The Housing Corporation

... supports social housing in England by working with housing associations and others to provide good homes for those in housing need.

The Audit Commission

... promotes proper stewardship of public finances and helps those responsible for public services to achieve economy, efficiency and effectiveness.
House Styles

1 Housing Management

2 Maintenance Management

3 Housing Association Management
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The late 1990s are a challenging time for housing associations on several fronts, not least in the area of value for money.

The 1996 Housing Act gives the Audit Commission new powers. In summary, these are to provide the Housing Corporation (the Corporation) with advice on value-for-money measures and practices which housing associations could adopt.

The late 1990s are a challenging time for housing associations on several fronts, not least in the area of value for money. They are having to provide new services more efficiently and at a lower cost at a time when public scrutiny over their affairs has increased and opportunities for the rapid growth of the late 1980s and early 1990s have become more restricted. Local authorities are exerting greater influence in their strategic or enabling role for their localities. Lenders, too, are showing increasing interest in association performance.

This handbook reports work by the Commission examining the performance of associations in their housing management and maintenance roles. It builds on earlier work which compared the performance of housing associations with that of local authorities. In *Homing in on Performance* the Commission showed that, in general, housing associations are better at providing basic housing services than local authorities. For example, they carry out repairs and re-let their properties more quickly. But the cost of this performance may be high: on average association management costs are greater by £100 per property per year.

Throughout this handbook, reference is made to the use made by associations of performance indicators. The Corporation publishes a set of performance indicators for the largest 375 or so associations each year, covering performance in the previous financial year. The number of performance indicators published has increased over the years and now includes details on rents and rent collection; housing management and maintenance costs; voids management and lettings activity; customer satisfaction and complaints; and the repairs service. Staffing and financial performance indicators will be published in early 1997. Furthermore, consideration is being given to the future publication of performance indicators on development, low cost home ownership and supported housing. The Corporation also uses performance indicators for its own purposes when assessing an association's performance within the regulatory framework (the Performance Review System) and for the allocation of capital and revenue funds to associations. The handbook seeks to help them in this task. Nonetheless nationally published performance indicators are the tip of the iceberg of information needed for effective local management. Associations must develop their own internal information and benchmarking processes.

This study has been carried out alongside work by the Corporation to set specific standards for performance in social housing management and other areas normally carried out by associations and other registered social landlords. One of the Corporation's aims is to set public benchmarks to establish common yardsticks to be used in the context of regulation. The standards of
performance will be known before April 1997 when the Social Housing Standard document is published. Once the Corporation adopts its standards for regulation, all registered social landlords will be expected to achieve that minimum standard.

With the Corporation, the Commission is anxious to see performance improved across a range of housing association activities. Throughout the handbook, a target is suggested for each of the topics against which associations can benchmark their current performance. Some of these targets are quite general in nature and some are very specific. The aim of these targets is to encourage quality improvements. They are not the same as the Corporation’s minimum Performance Standards. While the challenge is to reduce costs and to maintain or raise standards, it is not to insist on homogeneity; as the handbook’s title suggests, diversity is one of the strengths of the housing association sector.

The study, conducted by John Tierney from the Local Government Studies Directorate, under the direction of Doug Edmonds was carried out with the full co-operation and support of the Housing Corporation. Others involved in the fieldwork included Dave Barlow and Peter Catterick from District Audit. An informal advisory group, comprising senior staff from eight of the participating housing associations together with Housing Corporation officials, provided invaluable comment and support during the course of the study. The Commission is grateful to all who helped, but, as with all its studies, responsibility for the report lies with the Commission alone and the views expressed are not necessarily those of the Housing Corporation.
### Executive Summary

Housing associations have been efficient managers of their stock.
- Rent is generally collected efficiently and effectively
- Stock is let quickly
- Repairs are carried out on time

But associations are having to adapt to a changing environment.
- There is pressure to limit rent increases
- In their role as enablers, local authorities are exerting greater influence
- Tenants have greater expectations about the services they receive
- Published indicators of association performance are identifying poor performers

As independent organisations, associations respond differently and have different management house styles; but there are common concerns.
- Stock maintenance is becoming a central issue
- Computer systems are being modernised
- Service levels in housing management are being re-assessed
- Performance management is being introduced

Some factors impede change both in housing management...
- Housing staff frequently do not have up-to-date and accurate rent account information, with which to chase arrears
- Staffing levels vary widely – and benchmarking against other associations is not systematic
- Service standards are frequently set by precedent rather than by current needs

... and in maintenance management...
- Most associations do not collect and compare the costs of similar repair jobs
- Information on tenant satisfaction is not systematically compared with job costs and technical quality
- The condition of associations’ stock is frequently not fully understood
- Few associations track the management (client) costs of their maintenance services

... and in some of the aspects of managing the association itself.
- Smaller associations employ relatively more senior managers
- Training budgets vary widely and are not based on an assessment of training needs
- Managers typically police budgets – rather than assess output costs of comparable services
- The costs and benefits of different approaches to tenant participation are not evaluated
The solutions to these problems lie within the association movement itself, where many examples of good practice are to be found. Three key areas in particular should be reviewed...

... improving managers’ decision-making capacity...
- developing activity-based costing of services and relevant indicators of performance
- being proactive in benchmarking – both internally and externally – to identify waste and to re-appraise operations
- developing an information strategy and introducing an integrated housing IT system

... reviewing performance more methodically...
- developing concise service standards for housing management and maintenance
- monitoring the performance of maintenance contractors and direct labour systematically
- implementing a system of corporate performance review to ensure that planned changes are feasible and implemented

... and strengthening associations’ relationships with their key assets.
- ensuring that the benefits of tenant participation are assessed and evaluated against their costs
- developing fully costed stock renewal programmes
- separating the client and contractor functions and establishing longer term relationships with associations’ key suppliers – local authorities, building contractors and direct labour organisations
- ensuring that investment in staff development is consistent with corporate plans

This handbook examines these issues and includes case studies illustrating good practice.
Introduction

What does the handbook cover?

In seeking to get behind the headlines, this handbook identifies the factors that, for example, account for higher running costs, and shows how associations can emulate good practice. It is based on good practice observed during detailed visits to 12 associations during late 1995 and early 1996. The topics chosen were selected using the results from *Homing in on Performance* which showed that, after excluding capital costs, management and maintenance are the two largest areas of association expenditure (Exhibit 1). Together with rent loss they account for half of a typical association’s expenditure. These areas were the starting point for the choice of topics.

Discussions with managers during visits to three pilot sites gave focus to the selection process. The pilots showed that, in both housing management and maintenance, managers were most concerned with eight topics, four concerning maintenance and four concerning management. Each of these topics were ones in which good practice could usefully be drawn out and disseminated. They were selected, therefore, not only because they were issues of pressing concern, but also because they were areas in which managers felt they could learn from the experience of others.

This handbook supports not only the work of housing management and maintenance specialists. Successful housing and maintenance management also requires a robust corporate approach. It soon became apparent during pilot visits that there were questions of association management which also had to be considered in this study. This handbook argues, for example, that to manage successfully both the housing management function and the maintenance function, associations must have corporate processes in place to plan and review their performance, backed up by accurate and relevant management information. Four of these corporate topics were selected in addition to the eight topics in both housing management and maintenance. These 12 topics in total are covered in three chapters (Box A, overleaf).

---

**Exhibit 1**

**Focusing fieldwork: associations’ average net expenses**

Management and maintenance are two of the largest areas of expenditure for most housing associations.

*Source: Accounts for developing HAs 1994/95*
What does the handbook offer?

This management handbook aims to promote good management practice in housing associations. It provides advice to associations on measures to improve the management of their general needs housing services, maintenance and corporate functions. It is aimed primarily at senior line managers and central service directorate managers. More senior staff and Committee and Board members will find the executive summary and action checklists to be relevant to their needs.

There are three ways in which users can benefit from this handbook. They can:

♦ gain an overview of the critical issues affecting housing association managers today;
♦ obtain useful background information and practice advice on these issues; and
♦ audit the performance of their association using the action checklists.

The circumstances of each association are different. Some operate in difficult inner city locations, others have a more varied stock. These need to be borne in mind when interpreting individual results.

How can I use the handbook?

Each chapter starts with a short section outlining the reasons behind topic selection and a summary of the main findings of the research. The main part of each chapter comprises four further sections, one for each of the topics under examination in that chapter. Each section follows broadly the same pattern:

♦ a description of the section's main point;
♦ an analysis of the findings in the research;
♦ an outline of the dimensions of good practice;
♦ one or two case studies from individual associations; and
♦ an action checklist summarising the problem raised in the section, the causes of poor performance and good practice points.

The action checklists are particularly important. They allow managers or auditors to review the association's performance against that of a summary of the good practice found in the fieldwork sites (Box B).
Different users of the handbook will have different requirements (Box C). To get the most from the handbook, users should:

- familiarise themselves with the executive summary and the summary of recommendations in Appendix 1; and
- refer to the sections relevant to their particular responsibilities in the main body of the handbook.

<table>
<thead>
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<th>I am a...</th>
<th>What should I read?</th>
<th>Pages</th>
</tr>
</thead>
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<td>5</td>
</tr>
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<td>Summary of solutions and recommendations (Appendix 1)</td>
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<td>Action checklists</td>
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<td>Regional director/manager</td>
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<td></td>
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<td></td>
<td>Chapter summaries</td>
<td>10, 29, 54</td>
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<td>Central services director/manager/auditor</td>
<td>Executive summary (Introduction)</td>
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</tr>
<tr>
<td></td>
<td>Action checklists</td>
<td>16, 23, 26, 28, 36, 44, 50, 53, 61, 69, 76, 84</td>
</tr>
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</table>
1. Housing Management

Topics

Two of the most familiar housing performance indicators are rent arrears and voids. Performance varies quite widely between associations. Both rent collection and stock management are reviewed in this chapter.

But there are broader issues for housing managers. Patterns of housing need and tenant expectations are changing. In a more competitive environment, how do associations ensure that the housing management services they provide are the right ones and that they are delivered consistently to the planned standard and at the lowest cost? The third and fourth sections of this chapter consider housing management costs and service standards.

Findings

Many associations collect rent efficiently; but some do not. Most rent loss is due to the cost of empty properties, but associations with low collection rates in one year tend to be poor performers year on year. Two-thirds of associations’ rental income is paid for through the housing benefits system. One of the biggest causes of high arrears is slow payment of housing benefit by local authorities, but associations can still exercise influence over their own performance.

Homes are typically empty either because they are awaiting repairs, or because they are waiting to be let. The time taken to repair and re-let homes is too long in many associations. Some of the reasons for this lie within the control of those associations, but then the associations themselves are, in turn, at the mercy of local authorities, not all of which are efficient in maintaining waiting lists (registers) and in nominating new tenants to association properties. About 60 per cent of new tenants are nominated by local authorities.

Some associations employ two and a half times more housing management staff per dwelling than others. In part, this is related to association size: small associations tend to employ proportionately more staff. Whether associations with more staff provide a better service, work in more difficult circumstances or provide a wider range of services is not clear. There are examples of associations that do all of these. The lack of activity costing makes comparisons difficult. At present, service levels are rarely specified and monitored and so comparisons of service standards, too, are not easy to make.
1. The financial success of any social or profit-making business depends on how efficiently it collects the income due to it. In the case of housing associations, around 80 per cent of their income comes from rent. Rent loss is caused by two factors:

♦ inefficient rent collection; and
♦ the cost of empty properties.

2. *Homing in on Performance* showed that rent loss in the housing association sector is higher, on a per dwelling basis, than for local authorities (HA rent loss was about £1.40 per property per week in 1993/94). Voids account for 90 per cent of associations’ rent loss (Exhibit 2). Stock management issues will be examined in the next section.

3. Even though rent collection appears on average to be high, the performance of individual associations varies widely. Some associations collect far less rent than others. Nationally, rent arrears average 3 per cent. Housing associations’ audited accounts confirm that rent arrears levels vary widely; 25 per cent of associations have arrears levels of 4 per cent or more (Exhibit 3, overleaf).

4. But bringing down arrears is not easy. Associations need to keep the following factors in mind:

♦ the performance and the cost of different methods of collection;
♦ the administration of arrears; and
♦ since 67 per cent of rent is paid by housing benefit, payment arrangements with local authorities need to be efficient.

---

**Exhibit 2**

Rent loss

Voids account for 90 per cent of associations’ rent loss nationally.

Twenty-five per cent of associations have arrears levels of 4 per cent or more

Source: Audit Commission analysis of Corporation data on associations' annual accounts, 1994/95

Collection methods

5. There are a number of common collection methods currently in operation, each with its own advantages and disadvantages (Box D). Associations have gradually – and in some cases reluctantly – moved away from door-to-door cash collection methods, preferring the safer and more efficient methods offered by banks, building societies and post offices (Case Study 1). However, these alternatives are not always the most effective. There is surprisingly little information on their relative costs.
## Box D

**Rent collection methods**

<table>
<thead>
<tr>
<th>Collection Method</th>
<th>Perceived Cost</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Door-to-door</td>
<td>Very expensive</td>
<td>Close tenant contact. Repairs reporting</td>
<td>Cash security. Staff security</td>
</tr>
<tr>
<td>Standing order/direct debit</td>
<td>Low cost</td>
<td>Efficiency, speed</td>
<td>Many tenants do not have current accounts with a stable income</td>
</tr>
<tr>
<td>In person – to association area office</td>
<td>Low staff utilisation</td>
<td>Personal contact with tenants</td>
<td>Depends on tenant coming to office; cash security</td>
</tr>
<tr>
<td>Post Office giro – designated office</td>
<td>Compare to costs at area office</td>
<td>Efficiency</td>
<td>Possibly inconvenient for tenant; less contact with association staff</td>
</tr>
<tr>
<td>Post Office giro – any post office</td>
<td>Expensive?</td>
<td>Efficiency, Convenient for tenant</td>
<td>Less contact with association staff</td>
</tr>
</tbody>
</table>

**Source:** Audit Commission

### Case Study 1

**Home Housing Association**

**Door-to-door rent collection**

In the past, the most common way that Home’s tenants paid their rent was in cash to the Tenants Services Officer who visited each tenant personally each week. Home took the view that this method of rent collection brought a number of intangible benefits. The regular contact between the association and the tenants encouraged informal discussion, so that problems – for example, in neighbourhood relations or in respect of maintenance – could be detected early.

In most associations, door-to-door rent collection has been dropped as fewer tenants rely on cash to pay their household bills. There are other reasons for change: there are security risks for association staff who carry large amounts of cash.

Home has been reluctant to make this change. On many of its estates, the local economy remains a cash-based one, and Home has always been keen to maintain regular personal contact with its tenants through the rent collection staff. It was the question of staff security that forced the change. But the problem for Home in making this change is how to maintain close personal contact with tenants, while maintaining rent collection rates.

Home has chosen the following approach:

- the time that staff previously spent collecting rent has now been freed up and Tenants Services Officers have been reallocated to concentrate on issues raised by tenants; and
- more choice in payment method has been introduced.

It is too early to evaluate these changes, and especially the impact they are having on tenant relations, but so far Home has seen a number of benefits:

- staff who visit tenants can focus on specific problems and the needs of tenants;
- no loss in rent collection;
- lower costs of rent collection;
- reduced risk of assaults on staff;
- more choice for tenants on payment methods; and
- choice for tenants on frequency of payment through the use of payment plans.

**Source:** Audit Commission
Arrears administration

6. Failure to collect rent means that associations must resort to arrears recovery. There are a number of possible approaches and all associations have recourse to every method at some time (Box E). Whatever methods are employed, there needs to be a clear set of rules and procedures which set out the triggers for each step of the recovery process and the information that must be available to staff.

7. There are many examples of associations which have reversed poor debt recovery. The two factors which best help to reduce arrears are very simple – and both concern management behaviour:
   ♦ recognition by association senior managers and housing staff that there is an arrears problem; and
   ♦ converting that concern into changes in practice which are routinely supervised.

Housing benefit

8. Efforts to improve rent collection can be hampered by the poor performance of some local authorities. A close working relationship is essential for both local authorities and housing associations. Local authorities rely on associations to fulfil their statutory responsibilities and associations rely

---

**Box E**

**Arrears recovery methods**

<table>
<thead>
<tr>
<th>Recovery method...</th>
<th>...entails...</th>
<th>...but</th>
</tr>
</thead>
</table>
| Target and standard setting for region/area | – reliable data  
– ability to ‘own’ problems  
– efficient business and sectional planning routine and detailed monitoring  
– decisive action in problem cases | How systematic are associations in carrying out these approaches? |
| Tenants contacted by housing management staff | Generic housing staff need skills in arrears-chasing | To what extent do housing management staff concern themselves with tenants whose arrears are particularly high, neglecting the tenants with low arrears? Is arrears-chasing given sufficient priority compared to other housing management tasks? |
| Specialist association staff or external legal and credit chasing ‘experts’ | Housing staff need to be proficient in briefing experts; the experts need to be appropriately skilled. | Is the point at which staff transfer difficult cases to ‘experts’ clearly defined? |
| Improved liaison with local authorities | Service level agreements or similar with authorities | Inefficient local authorities (or inefficient housing associations) may not want to change. |

Source: Audit Commission
on local authorities to ensure housing benefit payments, nominations and planning are all carried out efficiently.

9. Many local authorities are efficient and pay housing benefit quickly. However, improving payments from some of the poorer local authorities can be particularly difficult for associations, particularly the smaller ones, which may well feel that they are in a weak bargaining position in relation to a powerful local authority with which they wish to maintain good relations. Some associations have developed Social Housing Agreements with their local authorities to devise service level agreements (SLAs) on issues such as housing benefit. A parallel approach is for all local associations to combine to discuss improvements with the local authority. Such discussions can result in an SLA (Case Study 2). The question of liaising effectively with local authorities is explored further in the next section.

**Case Study 2**

**Jephson Housing Association**

**Service level agreements and housing benefit**

Jephson has a policy of establishing service level agreements (SLAs) with the local authorities in which they have a substantial amount of stock. So far, three SLAs have been set up, all during the first six months of 1995.

Jephson decided on SLAs as a way of tackling long delays in housing benefit from one local authority in particular. The SLA is a formal, signed agreement, the format of which is the model devised by the Association of Metropolitan Authorities (AMA), the Association of District Councils and the National Housing Federation (NHF). Jephson had no difficulty in establishing SLAs with local authorities, since they were all based on existing relationships which had already been established through housing association liaison groups.

The SLAs have all worked well, most notably in reducing benefit delays in the authority where they had been worst. In other authorities, the SLAs clarified the expectations that each of the parties had of the other, even if they did not necessarily improve benefit processing times. The local authority benefits too:
- communications are improved;
- knowledge and understanding of the association’s tenants are improved; and
- the SLA acts as an additional method of pursuing queries and ensuring that review dates are achieved.
Action checklist: housing management – rent collection

WAY FORWARD – Poor performers should strive to achieve the national average (currently rent arrears of 2.75 per cent of gross rental income). Those associations already at that level should aim for the performance of the top 25 per cent of associations (currently 1.65 per cent of gross rental income).
Use of housing stock

Most rent loss is due to keeping homes empty. This section reviews these and the other principal causes of rent loss and shows how some associations are making fuller use of their stock.

10. One of the commonest approaches to assessing the efficiency of stock utilisation is to review the proportion of empty properties, or 'voids'. For example, on 31 March 1995, 2.3 per cent of association properties were empty. Fifty-two per cent of all empty properties were empty because they were awaiting repairs. The next chapter looks at repairs efficiency.

11. In an effort to reduce their voids, some of the sampled associations have resorted to holding down the number of re-lets by restricting the number of internal transfers, (especially from tenants wishing to transfer to a different property within the same association). This approach runs the risk of alienating tenants – and it ducks the more difficult question of whether there are bottlenecks in the housing management or the maintenance departments that could be reduced with the introduction of more efficient systems.

12. *Homing in on Performance* showed that associations re-let their homes more quickly than most local authorities, but that there is a wide range of performance around the average of three weeks. In its 1986 report the Commission proposed a national benchmark for housing authorities of three weeks. Nationally, 37 per cent of associations fail to reach this standard, while the best 25 per cent of associations achieve a standard of two weeks or less (Exhibit 4).

13. Associations with low re-let intervals tend to have three aspects, in particular, of their lettings procedures under close review. Those associations with high re-let intervals should compare their current arrangements with each of the following:

- detailed management supervision;

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Exhibit 4
Re-let intervals

The best 25 per cent of associations achieve a standard of two weeks or less.

Source: Audit Commission analysis of HAR10/ID, 1994/95
♦ effective nomination arrangements with local authorities; and
♦ creative approaches to letting unpopular stock.

14. While all associations track voids, not all monitor in detail the re-let interval. Monitoring the re-letting of properties involves controlling two separate processes within an association:
♦ the re-letting process itself, by housing management staff; and
♦ ensuring that the maintenance department assesses the physical status of the property and commissions any repairs promptly.

15. Housing management staff are the lead internal agency in ensuring good co-ordination and that a speedy turn-around time is assured. Delays in one stage of the process will lead to delays elsewhere in the chain (Exhibit 5). Although most tenants are obliged to give four weeks’ notice of termination, they may not always do so. Associations should therefore begin their lettings process as soon as they become aware that a tenant may leave.

16. In many associations, managers are hampered in their efforts to exert control of the re-letting process by poor management information. They need precise information on any bottlenecks, so that they can identify the causes of delay and, if necessary, redesign their operations to improve performance.

17. Since local authorities nominate such a large and growing proportion of new association lettings nationally (around 60 per cent), effective arrangements with local authorities are essential to an efficiently managed lettings process (Exhibit 6).

Exhibit 5
Setting specific re-let targets

Delays in one stage of the process will lead to delays elsewhere in the chain.

Source: Audit Commission
Exhibit 6
Lettings and nominations in a rural association

Effective arrangements with local authorities are essential to an efficiently managed lettings process.

18. Data on refusal rates by either tenants or associations is hard to come by nationally, but, if Exhibit 6 is typical, the cause needs further investigation. For example, where most local authority-nominated tenants accept their offer, this would seem to confirm that they are indeed in housing need. This acceptance rate contrasts with the high rejection rate of applicants on the association's own waiting list (register), nearly half of whom are rejected by the association in question, perhaps because the association had not completed the vetting of its applicants. In this case, at least, how useful are separate housing registers?

19. The point about separate housing registers would alone be sufficient to argue for a clear set of interagency relationships, but it is reinforced where common housing registers are adopted between several associations and their local authorities. Common registers do not imply common acceptance criteria and still allow housing associations the final say over whom they house. Relationships between associations and local authorities vary, but a poor relationship can be characterised (Box F, overleaf)1.

20. The characteristics of a good local authority relationship with associations can also be shown (Box G, overleaf). There are many examples of effective inter-agency relationships working in practice and all are characterised by high

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1 See Local Housing Registers: Guide for Housing Associations and Local Authorities on Common Waiting Lists, National Housing Federation 1994.

II See also Common Housing Registers – An Evaluation of Current Practice, D Mullins and P Niner, Housing Corporation, 1996.
levels of functional trust between the parties – usually backed up by a written agreement (Case Study 3).

21. Despite their efforts to create efficient management systems and ensure that their relationships with local authorities reduce duplication, some associations find that some properties can be let only with difficulty. Associations report different reasons for the available stock not meeting local housing need. Factors such as the design of the stock, the reputation of the area and the affordability of the prevailing rents may all play a part. The first step is to reconsider the housing management response: can properties be marketed better? should rent levels be adjusted? and so on.

Box F
The ‘bad’ local authority

A ‘bad’ local authority... ...so the association...
♦ keeps its register by longevity ♦ has extra work, especially home visits
♦ is slow to respond to association voids ♦ collects basic data
♦ offers only one nomination ♦ has to chase up local authority and applicants
♦ gives inaccurate details ♦ sees its re-let interval rise
♦ gives out-of-date details ♦ spends more on each letting than it should
♦ does not use a fax or phone
♦ is slow to confirm details by post
♦ gives poor/inconsistent data
♦ doesn't relinquish nomination rights willingly
♦ involves councillors in routine cases
♦ has no clear procedures
♦ is reluctant to change

Source: Audit Commission

Box G
The ‘good’ local authority

A ‘good’ local authority... ...so the association...
♦ revises its register regularly ♦ interviews less
♦ phones nominations ♦ has a shorter re-let interval
♦ confirms in writing ♦ has less administration to carry out
♦ gives accurate, up-to-date details ♦ offers tenants a better service
♦ waives nominations rights if appropriate ♦ saves money
♦ adopts a service level agreement with the associations in its area
♦ is enthusiastic and proactive about developing its relationships with associations

Source: Audit Commission
1. Housing Management

Case Study 3
Hereward Housing Association

Common housing registers

Hereward Housing Association was established in April 1993 following the large scale voluntary transfer (LSVT) of housing stock from East Cambridgeshire District Council. The arrangements for the stock transfer also included responsibility for the management of the housing register.

The register is run in conjunction with six other housing associations. Although it is a common list, there is no common allocations policy. Hereward's computer system retains each participating housing association's lettings criteria and, when a vacancy arises, it short-lists applicants according to the appropriate criteria.

The local authority has retained only a small housing staff to perform the housing strategy, advice and homelessness functions, and to investigate and determine applications. In all other respects, Hereward Housing Association manages the allocations procedure. It makes allocations to its own stock or nominations to other housing associations.

22. At a time when there is a well documented national housing shortage, it is difficult to talk of a surplus. Nevertheless, some associations argue that there is a surplus in certain, very specific local areas. Some associations have adopted a creative response to this challenge (Exhibit 7), attempting to re-designate the use of the stock for community care needs, or to 're-balance' so-called 'sink' estates (Case Studies 4 and 5, overleaf).

Exhibit 7
Unpopular stock

Some associations have adopted a creative response to letting unpopular stock.

Source: Audit Commission
Re-designation of stock in the Garths

In most parts of the country, there is a shortage of social housing and long waiting lists of potential tenants. In certain, very specific, areas where Home has properties, the problem is the reverse. In some cases, the stock is in unpopular estates; in others, it is a question of older stock no longer meeting local needs – for example, demand from single people in estates of family houses. In some areas, there is a surplus of social housing of every type and Home has had difficulties in securing appropriate lettings.

Home's general approach has been to engage in a number of activities to encourage potential tenants to move in. So the job of housing management staff is frequently one of rationing: deploying available properties to those most in need. In the cases where Home has experienced long-term difficulties in letting stock, its role has in practice become similar to that of an estate agent: devising attractive publicity material, advertising and attempting to understand in greater detail the source of resistance among potential tenants to the properties available to them.

In the case of the Garths – seven tenement blocks of flats in Sunderland – more radical solutions were called for. The flats concerned, modern and popular when they were built in 1938, had become outdated by the mid-1980s. A large number of long term tenants with a strong sense of community remained in the blocks, but there was a growing number of lettings to tenants, particularly young single people, who were not from the area and did not stay long. By 1990, the turnover of tenancies had risen to 40 per cent.

In 1992, Home decided that the flats could not be modernised adequately, that they should be demolished and replaced by modern, low-storey houses and flats. From the outset the tenants were involved in decisions on the design of their new homes, by means of a series of public meetings and newsletters. Thus, each of the new homes was built to meet each family's individual needs.

The original 560 flats will be replaced with 280 new homes, in a partnership between Home, the Housing Corporation and the City of Sunderland.

Home has found that this approach has brought with it a number of benefits. Stock turnover has fallen and the balance between single people and families has once more been maintained. The strong sense of community has also been restored as long-standing tenants in the area are re-housed in new homes which they have been involved in developing. Their involvement has also led to a strengthening of ties between the tenants and Home's local staff.
1. Housing Management

Case Study 5
Liverpool Housing Trust

Balancing communities

Some housing associations are having increasing difficulty in letting parts of their stock. In some cases, the cause of this phenomenon may be the nature or condition of the stock. In other cases, it is related to the unpopularity of particular areas. Increasing vacancies can lead to a spiral of decline as vandalism and further deterioration in the quality of the stock increases the unattractiveness of the area.

Liverpool Housing Trust has faced some of these issues in the Liverpool 8 district for some years. Its solution has been to develop a ‘Balancing Communities’ initiative in the Canning area. A new local lettings policy has been introduced which ensures that sensitive lettings are made to people who want to live in the area, but who may not normally have had a high priority for re-housing. Older people and those in relatively low-paid employment such as nurses have been target groups. A minority of such tenants has helped stabilise the area. Other initiatives include:

♦ firm action, including evictions, against those tenants causing problems; and
♦ swift action to secure and re-let abandoned properties or those not used as principal homes.

As a result of this approach, the area has stabilised and demand for vacant properties has increased, so that there is now a significant waiting list. Rent arrears have reduced by 25 per cent, the large number of empty properties has fallen and there are now fewer neighbourhood disputes. The success of this approach has encouraged the Trust to extend this approach into other areas.

Way forward – housing management – use of housing stock

WAY FORWARD – Poor performers should strive to achieve the national average (currently three weeks, which is also the Commission’s good practice maximum). Those associations already at that level should aim for the performance of the top 25 per cent of associations (currently two weeks).
23. There are two common approaches to housing management. Some housing associations employ staff primarily as generic workers for a patch of tenants and properties, each staff member acting as the main contact for particular groups of tenants for all issues. Other associations, typically larger associations, prefer to develop experts for particular functions, such as front line customer service staff, who take initial enquiries and refer on to specialist housing staff, credit chasing staff etc.

24. Evidence collected through the Commission’s fieldwork shows that the number of housing management staff varies from 0.7 full-time equivalent staff (FTE) for 100 homes to 2.7 FTE, a factor of four (Exhibit 8). Care staff, maintenance staff and development staff have all been excluded from these calculations. One explanation for the variation may be that different associations apportion their overheads in different ways. But even when staff working in corporate functions are added to housing management staff, the differences remain.

25. One potentially important finding supported by the data from the fieldwork sample is that the size of a housing association helps predict its housing management staff numbers, and that smaller associations tend to have more staff per property than larger ones. So, some economies of scale seem to be present (Exhibit 9).

Exhibit 8
Housing management staffing

Some associations employ 150 per cent more housing management staff than others.

Source: Audit Commission

Note: Excludes care, maintenance and development staff.
1. Housing Management

Exhibit 9
Staff and stock size

Some economies of scale seem to be present in the staffing levels of housing associations.

Source: Audit Commission

26. The very diversity of housing associations makes the process of comparison difficult. How do we know, for example, whether two associations of the same size with identical staff numbers have the same service levels; or indeed, whether they operate different methods of accounting for their costs? (Case Study 6)

Case Study 6
Liverpool Housing Trust

Monitoring housing management costs

Liverpool Housing Trust wanted to understand its housing management costs so that it could compare the costs and activity levels of similar outputs. A timesheet survey of staff activities was developed and ran for eight weeks to establish the number of hours spent on around 30 key activities. For example, the total number of staff hours spent on letting a property would be assembled for a district office and divided by the number of lettings to give a district unit cost per letting.

A number of subsidiary elements would have an effect on unit costs, especially staff grades or the number of times a property is offered to housing applicants. The object of the exercise was to examine actual costs, the value of a service and the outputs within the service. It sought to explain differences in those costs by reference to the effect of the subsidiary elements. The approach adopted by LHT provided valuable insights into management costs. LHT believe that benchmarking with other, similar associations would be of additional benefit to them.

As costs come under increasing pressure, LHT intends to maximise resources by directing its efforts towards key priorities. To facilitate this kind of reprioritising of its services, the costing exercise was accompanied by a survey of 500 tenants to understand their priorities and, together, they contributed to an overall review of the housing service at LHT. As a result of this work, LHT intends to focus on older, disabled and vulnerable tenants, recognising the need to build balanced and sustainable communities. It is anticipated that the streamlining of key business processes will release staff to develop targeted priorities.
27. All associations should compare their housing management staff numbers and costs with other associations, and within their association, between regions or over time. Knowledge of staff numbers and costs is a significant step towards benchmarking, together with service standards – the subject of the next section. Smaller associations, in particular, may need to consider their staffing costs. In the longer term, they may need to consider how they can form partnerships to gain the cost advantages of larger associations.

**Action checklist: housing management – housing management costs**

**WAY FORWARD** – All associations should know how their staffing costs compare with those of their peers. The ones with high costs should know the cause.
1. Housing Management

Service standards

This section considers how to set the standard of housing management services and how to ensure that these standards are delivered consistently.

28. So far, this chapter has shown that for many associations there are gains, both financial and in terms of tenant satisfaction, from a more robust approach to service delivery and to cost comparisons. It has proposed that associations seek to compare their costs, performance standards and staffing numbers. But this process of comparison is difficult when associations vary both culturally and operationally.

29. Thorough benchmarking can help – but only if like is compared with like; that is, if costs are compared with defined outputs and the results used to investigate the causes of differences in operational processes and staffing levels. Written standards and service level agreements (SLAs) are needed to assist in this process. SLAs will also include commitments to costs and volumes.

30. The search for efficiency is not the only reason for specifying housing standards. Tenants' expectations are changing and, as many associations report, tenants' needs, in terms of support, are also rising. The boundary between support for tenants in general family accommodation and those with special needs is increasingly felt by many associations to be a fine one. Setting clear standards allows associations to define the level of service that they expect staff to provide to tenants routinely.

31. Many associations are wrestling with the question of performance standards. A variety of documents has been prepared by associations. They include:

- housing management policies;
- operational procedure manuals for housing management staff; and
- particular standards of service delivery.

32. In 1987, the NHF urged associations to specify standards. The Chartered Institute of Housing has produced a substantial standards manual. Yet, to date, few associations claim to have arrived at a set of clear standards that are concise and which allow them to measure subsequent performance. Those associations that have invested in setting service standards are now beginning to realise the benefits (Case Study 7, overleaf). Typically, these benefits are that:

- delineated services can more easily be costed;
- once particular services are costed, real comparisons can be made; and
- service standards can be advertised and help condition the tenants' expectations of the service they receive.

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I See Managing Vulnerability: The Challenge for Managers of Independent Housing, NHF, 1995

II Valuing Your Services: Standards for Housing Management, NHF, 1987

III The Housing Management Standards Manual, Chartered Institute of Housing, 1995
Case Study 7
Metropolitan Housing Trust

Housing management service standards

As its regions expanded, MHT became aware that each was developing in a different way. Staffing structures, service standards and practices varied for reasons not related to the particular circumstances of the region. How were MHT’s tenants assured that they would receive a similar standard of service? How was MHT to ensure that it actually delivered those standards? What standards could it afford?

Like most associations, MHT had set some basic performance standards and had policies and procedures in place, but it did not consider that these documents defined the service adequately. In addition, service costs were rising without clear service benefits. MHT therefore decided on a major review. Its objectives were to define the scope of services, set clear standards across all areas and to adopt the most efficient and effective work practices and staffing structures.

A working group comprising staff from each region and type of job established a brief to examine the problems with the present services and to make recommendations about what should be delivered and how. With the basic framework defined, MHT appointed a firm of consultants to help prepare a complete specification of the service, and to cost its delivery. The process involved the complete re-definition of job roles and working practices. This was not easy, since MHT had to dovetail the results of the review with the introduction of new computer systems.

The entire exercise was worthwhile because MHT now has a well-defined service with clear objectives, service standards and performance measures for all housing management services, and a uniform structure within which to deliver the service. Also, there is an excellent basis for monitoring, controlling, reviewing and enhancing the service. MHT has gone on to develop quality assurance mechanisms to underpin its renewed service.

Action checklist: housing management – service standards

WAY FORWARD – Associations should specify the standard of service that they currently provide to tenants and monitor performance against those explicitly stated standards.
2. Maintenance Management

Topics

For many in the housing association movement, maintenance is moving from a back-stage role to one of central importance. There are two principal reasons for this change in emphasis. First, surveys show that tenants' overall satisfaction with their association is very closely linked to the efficiency of their repairs service. Second, as the rate of development declines, the average age of the stock rises, thereby increasing the relative importance of stock maintenance.

A well-run maintenance service has the following features:

♦ the programme is planned to ensure that stock condition is maintained at the desired level;
♦ administrative control over what repairs are carried out, by whom, and when is tight;
♦ work commissioned is carried out efficiently and the arrangements for monitoring quality are robust; and
♦ the maintenance programme is managed and funded to give it the priority it increasingly merits.

Findings

The wide difference in repair costs between associations is due in part to the extent to which they are locked into a vicious circle of low-planned maintenance, leading to poorer stock conditions, which in turn leads to more urgent and emergency repairs and therefore to higher repair costs per unit. Successful asset management depends on accurate knowledge of stock condition and an up-to-date and funded action plan. Few associations have all these elements in place.

Responsive repairs costs can themselves be better managed. Those associations with direct labour organisations (DLO) appear to have higher costs but their own staff are not on the same financial footing as other contractors, so their costs cannot be easily compared. Few repairs are carried out under a tendered schedule of rates. Too many jobs are categorised as urgent leading to higher costs than necessary. Some associations do not monitor contractor performance to the extent that they should.

The way that the commissioning of repairs is treated varies between associations. The assessment of the performance of associations' repairs management services is often hampered by the absence of the kind of cost information that would be usual in local authorities and many other sectors.
Planned stock renewal

This section considers repair costs and the approaches that associations take to planning the renewal of their stock.

33. Total repair costs per dwelling in fieldwork sites varied from around £400 to £800 per year, a difference of 100 per cent (Exhibit 10). All three main elements – responsive repairs, planned repairs and commissioning costs – varied substantially. But this data does not tell us how well the money was spent, how services were managed, or the condition of the properties.

34. The first stage in understanding whether value for money is achieved in an association’s repairs programme is to understand how these total costs are structured, and then to determine how the maintenance service is planned and managed. It is important to distinguish the cost elements (Exhibit 11).

35. Over-reliance on responsive repairs is an expensive way of maintaining stock. In the longer run, planned maintenance can reduce overall maintenance budgets and avoid the need for responsive repairs to maintain good tenant relationships. Associations with small planned maintenance programmes tend to have high average responsive repair costs (Exhibit 12).

Exhibit 10
Maintenance costs

Repair costs vary by 100 per cent.

Source: Audit Commission
2. Maintenance Management

Exhibit 11
Maintenance cost tree
It is important to distinguish the cost elements.

Source: Audit Commission

Exhibit 12
Planned maintenance and responsive repair costs
Associations with small planned maintenance programme tend to have high average responsive repair costs.

Source: Audit Commission
36. In its 1986 report, the Commission urged a good practice benchmark of 60-70 per cent of works cost to be spent on planned maintenance. Four of the fieldwork associations met the Commission’s recommendation, including the two Large Scale Voluntary Transfer (LSVT) associations in the sample. Not only is over-reliance on responsive maintenance more costly, there is a longer term risk that stock condition will actually deteriorate. Low planned maintenance levels can lead to a vicious circle in which costs rise and the stock condition deteriorates further (Exhibit 13).

37. The need to turn the current position around concerns many associations. But it is not easy: there are several obstacles to progress that must be removed (Exhibit 14). Prime among these is the recognition by senior managers of the need to give planned maintenance the priority it deserves, and to ensure that their association has people with the skills required by this changing approach to stock management.

38. Initiating a planned maintenance programme requires four steps:
   ✦ Carry out a complete stock survey;
   ✦ Specify the standard of maintenance desired;
   ✦ Set lifetime stock renewal plans; and
   ✦ Support the change with cash and skill.

---

Exhibit 13
Reliance on responsive repairs

Low planned maintenance levels can lead to a vicious circle in which costs rise and the stock condition deteriorates further.

Source: Audit Commission
2. Maintenance Management

Exhibit 14
Moving towards asset management

The obstacles to progress need to be removed before the condition of the stock can be improved.

Source: Audit Commission

39. Most associations report that they have no backlogs of repairs, but few have up-to-date, credible data on the condition of their entire stock (Box H). Some associations are developing (often five-year) stock renewal plans without a systematic knowledge of their current stock condition. More worrying is the fact that several associations have no plans to maintain an accurate record of the condition of their stock. A detailed stock condition survey provides a baseline of information for maintenance planning (Case Studies 8, 9, 10 and 11, overleaf). Associations should then move on to maintain an accurate record of the condition of each property.

<table>
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<tr>
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<td>Yes</td>
<td>No; rolling repair programme</td>
</tr>
<tr>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Planned</td>
<td>No; rolling repair programme</td>
</tr>
<tr>
<td>No</td>
<td>No; historic budget</td>
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<tr>
<td>One region</td>
<td>One region</td>
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<tr>
<td>Underway</td>
<td>Under discussion</td>
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<tr>
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<td>No</td>
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<td>No; plans to reduce backlog</td>
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<tr>
<td>Planned</td>
<td>No</td>
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<tr>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Underway</td>
<td>No; rolling repairs planned</td>
</tr>
<tr>
<td>Planned</td>
<td>No</td>
</tr>
</tbody>
</table>

Box H
Asset management in the 12 fieldwork associations

Source: Audit Commission fieldwork
Case Study 8
Hereward Housing Association

Stock condition
A comprehensive stock condition survey was undertaken as part of the arrangements for the transfer of Hereward’s stock from East Cambridgeshire District Council in 1992. The valuation was carried out to value stock for transfer purposes, but it also permitted an assessment of work required for the following few years. Hereward is now in the process of refurbishing its stock, as part of a longer term strategy to move towards a more planned approach to maintenance. At present, the balance is about 50/50 by value.

All pre-war property has been refurbished and Hereward is presently concentrating on post-war property. It is anticipated that all the properties will have been refurbished by the year 2000.

Having updated all properties, Hereward plans to undertake another major stock assessment survey. It is intended that this will lead to a business investment plan which will document the association’s stock needs over the next 60 years. All elements of each building will be contained on a property database and will be linked to a maintenance life cycle based on the likely life of all components of the stock.

Case Study 9
Metropolitan Housing Trust

Repair backlogs
Some years ago MHT became aware that it may be carrying out increasing numbers of more expensive, reactive repairs while the standard of its stock declined. In 1990, it set about ascertaining if indeed there was a backlog of repairs.

Between 1990 and 1996, MHT carried out a stock condition survey of its 9,000 properties. The earliest assessment of the disrepair backlog peaked at over £34 million in 1991. Five years later, the disrepair figure stood at £26 million, equating to around £3,000 per property. In the intervening period, the backlog has been reduced by selective property sales and using income, major repair grants and rental surpluses to repair the stock which MHT wished to retain.

Sixty-eight per cent of the disrepair backlog figure is accounted for by renewal costs of poor building services and interior joinery and excludes improvements to amenities, (such as energy efficiency measures that must also be tackled to meet current standards of accommodation).

MHT has developed a costed ten-year plan to work through the backlog and bring all properties up to a minimum standard of repair and amenity. This programme relies principally on MHT’s own resources and a modest level of housing association grant. The programme will be delivered through:

♦ a planned replacement programme for heating, etc.;
♦ a separate programme for roofs, windows;
♦ refurbishment of voids.
2. Maintenance Management

**Case Study 10**  
**Liverpool Housing Trust**

**Stock condition**

Knowing the condition of the stock is an essential first step towards keeping it in good condition. Liverpool Housing Trust has developed effective stock renewal plans for its Runcorn-based properties. The initial transfer valuation made it necessary to carry out a stock condition survey and to build in the necessary financial provisions to maintain the stock into the future. The small number of property types in the area also made the process simpler.

The initial plan has been kept up-to-date through the updating of records as repairs and improvements are carried out. Accurate record-keeping of stock condition in this way has helped the Trust to run a good quality maintenance service for its tenants in Runcorn. In particular it has

♦ carried out 70 per cent of its repairs on a planned rather than reactive basis; and

♦ consulted tenants on priorities for the renewal programmes.

The challenge is now to extend this process to areas of more scattered properties where the initial knowledge of the condition of the stock is not as good.

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**Case Study 11**  
**Devon and Cornwall Housing Association**

**Stock condition**

DCHA became aware of the need to assess its future major repair commitment in the early '90s shortly after it began raising private finance.

The association worked with the University of the West of England to identify the simplest, most efficient way of assessing the current and short-term needs programme and long-term life cycle replacement programme for its stock.

The association carried out (in-house) a stock condition survey based on estimating the cost (rather than the work required) over the next eight years (two painting cycles) on a representative sample of properties. This was combined with a desk-top exercise which:

♦ set association policy for the replacement life of components;

♦ estimated the cost at current prices; and

♦ estimated the timescale for replacement and total cost for all association stock.

The survey is updated on a four year cycle that coincides with cyclical decoration inspections.

As a result, the association’s Board has committed substantial funding to a planned maintenance programme, backed up where appropriate by Housing Corporation funding. The survey also informs the level of annual contribution required from rents for the major repairs sinking fund, and hence the rent setting policy and borrowing strategy.

The survey is also the basic planning tool from which priorities are set and the annual programme planned.
ACTION CHECKLIST: MAINTENANCE MANAGEMENT – PLANNED STOCK RENEWAL

WAY FORWARD – Develop a renewal plan based on up-to-date stock condition data. Publish the proportion of the maintenance budget devoted to planned maintenance now, and the stages by which it will move to between 60-70 per cent.

- Specify the condition standard to which the association is aiming to maintain all its stock.
- Maintain an up-to-date, validated survey of stock condition.
- Re-survey on a routine basis.
- Develop a funded rolling stock renewal plan. Ensure that this transition has the priority it deserves and identify additional funding to ‘kick-start’ the move towards 60-70 per cent.
- Monitor client-side costs against service standards.
- Ask: do our managers have strategic skills to see changes through?
- Use appropriate computer software systems to monitor stock condition.
Commissioning repairs

Controlling the level of responsive repairs while providing an efficient service to tenants requires efficient repairs commissioning. This section reviews four principal causes of poor delivery of this service.

Recruiting and deploying contractors

40. Maintenance may be carried out by external contractors or by an association's own maintenance staff. External contractors usually carry out most of the work, and associations typically maintain a list of approved contractors who have been recruited by interview and whose performance has been tested by experience. Many maintenance contractors are very small and may work exclusively for a single association. The next section of this handbook urges a more systematic approach to the appraisal of their performance.

41. Evidence from fieldwork associations suggests that associations which use their own direct labour organisations (DLOs) for repairs are not cheaper despite the avoidance of 17.5 per cent VAT (Exhibit 15). There may be good reasons for this: associations with DLOs may, for example, have poorer stock. Such associations should, however, investigate the costs of their own maintenance service to assure themselves that they are obtaining value for money.

42. However, the cost basis of DLOs makes it difficult for association managers to carry out a value-for-money review of their DLOs. DLOs’ costs are not usually managed on the same basis as other suppliers of repairs, since their costs can include commissioning costs and, as a result, may be around 10 per cent overstated. Fair comparisons cannot therefore easily be made (Case Study 12, overleaf). Just as repair commissioning costs should be separated from works costs, so should the costs of similar jobs be amenable to comparison. Some associations are attempting to carry out this kind of exercise.

Exhibit 15

Maintenance costs and contractors

Associations which use their own direct labour organisations (DLOs) for repairs are not cheaper than those which use external contractors.

Source: Audit Commission fieldwork
Testing the value for money of the Direct Labour Organisation

One of the benefits of tendering maintenance work to outside contractors is to acquire greater knowledge of the costs of different contractors. If the association relies primarily on a Direct Labour Organisation (DLO), and does not tender for the rest of its work, it is not easily able to benchmark its DLO’s costs.

Caldmore believes that its DLO provides a good quality service to its tenants. It is responsive and flexible because it is locally based. DLO staff have a good knowledge of their properties and are familiar faces to the tenants in the area, a factor which is particularly important to the more vulnerable tenants. However, Caldmore has felt the need to test the value for money provided by the DLO more rigorously.

Using the NHF’s model schedule of rates, the association was able to compare the costs of its DLO with the costs of other, external contractors. The DLO is, in effect, competing with other contractors and, in this way, the association can ensure that its own staff offer competitive rates alongside the other advantages which the association believes it also offers. The quality of work is assessed by the in-house surveyors’ team against set criteria.

The DLO remains the preferred contractor with first call on works to be carried out, but operates now at arm’s length from the maintenance section, which acts as the client or commissioning body. This shift has also resulted in lower overheads.

The DLO is providing additional value by reporting on such aspects as poor design, poor specification or tenant welfare issues which it observes while carrying out repairs. The added value of these latter activities will be incorporated into the schedule of rates in future, so that the DLO’s performance can be compared with that of other contractors.

Managing and paying contractors

43. There are a number of contractual arrangements that associations use to procure maintenance services (Box I). Each is used in different circumstances – and each brings with it different risks in terms of cost control. For example, one of the most common methods, day works, can lead to high job costs, since it allows the contractor to determine the amount of time that the job takes after the job has been agreed. On the other hand, it is the method familiar to small traders. If used, the association must record and benchmark the cost of a sample of jobs.

44. The current trend, among larger associations in particular, is to reduce the number of contractors they employ, moving towards awarding longer term contracts to a smaller number of bigger, general purpose maintenance contractors. A method of assigning work in bulk in this way is the schedule of rates (SOR) and increasing numbers of associations are experimenting with them. SORs bring a number of benefits most notably greater cost control. But some fieldwork associations are hesitant to move to SORs, raising several objections. These disadvantages may be more perceived than real (Box J).
2. Maintenance Management

Box I
Contractual arrangements

<table>
<thead>
<tr>
<th>Contract type</th>
<th>Cost control</th>
<th>Maintenance type</th>
<th>Use by associations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day works</td>
<td>Low</td>
<td>Single trader – all responsive repairs</td>
<td>Common</td>
</tr>
<tr>
<td>Rate per job</td>
<td>Low</td>
<td>Responsive repairs over certain value</td>
<td>Common</td>
</tr>
<tr>
<td>Annual budget</td>
<td>Low</td>
<td>Repairs carried out by own staff/DLO</td>
<td>Rare</td>
</tr>
<tr>
<td>Schedule of rates</td>
<td>High</td>
<td>Tendered for voids or routine repairs</td>
<td>Rare</td>
</tr>
<tr>
<td>Tendered contract</td>
<td>High</td>
<td>Cyclical/planned maintenance</td>
<td>Common</td>
</tr>
<tr>
<td>Cost per unit</td>
<td>High</td>
<td>Emergency/out of hours repairs</td>
<td>Rare</td>
</tr>
</tbody>
</table>

Source: Audit Commission

Box J
Schedules of rates

The disadvantages of adapting a schedule of rates may be more perceived than real.

Arguments for... | ...Against
---|---
Better cost control | Adds bureaucracy
Can compare VFM of contractors | Loss of flexibility – small traders very competitive
Costs more predictable | Market not well developed
Allows development of longer term relationships with fewer, larger contractors | May put small contractors out of work
Day works = blank cheque!

Source: Audit Commission

45. Many of the disadvantages can be avoided, provided that the schedule of rates is not too detailed. Job types must be consolidated and the contractor must take the ‘rough with the smooth’ (Box K, Case Study 13 [overleaf] and Appendix 3).

Categorising responsive repairs correctly

46. Association staff usually classify a reported repair by three levels of urgency – emergency repairs, urgent and routine repairs – each with its own response time. However, associations are not consistent in their approach. Some define only a minority of their responsive repairs as emergency or urgent; others carry out most of their repairs in this way (Exhibit 16, overleaf).

47. Such differences matter because emergency repairs can cost more (Exhibit 17, overleaf), either as a result of the urgent call-out costs, or because emergency repairs may lead to two visits – one to make safe and one to carry out the repairs. The faster the response, the less chance there is to consolidate a batch of jobs for a particular group of dwellings, thereby saving on travel time.
### Box K  
**Schedule of rates – good practice**

- Keep it simple
- List jobs by trade
- Job descriptions detailed enough only to avoid extra work claims by contractor
- Jobs identified by completion rather than item of work
- Specify expected annual job frequency
- Tender against the schedule
- Pre-priced SOR evaluated by reviewing uniform percentage on or off listed price
- Un-priced SOR evaluated by reviewing total price of schedule

*Source: Audit Commission

[See Example of SOR format in Appendix 3]*

### Case Study 13  
**Hereward Housing Association**

**Schedule of rates**

Hereward runs responsive repairs on the basis of a schedule of rates. Its area is divided into three sectors and there are four contracts for each of these areas, covering:

- Carpentry
- General building
- Electrical work
- Plumbing

The contracts run for three years. All contracts run to the same dates. A staggered approach was initially used but it has since been found that running all contracts to the same dates enables the association to use the same contract and the same rates throughout the association.

There are actually only three contractors running the 12 contracts and each is based in Hereward's catchment area. Firms from larger towns have failed to win contracts because their prices were higher.

Hereward has obtained several benefits by adopting schedules of rates:

- the main benefit is that the potentially expensive day work element is removed from the cost of the repairs process;
- it also reduces the number of disputes about invoicing and therefore saves time;
- a schedule of rates assists budgetary control because expected future charges are known more accurately; and.
- finally, the association considers that the introduction of competition through tendering for work against a schedule of rates improves the value for money which it obtains from its contractors.
Some associations carry out only a minority of their responsive repairs as emergency or urgent; others carry out most of their repairs in this way.

Emergency repairs tend to cost more.

Systematic inspection before carrying out any works is the usual way of avoiding the incorrect classification of jobs. However, few of the fieldwork associations were systematic in their approach to pre-inspections, although some associations are becoming more aware of the cost implications of not doing so, and are taking a greater interest in how they register and categorise repairs (Case Study 14, overleaf).
London and Quadrant Housing Trust

Maintenance administration

London and Quadrant is concerned to provide a repair service of a consistently high standard. Its tenants’ survey indicated that while most tenants reported repairs by telephone, some complained that they had difficulty in getting through to the right person to report a repair. The problem was that too many different members of staff could potentially record a repair request. This results in:

♦ inaccurate diagnosis of a repair when it is reported;
♦ inconsistent classification of repairs between the different categories – emergency, urgent and routine; and
♦ the inconsistent use of pre-inspections.

These effects lead to lower tenant satisfaction and higher repair costs. L & Q reviewed its general housing management service during 1994/95 by distinguishing the costs of repairs administration from those of general housing administration and conducted several tenant focus group sessions.

It instituted major changes in administration, some of which are still being introduced:

♦ It started to monitor the effects of inappropriate classification or categorisation of jobs to show the extent of the problem and the costs of not changing;
♦ It created regional rather than local office contact points for maintenance and opened a free phone line to encourage reporting;
♦ It retrained the repair clerks in customer service on how to use a manual ‘expert system’, which permitted accurate and consistent classification and coding of jobs;
♦ It introduced a computer system so that:
  – reporting could be carried out on line,
  – letters of confirmation to tenants and contractors are sent out each day,
  – repairs are commissioned more quickly, and
  – pre-inspections requests are generated in a consistent way.

So far, L&Q has found that it has achieved a number of benefits:

♦ reduced maintenance overheads (the commissioning cost);
♦ greater budgetary control;
♦ fewer repeat orders;
♦ quicker response times; and
♦ improved tenant satisfaction.

But the battle is not over yet. The intention is to:

♦ automatically send orders to contractors;
♦ adopt a new method for measuring contractor performance;
♦ widen the use of a schedule of rates; and
♦ extend customer care training.
2. Maintenance Management

Managing out-of-hours emergency work

49. The other area of concern is the arrangements for out-of-hours emergency repairs. There is a variety of approaches to managing this work. Some associations are replacing the traditional staff rota with newer approaches (Box L). The approach that gives the greatest cost control – but not necessarily the lowest costs – is to externalise out-of-hours emergency repairs on a cost per house basis. A number of associations are experimenting with this approach (Case Study 15).

<table>
<thead>
<tr>
<th>Approach</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff rota</td>
<td>Low cost/high control</td>
<td>Quality, reliability?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Managerial effort</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consistency</td>
</tr>
<tr>
<td>Internal contract</td>
<td>Low cost/high control</td>
<td>Managerial effort</td>
</tr>
<tr>
<td>External call scheme</td>
<td>Hassle free</td>
<td>Loss of control</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More responses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Higher cost</td>
</tr>
<tr>
<td>External insurance model</td>
<td>Hassle free</td>
<td>Loss of control?</td>
</tr>
<tr>
<td>eg AA</td>
<td>Predictable costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fewer responses</td>
<td>Higher costs?</td>
</tr>
</tbody>
</table>

Source: Audit Commission

Managing emergency out-of-hours repairs

Home is keen to offer an efficient service to its tenants when emergency repairs are needed. It is equally aware that out-of-hours emergency calls cost more, and their experience shows that out-of-hours calls are not always necessary. When they talk to experienced staff in detail about the problems they face, tenants frequently agree that a call out is not necessary and that the repair would be handled more efficiently the next day. Home had previously provided an emergency repairs service using its own senior maintenance staff who were working an eight hour day followed, when on call, by a 12-hour night, taking calls at home.

So, with the aim of supplying a consistent, yet high quality service, and with an eye on reducing overall out-of-hours repair costs, Home reviewed its arrangements. The new system has a dedicated telephone line for Home Housing's tenants to call at a local rate. The service is staffed out-of-hours 365 days a year.

Home tendered/negotiated with a number of external suppliers who were entering the market, notably national motoring organisations, whose core skills included dealing, by phone, with members of the public facing potentially serious incidents. Home found that such organisations could offer a high quality call-handling service and continuity of repairs since they employed contractors from Home's own list of approved contractors. It also found that, at a fixed price per property per year, these organisations could offer Home predictable costs and a lower bill overall.

Benefits for tenants include a return call from the call-handling organisation informing them of the name of the contractor who would attend and an expected time of arrival. At joint tenants representative meetings, Home's tenants have said how much they like the new service, which is a big improvement on the previous arrangements.
**Action checklist: maintenance management – commissioning repairs**

**WAY FORWARD** – Review maintenance management and set a target for the percentage of responsive repair jobs to be completed under a schedule of rates.

<table>
<thead>
<tr>
<th>Problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some associations have a costly responsive repair service.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct labour. DLOs are associated with higher responsive costs.</td>
</tr>
<tr>
<td>Procurement. Associations with a higher proportion of responsive repairs also agree to undertake more jobs per unit.</td>
</tr>
<tr>
<td>Administration. Associations with more emergency repairs have higher responsive repair costs.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place DLOs on the same financial footing as other contractors. Monitor costs and service on the same basis.</td>
</tr>
<tr>
<td>Benchmark repair costs, numbers and payment methods more systematically.</td>
</tr>
</tbody>
</table>

Review:
- repair service standards,
- how jobs are categorised by staff, and
- the pre-inspection regime.
Consider a schedule of rates and revised relationships with contractors.
Consider benefits of externalising the management of emergency repairs.
2. Maintenance Management

**Repair costs and quality**

How do we know that individual contractors offer a good service? This section suggests an approach to reviewing the costs and quality of individual repair contractors.

50. Whether maintenance is delivered by an in-house team or by external contractors, associations should review their performance regularly and systematically. Such reviews permit:
- rigorous control of costs;
- comparisons of costs and quality;
- delivery of a consistent and reliable repair service;
- feedback to the contractors themselves on a more informed basis;
- more informed choices about which contractors to use; and
- the development of closer and longer-term relationships with contractors.

51. There are four elements in a systematic approach (Exhibit 18). The sources of data for each of the four streams in the system are: contractor invoices, schedules of rates, surveys of tenants and post-inspections by association staff. Each can be managed independently, but it is best if all the elements are brought together and compared.

52. All associations visited had some or most of the elements of this approach in place. But none brought all the elements together into a management review system. Why not? Associations give two reasons: they wonder whether such a major change would be worth it, and they are unable to collect the required data because they do not have adequate information systems and computer facilities.

---

**Exhibit 18**

**Assessing contractor performance**

There are four elements in a systematic approach to reviewing the cost and quality of individual repair contractors.

*Source: Audit Commission*
53. Many contractors provide an efficient and high value service at low cost. But some do not. The previous two sections of this chapter have shown that the costs and service of some contractors give concern, and that associations with weak controls are less likely to obtain good value for money. It is true that poor management information can hamper change, but systematic performance reviews of contractors need not be dependent on computer power. Information technology and management information will be reviewed in the next chapter.

**Job costs**

54. None of the associations visited collected data routinely on the job costs of similar repairs. Indeed, some associations do not collect any detailed information on their responsive repair costs; for example, assigning costs between minor works contracts (typically for void repairs) and jobbing repairs (typically the other minor and largely unpredictable repairs) (Exhibit 19).

55. The volume of responsive repairs varies widely between associations and better cost information will help reveal the reasons behind such differences. More detailed information on their repair job costs starts with coding jobs according to their job type. Some associations do this, but it is not yet the norm. Job coding gives associations the ability to compare quoted and actual prices and to compare the performance of different contractors for the same job. None of the associations visited was able to do this routinely.

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**Exhibit 19**

**Responsive maintenance costs**

Associations need detailed information on their responsive repair costs.

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*Source: Audit Commission*
2. Maintenance Management

**Technical quality**

56. Technical quality is assessed through post-inspections, which are also necessary to ensure that the contractor is not charging for work that has not been done. Some associations do not carry out any post-inspections. Of those that do, very few are systematic in their approach and there is little consistency between their practices (Box M). For example, the size of the sample selected and the method of selection varies. Some inspections include questions to the tenant on the quality of the service provided by the operatives (punctuality, cleanliness, etc); most do not. Some associations report that the skills of the staff they use to inspect properties are inadequate, while others with DLOs use other staff within the DLO itself to inspect the work of their colleagues.

57. More importantly, the information generated by inspections is not collated and analysed as an aid to assessing repair trends, quality problems across the associations or the quality of the service provided by contractors.

**Service quality**

58. Information about service quality – for example, punctuality, courtesy and cleanliness – can be collected using a variety of techniques. Associations use postal surveys, post-inspections and telephone surveys of their tenants.

59. However, the most common indicator of service quality is timeliness. Timeliness is one of the Corporation's national performance indicators and associations give increasing attention to timeliness when assessing their own performance. Timeliness is expressed as the percentage of repairs of a certain category completed within the target period. From an internal perspective, the more useful indicator may be the actual time taken to complete jobs, since that statistic can inform performance reviews of contractors more effectively.

---

**Box M**

**Post-inspection of repairs**

<table>
<thead>
<tr>
<th>Association</th>
<th>Extent &amp; quality of inspections – comments by association</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Poor at present. Being addressed in review.</td>
</tr>
<tr>
<td>B</td>
<td>10% post-inspections; recently increased staffing.</td>
</tr>
<tr>
<td>C</td>
<td>5% post-inspections; data not logged and reviewed.</td>
</tr>
<tr>
<td>D</td>
<td>DLO managers inspect jobs; data not logged and reviewed.</td>
</tr>
<tr>
<td>E</td>
<td>Not being done. Expect improvement with new IT.</td>
</tr>
<tr>
<td>F</td>
<td>10% computer generated post-inspections.</td>
</tr>
<tr>
<td>G</td>
<td>10% post-inspections; data not logged or reviewed.</td>
</tr>
<tr>
<td>H</td>
<td>Some post-inspections; unqualified inspectors.</td>
</tr>
<tr>
<td>I</td>
<td>Few if any post-inspections.</td>
</tr>
<tr>
<td>J</td>
<td>Extensive post-inspections. Too many? How effective?</td>
</tr>
<tr>
<td>K</td>
<td>Use inspections to assess stock conditions.</td>
</tr>
<tr>
<td>L</td>
<td>Many post-inspections; no pre-inspections.</td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
60. The time taken to complete a job is ascertained by comparing the date on the association’s order form to the contractor with the completion date on the contractor’s invoice or other documentation. Problems frequently arise when contractors fail to confirm the completion date or when associations fail to record accurately the data that is available.

61. Associations are concerned that too great an emphasis on timeliness will add to the repair bill. It is important to classify the urgency of repairs consistently, but promptness does not appear to cost more (Exhibit 20). Indeed, associations that complete fewer of their repairs on time seem to be the ones with higher responsive repair costs.

62. Associations should be systematic in their approach to assessing the service quality of their contractors and the perception of tenants about their repair service as a whole. Some associations, for example, ask their tenants to sign a form when they are happy the repair has been carried out satisfactorily. They do not pay the contractors until this form has been signed or an inspector has assessed the quality of the work. There are other approaches (Case Study 16).

Exhibit 20
Repair promptness and costs
Promptness does not appear to add to repair bills.

Source: Audit Commission
Tenants surveys by phone

Along with many associations, L&Q recognises the value of tenant feedback on the repairs service. It introduced a system of self-return reply cards in 1988, which asked questions about courtesy, timeliness and cleanliness, but the approach was not without problems in practice.

♦ Firstly, the return rate was poor. What did the tenants who did not bother to reply feel? How representative were the views of those tenants who did reply?

♦ Secondly, while the reply cards generated data, L&Q had not taken a systematic approach to using this data for making routine assessments of contractor performance.

The second point could be addressed with new computer software that allows routine generation of reports from its database. The first point was in some ways more tricky. In an attempt to generate more meaningful data, L&Q has piloted post-repair surveys of tenants by phone. The methodology is as follows:

♦ A sample of tenants is contacted each month, taken from jobs recently completed;

♦ Tenants are contacted during the day, evenings and at weekends. (89 per cent of L&Q's tenants have a phone and another 7 per cent have easy access to a phone.); and

♦ Twenty-five questions are asked about the speed of the repair, its quality and the attitude of the contractor and inspector (if appropriate).

One of the lessons from the pilot was that the surveys should be "hot"; that is, they should be carried out soon after the repair was completed, while tenants' memories of the job are still fresh. But the benefits of this approach are clear:

♦ the response rate is higher and more representative; and

♦ the results are more reliable.
**Action checklist: maintenance management – repair costs and quality**

**WAY FORWARD** – Introduce annual performance reviews of all contractors, based on a systematic assessment of costs, technical quality and service standards.

- **Problems**
  - Few associations know whether their suppliers of responsive repairs give good value for money. Costs vary widely and many may not be obtaining the best deals.

- **Causes**
  - Some elements of a contractor review system are missing in many associations. Data on performance is not analysed systematically. Nor is information on job costs and quality compared rigorously.

- **Solutions**
  - Separate out commissioning, planned and responsive repair costs.
  - Review responsive repair costs by job type and contractor, and benchmark costs.
  - Develop a robust inspection regime to aid regular reviews of the cost effectiveness of the repairs programme:
    - random inspection of jobs,
    - well-trained client-side staff,
    - data logged and analysed, and
    - sample of completed jobs (differentiated by value) to be inspected.
  - Record actual time to complete a job not percentage completed on time as the internal performance indicator.
  - Ensure collection of representative sample of tenant views on repair service quality by post, by phone ('hot surveys'), and during post inspections.
  - Use data to carry out routine performance reviews of suppliers to:
    - improve service,
    - lower costs, and
    - change suppliers.
Developing the commissioning function

This section considers the functions of the maintenance department as planner, purchaser, quality controller and funder of the maintenance programme.

63. The earlier sections of this chapter urged the clear separation of the costs of planning and managing the maintenance service from those of maintenance itself, to permit assessment of the commissioning or client function.

64. The commissioning function may be managed from a head office or decentralised to regions. In every case it will have three main purposes (Exhibit 21). None of the associations visited had developed service standards for their client function, although at least one was considering this option.

65. Management can assess performance of the client function by reference to agreed service standards and cost information. Few associations collect detailed data on the management costs of maintenance and none appears to analyse this data systematically: only three of the fieldwork associations had a full cost breakdown (Case Study 17, overleaf). Total commissioning costs appear to be about 12 per cent of works costs.

66. One of the most important strategic roles for the client function is resource planning for the maintenance programme. The Corporation issues guidelines to associations on the level of expenditure appropriate to individual stock types (age, rehabilitated or not etc.) in particular locations (London, provinces etc.). These allowances cover four major functions – but not longer term planned maintenance (Exhibit 22, overleaf).

Exhibit 21
The client function

There are three main purposes.

Source: Audit Commission
In 1994/95, MHT felt that, at 23 per cent of its total maintenance bill, its maintenance client-side costs were too high. It decided to record the overhead costs of maintenance consistently and set a target to reduce them to below 20 per cent within two years. The target was achieved within a year when the 1995/96 budget showed overhead costs of 18 per cent. Overhead costs continue to be monitored in an effort to increase efficiency further.

A pilot activity-based costing exercise has also been undertaken to assess the cost and effectiveness of the maintenance service. The results of this exercise have led MHT to review a number of its operations, including:
- the computer processes for ordering;
- on-the-job training for staff; and
- the fault logging system.

MHT has also started a review of maintenance standards, similar to the recently completed review of housing management standards (see Case Study 9). This review aims to specify the standard of service that MHT expects its staff to provide for tenants in order to ensure that the service is both cost-effective and accessible to tenants. It will incorporate both maintenance operational standards and the way in whom services are delivered. The difficulty of finding suitable partners with whom to benchmark its costs and processes more thoroughly is hampering MHT's further progress in this area.

The relevance of these allowances to association finance has declined in recent years. Both the Corporation and associations believe that it is more appropriate for associations to benchmark their actual costs against the costs of their peers rather than against their allowance.

Longer term planned maintenance is funded through associations' own resources. The Corporation has required associations to nominate a share of
their annual surpluses for maintenance reserves (6 per cent in 1993/94 – see Exhibit 1) and plans to phase out its major repairs grant programme (Major Repairs HAG). There should be an ‘audit trail’ between the longer term maintenance plans that associations develop on the basis of stock surveys and this particular pool of reserves. Since few associations have long-term stock renewal plans based on up-to-date stock condition surveys, the trail is difficult to check. Associations themselves have confirmed that this link is indeed weak.

**Action checklist: maintenance management – developing the commissioning function**

**WAY FORWARD** - Set service standards for maintenance and benchmark client-side costs and services. Develop a robust link between reserves formally earmarked to fund longer term repair programmes and the programmes themselves.
Association managers are not well supported by new IT and this inhibits both activity-costing and benchmarking.'

### 3. Housing Association Management

#### Topics

This handbook has addressed issues of management and maintenance with which associations are currently wrestling. Some of these issues have touched upon questions of the management of associations as a whole. There are four topics which cross over both management and maintenance and each is reviewed in turn in this chapter.

- Senior managers and members need high-quality information to make decisions about the future direction of their organisation, whether in maintenance or in housing management. What should they be doing to ensure that they have that information?
- The chapter on housing management touched on staffing levels; but how do association managers know whether they have the right number of staff and that they are paying them the right salary?
- Tenants' expectations of their associations are changing, and associations are taking a greater interest in understanding tenants' needs and meeting their expectations. But how do associations know whether they are achieving what tenants hope for?
- This handbook has urged associations to take a more proactive approach by benchmarking their performance in housing management and maintenance. But these initiatives should not be taken in isolation from association-wide efforts to plan for the future and to review corporate performance.

#### Findings

Association managers are not well supported by new IT and this inhibits both activity-costing and benchmarking. But, even with the IT presently available, more could be done to use the data effectively to assist managers and to specify their future needs.

London associations have both higher staff numbers and higher salaries. The Corporation’s management allowance does not appear to be an effective benchmark and market benchmarking is not well developed.

There is a wide variety of approaches to tenant participation and some associations are making good use of consumer surveys, but there is little cost/benefit assessment of participation by associations.

Associations are attempting to respond to changing customer needs, but their ability to manage the change process is often hampered by the absence of performance management systems.
69. Good management information should summarise the present position and, in so doing, show whether the association is on course in relation to its plans. Increasingly, this information is being generated by integrated housing management software supported by a network of personal computers (PCs).

70. Managers in all fieldwork associations receive quarterly (occasionally monthly) packages of data which they use in their daily work and in management meetings. The information varies from association to association, but a number of questions emerge:

- How well is the generation of management information supported by computer systems (IT)? To what extent do associations have in place integrated housing management and finance software which is supported by a network of PCs?

- How well is it summarised and presented? Do managers receive too much data which has not been summarised into more useful information and presented creatively in a way that can be digested by people who are not experts?

- Are activities costed and benchmarked? To what extent is cost data integrated with activity data so that the costs of a particular activity (for example, lettings) can be reviewed? To what extent are comparisons made with other parts of the association – or with other associations?

71. Managers’ decision-making capacity is inhibited if these questions are not adequately addressed. Board members often receive similar, if not identical performance data to that received by senior management. Since board members are not as close to the detail as permanent staff, the problem of accessibility may be considerable and members' decision-making capacity impaired as a consequence. Many associations are taking steps to tackle these issues.

Information technology

72. In associations with a decentralised, typically regionalised, management structure, it is particularly vital that chief executives have accurate data upon which to assess performance. Data control and accuracy are central.

73. Data is most often inaccurate when similar sets of data are stored separately. For example, there may be disagreement between rent account information held by housing management staff and financial information held by the accounts department.

74. Such problems are widespread. None of the associations visited during the Commission’s fieldwork had software systems in place that allowed them to store information on the full range of common housing management questions (for example, rent accounts, lettings, maintenance records, etc) without duplication. Inaccuracy inevitably follows when maintaining similar data in more than one place. Recent developments in housing software mean that different databases can be integrated and, as a consequence, more powerful analysis is possible with more accurate data.
75. A number of associations had yet to introduce a networked system of PCs so that managers have online access to the information that can be stored in one place. However, most associations have recognised these deficiencies and have advanced plans to change this situation (Case Study 18). IT is on the agenda – but it is not yet in place (Box N).

---

**Case Study 18**
**Metropolitan Housing Trust**

**IT and the customer service strategy**

All associations visited for the Commission’s study had plans to review their IT support, but MHT’s were the most ambitious. Indeed, it sees the introduction of appropriate IT as key to its development plans, and has appointed a board level director of information systems to give IS/IT higher priority.

But MHT recognises that information is not just about the selection of suitable hardware and software: the information must support the Trust’s operations management and not the reverse. MHT is introducing customer service staff whose job is to take all the incoming calls and queries from tenants and to log information on repair requests or rent queries directly on an association-wide network. This integrated system is planned to work in the following way:

- At the core of the system is a common database which contains information about tenants and properties. This core information is structured in such a way that it is mapped on to the organisational structure.
- The operational modules such as Rents and Repairs draw information from this common database and users are only presented with information about properties and tenants which relate to their customer service responsibilities.
- The value of this approach is that, once information is input, it is immediately available to the operational users of the system, and it can also be easily consolidated for use at corporate levels.
- In order to support the on-line method of working, the software provides the usability and functionality needed, backed up by hardware which can provide very quick responses.
- The software also supports the rapid level of change currently being experienced by the Trust, both organisationally and the development of new areas of business.

This process has already bought MHT a number of benefits which include:

- A better knowledge of both tenants and property;
- The ability to monitor policies and services with a view to ultimately improving services to tenants;
- Housing officers are able to deal with larger patches;
- A move to working from one set of information rather than from a number of separate sets; and
- The core systems will also inform both costs and performance ratios.

The IS/IT system will be subject to continuous change. Staff will become increasingly involved in IT through an executive information system which will obtain information automatically from the feeder systems. They will be trained to interpret and model this data and they should also be able to understand how they can apply the interpretation and analysis to their business decision making.
76. Lack of data integration is not just a local problem. At the national level, the Corporation maintains separate computer databases to record different activities and, where they attempt to capture similar information – for example, data on rents – the two sources of data do not easily reconcile (Exhibit 23).

---

**Box N**

**Integrating IT**

On the agenda – but not yet in place.

<table>
<thead>
<tr>
<th>Association</th>
<th>Integrated HM software</th>
<th>Down loading PI data for use by managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Planned</td>
<td>No</td>
</tr>
<tr>
<td>B</td>
<td>Planned</td>
<td>No</td>
</tr>
<tr>
<td>C</td>
<td>Planned</td>
<td>No</td>
</tr>
<tr>
<td>D</td>
<td>Planned</td>
<td>No</td>
</tr>
<tr>
<td>E</td>
<td>Planned</td>
<td>Yes</td>
</tr>
<tr>
<td>F</td>
<td>Planned</td>
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</tr>
<tr>
<td>G</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>H</td>
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<td>I</td>
<td>No</td>
<td>No</td>
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<tr>
<td>J</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>K</td>
<td>Planned</td>
<td>No</td>
</tr>
<tr>
<td>L</td>
<td>Planned</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Audit Commission

---

**Exhibit 23**

**Management information**

Proper data integration is lacking at both the national and local levels.

Source: Audit Commission
77. Despite the dearth of effective management information, experience in other sectors shows\(^1\) that associations should not rush to update their information technology without a clear picture of what their information needs are: the information strategy should drive the IT strategy – not the reverse (Box O).

**Presentation of data**

78. Perhaps the most important weakness in the current approach of many associations is that there is too little discussion about what information is needed to support the decisions that it has to make.

79. Change is on the way. Some associations are reconsidering their information needs and the information they need to supply to others – for example, the Corporation, or their own tenants. Some are considering improvements in the presentation of existing data and, while not yet extensively practised (Box N) they are giving managers the freedom to download and manipulate data flexibly for their own purposes (Case Study 19).

**Activity-based costing and benchmarking**

80. The purpose of management information is not merely to store it accurately or summarise it in an attractive way. The point of management information is to make decisions, based on reliable facts. Performance data is most useful when it is used comparatively, whether to compare trends over time or to compare the performance between parts of the organisation or between one association and its peers.

81. Although it is not yet widely practised there is growing interest within the housing association movement in activity costing. Activity costing is widely practised in other sectors of the economy because it allows the costs of service outputs to be calculated and compared. It subsequently permits the management processes (inputs) that make up the costs of these activities to be compared with those of other organisations, so that unnecessary processes can be eradicated (Case Study 20, overleaf). Such comparisons are best defined locally with willing co-operation amongst comparable associations. In this

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**Box O**

**IT – from taking stock to developing a strategy**

On the agenda – but not yet in place.

### Where are we now?
- How far have we developed?
- Is the current IT efficient?
- Is it effective?
- Are users well trained?

### Where do we want to be?
- What is our vision of information management?
- How can new technology help?

### How do we get there?
- Do existing strategies need revision?
- Have departments identified their information needs?
- What information could be shared and what is needed by the corporate core?
- Have we analysed the needs of frontline users and have we asked them?
- How will information be used to achieve savings and add value to existing services?

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Information management

Managers at Jephson Homes use their management information in two ways:

♦ they receive routine, quarterly monitoring reports; and
♦ they download to their PCs more up-to-date data with which to make more detailed assessments of potential problem areas.

The first of these is the traditional method and reports are generated for managers and committee members. Of more use to middle managers in particular is the association’s executive information system, ‘Forest and Trees’. Managers have been trained in-house on this package. Although the system is designed for financial accounting information, Jephson does not use it to download information from its financial ledger. It is, however, used extensively for housing management information, including:

♦ rents;
♦ voids;
♦ arrears;
♦ stock;
♦ lettings; and
♦ tenant satisfaction levels.

Information is collated on the association’s central database via its normal ‘transactions’. This system avoids managers sending monthly ‘returns’ to the information department. Access to the information which has been collated is via the computer network in some of the association's offices – and via floppy disks in those offices which are not connected to the network. Forest and Trees allows managers to look at performance and to manipulate the data from which the performance report was compiled. For example, if a performance report was structured in respect of property type, it could be reconfigured on the basis of estate type or number of bedrooms.

The benefits to managers of this approach include:

♦ access to information in the format required, rather than the format received;
♦ reduction of paper systems;
♦ ability to present information in alternative formats – for example, charts and graphs;
♦ ability to import summary information to reports and newsletters; and
♦ ability to interrogate the information system in different ways at different times.

way, activity costing leads to benchmarking, using specifications of both service standards and processes, and allows continuous learning (Exhibit 24, overleaf).
Activity costing of housing management

In order to examine the value for money of its services, Liverpool Housing Trust has developed its own activity-based costing approach. The core of LHT's approach was a time recording system used by all housing services staff over a three-month period in spring 1996. The association now has a clear view of the cost of the different elements of its services, and what the various postholders spend their time doing.

In conjunction with in-depth customer and staff surveys, this is being used to:
- determine how housing management activities should change to meet the changing needs of tenants;
- focus on where new technology will deliver maximum benefits;
- benchmark their activities against other associations and outside organisations; and
- identify specific costs such as tenant participation, special needs housing management and contract management.

In preparing for a major change project in the delivery of housing services, there is a natural concern on the part of employees and tenants about the objectives and the practical impact of change.

The activity costing has provided a firm, factual basis for a current state analysis, which has been shared and widely discussed. It will enable the association to measure the benefits of change. LHT plans to extend activity costing to the other parts of the organisation from late 1996.

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Exhibit 24
Activity costing

Activity costing leads to benchmarking and allows continuous learning.

Source: Audit Commission
WAY FORWARD – Equip the association to monitor its performance routinely and to carry out meaningful benchmarking of costs and operational processes within and between associations.

**Action checklist: association management – management information**

**Problems**

- Managers’ decision-making is hampered by information which is frequently of a poor quality and poorly presented.

**Causes**

- IT software and/or hardware is often not up to the job, and cannot give managers the flexibility to manipulate data.
- Information streams from housing management, maintenance, development, etc. do not facilitate meaningful comparisons.
- Benchmarking is poorly developed between departments of the same organisation and between peer associations.
- There is rarely an information strategy in place to manage information flows, review processes and direct investment in IT.

**Solutions**

- Consider investment in an integrated IT system to hold data.
- Allow managers the flexibility to download data and manipulate for their own needs on their own workstations.
- Consider information needs of managers and develop routine reports to meet them – and present them creatively! Consider activity costing.
- Benchmark processes and costs against the best in your sector.
- Develop an IS/IT strategy.
Staffing

This section asks how associations assess their staff costs and how they determine whether they have appropriate staffing numbers, and pay the right salaries. It also looks at training costs.

82. Along with its maintenance allowance, the Corporation sets a management allowance which is intended to fund all the areas of management reviewed in this study, together with development costs. The management tasks covered by the allowance fall into three main categories, although there is some overlap between them – for example, rent policy (Exhibit 25).

83. As with the maintenance allowance, both the Corporation and associations believe that it is more important for associations to benchmark their actual costs with other comparable associations.

Exhibit 25
Management activities

There are three main categories of management tasks covered by the Corporation’s allowance, with some overlap between them.

Source: Audit Commission
84. At the level of individual associations' staff costs, there is considerable variation among the fieldwork sites. In particular, London associations tend to have much higher unit staff costs than all the other associations visited, bar one. Most of the difference can be accounted for by the difference in housing management costs (Exhibit 26).

85. Staff costs are a product of the number of staff and the salary costs of those staff. London associations tend to have more staff as well as higher salaries (Exhibit 27).
86. What accounts for these differences? In the case of housing management staff, smaller associations tend to have more staff for the same stock patch than larger ones, but across all management areas, the link between association size and staff numbers is not strong. Location seems to be the bigger factor (Exhibit 28).

87. Why should London associations have more staff? Do tenants have higher expectations in London, do they require more support from staff or are London associations less efficient in some ways? London associations are aware of this and many are beginning both to co-operate to compare their staff numbers and other costs and to carry out their own job reviews (Case Study 21). See Appendix 4 for more details of fieldwork salary levels.

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**Exhibit 28**

**Staff numbers and costs**

Location seems to be the bigger factor overall in determining different staff numbers and salaries.

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![Graph]

Source: Audit Commission fieldwork
Case Study 21
London & Quadrant Housing Trust

Making the best of human resources

Some years ago L&Q carried out a major job evaluation exercise. Every post was evaluated and a new salary scale devised. L&Q took the decision to pitch salaries well into the upper half of salaries paid within the housing association sector. Since then, this process has been maintained, with re-evaluation taking place when any significant change has occurred within a job description. Posts and structures are reviewed regularly and over the years there have been a number of re-structuring exercises aimed at increasing efficiency.

In 1994, L&Q conducted a major exercise to improve the service offered to its customers. It considered the amount of time staff spent on various housing and maintenance tasks and looked at improving the outcomes by better use of technology and more efficient ways of working. The aims were twofold: to improve customer care and to bring down unit costs. This work was successful and has resulted in changing roles to some degree for the larger proportion of staff.

L&Q has worked hard to protect jobs, especially in areas of particular risk, such as development. A decision was taken in 1994 to recruit 40 per cent of development posts in each region on fixed-term contracts.

L&Q is the first large housing association to be accredited with the Investors in People award. This has resulted in clearly identifying individual objectives and goals in line with the business and corporate plan. Training needs are effectively met and are directly related to areas of need which have been identified in the business plan.

88. It is well established that, because of its higher living costs, London tends to have higher salaries in most sectors of the economy. But associations should not be complacent. For example, many associations are committed to incremental salary scales, where there is automatic year-on-year progression for staff irrespective of their performance. Many organisations, both public and private, have moved away from such a system. Associations should ensure that their practice in respect of rewards is up to date1 (Box P and Case Study 22, overleaf).

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For more details of these issues see Audit Commission, Paying the Piper: People and Pay Management in Local Government, and Paying the Piper, Calling the Tune – Management Handbook, (both published by the Audit Commission, 1995).
Box P
Salary costs – good practice checklist

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Good practice</th>
</tr>
</thead>
</table>
| Methods for achieving market responsiveness | – association uses a wide variety of sources for market tracking  
– association regularly reviews starting salaries for new appointments  
– association reviews staff attitudes to non-pay benefits |
| Method of pay determination | – association has policy on its relative market position  
– association uses a system of job sizing to ensure consistency in grading decisions  
– job evaluation, where used, concentrates on skills, not tasks  
– association monitors grading distribution to reduce grade drift  
– progression through long pay scales is controlled to reduce incremental drift  
– if PRP is used, it has a clearly defined purpose and its success is monitored periodically |

Source: Audit Commission

Case Study 22
Jephson Housing Association

Remuneration and the market
As an association which wishes to promote itself as a high quality provider of social housing, Jephson is keen to recruit and retain the right staff to sustain its business objectives.

To attract and retain the correct type of staff, Jephson tries to ensure that its rewards package is pitched appropriately at the market. The association’s remuneration package consists of:

♦ salary;  
♦ pension;  
♦ private healthcare;  
♦ attractive working conditions; and  
♦ leave entitlement.

Increasing competition within the housing association sector means that comparative information on rewards packages is more difficult to obtain. In part to overcome this, Jephson subscribes to the NHF salary survey and obtains comparative information from the ‘5000 group’ (a forum of housing associations each with a stock of more than 5,000 properties). It recognises, however, that further refinement of its policy requires more detailed comparative information.
There is one area where association size does affect salaries – top pay. Smaller associations tend to have relatively more staff on higher pay (Exhibit 29).

While there are patterns in respect of pay and staff numbers, no such pattern is evident in the case of training costs. One association spends eight times more than the least generous (Exhibit 30). The amount of money that an association devotes to developing its staff is not related to size or location. More significantly, few of the associations visited had analysed their training needs and linked corporate objectives to individual development needs. One route taken by associations to work through these issues systematically is to aim for the Investors in People Award (IIP) (Case studies 23 and 24, overleaf).

Exhibit 29
Staff on over £30,000 a year
Smaller associations tend to have proportionately more staff on higher pay.

Exhibit 30
Training expenditure per staff member
One association spends eight times more than the least generous.
Investors in People Award

In the early 1990s, the Trust went through a period of intensive change. New directions espoused by an expanded Committee of Management led to restructuring and an internal recruitment drive. Tenants wanted to see an improvement in services and the environment had become intensely competitive, with 40 active housing associations in the Royal Borough of Kensington and Chelsea alone. The Trust was anxious to address these issues and considered various options.

Discussions with Centec led the Trust to start with a people rather than a systems approach to quality. The Trust employs a highly diverse staff group whose skills range from caring for older people with dementia, cooks and caretakers through to development, finance and housing officers. The Trust wanted to engender a common sense of purpose and professionalism, and a consistency of approach for staff based in different locations with different job roles and expectations. The Trust appointed a consultant to carry out a diagnostic report designed to identify the gaps in training and personal development. The survey also examined staff attitudes to the Trust as its employer.

The survey threw up a number of challenges, resulting in the Committee of Management making the commitment to achieve an IIP Award. A project group was established with representatives from every department including, crucially, the care services team. It is working closely with the Senior Management Team to implement the Action Plan.

The benefits of this approach are already beginning to show:
♦ improved professionalism;
♦ greater consistency in communications;
♦ growth in individuals’ job competencies; and
♦ a clear sense of staff knowing how their job fits in with the Trust’s priorities and aspirations.

A spin-off of these changes is that care staff will be able to achieve NVQ qualifications. The Trust is considering whether to extend this approach to other groups of staff.

There have also been a number of learning points. In March 1996, the Trust moved its main office and the move, alongside the other demands facing key personnel at the time, resulted in delays in the IIP programme. It is very important to work with a good consultant. The second consultant chosen by the Trust spent a lot of time familiarising himself with the Trust, its people and its aspirations and this time, while highly worthwhile, also added to the delays. The Trust now hopes to gain accreditation in January 1997. A second staff attitude survey is being carried out and the Trust is confident that the results will demonstrate the positive impact of the process of preparing for IIP.
In its 1995/96 business plan, Devon and Cornwall agreed an objective to maintain and develop skilled and committed staff to meet the demands of its business. One of the specific activities to help foster that goal was the achievement of an Investors in People Award (IIP).

Devon and Cornwall chose to follow the IIP process because it wanted to improve the association’s performance with a more planned approach to setting and communicating business goals and to developing staff skills to meet those goals. In other words, DCHA hoped to create a better fit between two objectives: achieving business goals and maximising the potential of staff.

The IIP process enabled DCHA to take an objective look at how these goals worked in practice. It became clear during the process that what DCHA senior managers thought were very clear objectives were, in fact, much less clear to their staff, especially the more junior staff. Support from IIP assessors allowed DCHA to recognise this problem and to take action accordingly.

The programme of action eventually covered all staff and included:
- a review of the business planning process;
- an analysis of staff development needs; and
- the development of a management development programme.

DCHA was the first housing association in the South West to receive an IIP award. It feels that the process of gaining the award and receiving it are both achievements of which staff are proud.

**Way Forward**

Ensure the business and service plans include a staff planning and development section that permits systematic benchmarking and skills planning for the future.
Tenent participation

What are the influences on associations and their approaches to participation? How should associations ensure that their initiatives are consistent with their other corporate objectives?

91. One of the striking ways in which the diversity of the housing association movement manifests itself is in tenant participation. Associations undertake a wide range of initiatives to facilitate the involvement of tenant in the affairs of the association (Exhibit 31).

92. Choices about which of these initiatives is selected at a particular association are influenced by both internal and external factors. An association's culture and the expectations of its existing tenants (Case Study 25) are major influences, but so also is increasing external pressure from central government and the Chartered Institute of Housing. For example, the Corporation includes consulting and involving tenants as one of its Functional Performance Standards.

93. The response and, in some cases, enthusiasm for tenant participation may vary, but it is something that all associations are working to get right. Very broadly, there are two philosophical approaches:

- the empowering approach: the desire to encourage tenant input into the running of 'their' association's affairs, to encourage them to make decisions with association staff on matters of direct concern; and

Exhibit 31
Tenant participation

Associations undertake a wide range of initiatives to involve tenants in their affairs.
3. Housing Association Management

Case Study 25
Home Housing Association

Surveying tenant views

Home is anxious to foster good relations with its 25,000 tenants: it wants each to be an advocate for the association. The first step is to understand in a systematic way the nature of its tenants' concerns. The second step is acting on those concerns and being seen to act on them.

With external support, Home carried out a full and extensive survey of its tenants in 1988. The scope of this survey was to seek the views of a broad and representative sample of its tenants about general issues relating to their home, where they live and the services provided by Home. The survey identified wide ranging issues of concern for the tenants, addressed in a 13 point action plan, which included:

- better services when letting homes;
- increased benefits advice;
- more consultation before modernisation;
- more information about the association's activities; and
- a reassessment of the central heating programme.

In 1994, it repeated a similar exercise. The questions were based on those used in the 1988 survey with additional questions about emerging issues. Many of the concerns of tenants were similar, but there were some interesting changes since the earlier survey:

- More tenants were familiar with the staff of the association;
- Tenants' experiences and perception of security around the home had worsened.

An additional reason for carrying out this exercise was to assist in benchmarking tenant views with others in the sector. Home developed an action plan from the results of the survey. This was publicised widely to tenants and other interested parties. Home hosted a tenants' day during the summer of 1995 specifically for this purpose. The implementation of the action plan is underway in close consultation with Home's elected Tenants' Forum. Results of the action plan, so far, include:

- a revised tenancy agreement which strengthens the association's powers to deal with antisocial behaviour and harassment;
- a revised constitution for the Tenants' Forum, with increased frequency of meetings; and
- setting up a housing management forum to share good practice within the association.

Further gains are anticipated in the future from:

- the development and implementation of customer service standards;
- improvements in communication with tenants, taking advantage of developments in technology; and
- revising the tenants' handbook.
the informing approach: the desire to consider tenants as customers whose needs and expectations should be understood so that services can be tailored better to meet those needs, and devising communications to inform them about how their needs are in fact being met.

94. Of course, neither of these approaches is right or wrong; they are both legitimate. And in practice, a particular association may draw from both approaches. Of the associations visited, most tended towards the 'informing' approach.

95. All associations make considerable efforts to involve and communicate with tenants. However, none of the associations visited had yet written down what they expected from their efforts as a whole, as a clear set of corporate objectives, perhaps integrated into the business planning process.

96. Some associations are concerned that, whatever their approach, the issue of tenant participation is on the periphery of their organisations and they wish to integrate it. Most of the associations visited did not voice these concerns. There is a contrast, therefore, between:
♦ those associations which are planning for tenant participation as a whole and attempting to cost it and integrate it within their performance and business planning processes, essentially so that they know whether the 'return' (tangible and non-tangible) they receive is commensurate with the effort they put in; and
♦ those associations whose initiatives remain fragmented, uncosted and, arguably, without focus.

97. Amongst the small number of associations reviewed, few have a planned and integrated approach to participation whatever their philosophical approach. (Exhibit 32).

98. Does this fragmentation matter? It may do, and there are two tests that associations can apply to see whether it does. The first is to map the initiatives that are currently in force and to see how they achieve their aims. This mapping exercise can show that the current arrangements are quite complex and, even within the association, many staff may not be able to show how they cohere. For example, in one association visited, there are many initiatives and considerable overlap between the membership of various decision-taking forums, each of which is nominated by several different tenant representative bodies. Such an approach mapped in this way begs value-for-money questions (Exhibit 33).

♦ How economic is the existing approach?
♦ Are there overlaps?
♦ How efficient is the communications with all these bodies?
♦ How effective is it in delivering the corporate objectives for tenant participation?
Exhibit 32
Culture and participation: four broad approaches

Few associations have a planned and integrated approach to tenant participation.

Source: Audit Commission

Exhibit 33
One association’s approach

The membership of tenant representation and decision taking forums overlap.

Source: Audit Commission
99. The second test is to see how straightforward it is to estimate the total costs of all the initiatives and compare them with the benefits that accrue, whether they are benefits that can be costed or whether there are non-tangible outcomes such as better decision-making on new house designs. If it is a struggle to estimate the costs and square them with the benefits, it may be time to give more consideration to what is being done and why (Case Studies 26, 27 and 28).

**Case Study 26**

**Liverpool Housing Trust**

Costing tenant participation

Liverpool Housing Trust had a series of ad hoc tenant participation initiatives throughout the 1980s. They were typically issue-led and enthusiasm would usually fall away after the problem had been resolved. In 1989, 2,700 former Warrington and Runcorn Development Corporation homes transferred to LHT after a successful ballot. In the run-up to the ballot, a framework for full and effective tenant participation was agreed with the prospective tenants on the three estates in Runcorn. The principles of this approach were later extended to the rest of LHT’s housing stock. These principles include:

- real involvement in LHT’s management structure;
- selection of maintenance contractors and other service contracts;
- direct funding to tenants’ associations;
- training programmes for tenants; and
- regular information about LHT meetings and newsletters.

Membership comprises:

- elected tenant board members;
- District Committees with a majority of tenants; and
- 14 tenants’ associations which receive grant support.

The continuing involvement of tenants is a high priority for the board and it is recognised that there is a cost to maintaining direct tenant/customer involvement in the running of the Trust. LHT’s formula for activity-based costing can estimate the cost of tenant participation. It is possible therefore to enumerate the benefits of tenant participation within a given year against actual costs.

LHT finds that this approach helps board and tenant members decide on future action by giving them more useful information upon which to assess existing programmes.
Community-based initiatives and staffing costs

Housing associations are increasingly providing a wider range of services for the benefit of the communities in which they work. Housing Plus recognises that the improvement of the housing stock is only part of regenerating communities successfully.

Caldmore Area Housing Association is based in a small area of Walsall and, since the 1970s, it has been offering a wider range of activities to its community. These services include:

♦ training opportunities for unemployed youngsters and adults;
♦ a variety of support packages for clients moving from registered care homes or hostels into general needs accommodation;
♦ daycare services for older Asian clients;
♦ training for tenants in the association’s charity shop on how to raise and spend money to ensure independence for the tenants’ committee; and
♦ the creation of two paid posts for tenants to carry out an audit of tenants’ skills, with a view to creating services and job opportunities.

The experience of providing these extra services is likely to lead to the association providing a range of home care services in partnership with the local authority’s care in the community programme. This has resulted in a move towards producing more sophisticated costings of services.

Tenant participation

DCHA has developed a strategic approach to tenant participation which has been implemented over the last five years.

The strategy aims to give tenants the opportunity to participate on three different levels:

♦ their estate, on matters related to services or their local community;
♦ their region, through a Tenant Advisory Panel, which considers the key housing management and maintenance policies as they come up for review;
♦ the Association, through shareholding membership and election to the board.

The strategy therefore embraces the three main stages of tenant participation:

♦ information;
♦ consultation;
♦ control.

The Association has gained great benefits from this strategy; its policies and procedures are improved by much closer scrutiny; tenant Board membership has led to a greater concentration on affordability, maintenance and service delivery, and tenant satisfaction is high.
**Action checklist: association management – tenant participation**

**WAY FORWARD** – Incorporate the development of tenant participation into the business planning cycle. Ensure that initiatives are costed, based on tenant expectations and their success is regularly reviewed.

- **Problems**
  - The costs and benefits of tenant participation are not assessed. As a result, initiatives can have uncertain goals, which conflict with one another, yielding confusing results and may not be what tenants want.

- **Causes**
  - Commitment to tenant participation among associations (and tenants) varies. How clearly expressed are the goals for tenant participation and the objectives to achieve those goals?
  - The structure of tenant participation in associations can be confused and ad hoc. New initiatives may have been taken in isolation.
  - Initiatives in tenant participation are rarely costed and their impact assessed against their objectives.

- **Solutions**
  - Establish clear aims and objectives for tenant participation within the business planning process. Clarify how the various separate initiatives contribute to fulfilling these goals.
  - Ensure that the elements within tenant participation cohere. Each initiative should complement one another and build to form a strong structure.
  - Cost all activities and ensure that both the tangible and non-tangible gains are weighed in a regular review of the performance of tenant participation.
100. The operating context for associations is changing. Associations are becoming more conscious of their costs and their service quality. In general, more is expected of associations for less. These pressures are encouraging a rethink of business objectives and a critical re-assessment of association strengths and weaknesses, as well as consideration of the opportunities and threats that present themselves (Exhibit 34). As with so many other service industries, there is a desire to orient service delivery more deliberately around the customer; in this case, the tenant and, as the ‘purchaser’ of so many association services, the local authority.

101. In order to increase tenant satisfaction, associations have sought to be more specific about the level of service that is on offer and more consistent in its delivery. In a tighter financial climate, they have also sought to be more conscious of the costs of those services and to devise ways of delivering them more efficiently.

Exhibit 34
SWOT of associations

Operating pressures are encouraging a re-assessment of associations’ strengths and weaknesses
102. But tenant satisfaction is not the only goal. Growth is also an objective in many cases, and growth is dependent on a healthy financial position and on good relations with local authorities, financial institutions and the Corporation itself, in order to identify good development opportunities and to obtain development capital.

103. Different organisational structures will be appropriate for different associations. The desire to get closer to their 'customers' has caused many larger associations to examine their structures and consider decentralisation (Exhibit 35). Traditionally, associations are structured functionally, with directors for housing services, maintenance, development, etc, reporting to a Chief Executive. But there is a trend away from this approach towards a regional structure.

104. Change is difficult because:
- major organisational change is always painful; but also
- central co-ordination of the erstwhile central functional roles can be compromised.

105. Functionally managed associations can more easily control service quality without resorting to sophisticated service standards, since each function is managed by a functional specialist with a budget. Within the financial constraints, their service will be managed by reference to corporate goals and their particular professional standards. But this form of control may not be sensitive enough to differences in the needs of clients at the local level.

106. A regionally structured organisation brings decisions about service delivery and resourcing closer to tenants, but it makes it harder to maintain corporate standards on, for example, repair times, or the letting of contracts. So, while it may be appropriate for many associations to realign their organisations more closely around delivering services for particular groups of clients, effecting

Exhibit 35
From functional to regional management

The desire to get closer to their 'customers' encourages decentralisation of management structures.

Source: Audit Commission
organisational change is difficult (Exhibit 36) and requires additional managerial controls (reviewed earlier), notably:

♦ corporate service standards;
♦ activity or output costing;
♦ benchmarking between regions and between associations;
♦ more useful management information;
♦ an internal audit regime to ensure that performance standards are met and costs are minimised; and
♦ possibly – in larger associations – opening up an internal market for central services, such as personnel or the maintenance DLO.

107. The approach to effective managerial control is different in decentralised organisations. They are essentially looser and not so amenable to the 'command and control' approach common in many functionally led associations. This change can be difficult for Chief Executives who need to exert their control more subtly, by monitoring performance via service standards, better management information and audit.

Exhibit 36
Change model: from functional to regional control

Effecting organisational change is difficult

Source: Audit Commission
Chief Executives also need to ensure that responsibility for functional areas is not lost. One approach has been to reinforce the regional structure, by giving a co-ordinating role for each of the functional areas to one of the regional directors (Exhibit 37). Their job is to develop and maintain the corporate standards for each of the functional areas, while managing what are increasingly becoming separate businesses – the regions. There are several variations on this model; for example, there may also be an additional business development director and the finance, personnel and IT sections may also be separate directorates (Case Study 29). And many associations have shared ownership subsidiary companies whose chief officer may also report directly to the association’s Chief Executive.
3. Housing Association Management

Case Study 29
Metropolitan Housing Trust

Structural change

MHT has long operated a regional structure. Regions were created as growth opportunities presented themselves. By the late 1980s, MHT’s current structure was broadly in place, comprising head office in North London and four regional offices – three in London and one in Nottingham. Finance, personnel and administration remained central functions, with housing management, maintenance, development and special needs and supported housing teams based at each region. The advantage of the regional structure was that it enabled:

♦ closer working with a limited number of local authorities; and
♦ the ability to respond to local housing needs and priorities.

It became increasingly apparent that the regional structure was not without problems. Each region took its autonomy seriously resulting in inconsistencies of approach, absence of procedures in some cases and inadequate quality control.

MHT’s response to these concerns was to give each Regional Director a lead responsibility for a corporate function. A series of corporate groups to guide strategy and procedures were set up, and a policy officer was appointed for each functional area, to service these groups, and to report to the lead Director. In addition, MHT decided to strengthen its corporate centre by appointing an Information Services Director to develop IT communications across the Trust, and a New Initiatives Director to enhance the new business development role of the Regions.

A later refinement to the regional structure was the decentralisation of much of the work of the Finance Department, leaving treasury management, group accounting, and payments at the centre. This enabled the Regions to operate as separate business units, producing their own regional business plans and financial accounts. This initiative was introduced in 1996.

The corporate centre was strengthened during 1996 with the creation of a small central department with responsibility to strengthen Regions’ responsibilities for supported housing strategy, policy and performance.

109. The most powerful vehicle for boards and senior management teams to deliver change is through a performance management system which incorporates business planning and performance review processes. The two must go together, since next year’s plans will be poorly established if they are not informed by a clear picture of what happened this year; that is what led to the successes and the precise cause of any problems. Planning and review must happen at every level in the organisation, so that what each staff member does is directly informed by, and refers back to, the corporate plan. This in turn implies a suite of personal objectives linked to the business plan.

110. These points are familiar to many associations and most of the planning processes are now becoming well established. Corporate plans, regional plans and individual objectives are being set routinely in many if not most associations. What is typically absent in the associations visited is service planning below the regional level; at the area, section, or business unit levels.
This absence means that the link between corporate or regional plans and individual objectives is often weak or non-existent (Case Study 30).

111. However, the review elements of a performance management system are not as well established as the business planning elements (Exhibit 38). None of the associations visited has full systems of performance review. Most have performance reviews of individual staff members, but it generally stops there. There are not usually performance reviews at sectional and regional level. This means that it is much harder for associations to learn from their experience in a systematic way, and to incorporate that learning into their plans for the next period (Case Study 31).

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**Case Study 30**

**Devon and Cornwall Housing Association**

**Service planning**

DCHA’s housing management and maintenance is provided from six district offices.

The Association’s business plan is the framework for the development of annual departmental plans. For the Housing Services Department this will include the development of new policies and procedures and review of existing ones (so that all policies and procedures are reviewed on a rolling programme at appropriate intervals). The plan also sets targets. The plan is set in consultation with staff and the tenant advisory panels.

Each district then produces its own plan, including local targets which flow from the departmental target, together with local contribution to policies, and specific locally based action plans.

Each district plan is submitted to the Housing Committee and reported on after the year end.

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**Case Study 31**

**Wirral Methodist Association**

**Performance reviews and business planning**

Effective performance management cycles are key parts of the business development process for associations. Many organisations, however, lack effective upward feedback processes which allow future business plans to be based on a realistic assessment of how initiatives have worked in practice. Wirral Methodist Housing Association has used some of the benefits of being a small association to start to bring together some of these elements of the process. In particular, it:

♦ invites all members of staff to an annual awayday which is used as an opportunity to assess and discuss progress during the previous year and for staff to feed into the business planning process; and

♦ is working towards an Investors in People award and is finding that the IIP programme acts as a catalyst to the development of action plans and targets for individual members of staff which are linked into the association’s overall objectives. The individual appraisal process is increasingly being used as the start of a more systematic cycle of feedback.
3. Housing Association Management

Exhibit 38
Performance management

The review elements of a performance management system are not as well established as the business planning elements.

Source: Audit Commission
**Action checklist: association management – performance management**

**WAY FORWARD** – Ensure that all the elements of a corporate business planning and corporate performance review system are in place.

<table>
<thead>
<tr>
<th>Problems</th>
<th>Causes</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order to respond to their changing environment, associations need to make significant internal, organisational changes, but they frequently do not have the mechanisms in place to help managers effect change.</td>
<td>Many associations are reviewing their organisational structures, changing broadly from a functional to a regional structure. Some associations are finding this transition difficult.</td>
<td>As they move towards a decentralised organisational structure, managers are adopting the techniques of performance management to enable them to run their organisations without resource to traditional ‘command and control’ styles.</td>
</tr>
<tr>
<td>Many elements of business planning are in place, but not all. Most notably, there is little planning in between the corporate level and the individual. This can lead to confusion at the bottom and frustration at the top when objectives are not met.</td>
<td>Business planning will not be effective if there are no formal performance review procedures. Plans should be revised on the basis of what precisely has happened over the previous period. Few of the elements of a performance review system are in place in most associations and the habit of reviewing performance systematically is not yet firmly embedded in association culture.</td>
<td>Audit the business planning system to ensure that a ‘golden thread’ of objectives cascades through the organisation, so that what every staff member does can be traced directly back to the corporate plan.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Put the rest of the business planning and performance review architecture in place. Link it to:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– an annual timetable,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– tenant participation and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– staff development</td>
</tr>
<tr>
<td></td>
<td></td>
<td>to form one performance management system.</td>
</tr>
</tbody>
</table>
### Appendix 1: Summary of Solutions and Recommendations

<table>
<thead>
<tr>
<th>Solutions – the way forward</th>
<th>Recommendations – the ways there</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Housing management</strong></td>
<td></td>
</tr>
<tr>
<td>1. Reduce rent arrears, especially slow housing benefit payments</td>
<td>Improving managers’ decision-making capacity...</td>
</tr>
<tr>
<td>2. Reduce re-let interval</td>
<td>A. Develop activity costing of services, together with relevant indicators of performance</td>
</tr>
<tr>
<td>3. Achieve appropriate housing management staffing levels</td>
<td>B. Be proactive in benchmarking – both internally and externally</td>
</tr>
<tr>
<td>4. Achieve consistent service standards for all housing services</td>
<td>C. Develop an information strategy and introduce an integrated housing IT system</td>
</tr>
<tr>
<td><strong>Maintenance management</strong></td>
<td>...reviewing performance more systematically...</td>
</tr>
<tr>
<td>5. Control high response repair costs</td>
<td>D. Develop concise service strategies and standards for all main service areas</td>
</tr>
<tr>
<td>6. Develop a robust system of contractor appraisal</td>
<td>E. Monitor the performance of contractors and direct labour, by analysing performance data, carrying out inspections and surveys</td>
</tr>
<tr>
<td>7. Introduce strategic asset management of housing stock</td>
<td>F. Implement a system of corporate performance review to ensure that planned changes are feasible and implemented</td>
</tr>
<tr>
<td>8. Develop a maintenance financing policy to ensure stock is maintained economically, and its value maintained</td>
<td>...and clarifying and strengthening relationships with stakeholders and key assets.</td>
</tr>
<tr>
<td><strong>Association management</strong></td>
<td></td>
</tr>
<tr>
<td>9. Provide managers with the management information tools needed to make better decisions</td>
<td>G. Ensure that the benefits of tenant participation are understood and costed</td>
</tr>
<tr>
<td>10. Design better jobs, recruiting the right number and quality of staff, paying appropriate salary levels and investing in those staff</td>
<td>H. Develop fully costed stock renewal programmes</td>
</tr>
<tr>
<td>11. Know the costs and benefits of the tenant participation strategy</td>
<td>I. Separate the client and contractor functions and establish longer term relationships with associations’ key suppliers</td>
</tr>
<tr>
<td>12. Ensure that proposals for organisational change can be acted upon efficiently, within a set timescale, without loss of control</td>
<td>J. Ensure that investment in staff development is consistent with corporate plans</td>
</tr>
<tr>
<td></td>
<td>K. Broker alliances/mergers and benchmarking clubs with other housing associations</td>
</tr>
</tbody>
</table>
Appendix 2: Methodology

Field sites

Twelve associations were visited in all (Box A2.1). The criteria for their selection included:

♦ size;
♦ location; and
♦ range of performance on published performance data.

Box A2.1
Twelve associations took part in the fieldwork

<table>
<thead>
<tr>
<th>Association</th>
<th>Stock at 31/3/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home</td>
<td>23,326</td>
</tr>
<tr>
<td>London &amp; Quadrant</td>
<td>14,247</td>
</tr>
<tr>
<td>Bradford &amp; Northern</td>
<td>10,417</td>
</tr>
<tr>
<td>Liverpool Housing Trust</td>
<td>7,617</td>
</tr>
<tr>
<td>Metropolitan Housing</td>
<td>6,948</td>
</tr>
<tr>
<td>Jephson Homes</td>
<td>6,208</td>
</tr>
<tr>
<td>Devon &amp; Cornwall</td>
<td>4,508</td>
</tr>
<tr>
<td>Hereward</td>
<td>4,139</td>
</tr>
<tr>
<td>Octavia Hill</td>
<td>1,424</td>
</tr>
<tr>
<td>Caldmore</td>
<td>1,373</td>
</tr>
<tr>
<td>St Marylebone</td>
<td>1,368</td>
</tr>
<tr>
<td>Wirral Methodist</td>
<td>542</td>
</tr>
</tbody>
</table>

Source: HAR10/1D, 1995

Field visits

A fieldwork visit typically consisted of a two (sometime three) day round of interviews including validation of data collected prior to arrival and validating data collected in advance (Box A2.2).

Box A2.2
Typical fieldwork visit

<table>
<thead>
<tr>
<th>Data collection in advance</th>
<th>Two to three day visit:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Day one:</td>
</tr>
<tr>
<td></td>
<td>Day two:</td>
</tr>
<tr>
<td>Chief Executive</td>
<td>Regional Director</td>
</tr>
<tr>
<td>Finance Director</td>
<td>IT/IS Manager</td>
</tr>
<tr>
<td>Head of Policy, etc/Maintenance officer</td>
<td>Housing management staff</td>
</tr>
<tr>
<td>Head of Personnel</td>
<td>Tenant representative</td>
</tr>
<tr>
<td>Director of Housing</td>
<td>Chief Executive</td>
</tr>
</tbody>
</table>

Source: Audit Commission
Following field visits, performance data and interview data were reviewed and clarified with the association as necessary. Preliminary findings were shared simultaneously with representatives from eight of the field associations and Corporation officials in June 1996. All participating associations saw a first draft which included the case studies. Their comments were included in a revised version. The Commission is grateful to these associations for their enthusiastic co-operation and support throughout.
Appendix 3: Model Schedule of Rates

Schedule of rates example: Plumbing jobs

<table>
<thead>
<tr>
<th>Item no.</th>
<th>Job description</th>
<th>Unit</th>
<th>Annual frequency (approx.)</th>
<th>Price per unit £</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>REPAIRS TO TAPS</td>
<td>Tap</td>
<td>1,100</td>
<td>2.33</td>
</tr>
<tr>
<td></td>
<td>Turn off supply as necessary – strip tap, repair, renew or adjust the lock nut, washer or jumper. Clean and grease as necessary. Reassemble tap and check operation.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>REPAIR INTERNAL STOP TAP</td>
<td>Tap</td>
<td>180</td>
<td>3.37</td>
</tr>
<tr>
<td></td>
<td>Turn off external stop tap. Strip internal stop tap, repair or renew parts as necessary. Check operation.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>RENEW TAPS (ALL TYPES)</td>
<td>Tap</td>
<td>140</td>
<td>8.38</td>
</tr>
<tr>
<td></td>
<td>Turn off supply, drain off. Remove trap, move sink as necessary. Remove old taps and fit new taps, reconnect trap, reposition sink. Turn on supply and check operation.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>RENEW INLET CONE JOINT</td>
<td>Joint</td>
<td>440</td>
<td>2.52</td>
</tr>
<tr>
<td></td>
<td>As necessary, remove old cone joint and flush pipe. Renew cone and re-fix flush pipe.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>WC BALL VALVE</td>
<td>Valve</td>
<td>2,560</td>
<td>3.89</td>
</tr>
<tr>
<td></td>
<td>Turn off water, remove cistern lid, dismantle ball valve from cistern. Dismantle ball valve and renew parts as necessary, clean and reassemble. Adjust overflow as necessary. Refit ball valve to cistern. Turn on water, check operation, refit cistern lid.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 4: Salary Levels in Fieldwork Associations

Exhibit A4.1
Salaries: all employees

London associations tend to have both higher salaries and more staff.

Note:
Excludes care staff
Lighter shading = London

Source: Audit Commission

Exhibit A4.2
Salaries: housing management

Note:
Excludes care staff
Lighter shading = London

Source: Audit Commission
Exhibit A4.3
Salaries: Maintenance

Note:
Excludes care staff
Lighter shading = London

Source: Audit Commission

Exhibit A4.4
Salaries: Corporate functions

Note:
Excludes care staff
Lighter shading = London

Source: Audit Commission
£10.00 net