	<p>There are three main mechanisms which have sought to increase participation rates in tenant surveys:</p> <ul style="list-style-type: none"><li>• Andium Homes requires contractors to seek feedback when work is undertaken;</li><li>• Andium Homes seeks face to face tenant feedback as part of post-completion inspection of work undertaken;</li><li>• Andium Homes introduced text message surveys in July 2018.</li></ul> <p>Survey response rates stand at 51% compared to UK best practice of 40%. Average satisfaction returns over the last 6 months show a satisfaction rate of 95.6% compared with UK best practice of 83%.</p>	<b>Implemented</b>

Recommendation	Action	Evaluation
<b>R8 Develop Key Performance Indicators to facilitate monitoring of the results of tenant satisfaction surveys by contractor and implementing appropriate corrective action.</b>	Andium Homes has developed a new suite of KPIs covering quality and timeliness. The KPIs are based on National Housing Federation contracts and incorporated into individual contracts. Andium Homes reports performance separately by contractor.	<b>Implemented</b>
<b>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.</b>	KPIs in this area are now reported by contractor.	<b>Implemented</b>

### ***Tenant Engagement***

- 2.19 Tenant engagement is an important means of driving a high quality repairs and maintenance service that meets the needs of tenants.
- 2.20 In 2015 I found evidence of tenant involvement in some aspects of decision making. Subsequently, Andium Homes has implemented significant enhancements in tenant engagement including:
- tenant representation on the Board;
  - involvement of tenants in setting performance standards for contractors; and
  - providing greater transparency of performance information to tenants.
- 2.21 In addition, Andium Homes has introduced the Andium Academy. This has helped to educate tenants in understanding key aspects of business areas so they are able to make better informed decisions. Andium Academy has now

provided training to 45 tenants on areas such as planned maintenance and responsive repairs, tenancy management and client management.

2.22 Andium Homes has implemented all the recommendations in this area from my 2015 report (see Exhibit 7).

### Exhibit 7: Tenant engagement: implementation of recommendations

Recommendation	Action	Evaluation
<p><b>R10 Extend tenant involvement in both decision making and setting standards for housing repairs and maintenance.</b></p>	<p>Two Tenant Representatives have been appointed to the Andium Homes Board. This enables tenant representation to be involved in decision making.</p> <p>The Tenants Forum role has increased. The forum plays a number of key roles in:</p> <ul style="list-style-type: none"> <li>• agreeing standards for the Response Repair &amp; Voids contract specification;</li> <li>• agreeing standards for kitchen and bathroom, decorations and grounds maintenance and cleaning contracts;</li> <li>• contributing to the procurement process, including at the interview and selection stages.</li> </ul>	<p><b>Implemented</b></p>
<p><b>R11 Provide feedback to tenants on the results of satisfaction surveys and the action taken in response to concerns raised.</b></p>	<p>Andium Homes regularly discusses KPIs and independent service satisfaction surveys with the Tenants Forum.</p> <p>Andium Homes publishes this information on its website. It also provides updates on contractor performance via social media.</p> <p>The main social media platform used by tenants is Facebook. Where tenants have provided contact details Andium Homes is able to direct message tenants to respond to comments made on social media.</p>	<p><b>Implemented</b></p>

Recommendation	Action	Evaluation
<p><b>R12 Periodically review the operational impact of tenant engagement.</b></p>	<p>Andium Homes has established Andium Academy to increase tenant capability to provide informed challenge to the services provided by Andium Homes.</p> <p>Review of performance, procurement outcomes and the future of the Tenants Forum have seen a number of relationship improvements, helping shape the way in which services are provided.</p> <p>The operational impact of tenant engagement is considered at senior management meetings as it is linked to a key objective “Delivering a renowned client experience”.</p>	<p><b>Implemented</b></p>

## Conclusion

- 3.1 My previous report identified a number of areas for improvement. Andium Homes has made good progress in implementing my recommendations and the States are making some progress in implementing the wider recommendation on procurement.
- 3.2 Andium Homes has considered the recommendations in my previous report and applied them to meet their specific requirements. This has resulted in a fundamental change in the way that services are tendered. As reported three recommendations from the original report are no longer directly relevant but outcomes have been delivered. The benefits of the changes have been:
- an improvement in the quality of service, demonstrated through the increased tenant satisfaction rates;
  - an increase in capacity to undertake inspections of responsive repairs; and
  - better value for money through a further shift from responsive repairs to planned maintenance.
- 3.3 The relationship with tenants is changing with greater involvement of tenants in a number of aspects of decision making. This includes greater representation of tenants on the Board of Andium Homes, approximately 50 tenants undertaking training through Andium Academy so that they can enhance their understanding of the service and become involved in tender processes for repairs and maintenance, and tenant involvement in setting service standards.
- 3.4 I am pleased to see effective implementation of the majority of my recommendations. Where recommendations remain outstanding, Andium Homes has clear plans for implementation.

### **Recommendation for the States**

- R1** Develop and implement a revised commercial framework that supports improved strategic supplier relationship management.

### **Recommendation for Andium Homes**

- R2** Further develop reporting following completion of the implementation of the new management information system.



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