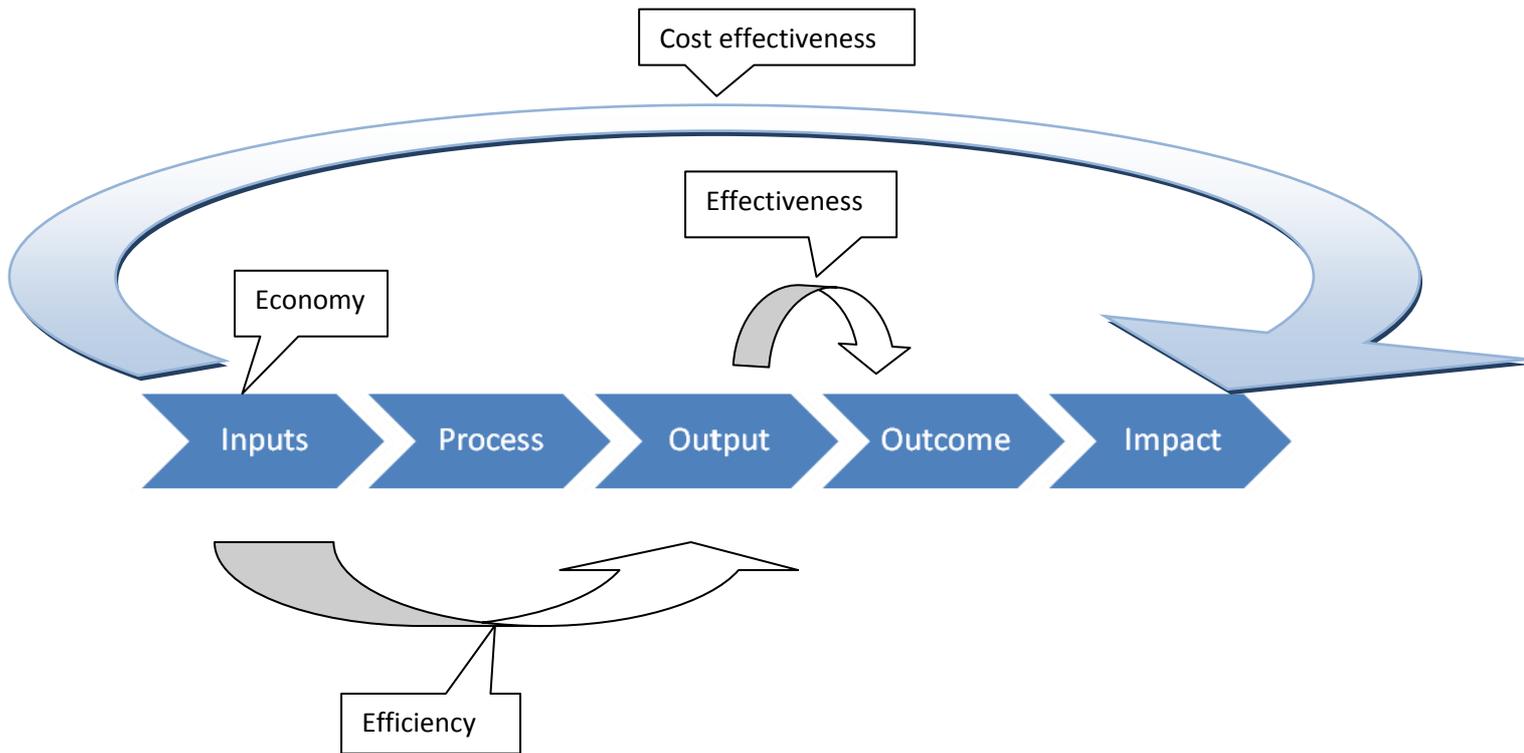




Value for Money Review



GOVERNMENT LANDLORD HOUSING

Overall Opinion:

INADEQUATE

Management arrangements are not currently considered to be conducive to achieving Value For Money.
(September 2013)

Executive Summary

1.1 The Annual Audit Plan for 2012/13 originally included a value for money review of Government Landlord Housing (GLH). Shortly after commencing this review SHG appointed a Housing Executive, charged with the creation of a properly managed social housing function with key deliverables closely mirroring the scope of the intended VFM study. These were:

- (a) Maintenance of the Housing Stock (Repairs and Planned Maintenance);
- (b) Tenancy and Estate Management (including Lettings and allocations);
- (c) Income collection.

1.2 These services are currently fragmented in different departments of government. One of the tasks of the Housing Executive is to bring these together in order to create a professional housing service, which will provide the basis for a community based housing organisation (Housing Strategy pages 5 and 6).

1.3 After arriving in November 2012, the Housing Executive conducted a base line study of GLH and in January 2013, brought to the attention of the Health and Social Welfare Committee, a Housing Board Improvement Plan containing recommendations to address areas needing improvement.

1.4 Considering the content, timing and on-going nature of this work there is little benefit to duplicating the efforts of the Housing Executive and repeating many if not all of the recommendations contained within his reports at this time. We have noted additional issues around income collection practice and void turnaround processes (re-letting of vacated houses).

1.5 To assist an understanding of our current opinion, please refer to:

- Appendix A - Provisional estimated costs and results of the service;
- Appendix B - Government Landlord Housing: A Baseline Study (revised August 2013). The Housing Executive has been working with relevant officials to make improvements in line with the original recommendations in the Housing Board Improvement Plan. This presents an up to date position statement;
- Appendix C – Original recommendations of the January 2013 base study, with progress to date commentary; and
- Appendix D - Draft 15 year planned maintenance programme.

1.6 Based on the issues included within the base study, subsequent review and our own preliminary work in this area, we can say:

- Management of the GLH function is carried out across three directorates, contributing to the uneconomic allocation of available resources, delay and inefficiency.
- Policies and standards lacked clarity or are absent, contributing to poor customer service, variable outputs and inequitable outcomes.
- The full cost of the service can only be estimated at this time. Results suggest the service requires an untargeted subsidy to operate and therefore is not currently cost effective.

- Further work is required to determine whether significant levels of arrears are due to 'can't pay' or 'won't pay' but subsequent write offs will increase the cost of the service.

1.7 The Audit Service will defer further consideration of this area to allow for further work, necessary changes and embedding of revised processes. The Audit Service therefore makes no formal recommendations at this time but notes the preliminary recommendations of the Housing Executive included in Appendix C. Target dates and responsibilities have since been set for each of the actions, with some already implemented. Due consideration of these and any subsequent remedial action taken will inform the scope of our review. The date of review will be discussed as part of the Audit Service's planning arrangements in February 2014 and will potentially be included in the 2014/15 VFM plan.

Appendix A

A comparison of the Trading Account with the current cost of the service and projected costs including a cyclical maintenance programme.

Expenditure	Trading Account 2013/14	Estimated current revenue cost of service (2013/14)	Projected full revenue cost of service
	£		£
Housing Executive/ Director		48,000	15,000
Staffing Housing Management Officer		12,000	12,000
Staffing Repairs and Maintenance		10,000	10,000
Staffing Admin		4,000	4,000
Staffing CS Relocation service	6,785	6,785	6,785
Staffing on costs @ 15% (Pensions) (excludes temp. Housing Executive post, DFID funded)		4,900	7,200
Office costs		5,000	5,000
Support services (Accounting)		5,000	5,000
Support services (Legal)		5,000	5,000
Support services (HR)		2,000	2,000
Support services (IT)		5,000	5,000
Support Services (Other)		1,000	1,000
Cyclical maintenance		0	100,000
Repairs (GLH)	123,546	123,546	123,546
Furnishing (CS)	41,000	41,000	41,000
Cleaning (CS contracted out)	15,650	15,650	15,650
Electricity (CS)	880	880	880
Water (CS)	550	550	550
Estate Management (GLH)		0	1,000
Transport	2,675	2,675	2,500
Phones Fax	550	550	550
Subtotal – expenditure (1)	191,636	293,536	363,661
Income			
Rents – GLH assuming 10% void and arrears loss	148,784	148,784	148,784
Rents – CS assuming 10% void loss	130,000	130,000	130,000
DFID funding for Housing Executive (2)		48,000	
Subtotal – income	278,784	326,784	278,784
BALANCE = surplus / (loss)	87,148	(33,248)	(84,877)

Notes:

(1) Excludes depreciation

(2) Cost of Housing Executive including on costs met in full by DFID

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Government Landlord Housing : A Baseline Study (revised August 2013)

1. Repairs and Planned Maintenance

In the baseline study it was clear that the 'required standard' in the tenancy agreement was limited and left too much open to individual interpretation. For example the accommodation must be '*reasonably* fit for human habitation' and for draughts and water tightness 'regard is to be had to the extent that the house falls short of the building regulations'. For the structure and exterior, 'regard is to be had to the age, character and prospective life of the accommodation and the locality'.

Housing Executive update: the new standard below was adopted by the H&SW Committee in January 2013 including an additional standard that 'everybody should have personal space and privacy in their home. We intend to revise the wording slightly to avoid liability where SHG is not at fault, for example in the case of flooding.

St Helena's Minimum Housing Standard

- Everyone should have a self-contained home and not have to go outside for the toilet, kitchen or bathroom
- Every WC should have a wash hand basin
- Everybody should have an adequate supply of safe drinking water
- Every home should have a clean and safe means of disposing of foul water
- Every home should be able to collect, store and remove rainwater
- Every home should be free of damp and safe from flooding
- Every home should have adequate lighting, ventilation and electrical supply
- Everybody should be safe from fire, falls and other risks to their health

In the January study it was clear that service managers had a good understanding of stock condition and life expectancies, with a stock survey expected to be completed in early 2013. At the time it was roughly calculated that over £1.5 million would be needed to be spent on the homes to bring them up to the minimum standard and that no homes at that time met the standard. Initial findings were that:

- 15 homes were not self-contained, with tenants having to cross courtyards to go to the kitchen bathroom or toilet.
- 13 bathrooms were only accessible via a bedroom.

- 35 homes lacked adequate facilities for food preparation, cooking and washing up
- Most kitchens and bathrooms lack tiled floors and have inadequate splashbacks
- 100% of homes have an adequate drinking water supply
- All homes were satisfactory in respect of foul drainage
- 50 homes suffer from serious problems of damp and flooding as a result of poor land drainage
- 15 homes lacked adequately lighting
- All homes lack extractor fans, increasing the prevalence of condensation (but the fear of higher power bills is a reason why tenants do not see this as a priority).
- Every home lacks an adequate electrical system. The number of sockets in many homes is low, resulting in excessive use of extension leads and fire risk.
- 160 homes have asbestos roofs and a smaller proportion have asbestos guttering which is beginning to fail
- Most homes have metal windows which are past their life expectancy and failing
- Few homes have structural problems
- Key health and safety concerns are falls in Jamestown flats and houses at new Ground and RE Yard; gas bottles in flats and houses; an absence of fire doors in flats, aged electrical systems and asbestos roofs.

Housing Executive update:

- *Tenants were consulted on the minimum standard via the Housing Matters newsletter and housing surgeries. There were very few comments, none negative and so the standard has been adopted.*
- *The stock condition survey is now complete and a draft 15 year planned maintenance programme has been drawn up and is included as Appendix D to this report. The programme brings together the backlog repairs which should have been undertaken long before now and those components that will fall into disrepair during the next 15 years. The amount required is estimated to be £6.5 million at today's prices. It will not be necessary to improve every home, although short term health and safety work will be necessary. The homes affected include:*
 - *Homes for which the cost of repairs is higher than their replacement cost*
 - *Homes affected by the Ladder Hill Fort development (including some within the above category)*
 - *Homes purchased by their tenants under a new house sales policy (the actual impact of this is difficult to tell because the number of applications is unknown and because the condition of houses being sold is generally better than the remainder.*
- *Health and safety was an urgent priority ahead of this and a qualified electrician has since drawn up a detailed rewiring and fire precautions programme of work beginning with the flats in Jamestown. The contract is due to be offered out to tender in August. We are including within this work the opportunity for two apprenticeships since there is a shortage of qualified electricians on the Island. Included within this work will be the provision of water heating to each home; one of the most common failings.*
- *Even so, the total cost is higher than first thought and additional problems have emerged, such as the need for work to address land subsidence at Quincey Vale. The only solution we have available to us given the amount of calls upon the current capital programme is to extend the length of time that the work will take. The cost of reroofing may be deferred by the use of a special coating for all asbestos roofs.*

Logistics

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The study highlighted a number of potential improvements to the way work is procured. Bulk purchasing by the government, the option of imported labour where local labour was in short supply and the coordination of work were all proposed.

Housing executive update: it is planned to purchase electrical goods directly in order to benefit from bulk savings. A new and much improved corporate approach to procurement has since been adopted. Apprenticeships already mentioned. The backlog maintenance programme will reflect the coordination of the work; for example undertaking window and roof replacements at the same time to reduce the time that scaffolding is hired and tenants are disturbed. The fact that this work is now programmed rather than responsive makes this possible.

Repairs

The study highlighted weaknesses in the approach to repairs including the reluctance of tenants to report repairs, the landlord's obligations being minimal and vaguely worded; the volume of rechargeable repairs for which invoices are not raised; unclear specifications and variable quality of work. Response rates were nonetheless good. Checks on the condition of homes between lettings (void inspections) were introduced in the last 18 months but in the absence of a minimum lettable standard only covered routine repairs and cosmetic work.

Housing Executive update: the house conditions survey has identified most of the unreported repairs and these have been added to the schedule of backlog repairs. Changes to the landlord obligations will be addressed when the tenancy condition as a whole are reviewed. In other respects little progress has been made, but the recruitment of the Estates Management Advisor (a trained surveyor) and the reorganisation of the service is expected to result in improvements to the service)

Cyclical Maintenance

- The study highlighted the absence of any cyclical maintenance programmes for external damp treatment and electrical and other safety checks.
- *Housing executive update: the proposed long term budget for the service includes a sum of £100,000 for cyclical maintenance.*

Health and safety matters

The study highlighted the absence of a regular programme of electrical safety checks and problems of gas bottles being used in flats and stairways being used to store flammable and obstructive items. While safe if left undisturbed, the majority of homes have asbestos roofs that are beginning to fail.

Housing executive update: see above on the rewiring and fire safety programme. All of the residents of the blocks of flats in Jamestown have been written to and home visits undertaken, resulting in the removal of dangerous and obstructive items from the stairwells. However this is a constantly recurring problem and from August 12th the new Housing Management Officer will be able to spend more time on the estates addressing this problem.

Diversity and accessibility

The study highlighted the limited amount of £2,000 budgeted for adaptations within the GLH budget. It argued for a combined H&SW budget to be available to all, regardless of tenure (and met out of government revenues).

Housing executive update: H&SW now have responsibility for one budget for adaptations work however this remains limited at £15,000 for the whole population. The design brief for new homes now requires them to meet the lifetime homes standard and so be accessible to people with disabilities.

Customer care

The study found that the service is easy to access but that no service standards had been agreed with tenants and little consultation and communication takes place. The language used in a 2011 Tenants Newsletter was unfriendly. Articles beginning with 'you must report', 'you are entirely responsible' and 'you have a duty' are unlikely to generate a spirit of partnership. There is no formal monitoring of satisfaction with the service or elements of it (response, quality) although some informal comments are fed back.

Housing Executive update: the first Housing Matters newsletter was issued in March and there has been quite significant housing coverage in both newspapers and radio stations. The latest version of Housing matters will be issued in August having been delayed by the calling of the General Election. The issue includes feedback from earlier consultations on housing designs, the minimum housing standard and the rent increase. There has been extensive consultation and communications with the tenants of Ladder Hill Fort, as result of the need to vacate the buildings. It also includes, subject to policies being approved for consultation, questions on rent setting and the housing register. Tenants are not used to being consulted on matters of policy and so the response so far has been limited, but it should improve over time.

Value for Money Comment

The study found that there had been no detailed comparison of costs (including government overheads) but that anecdotally the in house team was believed to offer better value. Tendering was used for larger jobs. A high proportion of repairs are emergencies, which add to the overall cost of the service. There is dissatisfaction with the quality and reliability of locally supplied components. This has not been taken up with the suppliers. Most operatives are multi-skilled and so this should reduce the number of calls it takes to complete a job, but other jobs are not identified and dealt with at the same time. There is a practice for the landlord to supply paint for interior decoration by the tenant every three years. It is not clear how valuable tenants find this and no checks are made regarding the actual use of the paint. This is costing thousands of pounds in paint and administration.

Housing Executive update; there has been little progress to date on these matters although the practice of offering free paint has ceased. A planned maintenance programme will reduce the need for responsive repairs but this will not have a significant impact until the backlog programme is completed.

2. Tenancy and Estate Management

The study concluded that effective sign up arrangements were in place but the housing register and allocations policy was outdated. Most tenancy conditions are reasonable and up to date, but some appear unfair or paternalistic and a variety of tenancy agreements exist, making it confusing. There is a preference to offer sole tenancies to one partner in a relationship. Where tenants go 'off island' they are allowed to retain their tenancy for up to two years after which it is repossessed. Staff struggles to enforce other conditions with part of the problem being that the cost of enforcement is met by tenants as a whole rather than recharged to the tenant in breach. There appeared to be a history of warnings not being followed through and a reluctance of the Court to grant suspended possession orders (or the Saint Helena equivalent) as a final resort. The study concluded that estates are frequently untidy

Housing Executive update: a new allocations policy is ready for consideration by the new government. It makes sense to develop a new tenancy agreement once a decision has been made on a community based housing organization, in partnership with the shadow board that will oversee its creation. A number of breaches of tenancy have been resolved satisfactorily such as car repairs activities, but the service is a reactive and slow one. The new housing management officer will be responsible for taking a more proactive and speedier response, but it needs to be stressed that some problems need addressing for all tenures – abandoned or broken down cars are not only found in GLH properties.

Customer care

The study found that the estate management service is easy to contact with home visits the norm but that regular estate walkabouts are not used to identify and address hot spots of litter and abandoned cars. Effective working arrangements appeared to be in place to provide support for vulnerable tenants. There did not appear to have been any consultation on the tenancy conditions, nor a plain language handbook to explain what their rights and obligations are. Service standards have not been agreed for estate and tenancy management and satisfaction levels are not monitored.

Housing Executive update: as above.

Value for Money Comment

Little staff time is devoted to tenancy and estate management. This lack of attention is reflected in the poor appearance of estates. This does not represent value for money.

Housing Executive update: as above.

3. Income collection

The study found that there was no clear rent setting policy that the level of arrears was high and the approach to arrears recovery was poor. The amount of written and face to face contact with tenants was limited and there was a long history of not tackling arrears until it is too late in the day. There was an unwillingness to take court action because the Courts have never granted possession in the past and there is a perception that GLH would have to provide alternative accommodation to those evicted. Responsibility for arrears was fragmented and no incentives are offered to good payers. There is no money advice service on the Island. There is a range of ways in which the rent may be

paid, but there are no service standards in place for the service, no consultation takes place over rent increases and there is no recording of satisfaction with the service.

Housing Executive update:

- *A rent increase of £1 a week was approved in February for introduction in July. This has now happened. A report on financing the housing service has been drafted which sets out a policy for the next three years with the objective of establishing long term viability for the service.*
- *Rent arrears remain a cause of concern, with the level of arrears continuing to increase. Advice has been given to the Finance team on how to tackle arrears effectively – early intervention, regular written and face to face contact, money advice and further action dependent upon the causes. Monthly arrears reports have been produced since January but it can be up to seven weeks since payments were missed by the time the report is produced. By the time contact has been made with the tenant it can be at least eight weeks, which compares poorly with UK practice when contact is made after two missed payments by means of automated letters and phone calls. There are also concerns over the accuracy and comparability of arrears information. The Accountancy service has made changes to the IT system to help improve both the speed of reporting and the accuracy of information and this will be monitored.*
- *Responsibility remains fragmented, with the Financial Regulations requiring that Finance staff deal with arrears of over four weeks and all written contact. Changes to the Regulations have been proposed by the Housing Executive, especially in view of the fact that there will be a Housing Management Officer in post in August and because it is normal UK practice for rent arrears to be managed by the landlord service.*
- *Finance Officers do not undertake home visits but a more systematic approach to sending out letters was introduced in June.*
- *The Welfare Benefits system is in need of reform because of the pace with which financial help is withdrawn from those on low incomes, making it impossible for some to pay the bills. Concerns about this were expressed to Professor Sainsbury but this does not come within the scope of his review. As a result the report on financing the housing service (from which the figures in the appendix originate) makes some proposals which would help those in low paid employment who do not currently receive assistance. There remain no money advice services but housing advice visits have been made by the Housing Executive to tenants most at risk of eviction.*

Summary of recommendations

(Approved by Health and Social Welfare Committee in January 2013)

To bring the Repairs and Maintenance service up to a new minimum St Helena standard:

- Introducing a new definition of the required standard, bring all homes up to this standard by 2015 or if uneconomic to do so, giving priority to the current occupants to transfers into new or existing vacancies
(New standard adopted but changes to capital programme mean that a 2018 deadline is more realistic; transfers policy due for adoption this year. Responsibilities: backlog repairs: BM; transfers: HE)
- Applying the new standard to vacated homes before re-letting them
(Implement once backlog repairs completed. Responsibility: HE)
- Using the tenants newsletter to inform tenants of the standard and encourage them to report repairs
(Implemented)
- Agreeing deadlines and categories for emergency and routine work and monitor performance and consult on the need for appointments
(Target date: April 2014; Responsibility:-:HE)
- Undertaking sample surveys of satisfaction with repairs and maintenance work
(Target date : April 2014; Responsibility:-:BM)
- Introducing a planned maintenance programme and cyclical painting programme
(Target date : Subject to refinancing of housing service; Responsibility: BM)
- Undertaking annual safety checks at which time any safety work and additional repairs may be logged
(Target date: April 2014; Responsibility:-:HE)
- Broadening the scope of the H&SW adaptations budget to include work to GLH homes
(Implemented)
- Entering into a 1-3 year contract for supplies with a local supplier replacing the specification of the most commonly failing components with improved spec
(Target date April 2015: Responsibility: BM)
- Assessing the effectiveness of the supply of paint to tenants and if unproven reallocating the budget to cyclical painting
(see an initial action under income collection) (Implemented)
- Bringing the management and maintenance of the sheltered housing stock into GLH management in order to move towards a more viable number of properties.
(Quincey Vale implemented; others by April 2015. Responsibility:-: HE)

To bring the Tenancy and Estate Management service up to a new minimum St Helena standard:

- Revising the lettings policy to give priority to people with a local connection who cannot afford any form of home ownership or private rented home
(Target date: August 2013; Responsibility:- HE)
- Revising the tenancy agreement, removing outdated clauses and introducing new ones including the recharging for work to improve the appearance of estates
(Target date: April 2015; Responsibility:- HE)
- Ensuring that Court action, while a last resort, is more likely to result in suspended possession orders
(Target date: April 2014; Responsibility: HE)
- Evicting a (very) small number of those who persistently fail to comply with their tenancy conditions and who are under occupying
(Target date: April 2014; Responsibility:- HE)
- Introducing a tenants handbook to advise briefly and in plain language what to expect, what the obligations are and where to get impartial and confidential advice
(Target date : April 2015; Responsibility:-HE)
- Introducing service standards for tackling anti-social behaviour and breaches of tenancy conditions and service provision
(Target date: April 2015; Responsibility:- HE)
- Undertaking a bi-annual in-house anonymised satisfaction survey, beginning with a first survey in early 2013 to check some of the above findings
(Target date: April 2014; Responsibility:- HE)
- Membership of a tenants forum or tenant representation on task groups for repairs and estate management
- (Target date : April 2015; Responsibility:-HE) Consider the use of introductory tenancies for households that have been evicted
(Target date: April 2015; Responsibility:- HE)

To bring the Income Collection service up to a new minimum St Helena standard I would recommend that:

- A new rent setting policy which aims to cover the revenue costs of the service while ensuring that rents remain affordable. Charges and benefits based upon bedroom occupancy could be introduced once there is a better fit of homes to household sizes.
(Target date : August 2014; Responsibility:-HE)
- 2013/14 rent increase of 10% (equivalent of arrears figure) if the new policy cannot be adopted ahead of this – the longer that rents fall behind the more difficult it will be to catch up.
(Implemented from July 2013)
- Offering incentives for clear accounts (such as priority transfers) and low cost methods of payment such as direct debit
(Target date: April 2015; Responsibility:-HE)
- Ceasing providing free paint to tenants who owe more than one month of arrears
(implemented)
- Offering a pound for pound matching of any reductions in rent arrears up to the value of paint those tenants would have received
(Eclipsed by the decision to cease providing free paint)

- Considering writing off long standing arrears where there has been a sustained effort to reduce them and where there were extenuating circumstances such as hospital admissions which created the debt
(Implemented)
- Campaigning to encourage 'everyone to pay for their room'
(Target date: April 2014; Responsibility-: HE)
- Funding a debt advice service or training a finance officer to provide this as part of their job
(Housing OfficerTarget date: April 2015; Responsibility-??:)
- Liaising with the Courts service to ensure that legal action, while a last resort, is more likely to result in suspended possession orders
(Target date: April 2014; Responsibility-FS:)
- Obtaining suspended possession orders for all arrears over £1,000 if they continue to increase
(Target date: April 2014; Responsibility-FS :)
- Evicting a (very) small number of those who fail to reduce their debt and who are under occupying – and rehousing into smaller accommodation subject to an agreement to use the reduction in rent to pay towards the former arrears
(Target date: April 2014; Responsibility-HE)

Appendix D

A 15 Year Planned Maintenance Programme (Summary)

ELEMENT		TOTAL
External	Roofs	£1,068,500
	RWG	£175,850
	Chimneys	£2,300
	Joinery	£57,500
	Walls	£793,250
	Doors	£50,500
	Windows	£283,050
	Decorations	£2,840,500
Internal	Ceilings	£2,000
	Walls	£0
	Floors	£205,000
	Doors	£20,000
	Stairs	£1,500
	Kitchen Fittings	£78,000
Services	Water supply	£0
	Electricity	£546,800
	Plumbing	£77,750
	Water Heating	£52,000
	Internal Drainage	£0
	Sanitary Fittings	£25,700
Site	Drainage	£97,300
	Garage	£0
	Outbuildings	£5,550
	External Areas	£48,500
	Walls and fences	£53,000
Common Parts	Ceilings/soffits	£1,500
	Walls	£0
	Floors/landings	£0
	Stairs	£0
	Joinery	£26,500
	Decorations	£51,000
	Electrical Installation	£18,500
		<u>£6,582,050</u>