

**MANCHESTER CITY COUNCIL
REPORT FOR RESOLUTION**

COMMITTEE **COMMUNITY REGENERATION, OVERVIEW &
SCRUTINY**

DATE **8th FEBRUARY 2006**

SUBJECT **VALUE FOR MONEY ASPECTS OF HOUSING
REPAIRS**

REPORT OF **THE DIRECTOR OF HOUSING**

PURPOSE OF REPORT

To scrutinise the undertaking of housing repairs and identify the value for money aspects of the service.

RECOMMENDATIONS

The Community & Regeneration Overview & Scrutiny committee are asked to note the reports findings.

FINANCIAL CONSEQUENCES FOR THE REVENUE BUDGET

None arising from this report.

FINANCIAL CONSEQUENCES FOR THE CAPITAL BUDGET

There are no direct financial consequences for the Capital budget.

CONTACT OFFICERS ADDRESS	EXTENSION	EMAIL
P Holland	236 7229	p.holland@manchester.gov.uk
L Patrick	234 4761	l.patrick@northwardshousing.co.uk
B Mason	234 4249	b.mason@manchester.gov.uk

BACKGROUND DOCUMENTS

Nil

WARDS AFFECTED

All

IMPLICATIONS FOR:

**ANTI
POVERTY**
No

**EQUAL
OPPORTUNITIES**
No

ENVIRONMENT
No

**EMPLOYMENT
OPPORTUNITIES**
No

**HUMAN
RIGHTS**
No

1. INTRODUCTION

- 1.1 The Finance and General Purposes Overview & Scrutiny at their meeting on 17/11/05 requested a report that examined the value for money aspects of the housing repairs service. This was to be submitted to the Community Regeneration Overview and Scrutiny Committee.
- 1.2 The Repairs & Maintenance (R&M) budget for 2005/06 is £42.147M

2.0 HOW ARE WE PERFORMING

2.1 BENCHMARKING – RAND ASSOCIATES

Before the most recent Audit Commission Housing Inspection (ACHI) in October 2003 we employed a firm of Consultants, Rand Associates, to examine what we had done to ensure value for money and to examine how we compared with other Councils and Registered Social Landlords (RSL's).

Rands were selected because they are the joint authors of the National Housing Federation of Schedule of Rates (NHF SOR) and because they had a number of benchmarking participants who we could directly compare our financial performance against.

We identified a basket of the 200 most frequently used Schedule of Rates (SOR) items that accounted for 88% of the R&M spend.

The report produced showed how we compared against 330 other Local Authorities and RSL's (54 LA's and 276 RSL's and other landlords) who subscribed to the NHF SOR; and also how we compared against the Schedule of Rates of an Inner London Borough having a stock of 20,000 properties and with works predominantly undertaken by its DLO. The report identified the Repairs service in Manchester to be cost efficient with a saving of 26.75% on the other NHF SOR contributors, and a saving of 31.71% over the Inner London Borough.

This put us in the top Quartile of all other authorities i.e. the cheapest.

2.2 BENCHMARKING -HOUSEMARK (CHECKMATE)

We joined the Housemark Checkmate benchmarking Club during 2004 to allow us to measure a number of different performance measures in an established industry recognised benchmarking club. There were 57 Checkmate members who we were benchmarked against.

The responsive repairs benchmark service identified 40 repairs as a basket of typical routine maintenance repair jobs. The basket for

Manchester was the lowest of all participants for that field showing 89% of 'target' level (the median was 100%)

The same exercise was undertaken for the voids repairs service and again Manchester scored the lowest price at 75% of 'target' level.

This means that we were the cheapest in terms of both repairs and empty property work.

2.3 MARKET TESTING THROUGH JVC PROCUREMENT.

As part of the overall Housing Investment Options strategy, the Council on behalf of the proposed New Housing Companies propose establishing a Citywide Procurement Strategy to provide a framework of contractors and key suppliers for capital investment on a citywide basis consistent with four central aims:

- Service standards – preserving high 3* service standards;
- Financial – achieving Gershon efficiencies and avoiding the diseconomies of scale that the alternative of fragmentation would entail both for procurement and for service delivery.
- Local autonomy – ensuring maximum opportunity for local decision-making and involvement.
- Community benefits – maximising opportunities for local labour, training and local businesses.

A further component of the overall strategy is the establishment of Joint Venture Company; that will see the transfer of the current Direct Works DLO into a new jointly owned company. The DLO is currently a key provider of construction related services to Manchester Housing and a key contributor to the services currently rated at 3*.

The ACHI raised concerns about value for money despite the benchmarking studies as we had not specifically market tested this service for several years. It was their view that we may have been able to get an even cheaper service had we done so. This is now addressed through the Joint Venture Company (JVC) procurement exercise currently underway.

The City Council will be able to compare the prices for maintenance work against current market rates and make comparisons against our existing rates. The same levels of specification and the same schedule of rates as used by City Works have been tendered on the open market following European Advertisement for contractors to undertake the majority of the works currently done by City Works, including the responsive repairs service for parts of the City. It is envisaged these tenders will be available by April 2006 for examination. This provides a full market test for the service.

3.0 NEW INITIATIVES

3.1 REDUCING EMERGENCIES

It costs more money to order repairs as an emergency. Every time we order an emergency during normal working hours we pay a mark-up of £11.77 per order; and during out of hours a mark-up of £24.54 per order. We have therefore had a drive towards reducing the % of jobs ordered as emergencies that have consistently been around 17.5% for a number of years. The ACHI recommend a general target of 10%.

We developed a plan that focussed on the 'on-call' service to interrogate callers to ensure jobs were not ordered as a matter of course as an emergency with a proposed target of 12% for 2004/5. The results were promising with a year-end figure of 13.2% for 2004/5. The current figure for 2005/6 (to end of December) is 13.58%. This includes the Christmas period when emergencies are disproportionately high distorting the figure by about 0.5% to say 13.08%, or a reduction of 3.92%.

The 3.92% reduction would equate to 4165 daytime emergencies @ £11.74 = £48,897; and 3350 out of hours emergencies @ £24.54 = £82,209; total £131,106.

This frees up resources and allows us to spend more money where needed on the repairs service by re-investing those resources into the day to day repairs budget allowing us to undertake other work.

3.2 REDUCING PRE-INSPECTIONS

Clearly undertaking pre-inspections is not a cost effective use of resources. It costs money, causes delays for tenants and reduces the service levels. The ACHI expect councils to get to 10% of all jobs to be pre-inspected.

When tenants telephone 'on-call' we have a good diagnostic system to enable staff to order the correct repair. If the tenant wants a high value item; e.g. a bath or a window, then we always pre-inspect with a surveyor who is given an appointment suitable to the tenant. Our pre-inspection figures are as follows:

2004/05	8.62% (34,385 pre-inspections)
2005/06 to date	8.75% (25,593 pre-inspections)

These are below the ACHI guidance of 10%.

3.3 RECHARGEABLE REPAIRS

We have had a promotional drive to advertise the fact if tenants damage their property we will 'send round the Bill'. Staff are clearly using this procedure to ensure that those tenants who don't properly look after their property are charged for it as shown in the following table:

Year	No of	Value
2001/2	242	£70K
2002/3	1106	£371K
2003/4	1353	£295K
2004/5	1506	£200K
2005/6 to date	1012	£142K

3.4 PLANNED/RESPONSIVE SPLIT

The Audit Commission have always had a drive towards Local Authorities achieving a 60/40 ratio split between expenditures on planned and responsive repairs. This was first raised in their 1986 report 'Improving Council House Maintenance', and is to this day referred to in the ACHI reports. ACHI think it is important as it provides better value for money because it is cheaper when repairs are done on a planned basis rather than as a reactive responsive repair.

Our Planned/responsive ratio at the time of the Housing Inspectorates first visit in June 2002 was 27/73. By the time of the second Housing Inspectorates visit in October 2003 it was 37/63. This is still a long way short of the targets set by ACHI.

We have now funded from the R&M budget a number of planned programmes such as gas servicing, communal lighting, door entry servicing and CCTV servicing which has allowed us to increase the level of Planned contribution. We actually increased greatly the amounts so that for example if any repairs were required during a gas servicing visit they were carried out at the time of the visit rather than at a later date by a raising a response repair ticket. We also funded from Revenue a one-off boiler replacement programme that allowed us to undertake the works in a programme that offered better value for money.

These initiatives have seen the figures increase to 39/61 for 2004/05 and to 43/57 for 2005/06. However it is the investment that follows on from the stock Options work that we enable us to move towards the Audit Commission target.

3.5 POST INSPECTION FAILURES & ACTION

For every completed repair ticket the computer system automatically sends out a pre-paid reply card to tenants that asks them to tell us about their experience of the repair and how we performed.

Our tenant reply service allows us to focus on jobs that have had a poor response. Working closely with our colleagues in City Works we are able to investigate tenant complaints with a view to getting the job put right, learning from our mistakes to reduce future similar occurrences and moving the service forward in terms of service improvements.

We now have a 'Partnering Charter' with City Works that makes our tenants (customers) the focal point of our service. Our mission statement states "The partners to the Charter are committed to continually improve the value and quality of the Responsive Repairs Maintenance Service for customers and local communities." One of the identified goals states, "To always make the customer the focal point of the service."

We measure how frequently our repairs contractor, City Works, gets the job done right first time, currently 82.1%, and this has a year on year service improvement target. It requires the contractor to ensure vehicles are kitted out with the correct levels of imprest kit (spare parts) and requires all operatives to have a range of multi-trade skills to ensure they don't need to send another operative round to finish the job. All operatives have the authority to do an additional amount of work as a variation order to the original job (currently to a maximum of £60) without having to telephone a surveyor for authority to proceed. These changes have allowed the contractor to get more jobs done on the first visit that makes for a more streamlined service and increases tenants' satisfaction levels.

3.6 REMOVE DUPLICATE INSPECTIONS

In the past the Contractual risk for all pre-inspections lay with the contractor. This in reality meant a surveyor would visit a property and identify for example a new window or a new kitchen base sink unit was required and raised the appropriate SOR codes. The contractor would then have to visit the property (and gain access which may be difficult in itself) to measure the window frame and glass; or measure the kitchen base sink unit noting the door/drawer configuration, the handing of the sink drainer, the colour and style of the unit and the type of ironmongery.

Now in conjunction with our colleagues in City Works we expect our surveyors to take on board all the contractual risk items in terms of measurements for manufacture, handing, colours styles etc. This is particularly beneficial on void inspections where a whole list of

materials is identified on a 'picking list' that is forwarded to the contractor when ordering the job. This in turn is passed to the builder merchant supplier who can prepare a job pack with all materials for despatch to the job at a pre-arranged date.

The resultant saving for this activity equated to 8 jobs within the City Works organisation, 7 of who transferred to Manchester housing as surveyors. This has the effect of reducing costs at City Works.

3.7 PRICE REDUCTION

Each year end we review the inflation costs that the contractor is entitled to for the following year. There is a written agreement between Manchester Housing and City Works that whatever the inflation factor is the increase will be abated by a discount of up to 1.5%. In recent years this has reduced to a small amount due to the reduced profit margins that City Works are facing. City Works were anticipating efficiency savings but two significant factors have influenced this; stock reductions following Housing Investment Options and the delayed introduction of remote working, which has resulted in reduced profit margins. Nevertheless we still have a reduction in the rate price we would otherwise be paying following traditional practices. In the current construction industry market in the North West, this is exceptional.

3.8 KITCHEN SPECIFICATION SERVICE IMPROVEMENTS

We have offered tenants a more robust, modern, newer style of kitchen unit that replace the old dated specification that was becoming expensive to maintain on day to day repairs. We have also recently moved away from plastic taps to modern chrome plated taps. We have negotiated a saving in cost on both items so that tenants get the improved specification at a lower cost than previously paid. In 2004/05 this represented a saving of £137k or 12%.

3.9 REDUCING CANCELLATIONS

Cancellations lead to a cumbersome inefficient service where new appointments are made, jobs get delayed, tenants' satisfaction decreases, complaints are made to Members, wasted costs for City Works because it reduces productivity and the whole service gets a bad reputation. We have therefore made a number of service improvements to reduce the number of cancellations. Whilst they don't directly save us money they improve the efficiency savings within the service.

We have set up a software messaging system that will automatically send either a text message to a mobile phone or a reminder voice mail message to a land phone line. This reminds the tenant that they have a pre-arranged appointment the following day and to stay in for the

agreed appointment period for the contractor. The system is automatic so involves no staff and costs about 4pence per message. This has been in operation for about 6 months and has contributed to reducing our levels of cancellations due to no access.

We also allow tenants to phone up, up to the morning of the repair appointment and re-arrange the appointment without cancelling the job.

We have also agreed with our colleagues in City Works not to cancel a job if it is a 'no access' on the first visit. Instead they leave a calling card that asks the tenants to ring on call to re-arrange the job for another day. This has been operational since about October 2005 and has also contributed to reducing our levels of cancellations due to no access.

We also trialled telephoning tenants the day before an appointment was due in the Hulme & Moss Side wards (they were the two worst in the city for no access), approx 12 to 18 months ago. This had minimal impact and was costly to manage so we ceased doing it..

Our Cancellation statistics due to no access follow:

2003/04	Yearly average	13.63%
2004/05	Yearly average	12.46%
2005/06	April to Sept avge	14.15%
	October 05	11.60%
	November 05	11.77%
	December 05	8.80%

4 **CONCLUSION**

This report identifies a number of service improvement areas and shows we are continually looking for innovative ways of improving what we do and looking for better ways of providing a streamlined service. It also shows we do offer value for money against other Local Authorities and Housing Associations.

The service is a good one and has been awarded a 3 star rating by the Audit Commission Housing Inspectorate in September 2003. The service has also been awarded a Chartermark and granted Beacon Status.

The true market test will follow the JVC procurement market testing of the service in the open market.

5 IMPLICATIONS FOR KEY COUNCIL POLICIES

None