

Improving homes, improving lives

Using competition for better social housing



Foreword

Social housing matters. Good social housing helps create strong, healthy and prosperous communities. Poor housing can exacerbate levels of social exclusion, homelessness and crime – it is often associated with increased risk of community breakdown and anti-social behaviour. Poor housing has a particularly damaging effect on young people's life chances – it impacts on their health and emotional wellbeing and affects their ability to perform well at school and form successful relationships.

The UK faces a period of fiscal austerity and now more than ever needs to provide good quality, value for money public services that support those living in the most disadvantaged areas. While some progress has been made, challenges remain in maintaining and improving the quality of life for those who live in our most deprived areas.

There has been a growing use of partnering arrangements to support the delivery of core and extended housing services. Service improvements and substantial efficiency savings have been achieved. There have been real improvements in repairs and maintenance, and communities have been supported to help tackle unemployment and poor health. Across the social housing sector successful partnering arrangements with a range of public, private and third-sector organisations can be found, but these partnerships are not as widespread or common as they could be.

At present only one in eighty homes is managed by the private sector. With no requirement to go to the market and see if another provider can deliver better services for the same or less cost, many housing managers simply opt for the status quo. Without competition, tenants and taxpayers may be losing out. Our case studies show clearly what can be achieved when private sector expertise is applied to problems in social housing. Where the private sector has had the opportunity to provide, it has proved its worth by delivering innovative services at good value.

The government should act now to ensure a fair and competitive market, based on achieving good outcomes and value for money.



Susan Anderson
CBI director of public services and skills

Social housing can and must be improved

Good social housing can help support deprived local communities to climb out of the cycle of deprivation that leads to poor job prospects, high crime levels, educational under-achievement, and poor health. By opening up services to competition from a range of providers, tenants and landlords can both benefit from better value services and higher quality housing.

Good housing has a beneficial impact on people's quality of life, their life expectancy and the economic and social opportunities available to them.¹ Many tenants and their families want to better themselves, but in the face of daunting conditions, it's all too easy to abandon aspiration. Living in a deprived neighbourhood negatively affects life chances and the links between housing and neighbourhood issues cannot be ignored.²

Almost half of social housing falls in the 20% most deprived neighbourhoods in the country and nearly a quarter is in areas with poor quality environments. A fifth has upkeep problems – significantly higher than those for private rented or owner occupied housing.

Polling carried out for the Centre for Social Justice by YouGov found that a third of social tenants believe where they live is not reasonably safe, only 54% trust their neighbours, and nearly half believe that local schools do not provide a good education.³ Over 20% of social tenants on flatted estates report the presence of drug dealers and

users as a particular problem. Fear of being burgled and general levels of crime are far higher for people living in social housing than for those in other tenures. Given these problems it's not surprising that compared with private tenants, social tenants are much more dissatisfied: over 20% of social tenants and over 25% of those on flatted estates, are dissatisfied with their neighbourhood, compared with 12% of private tenants and 8% of owner occupiers.

There has been some improvement over recent years – a smaller proportion of social homes are now classed as 'non-decent' than those in the privately-owned sector and real progress has been made on energy efficiency ratings – social homes now exceed privately-owned ones.

A genuinely strategic approach to housing is needed, going beyond traditional housing-focused functions such as housing supply and the built environment, and towards a more integrated approach, including planning and transport policy, economic development, educational improvement work and neighbourhood management strategies.⁵ The best local authorities are taking a strategic approach, understanding and interpreting the housing market and housing requirements at a neighbourhood, local, sub-regional or housing market level. They are working with others in the private and third sectors and building strong partnerships and working relationships, particularly with economic development and planning.

As the Audit Commission has pointed out, managing housing responsibilities well can help councils create sustainable communities and well-targeted spending on existing housing stock can also yield financial benefits. Better housing can contribute to improved public health and educational achievement, and make communities more sustainable. Every £1 spent on providing housing support for vulnerable people can save

When housing in the Stepney area of east London was improved... the health of the local population improved by a factor of seven.⁴

nearly £2 in reduced costs of health services, tenancy failure, crime and residential care. For example spending between £2,000 and £20,000 on adaptations that enable an elderly person to remain in their own home can save £6,000 a year in care costs. And if only five percent of empty homes could be brought back into use, councils could cut their annual homelessness costs by £0.5 billion.

Creative councils have worked in partnership to tackle homelessness, reclaim empty properties and improve housing quality in ways they could not have achieved alone. But most still struggle to grasp all the opportunities that strategic housing presents. Three quarters of councils whose strategic housing function was inspected by the Audit Commission were rated fair or poor. With only one of the first 85 councils inspected rated excellent. And the NAO suggests few councils recognise how housing strategy can meet objectives beyond housing, or engage with a wide enough range of delivery partners.

With competition, quality will rise and cost will fall

Private providers manage only 1.6% of England's social housing – around one in eighty social homes – yet satisfaction levels among their tenants are often considerably higher than among tenants with council or social landlords. While surveys show many social housing tenants are dissatisfied with the performance of their housing manager, without competition they are powerless to change the status quo. Competition can offer this change as providers must compete to win the chance to deliver services, driving new ideas to the fore and punishing those failing to meet residents' needs.

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As the Deanne Julius report showed, competition and contestability are instrumental in achieving cost savings, quality improvements and innovation. The benefits accrue whether private, public or third-sector firms win the bid. The evidence in this brief shows that on service quality and cost, the private sector is already excelling.

Improving service quality...

New contracts require providers to reduce rent arrears to 1% of total collections at any one time. The average arrears figure for registered social landlords (RSLs) is 5.4%. Private sector turn-around time for non-urgent repairs is five days, compared with an average 12.7 days from local authority managers. By using competition to spur providers to find the most efficient way of completing these tasks, costs are reduced and tenants are more satisfied with the service.

.... and reducing cost

£1.54bn a year could be saved in England alone if a competitive management market was in place. In 2006-07 local authorities spent an average of £750 per unit, whereas the successful tendered price for these services when outsourced was around £400. If the private sector were to deliver more housing management services, resulting in improvements to service and cost savings, the residents and their communities would benefit directly.

Contracts do not have to change hands as a result of competition – new bidders and the incumbent provider are all given the opportunity to show how they can improve the service, with the best all-round offer winning the contract. An open market will result in more providers, greater competition, more innovation, improved services and reduced costs. But there must be sanctions for poorly performing landlords – whether from the private public or third sector. A speedy mechanism for dislodging poor providers must be provided otherwise the opportunity to improve services for tenants is lost.

CityWest Homes, Westminster council's arms-length management organisation (ALMO), had formerly managed the council's 19 villages with 22,000 homes directly. Now it competes alongside three other providers, all of whom are benchmarked against one another. This has resulted in consistently high performance from all providers on contractual key performance indicators, which include time taken to respond to complaints and overall levels of satisfaction with landlords. Peter Marsh, chief executive of the Tenant Services Authority, believes the approach taken in Westminster shows what can be gained from a healthy market in management.

Case studies

The private sector is building modern, sustainable homes and creating the positive spaces needed to achieve wider goals such as less anti-social behaviour and higher educational achievement.

Building new life into old communities – with dramatic results

Lovell Partnerships is the affordable housing arm of construction and regeneration group Morgan Sindall. It is helping create proud new beginnings for residents of the Castle Vale estate in Birmingham, an area that had suffered from years of under-investment. The results of the redevelopment projects are significant, with drops in unemployment, better educational outcomes and increased life expectancy for residents.

On Farnborough Road, 237 new homes were built on the site of six demolished tower-blocks in this once-notorious estate, 26 of which were offered for sale for the first time ever on this estate. Prices ranged from £80,000 to £145,000 and enabled local residents to get their foot on the property ladder without having to move from their community.

Residents were closely involved in the design process, choosing bold colours for their new houses and recommending the location of green spaces and congregation points. And as the Lovell team followed the ‘Secured by Design’ principles which use best practice in design to minimise crime, the Association of Chief Police Officers has named Farnborough Road as an official crime prevention project.

The Commission for Architecture and the Built Environment (CABE), the government’s design watchdog, praised the development, saying:

“The encouraging signal this development sends out is that it is possible to take an approach that is both design-led and cost-effective, allowing a high-quality, predominantly social housing scheme to be built on a relatively low budget in a regeneration area.”

This project is part of a wider regeneration package for Castle Vale, a 1960s estate on the edge of the city which featured high on the list of deprived areas for the region, with poor standards of housing, high crime rates and low educational outcomes among 10,000 residents. Private sector expertise throughout has helped to ensure commercial viability of the project and attract inward investment and employment by including retail and business developments. Dramatic results have been achieved so far:

- Unemployment has dropped from 25% to 5%
- Life expectancy has increased by over five years
- GCSE pass rates have improved by 100%.

By building every house – social homes and those for private sale – to the same high quality, Lovell has delivered physical and social renewal and created opportunities for greater social mobility in the future.

By engaging with their residents and using their expert knowledge on local issues, private providers are making sure their services deliver what people want. And by forming partnerships that reach outside the estate they can offer residents new opportunities, from sport to social work services

Hitting the target on resident engagement in Bayswater

In its contract to manage nearly eight hundred homes in Bayswater on behalf of the council's arms-length management organisation, **Pinnacle PSG** has put residents at the heart of what they do. The results are clear to see, with strong relations and good communication making local people feel happier and more involved in their community. This resulted in resident satisfaction levels of 88% in 2009/10.

CityWest Homes, the housing management organisation set up by Westminster council to manage its stock, wanted a provider to take control of management services including rent arrears, empty properties, complaints and repairs, and also to deliver regular services such as grounds maintenance and estate cleaning. Pinnacle PSG met the criteria and was awarded the contract in 2006.

Since then, Pinnacle PSG has focused on building relationships with local residents, listening to their views and using their ideas to improve the local area. And having now accumulated knowledge about issues important to residents, Pinnacle PSG can go straight to those who will be affected most by any changes, reaching out to all parts of the community.

This close working relationship – which resulted in achieving the Customer Service Excellence Award – is going farther than both parties had first envisaged, making even more improvements to the community as a result.

A monthly group on grounds maintenance has now branched out into gardening and wildlife, with residents receiving advice on choosing plant species and installing bat and bird boxes, and a regular anti-social behaviour surgery that includes block representatives making in-roads on safety where previous providers have failed.

The company also works closely with youth workers from Westminster Council as part of its Youth Forum initiative and staff work to secure funding for group activities for young people such as football tournaments during school holidays. In 2009 activities included the Bayswater Funday, with a talent show and fairground rides that attracted over 200 residents. By working in close partnership with a number of different organisations such as the Catholic Housing Aid Society (CHAS), Westminster Works, Civic Watch and Thames Reach, the estate office also acts as a gateway to a wider range of services for the residents.

The Community Compact, prepared each year by Pinnacle PSG and CityWest Homes, acts as a contract with residents, who agree their priorities for improvement with the estate manager and set specific targets they want achieved. These are then linked to a percentage of Pinnacle PSG's fee, focusing all staff on constant improvement and ensuring residents can hold them to account on performance. In 2009 the Bayswater team hit 100% of its targets and came top out of the eighteen areas delivering the compacts in Westminster.

When signed up to a long-term partnership, private providers can put down roots in a community and help to raise aspirations by supporting local businesses and people

Supporting the local economy helps East End residents

Refurbishment-led schemes can often be tricky, with tensions rising between tenants and provider as homes are disrupted during the process. In Canning Town, works went so smoothly that not only did the project come in five months ahead of schedule but satisfaction rates stayed at over 90% throughout.

Regenter – a joint venture company between John Laing and Pinnacle Regeneration Group – won a contract with Newham Borough Council in 2006 to refurbish and manage over 1,200 homes for a 30-year period. Its performance on the refurbishment programme, which brought all homes up to the government’s Decent Homes standard, ticked all the council’s boxes on both outcomes and costs:

- Completed on time and to budget
- Residents involved and satisfied
- Local environment improved and adapted
- Anti-social behaviour reduced
- Training and employment provided.

With years of under-investment, Canning Town has suffered from poorly maintained housing stock, poor education and job prospects, and above-average levels of health and social problems. Regenter’s bid, which presented a clear plan to tackle these problems, caught the council’s eye and raised hopes that it could go beyond simply modernising homes to build a sustainable, prosperous community.

And expectations have been more than met:

“The Council couldn’t be more pleased with this project. Decent homes work was achieved ahead of time and the high level of resident satisfaction reflects the quality of services being delivered day to day.”

Simon Rees, Strategic Housing Partnerships & Development Manager, London Borough of Newham

The route to a stronger community is well underway after four years of this contract. Networking forums, focus groups and residents’ associations give tenants a much-needed voice, with block-by-block representation ensuring everyone’s views are heard. Regenter’s commitment to the local economy has seen 60% of the project’s workforce staffed with residents from the area, and mentoring and work placement opportunities made available in partnership with St Giles Trust, a local third-sector organisation. The company also uses local businesses in its supply chain to stimulate enterprise and embed roots in the community.

Improvements to the surrounding environment have boosted pride on the housing estate and encouraged residents to use the communal spaces, contributing in turn to community safety. Derelict concrete eyesores have been replaced with two themed gardens chosen by residents, redundant brick walls have been removed and hedges have been lowered to improve surveillance and effectively ‘design out’ crime. Strong links have been forged with local police and safer neighbourhood teams to share information and collect evidence.

The result of all of these changes is a more positive, safe and prosperous area which residents really appreciate and want to be a part of:

“Regenter provides an excellent service to all the residents in Canning Town: it involves all residents via consultation meetings and has brought a sense of community involvement back into the area.”

Barbara Lawrence, tenant and Residents Association member

Private providers are delivering services that keep tenants happy and safe in their homes while meeting the tight financial plans of local councils or social landlords

**Balancing the council's books
– without compromising quality**

Barking and Dagenham London Borough is working with Enterprise to deliver great value for money services and make important contributions to crime prevention and local employment. Often a savings culture compromises service standards and added value, but Enterprise has been able to combine efficiency with effectiveness.

In 2003, Barking and Dagenham entered into a partnership to deliver a housing repairs service for 22,000 homes. Using the Guaranteed Maximum Price model, the council is provided with cost certainty while financial risk has largely been transferred to Enterprise.

The breadth of services delivered in the contract is considerable, including general repairs and maintenance, gas servicing and repairs, asbestos removal, emergency call-outs, IT helpdesk staffing and elements of capital programmes. Enterprise embarked on a process of in-sourcing activities previously delivered by sub-contractors, bringing greater control and accountability to service delivery. Gas servicing for example, had been performing poorly with annual servicing falling below acceptable levels. Enterprise's in-sourcing approach means 98% of properties now have a valid gas certificate.

Enterprise has installed its industry-leading bespoke IT system, WorkManager, together with its dynamic scheduling system. Appointments are scheduled automatically to the correct trade, meaning response times are swifter and customers are provided with real-time appointments.

Productivity has increased, carbon emissions have been reduced and customer satisfaction has risen as a consequence. Further efficiencies are achieved through the use of multi-skilled staff who can deliver all aspects of the service, without the need to book specialist tradesmen.

The gains made in safety and community cohesion were recognised by the Metropolitan Police, whose 2008 awards recognised the work that Enterprise had done in reducing burglary on one estate by 75% in three months. Barking and Dagenham Council was awarded the overall 'Problem Solving' award for a community cohesion scheme delivered by the joint venture team.

'Post-code lottery' on competition is failing the majority of residents

Our case studies show what can be achieved through competition, with providers striving to deliver better services to residents and better value to social housing commissioners. But this only occurs if the landlord decides to run a competitive tender. So far, this option has been largely overlooked, with only around one in eighty homes managed by a provider chosen through competitive tender. If landlords decide not to use competition, residents are stuck with the status quo, with no way of benefiting from the most innovative providers that could improve their homes and communities. This is effectively a post-code lottery which denies the majority of tenants the services they deserve.

Where competition is used, short contract lengths are discouraging the best providers from bidding. Significant capital investment is often needed at the early stages of a contract to lay the foundations for later benefits, and short contracts reduce the incentive to do this. Whether it's retro-fitting old housing stock to reduce energy loss, installing new IT systems to improve service efficiency, or signing a long-term contract with a supplier to get a better price for the products needed to complete home repairs, providers need an assurance that their investment will be worthwhile. This can only be achieved by letting longer contracts that make investment a viable option.

The need to transfer staff from the old provider to a new one can result in high costs for the winning bidder, which in practice gives a comparative advantage to in-house providers. While the TUPE rules were designed to allow smoother transition, complex rules and lack of guidance mean that contract managers often struggle to implement them fairly. Also, the high costs associated with staff transfer through TUPE mean that experienced and talented staff are often lost. This in turn can

damage the strong personal relationships on which residents depend, and result in the loss of information on the issues important to them.

Good social housing leads to wider improvement in communities. Safer spaces on housing estates result in less crime for police to respond to, employing young people as on-site apprentices helps to raise educational achievement while reducing benefit spending. To make cross-agency public service commissioning work, these spending off-sets need to be identified and understood, with funding pots adjusted accordingly.

A competitive market is needed to ensure all residents get the best possible services. From better financial management, to excellent customer service, from lower crime rates to better exam results, competition can deliver much more for landlords, tenants and communities.

Recommendations for government

Build a competitive market

Create a market for social housing management services, with in-house providers competing against bidders from other sectors to deliver services.

Ensure good procurement processes

Allow housing management contracts of at least ten years to attract investment from providers and enable economies of scale to be achieved.

Eliminate barriers to market entry such as higher VAT rates for private providers.

Promote best practice on applying the TUPE rules

Use best practice case studies to show commissioners how to apply TUPE correctly to ensure staff can transfer smoothly and that local knowledge is retained.

Count and reward the full benefits of better housing outcomes

Design contracts that can track the impact housing providers make on other parts of the public sector – contributing to better education or policing, for example – and use an outcomes-based system to reward good results.

Footnotes

1 *Building better lives: getting the best from strategic housing*. Audit Commission, 2009

2 *A drop in the ocean: the health gain from the central Stepney SRB in the context of national health inequalities*. P Ambrose, Health and Social Policy Research Centre, University of Brighton, 2000.

3 *Building better lives*, ibid

4 Existing tenant survey: neighbourhoods and communities. Tenant Services Authority, 2008

5 Existing tenants survey – tenant perspectives on social landlord services. Tenant Services Authority, 2008

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