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### **Outsourcing repair and maintenance in local authority housing in the UK: directions for research.**

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**Outsourcing repair and maintenance in local authority  
housing in the UK: directions for research**

**Workshop paper for the ENHR conference  
2005**

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## **Abstract**

The aging of existing local authority housing stock in the UK combined with years of under-investment has brought the repair and maintenance (R&M) of social housing under the political spotlight. In their 2001 manifesto Labour committed to reducing the '£20bn repairs backlog for 4m homes in Britain' by a third by 2004 and eradicating it by 2010. However, rather than investing in a repairs programme, in 2003 the government offered extra funds to local authorities to relinquish their responsibility for the management and repair of their housing stock to arm's-length management organisations (ALMOs). In other words they encouraged local authorities to outsource their R&M services to the private sector. In contrast to this, evidence from both the public and private sectors favours the retention of R&M services in house. This dichotomy gives rise to a number of questions relating to: the viability of outsourcing housing R&M services in local authorities; the implications of outsourcing for organisation of R&M service delivery and management of the service contract, and its impact on the quality of the service provided and on the construction industry in general. These questions point the direction for future research, which is the subject of discussion of this paper.

## **Introduction**

Housing repair and maintenance (R&M) constitutes nearly 59% of local authorities' total construction work by value, which in turn makes up over 28% of all construction work (DTI, 2004). The aging of the existing local authority housing stock combined with years of under-investment has brought the R&M of social housing under the political spotlight and made it the subject of Labour's manifesto pledge in 2001. When the labour administration came to power in 1997 it inherited a '£20bn repairs backlog for 4m homes in Britain' (Hetherington, 2003). In its 2001 manifesto Labour committed itself to reducing the backlog of sub-standard housing by a third by 2004 (Foot, 2004) and eradicating it by 2010 (Weaver, 2004b) to achieve their decent home standard (<http://www.odpm.gov.uk>). However, rather than investing in a repairs programme to meet these targets, in 2003 the government offered extra funds to local authorities to relinquish their responsibility for the management and repair of their housing stock to arm's-length management organisations (ALMOs) (Hetherington, 2003). In other words the government encouraged local authorities to outsource their R&M function to the private sector. This surpasses the requirements of Best Value contained in the Local Government Act 1999 in terms of ensuring that services are competitive with the best available by assuming that a private organisation would better manage the day-to-day activities of a local authority's housing department.

Contrary to the Government's view, the Association of Public Services Excellence (APSE), formerly the Association of Direct Labour Organisations (ADLO), claims that public services can and do 'perform at the highest level' by embracing change and responding to challenges (APSE, 2003). They demonstrate through case studies that local authority construction departments are implementing new ways of working in response to challenges of Best Value and are investing in training and staff development as part of their emphasis on quality service provision (APSE, 2002). The Housing Forum's report on good practices in the housebuilding sector endorses APSE's assertions. Two of the case studies included in this report are the building

works department and the Direct Service Organisation within two councils; they provide R&M services to the councils' housing stocks. The highlights of their good practices are: recruitment strategies incorporating beneficial employment terms and conditions, well-established systems of apprenticeships focusing on selection, reviews, support and guidance, retention strategies of employee development and internal promotion linked to performance management, and equal opportunities aimed at integrating women and ethnic minorities into the trades (CE - Housing Forum, 2004).

There are also examples of organisations, which have hitherto outsourced service operations to the private sector, reversing this trend. Network Rail, for instance, brought back the outsourced maintenance contracts in-house in October 2003. The director of Network Rail maintenance ascribed this decision to not getting 'value for money' from outsourcing. He identified some of the difficulties of outsourcing as 'wildly inconsistent [supplier] prices' of maintenance contractors, having to monitor each company's work, and having to contend with lack of information about staff details, the age of the network, and the maintenance regime (Reisner, 2004). The director went on to claim that maintenance conditions have improved under the new regime.

The questions that arise at this juncture are: 1) what makes outsourcing R&M in local authority housing an attractive option to the policy makers; 2) what are the performance benefits and disadvantages to local authorities of outsourcing the R&M service delivery to ALMOs compared to its retention in-house; 3) how does outsourcing R&M impact on the quality of the service provided to the recipients; and 4) how does outsourcing housing R&M affect the construction industry in general? To seek answers to the above questions the paper reviews policy issues and evidence related to best value; the arguments for and against ALMOs; the evidence of performance on R&M service delivery by an ALMO and a local authority; and the relationship between the R&M sector and the construction industry at large.

The paper has three aims. Firstly, it questions the viability of ALMOs as a panacea to the performance problems of local authorities in the area of R&M by considering two case studies extracted from the audit commission's inspection reports. Secondly, it extrapolates the impact of outsourcing local authority housing R&M on the construction industry in general. Thirdly, it identifies gaps in knowledge and points out the directions for future research. The structure of the paper is as follows: the policy and theoretical context, contains the review of relevant policy documents and literature. The cases for and against ALMOs provides information on the available existing trends in R&M service delivery, both externally and internally, in a local authority. The impact of ALMOs on the construction industry extrapolates the problems identified through the case studies to local construction markets and the construction industry in general. The section on directions for future research suggests areas where future research is required to unravel the kind of information that cannot currently be obtained from the audit commission's inspection reports.

## **The policy and theoretical context**

The government introduced the best value initiative through the Local Government Act 1999 with the aim of improving the quality of local government services. Best value requires local authorities to achieve 'economy, efficiency and effectiveness' by continuously improving the way in which they carry out their functions. Performance is measured through indicators and achievement of standards set by the Secretary of State, which may vary for different functions and different authorities and may apply at different times. Performance is checked through annual inspections by the audit commission and more specifically by the housing inspectorate within the commission in relation to councils' housing services. (<http://www.hmsso.gov.uk>).

In March 2000 the audit commission's survey indicated that only 88% of council housing repairs were carried out within government time limits (Wintour, 2001). In March 2001 of the 20 local authority housing inspections that were carried out no council was awarded 'excellent or three-star best value rating', which was the score that the councils required in order to borrow from the then £160 million government fund to refurbish their housing stock (Weaver, 2001). In 2004 the government required councils to make efficiency savings of £280 million a year in management and maintenance by 2007/08 (Evans, 2004). In addition to time, funding and cost pressures on the councils, as part of best value regime they also have to show that their in-house service is competitive compared to that provided by firms in the private sector otherwise they have to cede control of the service to a private firm or the voluntary sector (Weaver and Parker, 2002).

The bulk of the evidence reported in the press indicates that best value is being interpreted mainly in terms of economy and efficiency rather than effectiveness and quality of services delivered. For example, two performance indicators on the cost per local authority dwelling of housing management and repairs were dropped due to the 'difficulty of measuring' them, which according to the chief executive of HouseMark were necessary for monitoring the progress on cost effectiveness. Furthermore the performance indicator on 'repairs completed within government time limits' was replaced with one on 'the number of appointments kept', which again according to HouseMark's chief executive 'fails to capture the speed and quality of actual repairs' (Martin, 2001). The changes made to the indicators have the added disadvantage of making it 'impossible to say whether best value had been a success' according to the director of Housing Quality Network (Inside Housing, 2002).

The privatisation agenda is being pushed by the government and taken up by local authorities fervently. In 2004 the government were only prepared to make extra resources available for council home improvements if local authorities switched their management to ALMOs, private finance initiative or housing associations (Weaver, 2004a). The audit commission's report in 2001 criticised councils for 'shying away from competition and "making a priority of keeping services in-house"' (Brown, 2001). The audit commission inspectors recommended that Harlow Council outsource part of its repairs service in its inspection in 2000. Councils who fail to pass the audit commission inspections tend to privatise the failed service function rather than attempt to work on improving it. For instance Castle Morpeth Council, which was awarded a zero star rating for its maintenance in 2001, closed down the department and invited private contractors to tender for the work. The role of privatisation as 'the

elixir for poor performance' is questioned, however, by the director of Housing Quality Network who is reported to suggest learning from leading councils as a better way forward for failing councils (Humphries, 2001).

Based on the above discussion what appears to make outsourcing the R&M function in local authority housing an attractive option to policy makers is the shifting of responsibility and resources away from the public sector and the government to the private sector and the market. The drive for the privatisation of local authority housing including R&M services has taken three forms, stock transfers, Public Finance Initiative (PFIs) and ALMOs. A large volume of literature has been written about stock transfers and PFIs and their perceived benefits in terms of performance improvement questioned. The criticisms tend to range from lack of empirical evidence supporting the improvements ascribed to separation of housing management ([www.defendcouncilhousing.co.uk](http://www.defendcouncilhousing.co.uk)) to empirical evidence demonstrating the failure of some PFIs to achieve their cost or time targets as well as falling short in the levels and quality of services they deliver (for example, Kakabadse and Kakabadse, 2000a; Kakabadse and Kakabadse, 2001). There have also been claims about the adverse impact of PFIs on the terms and conditions of employment of the workers who are transferred from the public organisation to the private partner as well as on 'the erosion of the public sector ethos amongst workers' (for instance, Grimshaw et al., 2002; Hebson et al., 2003). These issues are relevant to ALMOs and will therefore be considered in the examination of ALMOs' performance benefits and disadvantages to local authorities.

### **The cases for and against ALMOs**

ALMOs are 'companies limited by guarantee and as such as not profit making. They are independent from the Council but provide housing services to tenants and leaseholders under a management agreement' (NHF, 2003). This is the definition provided by the National Housing Federation's briefing note number 6. In layman's terms ALMOs are private organisations set up by local authorities to carry out the day-to-day management of their housing stock whilst leaving the ownership of the stock with the councils. Their board of directors comprise one-third tenants, one-third local stakeholders such as voluntary groups and one-third councillors (Hetherington, 2003). The government argues the case for the separation of housing management from landlords on the basis of the performance improvement potential of privatisation primarily in terms of cost savings and efficiency gains as well as the empowerment of tenants in terms of their involvement in the management of their homes and ensuring that services are responsive to their needs (ODPM, 2004).

The case against the separation of the management function is based on arguments relating to the attributes of a private company, the uneasy marriage of private and public realms and the consequences for the public sector workforce, on the one hand and the tenants, on the other. Firstly, it is argued that setting up private companies is not cheap. For example, Defend Council Housing reports that Leeds spent £1 million on ALMO managers whilst Ashfield's ALMO cost £2 million to set up. The cost includes 'new corporate images and logos' as well as advertising; Camden Council spent £500,000 on the promotion of ALMOs to tenants who rejected the option outright ([www.defendcouncilhousing.co.uk](http://www.defendcouncilhousing.co.uk)). Secondly, according to company law

board members are legally required to prioritise the interests of the company and in practice the company's senior management make the decisions. Therefore tenants' representation on the board of directors may not have real empowering effect. Thirdly, the separation of the strategic housing function provided by the local authority, as required by the ODPM guidelines (NHF, 2003), from the operational function provided by the ALMO may create co-operation problems particularly due to the divergent cultures of the organisations and the philosophies that underpin their *raison d'être* (Grimshaw et al., 2002; Hebson et al., 2003). Fourthly, the decision to outsource the management of housing inevitably entails closure of departments within councils, transfer of staff or redundancies, which have consequences not only for the human resources concerned but also for the recruitment and retention of human resources within the sector. This is reflected in the NHF's Good practice briefing note number 6 published by the ODPM, which deals with the staffing issues in ALMOs (NHF, 2003). The last two cases against ALMOs are considered in more depth below where the R&M service provision by an ALMO and a local authority is examined and the impact of each on service quality assessed.

### ***The R&M service provision by an ALMO and their impact on service quality***

The Guidance on arms length management of local authority housing (2004) sets out the roles and responsibilities of local authorities and ALMOs. According to the guide, in the context of the R&M service provision by ALMOs, the local authority's role is to carry out cross-tenure stock condition surveys, determine minimum standards of service required of the ALMO and monitor its performance. Therefore it is the local authority that sets the standards of service to be delivered by the ALMO. The local authority has statutory responsibility for delivering the housing management service and can terminate its management agreement with the ALMO if its performance is inadequate. The ALMO's role is to make and implement decisions about stock investment and to promote tenant participation and their involvement in monitoring and reviewing service standards. It is responsible for planning and procurement of repair and improvement works, for delivering best value, and for following best practice in procurement through partnering arrangements with contractors or participating in procurement consortia with other ALMOs and registered social landlords. The ALMO board is responsible for the performance and operation of the ALMO and is accountable to the local authority under the terms of its management agreement (ODPM, 2004).

The establishment of ALMOs is administratively complex and resource consuming thus explaining the high set up costs referred to above in relation to specific councils. The NHF's Good practice briefing note number 6, which deals with staffing implications of ALMOs is indicative of this complexity (NHF, 2003). The briefing note provides guidance on three areas: 1) why should an authority consider an ALMO; 2) what does the transition to an ALMO involve; and 3) what are the issues to consider post transition to an ALMO?

The first area covers: 1) the potential impact of the transition to an ALMO on the local authority services and staff concerned; 2) the need for inclusion of all stakeholders in the process of consultation about the transition; 3) the financial and staffing implication of the jobs that will stay within the council and those that will be transferred to the ALMO; 4) the financial implications of 'desegregation of budgets, actuarial costs for pensions, ownership of assets and liabilities and indemnities and

insurance' as well as the cost of staff that would be transferred, deliberation of which would require specialist advice; 5) allocation of adequate timing to the consideration of issues related to human resources; and 6) the resources required for the management and co-ordination of the change process, which would also require specialist support on legal, human resources, finance and estate issues.

The second area includes: 1) determining which staff will potentially transfer to the ALMO; 2) informing and consulting employees and their representatives; 3) basing the transfers on the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations; 4) protecting the continuous service of transferred local government employees; 5) ALMO's potential employees' membership of Local Government Pension Scheme; 6) allocating adequate time to verification of information to be provided to the ALMO; 7) using redeployment procedures for staff identified as "at risk"; 8) providing formal notification to staff who will transfer to the ALMO; and 9) providing opportunities for involvement and support of employees.

The third area comprises: 1) protecting the terms and conditions of employment of ALMO employees, both transferred and new staff; 2) monitoring the changing terms and conditions of ALMO employees; 3) determining the trade unions that will be recognised in the ALMO; and 4) continuing the employment of ALMO employees who return to local government employment.

A cursory look at the above issues indicates not only the myriad of organisational tasks and processes that are involved in the setting up of an ALMO but also the numerous transaction costs that they potentially give rise to in the form of monitoring performance, seeking specialist advice and obtaining specialist support. There are also additional transaction costs associated with subcontracting and outsourcing that characterise the procurement of construction including repair and maintenance work. These observations beg two questions: how are the cost savings and efficiency gains required by best value regime going to be delivered by ALMOs, and what impact are ALMOs going to have on the quality of services delivered to tenants? To explore these questions an example of an ALMO that scored 2 stars in the audit commission's inspection is presented below based on extracts from the audit commission's inspection report.

### **Case study 1: Kirklees landlord (ALMO) services**

#### **Summary**

Kirklees is a metropolitan district in West Yorkshire, covering 254 square miles, over two thirds of which is protected rural landscape. It has a population of 390,000 with a significant ethnic minority population of 10.7%.

#### **The Council**

The Council comprises 72 councillors. Its business is governed by an executive Cabinet of eight members with a scrutiny committee and ten scrutiny panels, including a Housing scrutiny panel. The Council operates eight housing management committees based in different areas of the district allowing local people and residents and tenants group representatives to discuss local housing issues with members, officers and other agencies. The Council has also set up eight Area Committees to engage with local communities.

#### **Council housing in Kirklees**

The Council has a housing stock of 27,773 dwellings. Following a stock option appraisal in early 2001 to assess the most effective way of ensuring the necessary levels of investment to improve and maintain their housing stock in future years, the Council decided to set up an ALMO. They bid for ALMO funding to the DTLR for 2002/2003 and succeeded in their bid. The ALMO was established at the beginning of April 2002 to undertake the landlord functions of the Council's Housing Service. The initial agreement between the Council and the ALMO is for five years. The functions delegated to the ALMO include stock condition surveys of local authority housing; administration and implementation of the responsive repairs contract; and management of planned and

programmed maintenance, modernisation and improvements. The expenditure on responsive repairs for 2002/2003 was £5.8 million.

#### The ALMO

A board of fifteen Directors made up of five tenant representatives, five council nominees and five independent representatives manages the ALMO. A senior management team of staff transferred from the Council runs the company on a day-to-day basis. There is a Chief Executive. The management team and other staff are located in separate premises. If the standard of the Housing Service meets Government criteria the Council will access a capital allocation of £62.5 million over two years. The ALMO is responsible for delivering the programme of improvements and manages the Council's budget for day-to-day repairs.

#### Score of the service

The housing inspector assessed the Council as providing a 'good', two star service that has promising prospects for improvement because:

- Access to services is good, and the information available for tenants is comprehensive and available in a variety of formats.
- The service is customer-focused, and tenants are centrally involved in service design and delivery.
- The repairs service achieves some good outcomes for tenants, and performs well against relevant performance indicators.
- It has improved the appearance and cleanliness of estates through its area caretaker scheme.
- The concierge scheme has helped improve security and customer contact in high-rise blocks of properties.
- Tenant participation is good, although more needs to be and is being done to involve those who do not wish to participate in formal structures.

The inspection revealed a number of weaknesses, which require improvement:

- Customers are currently confused about aspects of the service which Council department or function is responsible for delivering; the ALMO and the Council are working to improve this situation.
- The decorations allowance scheme is not making the best use of available resources, although it does reflect the views and preferences of tenants.
- The appearance of estates is mixed, and the use of metal sheeting on void properties detracts from the overall attractiveness of them.
- There are a series of value for money issues in relation to the responsive repairs service, which must be addressed if funding available for this service is to be maximised, in particular:
  - the high proportion of emergency and urgent repairs;
  - the high level of responses to planned repairs; and
  - the use of the national Schedule of Rates for relatively large scale works.

In relation to the prospects for improvement, the inspectors believed:

- The Council has conducted thorough and searching best value reviews and in general has challenged the way in which services are delivered.
- The Council has a culture of performance management and continuous improvement and has achieved a good deal within a relatively short time-scale.
- There is a strong sense of partnership between the ALMO, the Council and tenants;
- There is a clear track record of achievement.
- The Council and the ALMO are 'learning' organisations, and are seeking to learn from the experience of top performers in a number of areas.
- A more co-ordinated approach is being taken to the management of service improvement plans.
- Improvements in performance management have emanated from the inspection process.
- A more focussed approach is being taken to future stock investment.
- The ALMO cannot currently be described as fully 'arms-length', although proposals are being developed to achieve this within the next six months.
- Efforts are being made to improve representation of independent experts and broader sectors of the community on ALMOs' boards.
- There has been mixed success in delivering improvements proposed from early best value reviews and delivery on all fronts at once has proved to be extremely challenging.

#### Recommendations

The housing inspectors recommended that the ALMO and the Council take action to resolve a number of general, political, managerial and partnership issues.

The ALMO and the Council should implement the following recommendations:

- Continue to improve joint working between their departments to resolve disputes regarding who is responsible for various estate-based tasks in order to reduce confusion and frustration for customers.
- Continue to develop measures for increasing tenant involvement outside of formal structures, and

- increase the level of involvement of traditionally excluded groups.
- Review and improve the decorations allowance scheme in order to make available resources go further.
- Improve the appearance of sheeted up void properties on estates, and monitor the extent of damage done by contractors in erecting the sheeting.
- Continue to ensure that proposals for future area office provision are developed in conjunction with the Council's Customer Contact Point Strategy, and that tenants remain fully involved in this process.
- Address all the value for money issues related to responsive repairs service within an agreed timescale.
- Complete the review of support services and ensure that the ALMO obtains best value for money and cost-effective services from internal and external providers.
- Ensure that personal development reviews are carried out regularly and that relevant documentation is completed and monitored.
- Evaluate the potential gains to be made from looking at the procurement of responsive repairs and planned maintenance contracts together.
- Following twelve months of the operation of the ALMO, review decision-making structures to ensure that these are stream-lined and effective and maintain successful tenant consultation and participation.
- Ensure a genuine separation of the roles of the ALMO and the Council to make sure the ALMO's 'arms-length' status is clear and well-defined, with unambiguous lines of responsibility for the delivery of service management and improvement.
- Share a copy of this report with tenants, councillors and other stakeholders.

Source: [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

The housing inspector's judgements on their own do not provide the means to assess the performance advantages and disadvantages of the ALMO. To undertake such as assessment a source of comparison is needed in the form of the council's in-house provision of R&M services prior to setting up the ALMO. This is provided below.

***The R&M service provision by a local authority and their impact on service quality***

To meet the government's decent home standard targets the councils have to assess the nature of disrepair in their stock, compare them to the decent home standard, cost the required works, consider the options for raising the necessary investment and ensure that they are achieving best value for money by continuously improving their service provision ([www.odpm.gov.uk](http://www.odpm.gov.uk)). An example is provided below of Kirklees council, that scored 'good'/two star rating in 2001 subsequent to the audit commission's inspection.

**Case study 2: Kirklees Metropolitan Council**

Council housing and housing services department in Kirklees in 2000/2001  
 The Council had an annual budget of 5.75 million for repairs in 2000/2001. The Housing Services Department manages the 28,698 council dwellings from a decentralised network of 17 Area Housing Offices across the borough, each headed by an Area Team Manager responsible for a range of functions including repairs. To provide better co-ordination of services from housing offices the Council has appointed six Neighbourhood Service Managers each responsible for two or three Area Housing Offices.

Repair service organisation  
 The senior management of the housing department provide functional support to the department's operations. There are six Service Managers reporting to the Chief Housing Officer. Repairs are covered by the Service Managers for Housing Management and Programmes, Projects and Technical.

There is a well-developed tenant participation structure within Kirklees. The Kirklees Federation of Tenants and Residents Associations (KFTRA) was founded in 1987. There are currently over 100 local tenants and residents groups operating in the borough. Their representatives meet with officers and members through local area Housing Management Committees each cycle, which feed into the Housing Services Management Board within the Council's cabinet structure. There are a number of other established means of consultation, involvement and participation for tenants and residents groups, for example, estate inspections, annual investment conference, and repairs working group. A number of initiatives have been introduced in partnership with KFTRA, for example, appointments for day- to- day repairs and 'quality guarantees' for services provided.

The Council have estimated a major shortfall in the investment required on their housing stock of:

- £130 million backlog of stock repairs;
- £125 million backlog of stock improvements; and

- £17.5 million shortfall in investment each year based on the current available resources.

The Council are considering longer-term options for their housing stock including stock transfer, PFI and Arms Length Organisations.

#### Score of the service

The Council was awarded Beacon Status in 1999 for improving its housing maintenance service. In 2001 The housing inspector assessed the service as a Good service because:

- The Council has developed a strategic approach to repairs and maintenance and are pursuing a policy to increase planned maintenance to 70% of the repairs and maintenance budget, which allows more effective use of resources.
- The volume of day-to-day repairs processed reduced from 92,500 orders in 1996/1997 to 84,000 in 1999/2000 and the anticipated outturn for 2000/2001 is 77,000 orders.
- The repairs budget is managed well and ensures an efficient use of resources.
- The costs of commissioning the repair and maintenance service are low.
- Over half of day-to-day repairs are completed by appointment
- Tenants have high levels of satisfaction with the service.
- Tenants are involved in the planning and monitoring of the repairs service and a number of developments in the service have followed from their requests.
- There are high levels of customer care in the repairs and maintenance service, for example, operatives with uniforms and identity cards, freephone contact to Building Services and a proactive customer comments scheme.
- The Council uses monitoring and performance data to improve services to tenants.
- Improved working relationship between Housing and Building Services has led to a more co-ordinated service to tenants.

There were however shortcomings:

- Lack of training of front line staff has led to some inconsistency in approach to dealing with tenants' repair reporting and prioritisation of works orders and hence the time tenants have to wait for repairs to be completed.
- Inconsistent application of repairs policies across the district has led to differences in service to tenants.
- The repairs guide does not make reference to the urgent repairs category.
- The appointments system, the co-ordination of building and housing services as well as information to tenants requires improvement on its current 53% success rate.
- Not all complaints on repairs are dealt with within the timescales set by the Council.
- The high proportion of emergency repairs leads to an ineffective use of limited resources.
- The bonus scheme is not consistent with quality and continuous improvement in repair work.

The housing inspector was satisfied that the service will improve because:

- The Best Value Regime action plan has taken on board all the issues that tenants felt were key for improvement.
- The Council has good monitoring systems and acts upon the information produced to improve services.
- The tenants' movement in Kirklees will ensure improvement in the service.
- There is a genuine commitment from the officers across the departments to improve particularly with the continuous process improvement working groups who are looking at service improvements across a range of services.
- Improvements including the implementation of a dedicated call centre, joint working between Housing and Building Services, streamlining the client and contractor roles and the adoption of a 'right first time' approach to the repairs service will bring improvements to tenants using the repairs service.
- The Council has demonstrated by already implementing initiatives from its improvement plan that it has the ability to ensure improvements do happen on the ground.

The housing inspector recommended that the Council should:

- Ensure proper induction and training for frontline repairs staff to enable consistency of approach and correct repairs identification and categorisation.
- Identify reasons for delays in responding to complaints and implement performance management measures to ensure compliance with corporate targets;
- Ensure that repairs guides for tenants fully reflected all repairs categories.
- Make the appointments system and repairs standards more widely publicised to raise customer awareness.
- Investigate with tenants how the proportion of emergency repairs can be reduced.
- Introduce a code of conduct for sub-contractors to ensure that similar levels of customer care to those in place for Building Services are adopted.
- Identify measurable and challenging targets that will demonstrate benefits to customers with reference to the top performing 25% of authorities.

In order to assess the performance benefits and disadvantages to Kirklees council of outsourcing the R&M service delivery compared to its retention in-house, the scores that the housing inspector granted to the council in 2003 and 2001 are tabulated in Table 1.

**Table 1: Performance of Kirklees ALMO versus Kirklees Council**

<b>Score of the services</b>	<b>Kirklees ALMO</b>	<b>Kirklees Council</b>
<b>Strengths</b>		Strategic approach to R&M; policy to increase planned maintenance to 70% of the R&M budget; more effective use of resources.
	The repairs service achieving some good outcomes for tenants, and performing well against relevant performance indicators.	Reduction in volume of day-to-day repairs from 92,500 orders in 1996/1997 to 84,000 in 1999/2000 and anticipated 77,000 in 2000/2001.
	The area caretaker scheme having improved appearance and cleanliness of estates.	Well-managed repairs budget and efficient use of resources.
		Low costs of R&M service commissioning.
	The concierge scheme having improved security and customer contact in high-rise blocks of properties.	Over half of day-to-day repairs being completed by appointment.
		High levels of tenant satisfaction with the service.
	Tenants centrally involved in service design and delivery; good tenant participation, more involvement needed of those who do not participate in formal structures.	Tenant involvement in planning, monitoring, and development of repairs service.
	Customer-focused service; good access to services; comprehensive information available in a variety of formats to tenants.	High levels of customer care in the R&M service, e.g., operatives with uniforms and identity cards, freephone contact to Building Services, proactive customer comments scheme.
		Council's use of monitoring and performance data to improve services.
	Improved working relationship between Housing and Building Services and co-ordinated service to tenants.	

<b>Weaknesses</b>	Mixed appearance of estates; use of metal sheeting on void properties detracting from states' attractiveness.	Inconsistent application of repairs policies across the district leading to differences in service to tenants.
	Customers' confusion about the Council's and ALMO's responsibility for aspects of service delivery.	
		The repairs guide not making reference to the urgent repairs category.
		Lack of training of front line staff leading to inconsistency in dealing with tenants' repair reporting, prioritisation of orders, and tenants' waiting time for completion of repairs.  The appointments system, co-ordination of building/housing services and information to tenants have 53% success rate.  Not all complaints on repairs being dealt with within timescales set by the Council.
	Value for money issues regarding responsive repairs service to be addressed to maximise available funding, particularly: high proportion of emergency and urgent repairs; high level of responses to planned repairs; use of national Schedule of Rates for relatively large scale works.  The decorations allowance scheme not making best use of available resources though reflecting tenants' views and preferences.	The high proportion of emergency repairs leads to ineffective use of limited resources.
		The bonus scheme not consistent with quality and continuous improvement in repair work.
<b>Prospects for improvements</b>	The Council's thorough and searching best value reviews challenging the way in which services are delivered.	
	The Council having achieved a good deal within a relatively short time-scale due to its culture of performance management and continuous improvement.	Mixed success in delivering improvements proposed from early best value reviews; delivery on all fronts at once proving extremely challenging.
	A strong sense of partnership between the ALMO, the Council and tenants.	Best Value Regime action plan taking on board all issues that tenants considered key for improvement.
	A clear track record of achievement.	The Council's implementation of initiatives from its improvement plan ensuring improvements happened on the ground.
	The Council and the ALMO being 'learning' organisations, seeking to learn from top performers in a number of areas.	The Council acting upon information produced by good monitoring systems to improve services.  The tenants' movement in Kirklees ensuring improvement in the service.
	A more co-ordinated approach being taken to management of service improvement plans.	Commitment from officers across departments to improve with continuous process improvement; working groups looking at service improvements across a range of services.
	Improvements in performance management emanating from the inspection process.	Improvements including implementation of a dedicated call centre, joint working between Housing and Building Services, and adoption of a 'right first time' approach to repairs service likely to bring improvements to tenants using the service.

	A more focussed approach being taken to future stock investment.	
	The ALMO currently not fully 'arms-length', proposals being developed to achieve this within the next six months.	
	Efforts being made to improve representation of independent experts and broader sectors of community on ALMOs' boards.	

The comparison of the scores of the R&M services in Kirklees ALMO and Kirkless council indicates few performance benefits and little service quality enhancements to the council of outsourcing the management of the R&M service compared to its retention in-house. For example, in 2001 the council had adopted the strategy of increasing planned maintenance to 70% of the R&M budget, which is a more effective use of available resources, whereas no such strategy was reported in 2003 in relation to Kirklees ALMO. There is also no reference made to the ALMO's use of monitoring and performance data to improve services, which appears as an element of strength in the score of the council. Furthermore, the council's operations appear to have been more integrated with the tenants' inputs and involvement than is the case with the ALMO. In terms of weaknesses, a number of issues stand out against the ALMO such as, the tenants' confusion about the ALMO's and the council's responsibilities for aspects of service delivery, value for money issues and not making best use of available resources. In terms of prospects for improvement, the ALMO scores favourably with reference to their more focused approach to future stock investment, although the nature of this approach is not made clear. The point is made, however, about improvement being required to representation of independent experts and broader sectors of the community on the ALMO's board and participation of tenants. This is an important issue as it relates to the empowerment of tenants and the community through participation on ALMOs' boards and operations, which has been argued by the government as a selling attribute of ALMOs.

It is fair to bear in mind that the housing inspector has judged Kirklee ALMO's performance after only a year of operation. However, it is also worth considering that ALMOs are set up from a position of strength, i.e., they can only be set up if the councils can demonstrate that they meet the required performance criteria. Therefore it is not unreasonable to expect an ALMO to be doing at least better than the council that sets it up otherwise what justification is there for the ALMO's existence? In the case of Kirklees council the rationale for setting up the ALMO was a major shortfall in the investment they required on their housing stock.

### **The impact of ALMOs on the construction industry**

The Audit Commission's inspection reports provide some information on local authorities' R&M service budget, the kinds of R&M services that are outsourced, the type of outsourcing contract, and a value judgement on how good the services are based on the Audit Commission's criteria. However, they do not present detailed information on the administrative process, the supply process, the nature of the service contract or the service providers (e.g., the trades), the implication of the

contract for management of the service, and objective measures of the service delivered ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

The comparison of the performances of Kirklees' ALMO and Kirklees highlight two broad problems. One relates to the poor co-ordination of different functions, departments and responsibilities that arise from outsourcing and fragmentation of the supply process. The other is associated with poor value for money, manifest as high proportion of emergency and urgent repairs, which may be attributed to the poor workmanship or the low levels of competency of the operatives carrying out the works. These problems are representative of deep rooted and related issues in the construction industry, namely, the market-based and fragmented process of contracting and the principally job-based and fragmented nature of training. The combination of these two factors creates the need for greater integration of providers' inputs and a closer scrutiny of their work in terms of monitoring and management.

The debate about the adverse consequences of fragmentation of the supply process on levels of training has been raging for some time (for example, Clarke and Wall, 1998a). R&M is a sector that is particularly dominated by small firms. This dominance, it is argued, is 'not only in sharp contradiction to the increased requirement for sufficiently flexible and knowledge-based skills in the industry, but at the same time diminishes the capability to develop these skills, reducing productivity and increasing production costs' (Arkani et al., 2003b). Learning in smaller firms tends to be job-specific with the adverse effect on tradespersons of not being able to "identify and correct faults in the work of other tradespersons; and finding it difficult to adapt if conditions or specifications differ across projects" (Toner, 2000)'. Currently there is a shortage of trade skills in the UK construction industry (Clarke and Wall, 1998a; CITB, 2002). Skill shortages increase the cost of employing skilled workers (Haskel & Martin, 1996). 'Projects cannot be resourced with an adequate supply of skilled labour, [the costs of works] rise, supervision increases, accidents may occur and delays ensue, reducing productivity and further increasing costs' (Arkani et al., 2003b). There are also the additional costs emanating from the commissioning process of finding the best value contractor, tradesperson, or labour-only subcontractor, the monitoring costs of establishing, measuring and reporting service outcome targets, and developing appropriate recourse where the targets are not met (Fischbacher and Beaumont, 2003).

Local authorities have traditionally engaged in training apprentices and by virtue of their size have the capacity to do so (Clarke & Wall, 1998a). How is outsourcing the management of the R&M services to ALMOs likely to affect training levels within the authorities and by implication within the local construction industries? How will it impact on the employment and working conditions of the building services departments' workforce?

### **Directions for future research**

There is very little academic debate relating directly to the provision of R&M in the public sector housing. What there is tends to be reviews of approaches to planning and organising repair work, provision of technical advice and access to reliable builders (Leather and Moseley, 2002); information on measures to deal with poor

housing conditions (Revell and Leather, 2000); and local authority initiatives ranging from providing advice about home improvements through to assistance in raising private finance (Groves et al., 1999).

What the foregoing account indicates is the requirement for further research into the provision of R&M in local authority housing stock. In particular, comparative studies are required of local authorities' performance prior to and after the transfer of the management of R&M services to ALMOs in order to gauge the differences between in-house and external service delivery and their impact on the quality of the service to tenants. Such an investigation needs to focus on the administrative and supply chains involved in each mode of management of the service contract, as well as their consequences for the human resources who are implicated in undertaking each contract. Future research may pursue the following objectives:

1. Provide information on the local authorities that outsource R&M services wholly or in part and on the types of R&M services that are outsourced (cyclical, responsive, specific trades, particular activities, etc.).
2. Provide models of R&M service provision in terms of the administrative and supply chains, contractual relationships, management structures, and quality assurance to demonstrate the relative complexities of each model.
3. Analyse the particular R&M service provision models to establish the nature of the relationships between management input (types of managers involved and supervision time), service providers' input (types of subcontractors/suppliers involved and skill levels), and quality of output (response time to reported problems, rework, complaints, etc.).
4. Explore the underlying reasons for the nature of the service contracts employed within each model and link them to local authority practices on recruitment such as the use of preferred list of subcontractors and suppliers; working conditions, including health and safety and training and development; and continuous improvement.

The accomplishment of the above objectives will involve tackling a number of research questions including:

To what extent do various components of repair and maintenance lend themselves to outsourcing? What are the difficulties of outsourcing particular components such as responsive R&M or particular trades, for example, in view of the wider skill shortages within the industry? How does this impact on the administration, management and quality of the R&M service?

To what extent is the imposition of the economic model of market competition on local authorities eroding their capacity and capabilities to provide basic services? How is this affecting local authority strategies in the areas of employment terms and conditions, training, and working conditions in respect of housing and building services departments' workforces? What are the broader impacts of the model on the already fragmented structure of the construction industry (72% of all firms in the construction industry comprise 1-3 employees, (DTI, 2004))? To what extent is public

private partnership attempting to bridge the gaps in the supply of services by private providers and integrate the fragmented inputs? What does this imply in terms of management input? How far is the PPP model succeeding to deliver a seamless and satisfactory service to tenants?

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