



## Energy certificates for all new lettings from October 2008

Certificates will use the simple A - G rating that we are all familiar with on household white goods such as fridges and cookers

The process of producing certificates has significant implications for housing associations. Recognising this, the Housing Corporation, together with the Energy Saving Trust, funded the Certs for Success project, run by Places for People in conjunction with Nottingham Community Housing Association and ESD consultants.

Certs for Success will produce a guide to the Energy Performance of Buildings Directive for Housing Associations later this year. A website is under development.

### The current position: key facts

The Statutory Instrument was laid before parliament in March 2007. This brings increased certainty about some aspects of the Directive, including timing of implementation. The implications of the Directive are complex however and work is still underway to resolve some of the details.

Energy Performance will be calculated using SAP for new homes and Reduced Data SAP (RDSAP) for existing homes.

Certificates must be produced by accredited assessors. Asset Skills are developing the accreditation framework and training is already available.

For new development it is expected that constructors will supply certificates. Associations should make sure that their contracts and/or terms of engagement include provision of Energy Performance Certificates with immediate effect. For sales off plan, a pre-assessment will be necessary.

For re-lets, it is likely to be most efficient to generate certificates as properties become void. Certificates should be available when a property is offered; the practicability of this is under discussion with Communities and Local Government.

Housing Associations should consider training staff in house to produce certificates.

RDSAP calculations use 50 items of data. Housing Associations should consider the data required to carry out RDSAP calculations and how they can most effectively obtain accurate data. It is likely that property inspections will be necessary to collect data.

The regulations include provision for replicability for similar properties. Once produced, certificates will be valid for 10 years.

Certificates will include information about running costs, and about measures that could be adopted to improve the energy efficiency of properties.

Associations should give consideration to the effect of certificates on tenants: what help will they need to understand them? What messages do associations need to give about the implications of carrying out work identified in certificates as potentially improving energy performance? How can associations help tenants to ensure that they use their homes in the most energy efficient way possible?

### In conclusion

Producing Energy Performance Certificates will certainly place demands on housing associations. Our advice is to think ahead and make provisions: how will you produce certificates? What data do you hold, how can you simplify and streamline production of certificates and minimise the impact on void turnaround? What are the implications for tenants and what information do they need? What will all this cost? How can we make sure this works to benefit tenants?  
[www.esd.co.uk/has](http://www.esd.co.uk/has)  
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Alison Mathias, Housing Corporation and  
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## Editorial

The main focus of this year's Bulletin is on contract management. By now we have all learned the importance of developing a long term relationship with a contractor, and contract management should have become less of a battleground.



The new approach demands new skills. The trusting relationships we need to develop should be underpinned with better methods for measuring the performance both of the contractor and the client side. The NHMF commissioned a report last year which showed that many social housing organisations are falling a long way short, and need training to assist them in adapting to collaborative working.

We report on research into procurement clubs, and the benefits and pitfalls of partnering. We also take a look at buying clubs from a legal standpoint.

We have some examples of good practice from direct labour organisations, and what they need to do to achieve a three star service.

Energy efficiency is firmly on the agenda with the new energy certificates required for all new lettings from October 2008. And you will now require Ecohomes XB assessments across all of your stock. We take a close look at the new CDM regulations which came into force in April 2007. These put a much wider responsibility on the client side to reduce accidents.

Most of the articles are extracted from more substantial papers that can be found on the NHMF website. So if you see something that interests you, explore it in more depth at [www.nhmf.co.uk/articles](http://www.nhmf.co.uk/articles). You will also find an article about mobile working there, by Mandy Hughes.

The NHMF is funded from the licence fees paid by users of the NHF Schedule of Rates. Its first priority is to keep the Schedule up to date with modern best practice, and we are in the middle of a root and branch review of the way it is constructed and used in modern procurement practice.

The NHMF is determined to raise the profile of maintenance in the sector. The policy debate is dominated by the funding of affordable housing. And yet social landlords are far more likely to get into serious trouble over failure to deliver an efficient repairs service, or to maintain their stock to modern standards.

When the National Housing Federation combined their maintenance and development conferences a few years ago, a lot of us felt that maintenance issues were overshadowed, so the NHMF decided three years ago to run their own. Our conferences now attract 300 or more people to Stratford in January each year. We take it as a compliment that other maintenance events have picked up on the agenda and even the speakers that first appeared at our conferences. We are proud to lead the debate, and hope you will join us in January 2008.

This year we are funding the NHF to publish a guide to involving residents in repairs and maintenance. We will continue to fund research into best practice in repairs and maintenance.

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Published by M3 Housing Ltd on behalf of National Housing Maintenance Forum.

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## Yorkshire Housing offers multi-lingual repairs service online

Non-English speaking customers across the UK will now be able to report repairs online in six different languages, thanks to an initiative from Housecall.

Yorkshire Housing's Maintenance Manager, Graham Teed, introduced the innovative online translation service, after becoming aware of the difficulties non-English customers faced when reporting repairs.



National Housing Maintenance Forum (NHMF) funded the development of multilingual versions of Housecall to provide a more accessible service for tenants across the UK.

Customers can now communicate and log online repair requests in French, Welsh, Urdu, Punjabi, Arabic, and Gujarati, as well as English.

Mr Teed said: "The new system means we can provide an improved service to people in our ethnic minority communities. In the past they may not have found it so easy to report a repair due to the language barrier. Now the whole process has been made available online in different languages which will be an invaluable extra point of contact for our non-English speaking customers."

Housing association and Local Authority users will also be able to implement Housecall's multi-lingual service at no extra cost.  
[www.housecall.co.uk](http://www.housecall.co.uk)

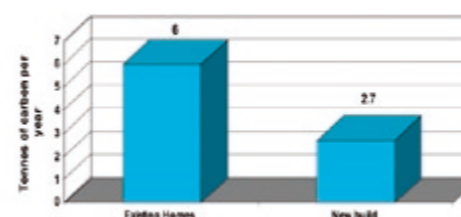


## Ecohomes XB – improve the environmental performance of eXisting stock

The situation is urgent. In 2005 the Government published 'Securing the Future – the UK Government sustainable development strategy'. In June 2006, the government published "Procuring the Future" incorporating a Sustainable Procurement National Action Plan.

These are the facts.

- Housing is responsible for a third of UK's CO2
- 55% of the UK housing stock was built before thermal regulations
- The government has a target of a 60% reduction in CO2 by 2050.
- The annual housing replacement rate is less than 1%



What's more:

- There are 25 million existing homes.
- They emit over twice as much CO2 as new build
- 4 million homes in England are owned by social landlords

### We've got to do something

From October 2008, all landlords will have to provide an energy performance certificate whenever a property is let. This is a further incentive to improve environmental performance.

The Housing Corporation commissioned the Building Research Establishment to develop Ecohomes for eXisting Buildings. Sustainable Homes are running seminars on Ecohomes XB. How will XB help?

### How to Use Ecohomes XB

Firstly, download it for free from the BREEAM website [www.breeam.org.uk](http://www.breeam.org.uk) Housing associations can apply Ecohomes XB to their entire stock holding, using data normally available. This is the data you need in order to do an XB assessment:

- age of property
- property type e.g. terrace, flat, etc
- wall construction
- roof insulation thickness
- boiler and heating controls type
- local authority recycling provision
- sanitary fitting types
- SAP rating
- location in respect of transport links

A total stock assessment can be carried out using some assumed or 'default' information. The assessment is used to prioritise your worst performing stock environmentally. As improvements are carried out the score becomes more accurate.

Some Ecohomes XB criteria apply to all stock. These include the management criteria, comprising an Energy Efficiency Policy, Energy Advice Policy and Environmental Policy. Adoption of rigorous environmental policies and practices by Boards will have a positive impact on environmental performance by influencing behaviour so it will immediately enhance the Ecohomes XB score.

After assessing the current performance of stock, you can assess the impact of current programmes of work. Existing planned maintenance programmes will already include provision for e.g. boiler replacement at the end of normal component lifetimes. Under current building regulations, replacement boilers will have to be condensing (or other A rated) boilers, giving rise to an Ecohomes XB credit.

Window replacement programmes, again to comply with Building Regulations, will be double glazed – more Ecohomes XB credits.

Ecohomes XB can also help identify environmentally sustainable measures that can be added in to programmes.

The Building Research Establishment and Sustainable Homes are both producing guidance and case studies to help associations use Ecohomes XB.

This is an example of what a credit looks like.

### Wat 1 Internal Water Use Credits available: 9

#### Aim

To reduce consumption of potable water in the home

#### Credit Compliance Requirements

All properties being assessed must comply. Credits are awarded on the basis of dwellings being assessed meeting the following targets:

Credits	Water consuming appliances
1	Toilet flush
1	Composting toilet
1	Taps with flow regulators OR Aerating taps OR
1	Shower flow rate
1	Standard or small bath
1	'Best Practice' washing machine
1	'Best Practice' dishwasher
1	Grey water re-cycling

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# CDM 2007 – putting the pressure where the influence lies

The HSE have carried out pilot studies into CDM compliance of designers and clients by visiting key organisations and asking them to present examples of recent projects and how they have managed CDM. The results generally appalled them. Not only did they find widespread non-compliance but also a serious lack of knowledge. It seemed that many clients and designers felt they had no 'need to know'.

## Responsibility where the influence lies

The overriding shift in emphasis in the new CDM Regulations is to place the most responsibility where the greatest influence lies. It is the client who determines;

- how much can be spent;
- how much time is available for preparation;
- when the building needs to be delivered;
- what purpose it must serve;
- who is given the contracts to carry out the work and how much / when they are paid

It is the client who has the widest influence therefore the client proportional responsibility. This may seem tough on the client, but the truth is that if this is the only realistic way to reduce pain and suffering and often death, then it is hard to object.

The construction industry has the worst health and safety record of any major UK industry. It accounts for 7% of the working population, but 25% of all fatal injuries and 16% of major accidents. 38% of the major accidents arise from working at height. (Remember working at height is now at any height and requires a risk assessment to determine suitable control measures). Most fatalities occur on small projects.



## CDM 2007 summary

- The Construction (Design & Management) Regulations 2007 came into force on the 6th April 2007.
- CDM 2007 integrates health and safety throughout all construction work which includes site set-up, on-going repairs, maintenance and improvements.
- CDM 2007 applies to most construction work, not just larger "notifiable" projects.
- The CDM Co-ordinator needs to have competence in the field of Health & Safety.
- Requirement for CDM Co-ordinator (CDM-C) to ensure that the client fulfils their CDM duties.
- 'Construction' now means from the moment someone is on site to set-up until the last hole is filled in.

## CDM 2007 – The key issues

There is an enhanced and clarified duty on clients (those who order and oversee works) to ensure the adequacy of a construction project's health and safety control measures – whether the project is 'notifiable' or not.

- Clients must tell a contractor how much time they have allowed before work starts on site, for the contractor to prepare for the work (mobilisation period)
- No change to the definition of a notifiable project (except demolition)
- Planning supervisor – this position no longer exists. It is replaced by the CDM Co-ordinator
- CDM Co-ordinator (or CDM-C) is a new empowered duty holder for notifiable projects. The CDM-C has a duty to help the client to comply with their duties under CDM.
- The focus is on risk management. The level of documentation created should reflect the risks involved but should address practical issues. 'Quality not quantity'.
- If you appoint a CDM Co-ordinator or other professional you must assess their competence.
- New duty on "designers" (architects, surveyors) to eliminate hazards and reduce risks as far as is reasonably practical. E.g. access for window cleaning, access to roofs to eliminate falls.
- Designers need to address risks that may come about during use of a building rather than just maintaining or demolishing it.



## General duties of clients on all construction projects

These duties are put on "clients" whether the work is a large notifiable project or not. But bear in mind the philosophy of CDM set out in the Approved Code of Practice:

Under the 2007 CDM Regulations, clients are made accountable for the impact their approach has on the health and safety of those working on or affected by the project. However, although clients are expected to ensure that certain things are done, they do not have to do them themselves, but they remain responsible for those duties.

## Additional client duties for notifiable projects

The trigger points for notifiable projects remain largely unchanged in CDM 2007. The client must notify the Health & Safety Executive if the construction work will last longer than 30 days or involve more than 500 person working days. However, it is no longer necessary to notify demolition works that do not fall under the 30 day / 500hr classification. Notification can be completed on-line.

## Providing pre-construction information

Clients must provide contractors and designers, who bid for work, with project-specific health and safety information needed to identify hazards and risks that may be involved. The information should be available as part of tendering or procurement.

"It is not acceptable for clients to make general reference to hazards that might exist – for example that there may be asbestos present in the building." (ACOP CDM 2007).

The information can be included in other documents e.g. a specification or notes on drawings.

## The housing maintenance sector

With such a shift of legal responsibility onto the client, organisations within the housing management and maintenance sector will need to thoroughly review their policies and procedures on the management of health and safety related to construction and maintenance. There are no 'transitional arrangements' with these Regulations and the HSE are bound to focus their resources upon key construction / maintenance related clients.



Housing management organisations will gain great organisational, practical and commercial benefits by managing CDM activities more effectively. This involves taking a more pragmatic, realistic and business-focussed approach rather than simply concentrating on theoretical legal compliance. In the writer's experience, the enforcing authorities can tell the difference and look more kindly upon clients who do things for practical benefit rather than 'on-paper' compliance. Safety managed this way becomes a more intuitive part of an organisations culture, is cost effective and is therefore more likely to last.

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# Maintaining control of the gas servicing contract



Within the legislation framework landlords can and do employ varying methods to achieve compliance. In the event of an incident they will have to demonstrate compliance or they will be found at fault.

The following is a guide as to what should be considered:

- **A robust contract in place detailing all the requirements for servicing, safety checks, Issue of landlord's Gas Safety Records and responsive repairs.**
- **Service visits, responsive repair visits and planned remedial works should all be subject to a detailed programme and specific response times.**
- **Clear instruction to the contractor for the provision of documentation, including a record of all actions with a clear and transparent audit trail.**
- **Strong internal procedures for checking, collating, filing and storing records.**
- **A robust end-to-end No Access Procedure through to legal action if necessary.**
- **Procedures that incorporate assistance from other departments and an IT system capable of flagging up properties with an out of date landlord's Gas Safety Record.**
- **Clear procedures for ensuring access is gained to complete all remedial works.**
- **A flexible proactive approach to access with the emphasis on front end actions, rather than relying totally on legal action when numerous attempts fail.**

Regulation 36 of the Gas Safety (Installation & Use) Regulations 1998 places important duties on most Landlords of domestic property.

These duties include:

- **Carrying out an annual gas safety check at not more than 12 monthly intervals.**
- **Issuing a copy of the Landlord's Gas Safety Record (or in some cases displaying) to the Tenant within 28 days.**
- **Providing regular on-going maintenance to ensure appliances and flues are maintained in a safe condition.**

Record keeping and document retention is an important part of Regulation 36 and is a vital component of the audit trail to demonstrate that ALL reasonable steps have been taken.

These duties are in addition to the Health & Safety at Work Act 1974 and the Management of Health & Safety at Work Regulations 1999. The HSE publication ACOP L56 gives practical advice on how to comply with the law although landlord's may use alternative methods to those shown in the code.

A landlord's Gas Safety Check provides a check on the condition of the gas appliances and flues at the time of the visit. It is not a certificate stating all appliances and flues are in a safe condition. If there are any unsafe appliances or flues it will be made safe and recorded on the record. It is the duty of the landlord to ensure that remedial work is carried out by a CORGI Registered Installer hence the need to check all LGSR's forwarded by the Gas Servicing Contractor.

Contractors need to be fully aware of the scope of work from the outset: what is required by the landlord and that procedures are in place to ensure the contract can be managed effectively.

Once the procedures have been agreed and put in place, all stakeholders sign up and adhere to those procedures.

The resources and funding made available will have a major impact on the success of the new procedures. Without adequate staffing and training it will prove impossible to achieve the level of success required to meet the duties imposed by Regulation 36.

The Health & Safety Executive will not accept lack of funding or resources as an excuse for failing to fulfil a landlord's duties.

Morgan Lambert provides a comprehensive package of services designed to assist social housing providers in managing their gas activities, fulfilling their duties as a Landlord and maintaining compliance with the regulatory codes.

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# New approaches need new skills



Collaborative working is now an essential part of all contracts to deliver projects and services, and this requires new skills in contract management.

Partnering will typically involve the use of:

- **Cost/quality assessment rather than lowest cost**
- **Framework agreements**
- **Alternative contract terms**
- **Alternative cost control systems**

Taking each of these in turn we can see that any public sector client attempting to use this approach to undertaking its procurement really needs to upgrade its skills in these areas.

## Cost/Quality Assessment

Supplier selection will consider the quality of delivery of the service and how the supplier organisation might best enhance its delivery to the client, ahead of lowest prices. A robust and scored selection process is therefore essential. Clients sometimes make the mistake of awarding maximum points to the lowest cost submission. Where suppliers think they may be losing out on the quality scoring they will adjust the pricing mechanism to pull back their ranking and this can tip the balance toward a less suitable supplier.

## Framework Agreements

Frameworks can save money on procurement exercises where an agreement is reached with a particular supplier (or group of suppliers) over a set period of time.

All public sector procurement will be governed by procurement regulations once certain spending thresholds are reached. For many, whether undertaking development or maintenance of stock, this will mean going through the Official Journal of the European Union (formally OJEC). In essence then the client's team will need to understand the requirements for placing advertisements in the OJEU and how the procurement regulations control and govern the nature of these agreements and how they are let. Since RSL's and social housing providers were formally considered (by the UK at least) as being outside the EU procurement regime there is not a great deal of experience in such matters within the client organisation.



## Alternative Contract Terms

For many RSL's life has simply revolved around re-cycling old JCT contracts with occasional design and build or long term schedule of rate repairs contracts being thrown in for good measure. The level of presumed familiarity with these forms means suggesting or using alternatives causes great problems for the client surveyors and contractors themselves.

Read more about alternative partnering contracts on page XX.

## Alternative Cost Control Systems

Open book accounting systems do not guarantee a successful or efficient contract. However those seeking to achieve best value or efficiency gains will attempt to use open book to avoid paying for un-quantifiable risk which suppliers build into their prices. Most will have some difficulty in making their cost control systems compatible when operating on an open book basis and it is essential that all parties understand how their costs are built up and what supporting information is required on application. Read more about open book on page XX.

In summary any project team can derive considerable benefits from staying up to date on new developments. As well as allowing the client team to make decisions about the way in which services are purchased and supplied it also helps remove misconceptions about the processes used. In addition joint training helps with team building, is cheaper and provides an open forum for the discussion of vital issues which might jeopardise the successful delivery of a project.

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## Understanding the reality of partnering

The Collaborative Working Centre (CWC) looks behind the rhetoric of partnering and finds slow progress to implement 'partnering' and 'Collaborative Working' in client and contractor organisations attempting to improve value and business performance.

CWC collected data from detailed analysis of 20 organisations including local authority clients, RSLs and ALMOs.

### Selection of suppliers and key sub-contractors for long-term collaborative working to deliver best value to clients.

We found that approximately 30% of contractors and clients claim that they are now involved in partnering or long term frameworks for more than 50% of their new and existing projects. However, suppliers are still usually chosen on lowest price. This continuing practice acts as a great deterrent to the establishment of closer relationships and driving real project improvement as required by the new procurement protocols.

### The management of costs and Open Book accounting.

An essential element of partnering is the use of transparent and objective methods by which the contractor and key members of the supply chain manage costs at all stages of a project. When costs are exposed, all aspects of a project can be interrogated unemotionally rather than suppliers "prices" attacked when no-one knows what is in the "price". Suppliers and sub-contractors are reluctant to divulge their target margins for fear that either clients or the will insist that they are reduced.

### Developing Incentivised contracts based on Target Cost

Incentivised contracts between client and main contractor, reflected by similar arrangements between contractor and supply chain members are now becoming more common. But, as described above, there is a lack of true cost data within the industry.

The resolution of problems is based on better, more collaborative planning techniques that are well known but rarely practiced.

### Case study

Where clients have adapted all the principles, the results are outstanding. Hillingdon Homes (HH), ALMO of the London Borough of Hillingdon is one example of a client that quickly took a lot of cost out of its maintenance programmes. A combination of factors forced HH to re-examine its processes, partners and structure.

HH were very clear that they had to define what collaborative working would entail, and based their approach on four key principles taken from the manufacturing sector:

- **incentivised long term frameworks based on a shared understanding of costs**
- **collaborative preparation of the specification, planning and costing**
- **performance measurement and continuous improvement**
- **ongoing development of collaborative behaviours**

### Collaborative preparation of the specification, planning and costing

Integrated teams consisting of the client, main contractor and key suppliers worked with HH to develop the specification, detailed project design and a target cost – this was to be derived from, and be lower than, previously achieved benchmarked costs and then the target was incentivised to encourage further reduction through pain/gain share relationships. By working together to examine cost, they successfully reduced the first target to less than 20% of prices submitted at tender.

### Changing behaviours

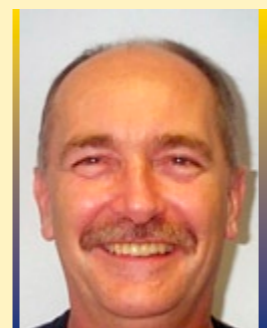
Having completed the selection, specification and target setting process, many felt that most of the work was done and for a while, the temptation was to let the contract run itself. Very quickly however, HH managers found that traditional games were being played. HH and contractor staff were given the opportunities to evaluate the strengths and weaknesses of their working relationship and develop actions to overcome problems. Real success came from a willingness of all parties to make it work – and time.

### Performance Measurement and Continuous Improvement

Performance measurement allows all parties to identify those aspects of the new way of working which are successful and those which are less so. The aim was to collect data and to feed into continuous improvement initiatives. That was the aim. Getting it to work has been a constant nightmare. Individuals need to be persuaded – encouraged or forced – to supply data and to contribute to improvement activities. Tim Price, Chief Executive of Hillingdon Homes said "CWC staff knew just how to bring out the best in our teams and to get them thinking about the simple things they can change with maximum impact."

The project is developing a successful on-going improvement process through a combination of client leadership and support to contractors.

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## The benefits and pitfalls of partnering

The Audit Commission asks 'are modern procurement methods and partnerships applied that result in demonstrable value for money and delivering outcomes that meet the needs of users and/or the community?' Therefore, should partnering arrangements be established for all procurement?

Successful partnering has enormous benefits and but there are pitfalls for the unwary and it won't be appropriate for all areas.

Potentially partnering for responsive and planned repairs is an immensely powerful tool that can contribute to successful project and programme outcomes and deliver significant improvements in value for money. However partnering will only succeed where there is a mature approach to relationship management and it will require effort and commitment from both sides to make the relationship work.

The management of a partnering arrangement needs to be proactive rather than reactive. Both parties must work together to identify optimum solutions and to anticipate and resolve problems in a constructive, collaborative way. The arrangement needs to be based on mutual trust and openness and recognition that the relationship itself is as important as the contract with a conviction that partnering makes good commercial sense for this particular programme.

Partnering arrangements need to be focused on benefits and not just on time and cost. A good partnering arrangement offers the benefits of proactive risk allocation, technical innovation, flexibility and improved value for money. What is most important is that this can produce real improvements in the service that customers receive.

Organisations need to be clear when partnering will be appropriate and when it will not. As a general rule it may be suitable where innovation is required or there is a need for flexibility in constructing teams involving specialist skills or scarce resources. Managing procurement in more traditional ways can sometimes mean that the opportunities to release core staff capacity to focus on service improvement are not materialised.

Partnering is not usually suitable where there is a need for short term requirements where there will not be time for the provider to recover initial investment costs. Partnering is not suitable where the customer requires a swift outcome or cannot transfer key elements of control or major risks to the provider. It does not suit contracts where there is little or no scope for continuous improvement.

There are a number of common pitfalls with partnering. It cannot be assumed that staff used to more traditional ways of working can immediately adapt to partnering arrangements. Choosing the wrong individual for a key role or leaving them unsupported organisationally could derail the whole arrangement. It can often be the case that relationship management skills are more important than technical understanding. These are not the skills that are traditionally associated with the procurement function and go to the heart of what partnering can deliver.

Partnering benefits are not guaranteed and there is many a slip between cup and lip.

Martin Palmer  
Head of Housing, Central Region, the Audit Commission



## Going digital

With analogue TV due for switch-off as early as 2008, housing associations and local authorities need to prepare now for the digital revolution. For some landlords, there could be substantial unplanned costs, with the bill for the sector hitting as much as £450 million. And new European procurement rules will make the upgrade process longer for some landlords.



The main problem arises for landlords managing flats with communal aerials and receivers. Tenants and leaseholders in houses will generally have to make their own arrangements.

Many flats built in the 60s and 70s will require renewal of the wires from aerials to receivers. Where there are signal booster stations, they will not work for digital signals, and will require replacement.

The cost of complex renewals we estimate to be some £300 per unit. The alternative to doing the work is to allow a proliferation of unsightly satellite dishes, or some very disgruntled tenants.

How can this expenditure be funded? Through service charges? Not necessarily. Housing Benefit rules as currently written do not allow service charges to cover satellite installations. Now with combined satellite and Freeview aerials, there is no mention of benefit covering these joint installations. It would be reasonable for benefit to cover Freeview aerials as this is how the service is generally provided by the licence funded BBC.

So a major and complex event is about to take place, and many social landlords are not as fully prepared as they should be to ensure that their tenants are not disadvantaged. The time for action is now.

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# Audit Commission and Housing Corporation research procurement

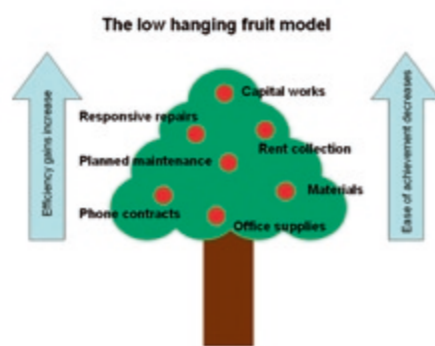


How are you making efficiency savings? The Gershon efficiency agenda has generated a renewed interest in procurement and its role in delivering savings. Efficiency gains of £500 million have been claimed by the

housing association sector between 2003 and 2006 and the Audit Commission and the Housing Corporation are conducting a joint study to assess how different methods of procurement can contribute. It will help associations to achieve efficiency gains by finding and sharing examples of where others are doing it well.

There are still gaps in the evidence and research base, and implementation. For instance, there has been only limited cost benefit analysis of partnering arrangements by housing associations and no assessment of the role of various procurement arrangements in achieving excellence. More work is also needed around the impact of the European Union (EU) public procurement regulations and on the contribution residents can play in the whole procurement process. The NHF has commissioned research, funded by National Housing Maintenance Forum on involving residents in maintenance. See right.

Publication of the study in the form of a national report is due early next year as well as a positive practice guide with emphasis on tools to help smaller housing associations; a model procurement strategy and an impact assessment tool.



All housing associations with more than 250 units in management should have received an e-survey in late May - we hope you will take the time to provide data for your association to strengthen the evidence base for our analysis. The results will form a vital part of our study. If your organisation is operating noteworthy procurement practice, please get in touch.

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The research has already found that housing associations have made considerable improvements in the way they procure, but that often these are at the level of quick, easy wins, for example, in relation to phone contracts or office supplies. The initiatives that could lead to greater efficiency savings tend to be more complex, risky and difficult to achieve and are therefore often less likely to be addressed. The Audit Commission study aims to help housing associations move beyond the quick wins.

The study will focus on procurement in all housing associations but will look particularly at any specific issues facing smaller housing associations and at the contribution of residents in procurement practice. We will also examine procurement practice in the private sector to see if there are lessons that can be learnt and we will identify good ideas and initiatives that can be transferred to the social housing sector.

## Resident Involvement in Procurement research



The NHMF has funded the National Housing Federation

to commission a good practice guide which will focus on repairs and maintenance services, major repairs and renewals, and improvement programmes.

The guide will be based on examples of how residents have been involved. These examples will generally be from housing association sector but may include councils and ALMOs.

The guide will cover –

- 1 different view points and benefits – project manager, residents and Board
- 2 active and effective resident involvement, and training and support needs
- 3 involvement in investment priorities
- 4 involvement and choices in project specification, scope and standards
- 5 involvement in contractor selection
- 6 involvement in monitoring performance
- 7 different procurement methods
- 8 mixed tenure and leaseholder issues
- 9 regulators and other stakeholders

If you know of any good examples, or have experience of obstacles to resident involvement – or indeed problems in procurement arising from involvement – please get in touch.

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## Modern procurement contracts – are they the answer?



RSLs are major purchasers of term maintenance work and increasingly are looking to the newer forms of partnering contract to assist them in providing the appropriate service, best value and efficiency saving. But new approaches may just create a new set of problems.

### What are we trying to achieve?

The place to start is to prioritise the objectives which may include

- Value for money
- Improved performance
- Customer / tenant satisfaction
- Longer contracts
- Reassurance about the cost
- Satisfying regulatory requirements
- Better control of the contracts

### Understanding our strategy – getting it right

Can you answer the following questions?

- Responsive repairs versus planned maintenance. Are objectives best met by having a contractor providing both – or keeping them separate?
- How many contractors? The more you use, the greater the spread of risk and you can encourage local, possibly smaller, firms to be involved in your work. However, it reduces the incentive of the contractors to be involved collaboratively with you to drive through efficiency and value engineering.
- Exclusivity. Will you guarantee work to one contractor? An exclusive contract shows your commitment to that organisation and you should expect to see that commitment from the other party.
- Length of contract. Too short and the contractors will have no incentive to work with you to achieve all the benefits you want – too long and you may have to live with problems.

- Framework agreement or a single contract? There are major EU OJEU implications with this, particularly on time periods – and benefits in both approaches.
- Performance. How are you going to encourage the contractors to improve consistently and demonstrate value for money?
- Leaseholders. What are the implications on your strategy?

### Recognising the benefits

Recently some contract forms have been written with the twin principles of a collaborative approach and a much stronger management style, such as the NEC and PPC/TPC forms. If a fully collaborative partnering approach is a high priority, with perhaps open book accounting and involvement in the supply chain, these contracts will be necessary.

These contracts may raise new problems but using more traditional contracts does not provide the flexibility, nor does it encourage the up front thinking and planning which the newer forms require. And it is perhaps this benefit that is most overlooked – deciding to use an innovative approach requires greater involvement in the beginning which can help to produce the hoped for end benefits.

### Recognising the dangers

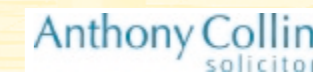
The following is a checklist of points to remember if using these newer forms:

- Is your organisation ready to change culture? Is your contractor and his supply chain?

- You need to understand the contracts – as do your consultants, contractors and their subcontractors. You will need to set up training
- New contract forms use new "language". Familiar terms may have new meanings
- Remember these forms are intended to be used to assist in the management process
- Documentation needs to be precise and complete. The "We've always done it this way" attitude will not work
- Collaboration means involvement. Clear project management needs a clear decision making structure and sufficient management resources
- To make the process work you need to get involved with the supply chain management
- Give yourself time – they will take longer than a traditional contract to set up.

You need to understand the contracts and your new responsibilities, and your staff need training to overcome the uncertainty of the unknown. Long term contracts will almost certainly involve European Union regulations and timescales. Plan now, plan in advance, set it up carefully – and then reap the benefits.

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## The use and abuse of buying clubs

The number of housing associations, local authorities and ALMOs using buying clubs has mushroomed over the last couple of years. However, it does not comply with EU procurement rules just to choose a supplier from a buying club's list.

Two kinds of arrangements are possible with a buying club:

- the purchaser may buy the goods or (occasionally) services from the buying club itself which does the purchasing, then supplies to the purchaser; or
- the buying club signs a framework agreement requiring the supplier to supply those goods and services direct to the purchaser. Here the purchaser's contract is with the supplier rather than the buying club.

The Public Contracts Regulations 2006 (the Regulations) lay down specific rules on how framework agreements must operate. A purchaser will only be regarded as complying with the Regulations if:

- the buying club complied with the Regulations when entering into the framework agreement; and
- the purchaser follows the rules for buying under framework agreements when it makes the purchases.

Before using a framework agreement from a buying club, an association, local authority or ALMO should check it is protected if it later finds out that the club did not follow the EU procurement rules. The Office of Government Commerce (OGC) guidance on buying clubs recommends seeking an indemnity from the buying club. This protects the purchaser against any costs it suffers if the club did not follow the EU rules when it let the framework agreement.

When making a purchase, if there is only one supplier in the framework, the purchaser can go ahead and buy the goods or services from that supplier on the terms of the framework agreement.

The story is not usually that simple, though. Most frameworks are multi-supplier. Here the rules require there to be at least three suppliers for each type of goods or services (assuming 3 bid to go on the framework). The EU rules for choosing between suppliers must be followed. There are two possible ways of doing this:

- the framework agreement itself could set out how to make the choice. For example, suppliers could be chosen for a geographical area, or for their goods' functional characteristics. This is legitimate, as long as those criteria objectively identify a single supplier as the 'economically most advantageous'; or
- where the framework agreement does not identify a single 'economically most advantageous' supplier, the purchaser must hold a 'mini competition'. Here the purchaser must:
  - consult all the potential suppliers in the framework for that type of goods or services (in writing) to see if they want to bid;
  - invite those who wish to tender to bid; and
  - set a time limit giving them enough time to prepare bids.

Before the 2006 Regulations many buying clubs had 20 or more suppliers for some categories of goods or services. Most of these have now limited the number of suppliers for each type of goods or services to between 5 and 15. This obviously reduces the purchaser's choice, but makes it more realistic to run a mini competition.

Whether an association, local authority or ALMO should use a purchasing club will depend on a number of factors. These include:

- whether the club is using its combined purchasing power to achieve economies of scale, or whether suppliers are charging the consortium premium prices to recoup their costs of belonging to it;
- how easy purchasers find the club to use;
- whether there is a reasonable choice of suppliers in the club; and
- whether the purchaser considers those suppliers provide sufficiently high quality goods or services.

Buying clubs are generally suitable for simple procurements of goods (such as office stationery) which can be clearly specified and priced. For complicated items, such as major works and complex services, it is sometimes better for a purchaser to run its own procurement.

The range of procedures under the Regulations offer greater flexibility than most buying clubs, as long as the purchaser takes care at the outset over how it sets up the procurement process. Purchasers may also consider joining with other associations, local authorities and ALMOs in joint purchasing arrangements or by forming their own local buying clubs.

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## Disposals

Housing associations, supported by the Housing Corporation, are disposing of a significant number of "surplus" homes as part of a stock rationalisation process.

In some cases the disposals are necessary to raise cash to avert financial difficulty or disaster. In others, it is part of the association's efficiency drive to consolidate the areas in which it operates.

But what is the legal and regulatory position in relation to stock rationalisation? Can associations sell homes on the open market to maximise the sale price? How about charitable housing associations?

### Sale by a non-charitable RSL to another RSL

The most straight forward disposal in legal and regulatory terms is the transfer by a non-charitable RSL (the seller) to another RSL (the buyer). Although the seller is likely to want to obtain the best possible price, the transfer to another RSL will be in pursuance of the social housing seller's objects, so provided the seller's board is satisfied that the transfer is in the best interests of the RSL, the seller may sell at any price it wants.

The Housing Corporation will grant section 9 consent to the disposal provided it is satisfied that the tenants have been properly consulted.

### Sale by a charitable RSL to a non-charitable RSL

It is a commonly held misconception that a charitable RSL cannot transfer its stock to a non-charitable one. This is not necessarily the case. There are two circumstances in which such a transfer can take place.

The charitable RSL can make the transfer pursuant to its charitable objects as a means of making use of its assets in furtherance of its charitable purposes i.e ensuring the continuing provision of social housing to those in "necessitous circumstances". Provided that the seller imposes binding obligations on the purchasing RSL to use the housing stock to house those in necessitous circumstances, the disposal will be intra vires the selling RSL and the seller will not need to obtain the highest possible price.

Secondly, charities have power to dispose of assets they deem surplus to requirements. The board must be satisfied that sale of the stock is in the best interests of the charity (i.e. it is more beneficial to sell the stock than keep it), and that the disposal is on the best terms reasonably obtainable.

### Sale by an RSL (charitable or non-charitable) to a non-RSL

There is no legal barrier to an RSL (whether charitable or not) disposing of its stock to a private landlord, provided the board considers it is in the best interests of the RSL to do so and the RSL obtains the best possible terms. The barrier is a regulatory one - to protect the tenants the Housing Corporation will not give section 9 consent to such disposals.

The Housing Corporation acknowledges that RSLs have been using stock disposal, monitored by the Corporation consents process, as part of their asset management practice since the 1980s. The Corporation is currently working on a stock rationalisation project.

In its August 2006 consultation paper on General Section 9 Consents, the Corporation says it wants to extend the general consent to disposals within the sector as a de-regulatory measure to facilitate the rationalisation of stock holdings.

However, the project only covers intra-RSL transfers and does not look at private sector disposals.

### The future

Will DCLG's newly rekindled enthusiasm for tenants' rights will override the Government's efficiency agenda? RSLs could argue that they should be able to dispose of tenanted properties to private landlords against the tenants' will, if the disposal will provide funding for three times the number of homes in a cheaper area. Is there any reason why the Corporation shouldn't permit RSLs to dispose of tenanted housing to accredited private landlords which, like developers with grant, enter into legally binding agreements with the Corporation to protect the interests of the tenants?

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**Mobile Working:** Mandy Hughes writes about how new technology makes remote working cheaper, more efficient, safer and easier. <http://www.nhmf.co.uk/Articles/>

**Changing culture:** Nick Wood writes about Coventry City Council's DLO becoming HomeWorks - a modern efficient competitive maintenance service. <http://www.nhmf.co.uk/Articles/>



## DLO competing for maintenance contracts

Established DLO's are often reminded that they must demonstrate value for money and this was no exception when Rochdale Boroughwide Housing (RBH) was visited by the Housing Inspectorate in 2005. The ALMO organisation was awarded 2 stars with promising prospects for improvement. However the inspectorate concluded that RBH had not been able to demonstrate the cost effectiveness of the in-house repair service.

Following the inspection RBH's board of directors agreed that to overcome the inspectorate's concerns they would tender the repairs service. The in-house DLO decided to submit a tender and was shortlisted.

To prepare, the DLO identified a group of employees who would lead the tender submission, including two senior DLO managers to work on the submission full time.

If the DLO were to achieve the desired results, the group needed to have the authority to acquire additional resources without constantly seeking authorisation. The work involved in the submission was not to be underestimated.

Common elements of a maintenance contract generally include a variety of method statements and a price for the work broken down by trade and task. There will also likely be a score weighting between quality and cost which the DLO must be aware of when apportioning resources.

RBH allocated one full time manager to concentrate on the price submission and one full time manager working on the method statements. Unlike previous submissions in which a small core of selected staff would research, collect and write the necessary information whilst locked away in room marked "do not disturb until after date of submission", the small full time team acted as co-ordinators in facilitating staff within the DLO to write method statements in which they specialise. This method proved very successful even though the co-ordinator often had to chase staff to make sure they hit the deadline.

The key aspect to a successful tender submission is to allow sufficient time to collect all the necessary information and to consult as many people within the DLO to make sure what is finally submitted is both accurate and relevant to future objectives.

The price submission is very much a specialist task in which most DLO's will not have 'in-house' expertise to deliver within the time constraints. The DLO quickly decided to enlist the help of an outside organisation.

The price submission accounted for just under half the total marks for the submission therefore, it was vital that we entered a competitive bid whilst still ensuring the DLO could financially manage the running of the contract if successful.

Like most DLO's in our position we were acutely aware of increasing competition from organisations expressing an interest in Local Authority housing maintenance. To challenge this, the DLO placed a strong emphasis on innovations for the future. This was done by identifying key aspects from our business plan and combining this with what we considered good practice within the maintenance sector.

By late 2006 the DLO submitted its tender.

Several weeks after submission the DLO was awarded the repairs and maintenance contract based on its submission in direct competition with several other organisations.

To summarise, our experience of a DLO bidding for a maintenance contract we would recommend:-

- **Preparing as early as possible, every day counts**
- **Make sure the DLO is operating as efficiently as possible prior to starting the bid.**
- **Transfer staff full time to the project as soon as possible, this will cost but it is essential**
- **Enlist the help of specialist staff within the DLO as required.**
- **Keep the DLO staff fully informed of the process.**
- **Employ specialist assistance from outside the DLO as necessary.**

Finally, make sure you can live with the promises and prices you are going to submit.

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## A three-star DLO



It wasn't long ago that you thought yourself lucky if you didn't have a DLO and if you did have a DLO, you probably had a headache! I have spent the past five years going all over the UK assessing repairs services, some using a DLO and others using external contractors. I am also involved in a research project assessing how social landlords procure their maintenance services. Providing a few broad parameters are in place (particular geographical stock spread) a DLO delivery model tends to perform favourably on time, cost and quality indicators in contrast to external contractors.

We are all well aware of the skills shortages at every level in the construction industry. For a growing number of housing organisations this is beginning to have an effect on service delivery. The existing pool of medium to large sized contractors is tending to focus its attention on planned maintenance and capital work where the logistics are simpler and profit margins are greater. Smaller contractors are struggling to build the organisational capacity and capability to fill this gap. There is an emerging trend of retaining any in-house expertise and capacity. This can be on the basis of integration into one organisation or by retaining a client / contractor relationship.

Housing organisations are becoming more aware of the role that an internal trading arm can play in acting as a buffer against the market and growing skill shortages. They are also aware that they should be able to exercise greater control and influence on a service provider with closer linkages.

Over the past 20 years or so, DLOs have increased their turnover but their share of the market has reduced, largely due to an increase in the number of competitors entering the market and an increase in stock investment that lends itself more readily to contracting out

Some of the common traits of what could be classed a 'three star' DLO:

- **Tight labour costs, competitive wage levels, cost effective incentives and controls over quality**
- **Commercial awareness and acumen**
- **Flexible workforce (multi-trade, wider service access hours than 'traditional' etc)**
- **Appointed repairs service for non Emergency works**
- **High level of attend and complete the repair on the first call**
- **A range of ways of customers accessing the service and consistency in the output**
- **Taking full account of diversity in how the service is designed and delivered**
- **Lean overheads and appropriate central establishment charges**
- **Extensive use of appropriate IT**
- **Good industrial relations and customer satisfaction**
- **Effective training programmes for managers and operatives**
- **A service that adds real value to the core business**
- **Value for money robustly demonstrated and contrasted to the local market place**

and;

- **To tailor the structure and function of the maintenance service to the delivery of the service, including**
- **The incorporation of Egan initiatives**
- **Quality assurance and performance improvements with clear accountability**
- **Efficiency reviews which result in responsive change**
- **Robust benchmarking;**
- **Strong financial and performance management systems**

DLOs that enjoy high levels of success meet many of these points. Conversely, poorly performing DLO's can be a drain on finite resources, fail to deliver value for money and may unduly influence the strategic objectives and reputation of the landlord.

So don't be protectionist of your DLO nor contend with the 'passive' client officer who is quick to blame the DLO but then fail to assist in resolving issues and moving the service forward. Challenge a poor performer, agree an improvement plan and move forward.

Does the DLO add value to the core housing services? We know that the repairs service, DLO or contractors has one of the highest incidents of customer contact, so we have to get it right. The added value from the DLO should be tangible and measurable in enhancing the customer experience.

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## Decent Homes – views from the frontline

In the third sector study on Decent Homes commissioned from Trimmer CS by the Housing Corporation, we have seen further confirmation that all the housing associations covered by our survey expect to hit the standard by 2010.

Many associations have opted for something better than the minimal requirements of the closely defined standard. "Decent Homes Plus" has entered the jargon of the housing world, although there is no single definition of what exactly is the "plus".

The official definition of Decent Homes has changed. Recently, the old fitness test has been replaced by the Housing Health and Housing Safety Rating System. The ten point standard which can trace its origins back to 1919 has now been replaced by a complicated rating system that looks at 29 separate hazards, assesses the likelihood of harm (meaning death or serious injury) arising from each of them, and then generates a score. Scores greater than 1000 constitute a Category 1 hazard, and these hazards will fail the Decent Homes standard.

The government accepts that more homes will be considered to be statutorily unfit under this new system, but most of the new failures will be in the private sector. Social landlords give fitness top priority, and only a small proportion of social housing is not fit for human habitation.

The disrepair criterion is now a clear listing of only 16 components that need to be taken into account for age and condition, and plumbing has been added to that list. And in another relaxation, it has been clarified that physical constraints can permit a certain level of under-compliance with the Standard.

Probably the biggest change that seems to have gone relatively unnoticed has been in the Thermal Comfort criterion. Underfloor heating and warm air heating systems have been added to the approved list, as has partial central heating. Many landlords will have already spent money on replacing systems which are now classified as acceptable.

A detailed study by BRE published earlier this year found:

- Many councils are over-estimating failure
- Components are being "failed" because they are either old, or in poor condition. But they would fail the DHS only if they were both old, and in poor condition.
- The vast majority of local authorities and registered social landlords are exceeding the thermal comfort criterion
- Some landlords are over-estimating cavity wall insulation.

In the light of this and with the 2010 deadline, it is now a good time for landlords to look at how they have actually interpreted the detail of the Standard, and to re-assess their actual failure rates.

### What the RSLs told us

Our survey demonstrated that there needs to be sophisticated analysis of how replacement programmes are used to make sure of hitting the DHS target. For instance one association told us that it is replacing 900 kitchens this year, as part of its normal programme. But only 31 of those kitchens would have triggered a DHS fail.

A number of associations told us of their "DHS Plus" programmes, which seem to have stemmed from a growing realisation of how minimal a standard the DHS actually is. And while everyone interprets DHS Plus in different ways, it is becoming one of the things that every "good" landlord should have

Insulation has always been a quick and cheap win on the DHS. Almost half of associations responding to our survey had secured energy grant assistance for this, which has led to a fairly even spread of work over the years.

While every association we surveyed asserts that they will meet the DHS by 2010, an acceleration of procurement is needed to ensure that the target will be met. Many associations have programmes well underway, but the timescale for full implementation means there's lots of work still to be done.

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## NHMF Maintenance Conference

22 – 23 January 2008, Stratford upon Avon



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