

Bulletin



National Housing
Maintenance Forum

Launch of Procurement For All

At its meeting in May, the NHMF agreed to join forces with Accent Housing Group and a number of other associations to launch a new type of procurement club, called "Procurement For All"



The ODPM has set targets for local authorities, ALMO's and associations to achieve savings through collective procurement and has put

up £33 millions to prime the process. Davis Langdon have been appointed as the National Change Agent, working with Trowers & Hamlin, to advise, facilitate, co-ordinate and monitor the performance of procurement clubs, many of which are expected to be set up on a geographical basis. A typical club might average 80,000 units.

Much of the literature coming out of the ODPM cites the examples of Fusion 21 on Merseyside, and Procurement for Housing which was set up by the CIH and NHF working with Housemark (see article p 9).

The larger London associations are working with consultants from Fusion to set up their own club.

Procurement For All will be based around a procurement club that is already up and running with the Accent Group, Nene, Brunel and Family, and Leeds Federated. Yorkshire Housing and a number of others are already talking about joining them. Technical advice is currently provided by Rand Associates, who write the NHF Schedule of Rates.

It has a number of distinct features to overcome some of the problems associated with other initiatives, where the costs of membership and administration, coupled with bureaucracy

can undermine the potential gains. Contractors complain about delays in delivery where this is outside their control.

Procurement For All will be organised nationally, which may be particularly relevant to those organisations that operate on a multi-regional basis. It will negotiate beneficial terms for the supply of products and services from at least three suppliers in each case so as to keep them on their toes. As well as better prices, these terms cover additional warranties, performance, longevity of supply, training, and product forums. It will not get involved directly in ordering or processing components, but leaves that to the contractor, taking the 'nominated supplier' approach.

As more social landlords have joined, the cost of kitchen renewals within the Accent group has come down from around £3,000 per unit to an average of £2,000, whilst improving the quality and giving more choices to tenants.

We aim to keep the administrative costs low by sharing the arrangements across a large base of members, who will subscribe on fee scales based on their size. The business model is similar to that used very successfully on the NHF Schedule of Rates, which is now used by more than 400 housing associations and councils throughout the UK.

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Contents

- 1 NHMF Procurement Club
- 2 News in Brief
- 3 Editorial
- 4 NHMF Conference
- 5 Prepare for Inspection
- 6 Stock Surveys
- 7 Efficient External Decorations
- 8 Asset Management Health
- 9 Procurement for Housing
- 10 Performance Indicators
- 11 Efficiency with Suppliers
- 12 Eco Homes
- 13 Energy Directive
- 14 Right First Time
- 15 Working with the NHF
- 15 OJEU Procurement
- 16 M3 Consultancy

What's new?

Working at height regulations

New regulations on work at height came into force on 6 April 2005 and implement European Council Directive 2001/45/EC concerning minimum safety and health requirements for the use of equipment for work at height.

The Health and Safety Executive (HSE) have published a brief guide to the regulations. This explains their purpose:

"In 2003/04 falls from height accounted for 67 fatal accidents at work and nearly 4000 major injuries. They remain the single

biggest cause of workplace deaths and one of the main causes of major injury"

At the NHMF meeting in May, David Miller of Rand Associates (authors of NHF Schedule of Rates), advised members that contractors are already required to work safely under the preliminaries and general matters section of the model contract documentation.

The new regulations require clients to ensure that their contractors are operating responsibly. The forthcoming release of the NHF Schedule will make

this explicit.

Under existing contract arrangements there is scope for downgrading the priorities on works that require high level access, so that wherever possible this is dealt with as planned or packaged works. If a leaking gutter is not a health and safety risk, and is not severe enough to cause damage to the fabric of the building, it might make sense to deal with it in the next cyclical redecoration programme, or as part of a preventative maintenance process.

www.hse.gov.uk/pubns/indg401.pdf

NHF Schedule of Rates Release 5.1

M3 Housing will be issuing Release 5.1 of the NHF Schedule of Rates at the end of June. This takes account of the new regulations governing hazardous waste, and working at height.

It also deals with Equality and Diversity, BME training and employment, and the implications of recent changes in Parts L and P of the building regulations. A number of new jobs have been added including power flushing and the upgrading of boilers to Sedbuk 'A' rating.

Hazardous waste regulations

New regulations come into force from 16th July which replace the term 'Special Waste' with 'Hazardous Waste', and will make changes to procedures for handling and disposing of wastes. In effect this extends the range of items which cannot be mixed with other waste in a skip to include such things as tyres, TVs, computers, fluorescent tubes and electrical goods.

On January 2002 changes to the Hazardous Waste List were applied in the EU. This resulted in an additional 180 wastes classified

as hazardous. Last year the co-disposal of hazardous waste with non hazardous waste at the same landfill site was banned. From 16th July 2005 the new Waste Acceptance Criteria will come into force. Producers of hazardous waste will have to make sure that waste to landfill meets these criteria, and will have to describe exactly what their waste contains. This 'characterisation' will determine what can be done to minimise it, ease its recovery or ensure its safe disposal.

www.hazardouswaste.org.uk

Delays in changing the Decent Homes Standard for HHSRS

The Housing Act 2004 introduced the Housing Health and Safety Rating System (HHSRS) to replace the Fitness Standard set out in the 1985 Housing Act. But Parliament still has to approve implementation arrangements for HHSRS, and the ODPM is not now expected to announce changes to the Decent Homes Standard until the autumn. This has left those carrying out stock surveys in a bit of a quandary.

The NHMF has been lobbying through the Corporation and the NHF for a pragmatic approach that will not require a full HHSRS survey of all properties. In their view it should be sufficient to ask the surveyor to identify any severe risks under each of the 28 hazards, with a compulsory question to say whether the property has any Category 1 hazards under HHSRS, ie which fall within Bands A to C in

the Hazard Ratings.

In practice relatively few social housing properties fail under criteria A of the Decent Homes Standard, as unfit for human habitation. Replacing it with the HHSRS might result in a number of new properties failing, mostly as a result of trip hazards, or the risk of falls from windows and balconies.

The ODPM is not expecting any duplication of surveys, as the existing Fitness Standard can continue to be applied in reporting on properties that have already been surveyed. The new HHSRS basis will apply on all *new* surveys once it is introduced.

Meanwhile it might be wise to consider the implications of Category D hazards 19, 20, 21 and 22 all of which relate to falls. Attention should also be paid to category B

psychological hazards, particularly 11 (Crowding and space), 12 (Entry by intruders), and 14 (Noise), although it seems less likely that these would be sufficiently severe to fall into Hazard Bands A to C.

www.odpm.gov.uk

Checkmate for private contractors

M3 Housing are developing a Checkmate questionnaire for benchmarking private contractors, in addition to those for DLOs and the client side of the repairs service. It will be particularly useful to those using open book partnering arrangements, or who are considering creating joint venture vehicles with contractors.

www.checkmateclub.co.uk

Editorial



Repairs and maintenance services are facing increasingly conflicting pressures: in response to the Gershon

Review the ODPM has set very specific targets for efficiency savings to be achieved over the next three years, and the Housing Corporation is demanding Annual Efficiency Statements from each social landlord to show what they plan to do to meet them. At the same time we are expected to increase the quality of services, and to focus on raising tenant satisfaction.

These coincide with the requirement for social landlords to comply with EU Directives on procurement, and the implementation of a further EU directive on the energy efficiency of buildings, aimed at reducing carbon emissions. Meanwhile we are all endeavouring to meet the Decent Home Standard and its equivalent in different countries of the UK, and still awaiting clarification of how the Housing Health and Safety Ratings will apply. Less publicity has been given to the consultation document on "working at height" regulations from the Health and Safety Executive, and the tightening of regulations governing hazardous waste,

both of which have significant cost implications for repairs and maintenance contractors.

These issues dominated the NHMF Maintenance Conference in January, and are examined in depth in this year's Bulletin. In order to fit it all in, we have had to cut many of the articles to focus on their essential points. So we do urge you to visit the www.nhmf.co.uk where you can see them in full.

In the midst of this, it is pleasing to note that the Corporation has commissioned the consultants Frontier Economics to take an in depth look at the costs and benefits of regulation, which is due to report in the summer. It is right that the regulators ask challenging questions. But we are currently being told what to do to an unprecedented degree.

Global priorities set by the EU or by our own government are important, but should not distract us from making critical judgements about what our asset management priorities should be, and the most cost effective methods of procurement. New approaches such as partnering and collective procurement have some excellent benefits, but also have potential weaknesses.

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Report on how effectively the NHF Schedule of Rates is used

The NHMF has commissioned Nick Wood of M3 Housing Consultancy to visit a sample of clients using the NHF Schedule of Rates and report on how they are using it, and whether it needs further adaptation to meet their needs. Each client visited will receive a free "health check" commenting on how effectively it is being used to control the price and quality of repairs under any partnering or other arrangements they may have.

This is an opportunity to confidentially share best practice or any concerns. At the same time, general information will be fed back to improve M3 Housing products. NHMF will also be better able to lobby on behalf of social housing maintenance issues.



National Housing
Maintenance Forum

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NHMF Maintenance Conference



This year's NHMF Maintenance Conference was our biggest and most successful to date

The main themes were on procurement, contract management, value for money, and asset management. Many articles in this bulletin have been written by speakers at the conference. Copies of all the presentations can be downloaded from the NHMF website (nhmf.co.uk click on News and Events).

What have we learned from partnering?

In the opening plenary, Paul Reader of EPS questioned what we had learned from partnering repairs and maintenance over the past five years. Have the savings that Egan promised actually been delivered? Egan had expected productivity savings of 10%, and a 20% reduction in accidents and defects.

What we have learned is that the main savings are in contract administration. Single delivery teams can bring real benefits, as can the integration of IT systems. There is still potential for more savings through supply chain



management. Involving contractors in working out how to deliver decent homes can also make huge savings. And the absence of an adversarial atmosphere makes it much easier to keep budgets under control.

Recent Initiatives

Keith Simpson described the way contractors traditionally operated measured term contracts as

- Tender low – claim high
- Promise anything to ensure success
- Deliver lowest possible quality
- Sub-contract to reduce risk
- Believed tenants were a nuisance, never satisfied, and unreliable
- Few had sophisticated management systems, and relied on spreadsheets.

Success came from shortening the lines of communication, through co-location of staff and interfacing IT systems; reducing paper and avoiding any duplication of monitoring and inspection by client and contractor; and incorporating the supply chain. Cash flow is vital to the contractor, so pay all invoices promptly.

Multi Contractor Partnering

Wayne Gales gave an update on the CDS multi-contractor partnership. CDS is part of PLUS HG.

The partnership believes it is delivering real value for money and improved performance across all work streams due to its unique multi-partnership approach, which promotes collaborative working and decision making through an integrated partnership management structure. All costs across the partnership are subject to an independent 'cost validation' process undertaken by Rand Associates, whereby costs are compared against the NHF SOR. In addition to improved value for money, satisfaction levels for both staff and customers have increased.

M3 Housing have developed a model

partnership agreement based on their approach, which can act as a useful framework in working out your own partnership arrangements.

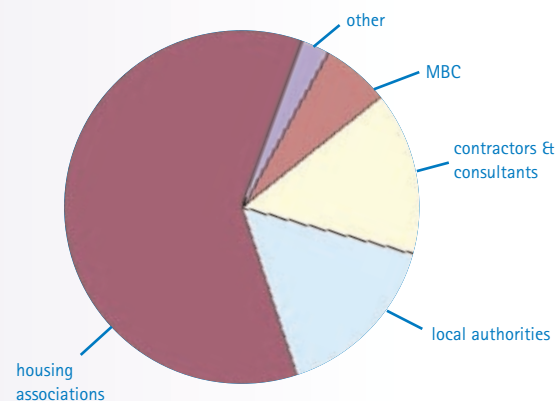
Value for Money

At the closing plenary, Suki Jandu of the Audit Commission and Clare Miller from the Housing Corporation told delegates to focus on efficiency.

The Audit Commission was charged with assuring value for money, and the property stewardship of public funds, but wanted to minimise the burden of regulation.

Suki presented the Audit Commission's Key Lines of Enquiry (KLOE) on Value for money. They would be looking to see whether a value for money culture was embedded in the organisation and focussed on the costs and benefits to the customer.

178 people from a variety of housing organisations



The director of regulation at the Housing Corporation, Clare Miller, talked about the need to improve efficiency across the social housing sector. The ODPM is looking for efficiency savings from the development of new housing, capital works to existing properties, and from management and maintenance.

Associations must respond to the challenge of efficiency. They get to keep the savings, but they must make sure they measure and share them.

Preparing for Inspection



If you are in an organisation which is committed to continual improvement then the good news is that you are already preparing for inspection. The inspection is just an independent check on your progress so far in comparison to others.

Inspectors want to know how good the service is now and what the prospects are for improvement.

The Audit Commission's Key Lines of Enquiry explain what general questions are likely to be asked. These can all be found on the Housing front page of the Audit Commission website at www.audit-commission.gov.uk

Inspectors will make judgements based on preferably three pieces of corroborated evidence, for example: written policy, staff confirming what they deliver and customers confirming what they receive.

But preparation for inspection should begin long before the inspectors arrive:

Stage one – best value review

The review should involve all relevant stakeholders including Board Members / Councillors, staff, partners/contractors and most importantly the customers. Having a "critical friend on the team" is also to be recommended.

Inspectors specifically check how you apply the "4 Cs" of Best Value – Challenge, Compare, Consult and Compete and what you consequently do to improve things. They also look at your track record in the past to help them judge what you are likely to achieve in the future.

Stage two – implement the changes

Every Review should have a SMART action plan. The Audit Commission define SMART as Specific, Measurable, Achievable, Realistic and Time-bound. It should then guide your implementation of any changes.

Inspectors will look to see if your

improvement plans are SMART and if you have achieved your milestones, your targets and consequently your desirable outcomes by the relevant dates. Ultimately the bottom line is: has the service improved and has the quality of life improved for your customers.

Stage three – monitor the service

After implementing changes organisations will need to monitor progress to see whether the changes are having the desired effect. Such monitoring should cover costs, performance and customer satisfaction. It should include Key Performance Indicators (KPIs) and Local Performance Indicators (LPIs) which can then be compared against other organisations.

Inspectors will be looking at the trends, particularly over the last two years and at the latest available statistics to see how good is the service. They will also want to see that stakeholders are involved in the monitoring.

Stage four – the inspection

A mock inspection can help you prepare for the real thing. It is also useful to help

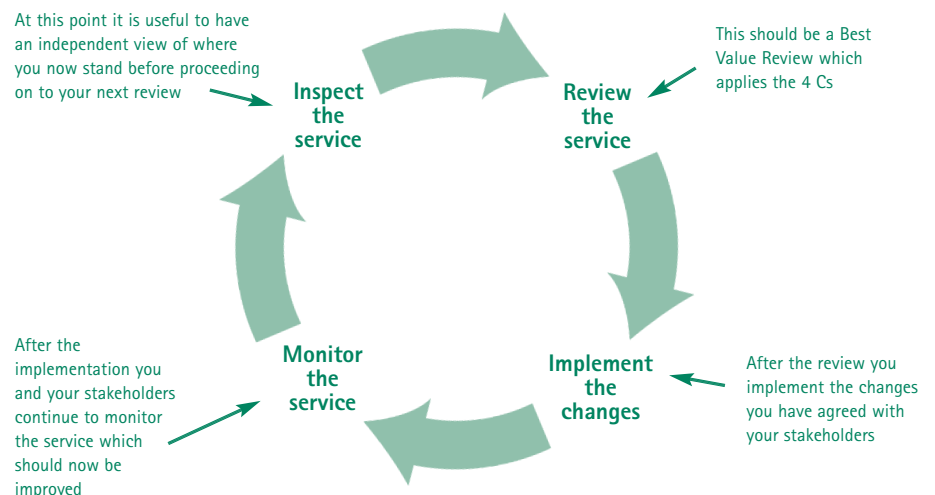
this process along with some new technology.

- Send your self-assessment to the inspector on a CD so hot links can be used to link supporting documents
- Highlight the relevant areas of documents and add comment boxes to clarify issues
- Use video/dvd of tenant / contractor conferences and schemes from further afield to provide evidence of service levels, joint working and stakeholder involvement

Each "area for improvement" should be put into your SMART action plan so that you can show the action taken and progress made.

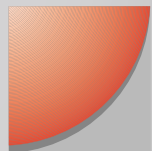
Finally everyone involved needs to be familiar with the process so that they can provide the necessary information without feeling nervous about the outcome. Remember it is just part of the continuous improvement process.

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Stock Survey Strategies

Every question in a survey should relate back to information you actually need



FORECASTER
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www.m3h.co.uk 020 8254 5580 info@m3h.co.uk

Too many social landlords leave it up to their surveyors to decide what data they need to collect in a stock condition survey. However, they may collect too much detail which may not be useful for your purposes and cannot be kept up to date.

So what can you do?

Survey Design

Determine what information you need and why:

- *Forecast of stock re-investment costs for business planning*
30 year view of costs of keeping the stock tenable and the lenders and regulators happy.
- *Decent Homes Standard (or Welsh Housing Quality Standard)*

How many homes fail now, or will fail by 2010? Are there any significant Hazards under the new Housing Health and Safety Rating System?

- *Energy efficiency ratings*
Under the EU Directive on Energy Efficiency, from January 2006 every new tenancy needs an energy and fuel efficiency measure.
- Asbestos register
- Information to plan cost effective programmes of work

Every question in a survey should relate back to one of more of these purposes.

Managing the surveys

A well structured sample survey of the properties should give a good overall estimate of the costs of planned maintenance, decency standard, and average SAP ratings. However, over time, every property should be surveyed.

It is better to spread surveys of all the properties over five years. You can bet that the week after a full 100% survey is completed, a new regulation will require some vital piece of information that was not collected. Having blown the budget this year, it will be four or five years before any further surveys can be planned.

Keeping the stock condition database up to date

Some judgement is involved so it is generally better to have one or two people responsible for maintaining the stock condition database, under the direction of the senior manager who is most concerned with interpreting the reports.

Before embarking on your surveys, look at each question on the survey form

- a) Will this information ever change (eg pitched roof) and if not, check whether you need to know it
- b) What events will change it (eg major

repairs programmes, perhaps void repairs)

- c) How you will capture those changes (where are major works recorded and is this done at an appropriate level of detail to match the survey data)
- d) Who will be responsible for capturing and recording those changes on the stock condition database
- e) How frequently does the stock condition database need to be updated (quarterly is often sufficient)

Analysis

Can your software hold survey data collected at different times, with different survey questions, and still give reasonably sensible reports on what work needs doing to each of the main building elements?

Can it determine from the data which programmes of work will bring a property up to the decency standard, or does it rely on a surveyor effectively answering each of the Decent Homes questions for it?

Can you test alternative work programmes to see what impact these will have in reducing the cost of forecast major repairs, decency failures, and raising SAP ratings?

If not, have a look at what other modern stock condition systems (like Forecaster) can offer.

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Efficiencies in External Re-Decoration Programmes



Many organisations have now established some form of partnership to undertake larger scaled programmes of works. Experiences of partnering do vary

considerably and as a contractor we have come across a diverse range of approaches. The success of the Accent Partnership where some others have failed make it well worth sharing.

In June 2004 the Accent Group appointed two contractors, The Lord Group and J&S Seddon, along with ICI Paints as partners to carry out their external repairs and painting programme to 18,000 properties. The contract value was placed at £7.5 million over a 10 year period.

"The contractors completed the first year's work on time, to budget, & with hugely improved levels of quality & customer satisfaction."

The stock is geographically spread and managed from local offices in Yorkshire, North West, North East and the South. Leeds Federated Housing Association also selected Lords through the original joint tender process. Taking an innovative approach at tender selection stage has enabled Accent to create a draw down contract whereby additional housing associations, or newly acquired stock can join the purchasing consortium and tap into an already well developed partnership team. This means that the contract is growing and new associations such as Nene Housing are also becoming involved in the process without the need for additional procurement or tendering.

Prior to the partnership, Accent alone was sending out over 200 individual tenders to around 60 separate contractors each year. Repairs were also carried out separately. This complex and costly exercise produced inconsistent levels of service and unreliable levels of customer satisfaction.

In line with the Egan agenda Accent undertook a 3 stage procurement process for both supplier and contractor selection, seeking organisations with similar values and cultures to their own. Selection was based on quality, values, financial stability and a priced schedule of rates.

Progress one year on

Looking back over the first year it is the early establishment of trust and solid relationships at all levels that have made this partnership thrive. Had these strong foundations been given less emphasis, it is likely that at some point cracks would appear and the full benefits of partnering would not be realised. Good systems of work can be established, innovations developed, but if the team is not working in full collaboration, all these activities will be de-stabilised given the first sign of any trouble.

The team have an established partnering board and a tenant consultation panel who have been involved in a wide range of decisions, from contractor selection through to colour choice ranges in each area. The Board has established agreed KPI targets and common working procedures – taking the best from the diverse approaches previously adopted across the regions and incorporating advice from the specialist contractors and the paint manufacturer.

As the product experts, ICI are fully involved in all specifications, quality control and inspection. The production of benchmark properties on each scheme allows us to develop agreed standards

against which to train operatives and monitor quality.

The contractors set the programme for the year in consultation with the local area teams. This has allowed us to undertake work smoothly during and between the years which is vital in allowing us to manage our workforce teams efficiently and has meant that we have consistent teams of operatives who move from one scheme to the next. This produces a cost saving as the individuals understand fully the people involved, the working procedures, and the specification and quality standards required.

The contractors completed the first year's work on time, to budget, and with hugely improved levels of quality and customer satisfaction.

The client has seen considerable cost savings in terms of tendering initially, but also in terms of management time and the knock-on effect on the day to day repairs service and long term maintenance costs. Local labour is being utilised and diversification strategies are being successful.

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ICI

- Involved at the outset on all potential schemes
- Individual specification provided for each scheme
- Sign off the initial property as a benchmark for quality on each scheme
- ICI involved in scheme handover by signing off on completion based on quality of workmanship and adherence to specification
- Aim to extend lifecycle of the product to 6 years
- Uniform high standards of work ensured
- ICI will be available to investigate and rectify any problems



Paints

Seddon



Health check your asset management



By now most organisations will have put together an asset management strategy but as with most initiatives, it is one thing to put a strategy together but all too easy not to check progress and review whether the strategy is working. This article is designed to prompt you to ask questions and seek answers.

The starting point is to check that you have an Asset Management Strategy (AMS) and Plan (AMP). In tandem with this you will need to look at your Stock Condition Database (SCD). Find out when they were created and last reviewed. Is your SCD up to date and are you confident the data is accurate?

As with all projects there should be one person responsible for maintaining these. For the AMS and AMP to be meaningful they will need to incorporate targets and desired outputs to enable progress to be monitored in a quantitative way. Of course there is also likely to be an element of qualitative judgements as well.

Remember, according to National Housing Federation's publication *Managing the Assets*, Asset Management:

"... looks beyond the traditional property management approach of bricks and mortar. Successful asset management requires a thorough understanding of all issues that could affect a property; the physical, structural, economic and demographic needs of a property and its surrounding community."

The Housing Corporation has stated that it requires

- The governing body to be aware of the Decent Homes Standard and targets
- Identification of the incidence of non-decent housing
- That you ensure that targets for reducing the number of non-decent homes are set within asset management strategies

The Audit Commission will also have an interest when the time comes for the dreaded inspection. They will be looking to see that

- The Board has a clear vision of its Asset Management Strategy
- There is a recent Stock Condition Survey (SCS)
- That the SCS is robust, comprehensive and up-to-date
- That your AMS & SCS inform your maintenance programmes

Housing Corporation Circular 06/04 sets out the arrangements that associations with more than 2,500 homes need to put in place to externally validate their performance reporting systems. The circular covers 13 areas including:

- Rent
- Vacant dwellings & lettings
- Stock condition
- Repairs performance
- Service to tenants

The circular stated that this external validation process was a requirement, not an option. This has resulted in a number of consultancy organisations offering validation services to associations.

However, it would be all too easy to just engage consultants to carry out the validation and leave it at that. To get value out of the process it is worthwhile taking some time to consider what they will need to do the job as easily, cost-effectively and efficiently as possible:

- Examine your PI's
- Look at the Performance Reporting System (PRS)
- Check function and integrity of PRS
- Test the PRS
- Check data input into PRS
- Issue Compliance Report

To do this they will need to gain access to

- Key staff
- PRS and other computer and data gathering systems
- RSR
- Performance Reports (e.g. Board reports)
- Stock Condition Database

To streamline the process, it will help if the association plans and arranges its performance review systems to accommodate the validation requirements. Consultants selected for the process must be well-versed in the field and have the capability and capacity to undertake the work. Beyond that, it is essential that the information they will require is readily available, preferably in an electronic format. M3 Consultancy offers a full service of asset management health checks.

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Procurement and the Social Housing Sector



Three years ago Housemark commissioned a research project to look at procurement in the social housing sector. On the basis of research by

Collective Enterprise Ltd, a procurement pilot project was established by the NHF and the CIH and supported by the Housing Corporation called Network Purchasing. The main findings from this research were

- Procurement was not widely regarded as a strategic issue
- Repairs, especially programmed repairs, were seen as a core business activity by the sector and that a lot of management resource was focussed on their procurement
- Repairs were most commonly procured by letting 'supply and fit' contracts to quite large 'integrator' companies
- Where social landlords had separated the procurement of materials from the procurement of labour for repairs, very substantial savings and other benefits were beginning to emerge
- Little attention was paid to the procurement of other 'commodity' goods and services with responsibility often distributed among junior staff
- Social Housing Providers spent over £100 million p.a. on commodities that could be procured nationally but several billion pounds on materials for repairs that could be procured nationally
- Very substantial efficiency gains could be achieved in the sector by the national procurement of commodities on a consortium basis
- Even greater efficiency gains could be made by the national procurement of materials for repair using the same vehicle
- The greatest efficiency gains could be made by local co-operation on the procurement of labour for repairs and

project management

- Collective procurement and a change in the letting and management of repairs contracts could potentially achieve efficiency gains of between £500 million and £1 billion per year

As a result the NHF and the CIH decided to set up their own national procurement consortium for the social housing sector: Procurement for Housing. After tendering the contract went to Collective Enterprises Limited in April 2004, quality assured by HouseMark.

Since then Procurement for Housing has gone from strength to strength. It has 200 members representing over 20% of the sector spend. Deals covering office supplies, energy, telecommunications, computer hardware, photocopiers and the like are already in place, providing members with very substantial savings. All of the tendering processes are compliant with EU regulations. Members of the consortium can take up the supply contracts without having to go through the OJEU process for themselves: a huge saving in time and cost.

By autumn Procurement for Housing will offer its members a comprehensive procurement service for those goods and services that can best be bought at national level.

Looking further ahead Procurement for Housing plans to offer goods and services for tenants. At present those in the lowest income groups pay the highest tariffs for everything from energy to mobile telephony. If they can afford insurance they pay premium rates because of their postcodes. A proper national scheme could use the huge market clout of tenants' expenditure to redress this imbalance and make a contribution to poverty reduction.

The Gershon Review pushed procurement up the 'political' agenda. Peter Gershon said:

"Too much public procurement is undertaken without professional support which results in sub-optimal value for money and unnecessarily high prices being paid for goods, works and services."

Last year the Comprehensive Spending Review linked investment in social housing to improved procurement.

"Gordon Brown's investment within the Social Housing sector is dependent on Housing Organisations making procurement efficiency savings."

The general theme of procurement and specifically collective procurement has been picked up by the Audit Commission in their new key lines of enquiry.

"Inspectors will be assessing whether housing providers have explored the potential for collective procurement of goods and services."

There are at least three reasons why every provider of social housing should be looking seriously at joining national and local consortia. Firstly, consortia give real efficiency gains without massive investment of time or money. Secondly, the Government, the Housing Corporation, the Audit Commission all believe that the sector can make efficiency gains by collective procurement initiatives and will be encouraging movement in this direction. Finally, collective procurement demands genuine co-operation between social housing providers for mutual benefit-- a very practical form of partnership.

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Performance Indicators: The Way Forward

It is a truth universally acknowledged that a well-managed housing association will collect performance information data in order to ensure that it is achieving its objectives. This fundamental activity is also a pre-requisite for business planning, risk management, and key activities for running a business.



The Housing Corporation's statutory duties include the collection and publication of performance information from housing

associations. We collect information in order to check that the sector is viable, well governed and well managed, is delivering the government's policy objectives, is worthy of further investment and is working towards continuous improvement.

The particular difficulty facing the Housing Corporation in collecting and reporting data is that there can be – and are – a range of different definitions of performance data. This presents a key challenge to the goal of collecting sector-wide performance data.

The HC has conducted a pilot evaluation exercise of the PI data that we collect from associations each year in the Regulatory and Statistical Return (RSR). The results indicate an area of concern in the field of repairs and maintenance.

The Housing Corporation is considering question 7 on the Return, to see whether there is better information we could collect in order to assess housing associations' performance against responsive repairs time targets (emergency, urgent, and routine). Changes to the RSR must be in place 4 months before the start of the year in which it applies, to allow associations to design or adapt their systems and start collecting data by 1 April.

The Regulatory and Statistical Return requires associations to supply performance data for the 12 months previous to the end of March each year, so for the 2005 return, associations started collecting data in April 2004.

I emphasise that the Housing Corporation seeks to minimise administrative implications for associations in returning performance information, and is aware of the work that changes to the data specification (questions!) can cause for housing associations. Any proposal for new questions or for amendments to questions is subject to a rigorous assessment process: this requires consultation with Housing Associations, and the proposer must justify its inclusion by making a strong case for how the information will be used.

Why collect Repairs and Maintenance performance information anyway?

The Housing Corporation places great importance on tenant satisfaction. Together with financial viability and probity, it simply is the most important indicator of whether associations are getting it right.

Every 5 years, the Housing Corporation carries out a National Tenant Satisfaction Survey. In 2004, BMG research interviewed 10,000 RSL tenants in England. 136 RSLs took part.

The survey gathered information on a number of issues, and these included key questions about people's views of their current home and being a housing association tenant; and views on their landlord and the services they provide.

The three main positive features about being a housing association tenant are – reasonable rent (22%), good repairs and maintenance service (21%) and good landlords (18%).

The most noticeable negative aspects of being a HA tenant are poor repairs and maintenance (8%).

"There is a clear link between satisfaction with the repairs service and overall satisfaction levels. Amongst those tenants who were satisfied with the repairs service, 91% were satisfied with the overall service provided by their landlord. However this level of satisfaction falls away to just 28% of tenants who were dissatisfied with the repairs service."

Amongst tenants who had reported a repair, there was a significant difference between satisfaction levels expressed where they had had a repair completed – 75% were satisfied, more than the average satisfaction level of 72% – and where they had not had a repair completed – satisfaction levels dropped to 42%, and dissatisfaction levels soared to 37%.

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Suppliers – Making a Material Difference

In the hectic, target-driven world of social housing management, the myriad of products needed to build and maintain housing stock have traditionally been low on the list of things to think about.



However, focus on operating efficiency and continuous improvement is increasingly throwing the spotlight onto this area.

The problem

The creation of 'places where people want to live and work, both now and in the future' is the declared aim of the government's Sustainable Communities Plan.

Creating a high quality environment is not just about new housing, of course. The largest part of local authorities' housing responsibilities involves the maintenance and refurbishment of existing stock – whether through their own directly controlled services or via an ALMO, or Housing Association. Here too, within the wider context of the drive for Sustainable Communities, the Decent Homes initiative is driving forward its own improvement programme to bring all social housing up to acceptable standards by 2010.

According to ODPM figures, approximately 1.5 million households currently live in

properties that do not meet the basic requirements. At last year's CIH Conference, Housing Minister Keith Hill estimated the backlog of repair and maintenance work totalled £19 billion. A massive figure certainly, but could it be reduced by more efficient supply chain management?

For example, how many local authorities out there are still struggling to stretch their own limited resources to manage a lengthy roster of suppliers and carry out time-consuming tender processes for every new piece of work? When work actually begins, how many Housing Associations are managing their own delivery and storage operations when they could more usefully outsource this work to an expert firm?

The alternative

In a nutshell, you need to change the supply chain logistics to provide the lowest total costs for the supply of materials for all work streams. This involves entering into a true supply chain partnership with an organisation with the coverage, buying power and technical systems necessary to deliver such a radical change in working procedures.

At the heart of the matter is knowing the true total cost of materials. This goes far beyond the invoice price, and includes such things as:

- Tender prodded costs
- Purchase ledger costs
- Stores management costs
- Cost of lost time on site due to material shortage
- Cost of operatives' time when shopping for materials
- Transport costs
- Rent, rates, utility costs for stores
- Cost of stock damage & shrinkage
- Funding cost of stockholding

Only when true material costs are known can sensible decisions on procurement be made.

For each contract a unique product catalogue and price schedule is agreed. Each catalogue takes into account product specifications, life cycle cost potential, ongoing evaluation, risk assessment and COSHH recording.

Considerable effort and commitment is needed by both customer and supplier to set up a partnership contract.

But the success of partnering arrangements currently in place with customers such as Liverpool CC, LB Lewisham, Chester HT, South Staffordshire HA, Barnsley MBC and Manchester CC suggests that this way of working could be the future for social housing providers.

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CASE STUDY


Oswestry BC Property Services Team used an old stores building, with antiquated, complex, expensive systems. They needed to reduce running costs, improve administration and make better use of workers time.

The PST decided to work with a supplier who had the capability of providing a full stores facility locally. The contract was awarded to Wolseley UK, a national group with extensive experience of servicing the building trades with branches throughout the country, two of them in Oswestry.

According to Tony Dart, Oswestry operations manager, the 18 month partnership has worked very well, delivering benefits:

"The arrangement has been very successful" says Tony, "and both parties are reaping benefits. Meetings take place on a monthly basis to discuss any issues, and to enable new ideas to be explored, which should help us develop the arrangement further."

EcoHomes XB has been developed to be as easy to use as possible



Under the Kyoto Protocol, the UK is obliged to reduce its greenhouse gas emissions, including carbon dioxide (CO₂) emissions, to 12.5% below 1990 levels by the year 2012. The domestic sector contributes an estimated 25% to the total CO₂ emissions in the UK, or 60% of CO₂ related to buildings

Housing Associations are major players in the house building game. It is absolutely right that we should all focus on getting these new homes right. They are an unalterable component of sustainable communities.

But the high profile that goes with this high spending activity masks the role and contribution of existing stock.

Housing Associations are now managing 1.8 million homes. These homes have a vital role to play in achieving the government's environmental sustainability policy objectives.

Resource Efficiency for a Sustainable Environment

EcoHomes is the Environmental Assessment tool developed by the Building Research Establishment (BRE): Housing Associations have now surpassed the challenge of achieving 'EcoHomes Good', as required under conditions of grant funding for new development, and many are achieving 'EcoHomes Very Good'. Now the Corporation has commissioned BRE to develop 'EcoHomes XB' for existing buildings.

EcoHomes XB will operate on two levels:

- The basic level is an in-house, desk-top operation drawing on existing data. It is designed to assess large scale housing such as districts, postal areas etc. At this level the information drawn from XB highlights areas of poor performance, where an advanced level appraisal is required.
- The advanced level requires more information, some of which may necessitate site visits and SAP data if not already available. This level is designed for more discrete groups of houses such as streets or small groups of a house type. This level will identify small clusters of dwellings which are in need of priority attention.

EcoHomes XB has been developed to be as easy to use as possible, drawing on data that is either already to hand or readily accessible in other surveys, minimising the amount of additional work and data gathering.

The scoring system for EcoHomes XB (Existing Buildings) is structured in a way that will allow improvements to be measured incrementally, so that even relatively minor improvements will be reflected in the score. This compensates for the reduced ability to moderate

factors affecting environmental performance in existing stock compared with new developments.

EcoHomes XB will allow housing associations to:

- Develop environmental performance profiles
- Identify good and bad performers in stock
- Target improvements to gain the most environmental benefit
- Measure and monitor the progress of their stock

The two levels of the scheme allow associations to identify stock which under-performs in environmental terms (basic level). It then allows them to consider measures to improve performance in more detail (advanced level).

EcoHomes XB should be useful in the preparation of Energy Certificates for Buildings (see p 13).

EcoHomes XB has been through an initial pilot process by housing associations and local authorities. A second pilot of the assessment tool, amended to incorporate feedback from the first pilot, is now underway.

Associations that would like to participate in the pilot process or discussions about the implementation of EcoHomes XB should contact Keith Thomson at the BRE or Alison Mathias at the Housing Corporation. Further links are on the website www.nhmf.co.uk, click on Bulletin Articles.

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The Energy Performance of Buildings Directive

Energy Certification of dwellings

The legal framework

The Energy Performance of Buildings Directive (EPBD) was published by the European Union on 4 January 2003 and requires Member States to incorporate its requirements into national law by 4 January 2006. The aim of the Directive is to promote building energy performance improvement within the EU, rather than to set specific targets.

The requirement to use condensing boilers came into effect in April 2005. The remaining provisions will be in force by 4th January 2006. Critically for social landlords, standard energy performance measure certificates will be required for every prospective tenant or purchaser.

It is not clear how some of the provisions will be implemented in practice, resulting in much speculation.

The state of play

The form of the certificate to be produced is likely to be similar to those used on white goods, showing a range of efficiency levels. Extra information is required to make it possible for prospective occupiers to 'compare and assess the energy performance of the building' and it must include recommendations for cost-effective

improvements that could be made. It could indicate typical fuel costs.

Cost efficient improvements are those that show a pay back period of seven years. For landlords these do not represent a real pay back, as the savings will accrue to the occupier only, and can rarely be recovered through increased rents.

When are certificates required?

Certificates are to be made available when buildings are constructed, sold or rented out, and made available to the owner, the prospective buyer or tenant. Private sector sales will have this information in the Home Information Pack. For social landlords and private lettings this will be a new burden in the process of letting properties. It is not clear whether the certificates need to be available at offer stage, or at letting.

Who will prepare certificates?

The EPBD (article 10) says the 'certificates should be carried out in an independent manner by qualified and/or accredited experts, whether operating as sole traders or employed by public or private enterprise bodies'. There should be scope for employees of associations to be trained and accredited to carry out the work.

There is currently no agreement on who is qualified and what they need to know and there are no accreditation schemes. These will all need to be sorted out so *it looks very likely that the implementation date will be put back.*

Cost of the certificates

The ODPM suggested that the additional cost of a certificate would average £50. This seems to be extremely optimistic, especially where these are not produced as part of the regular surveying process. Based on the number of association lettings, even at the ODPM's level, this would add £8 million to costs in the first years. So at the same time efficiency gains are being requested, an additional unrecoverable cost is being introduced.

As it is unavoidable (since UKIP did not win the election) landlords should start collecting the likely data required during their normal stock condition survey process, so that they are at least able to infer a reasonable estimate of each dwelling's SAP rating, and how it might be cost-effectively improved.

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Efficiency in Procurement

We thought you might find it helpful to have a checklist of the most important source documents on procurement and what they cover. On our website you will find a list of those documents, with a summary of their contents.

www.nhmf.co.uk and click on Bulletin Articles



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Right First Time

A recent report by the CIH – *Right First Time: How Housing Associations are Improving their Responsive Repairs* – looks at the action being taken by some housing associations to improve their repairs services in the light of potentially conflicting pressures to achieve efficiency savings whilst at the same time increasing service standards and tenant's satisfaction.

Efficiency

The labour intensive nature of repairs services mean that savings are most likely to be achieved through a focus on productivity and on managing administrative costs.

Housing associations had been seeking economies of scale (eg by developing group structures) before the efficiency agenda arose. The increased pressures will cause all to look more closely at such other methods such as partnering arrangements and procurement consortia focussed on specific services such as repairs and maintenance.

Partnering

Partnering arrangements that involve 'out sourcing' include a challenge to the association to change and adapt its own skills base to effectively manage the contract. An example from the research stresses the importance of:

- co location and day to day interaction between staff at the call centre and the contractor
- a senior management group from both organisations able to discuss and resolve unforeseen events equitably
- sharing financial risk with the contractor

One case study developed partnering with its DSO, gaining advantages from the profit which can be ploughed back into the association. The expertise being developed in the DSO means it is able to offer its services more widely and is winning partnership contracts with other housing associations.

Procurement

Housing associations now are commonly involved in identifying preferred suppliers, setting specifications for components and negotiating prices. Increasingly collective procurement is developing through consortia like Procurement for Housing (PfH), (See p 9).

Procurement models have the potential to develop beyond the emphasis on commodities, to support partnerships more widely that can improve responsive repairs, for example:

- Procurement clubs that offer training
- Procurement, training, planning contracts (with associations managing the contracts)
- A joint DSO consortium delivering procurement and the work (with a contract between the individual association and the consortium).

Tenant Satisfaction

Many of the developments in partnering and procurement have at the core a concentration on efficiency and improving services. This drive may not necessarily coincide with tenant satisfaction or tenants' priorities for the repairs service.

One association used a change of IT to address tenant satisfaction by means of a radical and comprehensive process review.

A process review, in looking at unnecessary duplication and the number of separate actions to achieve the end result, can bring efficiencies simply by streamlining existing processes to achieve a more reliable service. More importantly, it provides a framework in which to ask very challenging and radical questions like

how to manage or reduce demand for a service.

The immediate pressures of delivering quality and efficiency need also perhaps to be set in the wider context of demand for greater choice in public services. The report argues that it is time for housing associations to start debating how they can extend choice to the level of individual tenants. In developing an efficient customer focussed service associations might also be in a position to market their services, not only to other public sector bodies, but also to owner occupiers.



'RIGHT FIRST TIME'

How housing associations are improving their responsive repairs

TRIBAL HCH

Right First Time: How Housing Associations are Improving their Responsive Repairs, published by CIH, funded by the Housing Corporation, cost £20, tel. 024 7685 1752

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Working with the NHF

Over the last couple of years, the NHMF have worked on a number of publications about maintenance and asset management with the National Housing Federation, and helped to fund them.

Guide to Best Practice in Maintenance by Keith Simpson, Barry Nicholls, Helen Cope and Karen Tait is the most comprehensive guide to managing all aspects of maintenance and asset management.

Housing Investment Appraisal by Dave Treanor of M3 Housing and John Walker of Sunderland Housing Group examines the appraisal of all types of social

housing development, and stock re-investment options, and policies for stock vulnerable to low-demand.

Managing the Assets by Karen Tait explains the theory and practice of asset management within the regulatory framework governing housing associations.

Delivering Decent Homes by HACAS Chapman Hendy examines how a number of associations are delivering Decent Homes, and the lessons to be learned from them.

www.housing.org.uk



Procurement under OJEU

The NHMF, together with the Housing Corporation, helped fund the National Housing Federation's publication of their Guide to Procurement under OJEU, published in March this year with practical guidance from NHMF.

The Guide's author, Andrew Millross of Anthony Collins (solicitors), made a presentation to the NHMF Maintenance Conference with David Miller of M3 Housing, explaining how the regulations will impact on maintenance.

This is now recognised as providing the best advice to social landlords on the subject, and is essential reading for anyone responsible for maintenance contracts. Copies can be obtained for £65 (£59.95 to NHF members) from the NHF.

The thresholds above which a contract must be let via OJEU depend on the type of contract. For this purpose, contracts are valued over four years:

Works	£3,834, 411
Suppliers	£153,376
Services Part A	£153,376
Services Part B	£129,462

Type of contract	OJEU Category
Annual gas service	Probably Part A Category 1 (<i>Maintenance & repair of equipment</i>) for servicing of boiler and appliances, and Part B Category 27 (<i>other services</i>) for rest of central heating
Annual testing of electrical circuits	Probably Part B Category 27 (<i>other services</i>)
Building & window cleaning	Part A Category 14 (<i>building cleaning and property management</i>)
Construction of new properties	Works
Cyclical painting	Probably works
Elemental renewal programme, major repairs, refurbishment	Works
Grounds and landscape maintenance	Probably a Part B service – either category 26 (<i>Recreational services</i>) or Category 27 (<i>other services</i>)
Lift and other mechanical and electrical service and maintenance	Probably Part A Category 1 (<i>Maintenance and repair of equipment</i>)
Planned maintenance	Probably works
Portable electrical appliance testing and testing of domestic appliances (cookers, fridges, freezers, TV and radio)	Part A Category 1 (<i>Maintenance and repair of equipment</i>)
Responsive and voids maintenance	Probably works

M3 Housing Consultancy

M3 Consultancy was formed in April 2004 to provide expert advice and assistance on property and asset management issues to a range of housing association and local authority clients.

The consultancy, headed by director Tim Wilson, has associates and senior consultants with a wide range of experience and expertise. They all have a high level of understanding of clients' businesses, the regulatory framework and the constraints.

The client base is constantly growing and repeat business is becoming the norm. M3 Consultancy draws on M3 Housing's wide range of products and specialist services to enable it to provide a complete service to clients.

The range of services provided by M3 Consultancy includes:

Asset Management

- Assisting with and/or developing asset management strategies, plans, policies and procedures
- Advising on the introduction of asset management principles within an organisation together with organisational management advice and proposals to ensure effective ongoing implementation
- Carrying out reviews and audits of asset management

- Carrying out checks of databases and information held to assess suitability and appropriateness of information and procedures for ensuring information is kept up to date and relevant
- Training and educating staff in the principles and practice of effective asset management

Decent Homes Standard and the Housing Health and Safety Rating System (HHSRS)

- Reviewing the current position
- Devising strategies, policies and procedures to ensure compliance with the Standard
- Providing consultancy to commission and procure stock condition surveys, updates and reviews to enable the planning of works and expenditure within the organisation's business plan
- Training staff in the Decent Homes Standard and its requirements

Property Management Consultancy

- Reviewing, creating and auditing arrangements for property management functions
- Reviewing and submitting proposals for the effective management of responsive, cyclical and planned maintenance programmes and improvement works
- Developing policies and procedures for property management
- Reviews, audits and recommendations

for procurement strategies, policies and procedures

- Advising on organisational structures and assisting in change management of property management functions
- Reviews, options appraisals and management studies of Direct Works Units
- Value for money studies, benchmarking and mock inspections
- Implementing environmental strategies, sustainability issues and introducing green projects
- Providing advice and assistance in the procurement of energy efficient and "intelligent" homes
- Carrying out SAP energy assessments
- Reviewing arrangements and making recommendations on the options for complying with the requirements of partnering within the "Egan Agenda"
- Analysis and presentation of the options available for the procurement of homes using modern methods of construction

M3 Consultancy is delighted to announce that Nick Wood joins the team as a senior consultant in June. Nick has many years' experience as a maintenance practitioner, has been a member of the NHMF, BRHG and HAMMAR. Nick was also an instigator of the NHF Schedule of Rates.

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 m³ Consultancy



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