

# East Ayrshire Council

**Review of the Housing Asset Service**  
**A joint report by Audit Scotland and the Scottish Housing Regulator**

September 2011



THE SCOTTISH  
HOUSING  
REGULATOR

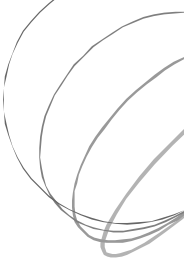


AUDIT SCOTLAND

# East Ayrshire Council

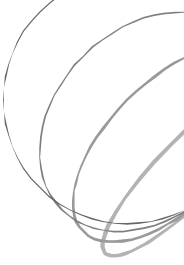
**Review of the Housing Asset Service**  
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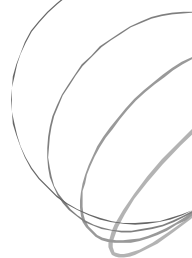
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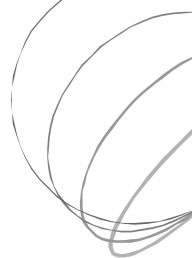
# Introduction

1. The publication of the Crerar report in 2007 prompted the Scottish Government to develop a 'simplified and more coherent approach to local government scrutiny', as part of its wider approach to improving the arrangements for the external scrutiny of public services. In practical terms the development of a 'shared risk assessment' approach, involving input from all main council inspectorates, is how the concept of scrutiny rationalisation is being delivered at a local level.
2. Following the shared risk assessment undertaken during the year 2009/10, the Council's repair and maintenance service was identified as an area of risk. The risks identified related primarily to governance arrangements, the robustness of performance information and the risk of failure to achieve a best value service to tenants.
3. As a consequence, it was determined that a review of the service would be carried out, jointly between the Scottish Housing Regulator (SHR) and Audit Scotland.
4. This report summarises the findings from our review and, where appropriate, makes recommendations to strengthen existing controls or otherwise address identified weaknesses. It should be noted that the weaknesses recorded are only those which came to our attention during the course of our work and are not necessarily, therefore, all of the weaknesses that may exist.
5. The factual content of this report has been agreed in discussion with the appropriate officers of the Council.
6. The co-operation and assistance afforded to us during the review is gratefully acknowledged.

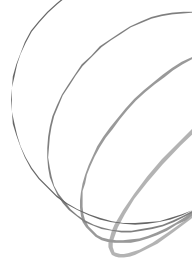


# Background

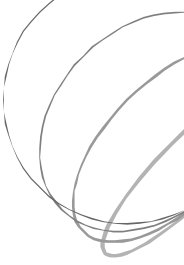
7. East Ayrshire covers an area of around 490 square miles in the south west of Scotland, bordered by five other local authorities. The population of the Council area is around 120,000, with 37% of the population living in the main population centre, Kilmarnock. A further 46% of the population live in 14 smaller settlements, the largest of which is Cumnock with a population of around 9,500. East Ayrshire Council is the largest provider of social housing in the area and houses around 25% of the population.
8. As at 31 March 2011 the Council had a stock of 12,927 council dwellings valued at some £414 million. As landlord, the Council has statutory repair obligations and during 2010/11 it spent some £13.324 million in the repair and maintenance of its council housing stock. In addition, the Council is required to meet the Scottish Quality Housing Standard (SQHS) by 2015. This entails a considerable capital investment in the housing stock and a significant proportion of the SQHS work is being done by the in-house provider.
9. The Council has historically delivered the bulk of its repairs service through its own Building and Works Service, initially as a direct labour organisation and then a statutory trading organisation.
10. SHR inspected East Ayrshire Council's Housing Services in 2007 and found that the Council was aware it needed to improve its responsive repairs service as its reported performance was poor. It had begun a "Repairs Experiment" which showed early indications of improving performance and it had weaknesses in the way it recorded, verified and monitored its responsive repairs performance.
11. After an extended period of review a report (*Cross Cutting Best Value Service Review of East Ayrshire Council's Property Maintenance Arrangements*) was submitted to cabinet in July 2008. The report recommended a radical restructure of the Council's property maintenance service. This report was scathing in its assessment of the Building and Works Service's performance. Cabinet decided that the maintenance of council housing was to be retained in-house and placed directly under the control of Housing Services and that public buildings maintenance was to be contracted out to a private sector provider.



12. That report was overshadowed by events flowing from a number of serious allegations, made during September 2008, concerning the operation of the Building and Works Service. A wide ranging and thorough investigation was undertaken by the Council's Monitoring Officer.
13. The Monitoring Officer presented a detailed report on the investigation to both the Cabinet and the Governance and Scrutiny Committee in June 2009. The report described a widespread culture of poor management, poor governance, abuse of trust, poor working practices, misuse of council equipment, facilities and materials and poor value for money. The report indicated that individual and collective management failure contributed to the creation of an environment which saw abuses become systemic.
14. In Audit Scotland's report to members in October 2009 it was acknowledged that the investigation had been conducted in a robust and critical manner and that the Council had taken uncompromising action to address the issues identified. The report to members also expressed the view that the absence of appropriately benchmarked performance information contributed to the failure by management to detect and deal with internal control, cost and productivity issues.
15. The Council embarked on a series of improvement actions while its investigation was still live and later formalised these into an 'improvement agenda'. The improvement agenda set out 14 high level improvement topics, underpinned by 34 specific improvement actions around governance, performance management, people management and the termination of the Building and Works Service as an autonomous trading organisation.
16. The Building and Works Service was merged with the Housing Service on 1 April 2010. The section of Housing Services which now delivers the Council's direct repairs service in respect of council dwellings is called the Housing Asset Service (HAS).
17. A contract for the maintenance work on other council buildings was let to a private sector provider as of October 2009. The repair and maintenance of the Council's other buildings was not considered as part of this review.



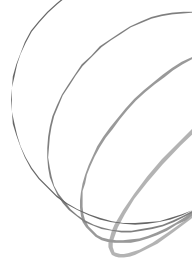
18. At its meeting of 18 June 2010 the Governance and Scrutiny Committee received a report, entitled “Building & Works Improvement Agenda”, indicating that the improvement actions had been completed. However, further work remained to be done to fully implement some aspects of the work underlying the improvement agenda. That work is scheduled for completion by 31 December 2012. A HAS year 1 operations progress report will be presented to Governance and Scrutiny Committee on the 23 September 2011, providing an update of current progress against the action plan.



# Objectives

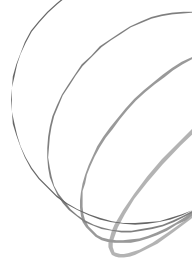
19. The objectives of this review were as follows:

- Assess progress on improvement to corporate governance and control.
- Assess whether performance information is reliable.
- Assess whether performance is effectively monitored.
- Identify any areas where further improvements could be made.



# Key Messages

20. The Council is making sound progress in delivering improvements to its responsive repairs service and its reported performance has improved. It has made good progress over the past two years in establishing a best value oriented housing repairs and maintenance service. The changes the Council is working through are challenging and it acknowledges that it remains a work in progress and that further improvements are planned.
21. Our review identified a number of areas which would merit further definition and development:
- The preparation of augmented HAS specific business objectives.
  - An enhanced range of information to members to support them in the performance of their key governance role and allow them to better monitor the quality of service being delivered to tenants.
  - Enhancement of scorecard information for senior management to enable them to track a wider variety of key metrics.
  - Formalisation of training on cultural and behavioural aspects of the job.
  - Clarification of the definitions of repairs performance indicators to ensure performance information is always reported accurately.
  - Collection and reporting of robust tenant satisfaction information.
  - Introduction of an element of independent assurance of the quality of repairs.
  - Benchmarking of performance and reporting the results.
22. On the basis of the work undertaken we have concluded that, in the main, there are adequate governance arrangements and internal controls operating over the HAS. There are, however, some important areas where improvements could be made to enhance existing arrangements and an action plan to address these potential improvements is included at appendix A.



# Summary of findings

## Governance and control environment

23. The HAS has made good progress over the past two years in establishing a best value oriented housing repairs and maintenance service. The improvement agenda has largely been implemented. A vigorous new management team is in place and the service is making good use of repair diagnosis, job scheduling and vehicle tracking software to drive up efficiency. The service is still developing and the fundamentals are in place and it is well placed to continue to deliver improvements in service to council tenants. Our review did identify a number of areas which would merit further definition and development.

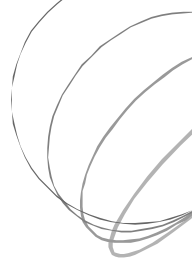
## Strategic planning

24. Strategic planning is a key element in operating a successful business. It is also an important source of information upon which the Council makes best value choices. Currently HAS does not have a single service specific business plan. HAS performs a discrete function within the Housing Service and while its business objectives will be driven by the service planning of the Housing Service we consider that HAS specific business objectives covering the following areas, as a minimum, should be set out in the Housing Service Plan:

- Business objectives
- Financial budgets
- Asset management
- Assumptions and risks
- Workload forecasts
- Workforce planning
- Quality measures
- Financial performance ratios

Some elements of the above are already in place, however, our view is that clearly set out business objectives would bring greater coherence to the HAS planning process.

**Action Plan No 1**



## **Governance and high level monitoring**

25. Members are responsible for setting the HAS's overall direction and objectives and thereafter monitoring the service's performance. Information flowing to Cabinet and the Governance and Scrutiny Committee is limited to what appears in the Finance and Service Strategy report. Without adequate information members cannot satisfactorily perform their key governance role nor can they monitor the quality of service being delivered to tenants. In our view members should be provided with, as a minimum, the following information:

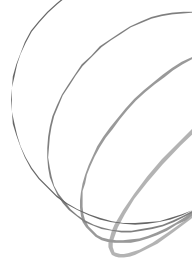
- Performance against business objectives.
- Performance against budget with clear and supportable variance analysis.
- Performance against service quality indicators.
- Performance against best value criteria, for example, benchmarking against comparator organisations.

To avoid the possibility of HAS information being lost among other information, we envisage that HAS performance reports will be clearly presented within the periodic monitoring reports submitted to members.

### **Action Plan No 2**

26. One of the key contributory factors to the governance failure of HAS's predecessor organisation was an over reliance on a single performance measure; the annual surplus. Such one dimensional reporting cannot provide a rounded picture of performance nor can it provide management with an adequate early warning system. The performance information provided on the HAS section of the Neighbourhood Services Scorecard for the Corporate Management Team is limited. There are no indicators of, for example, productivity, fleet usage, tenant satisfaction. There is a risk that the performance information relied upon by senior management is not sufficient to provide a balanced picture of HAS's performance.

### **Action Plan No 3**



## **Training and culture**

27. All staff need to be clear as to what is appropriate conduct and be alert to behaviour which places the Council at risk either through misuse of assets or theft of resources. To militate against the development of a culture where abuse becomes the norm, a systematic programme of training and refreshment needs to be in place to continuously reinforce the Council's expectations, procedures and policies. Management produced a "baseline and assessment" of progress as at 31 March 2011. This indicated that training on, inter alia, key governance documents; the Code of Conduct, Disciplinary Procedure and Whistleblowing Procedure had been provided to all employees. Training records available did not support this assertion. Management, with the assistance of the Human Resource Service, should ensure that a formal training programme is in place for all operatives, that periodic refresher training is scheduled and that adequate records of training are retained.

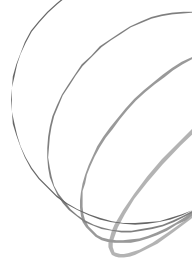
### **Action Plan No 4**

28. A revised code of conduct was issued to all employees in March 2010. This document provided a more service specific set of arrangements than the generic council-wide code. Whilst this revised code of conduct is an improvement on what went before, further enhancement is possible. Three areas could be made explicit:

- Soliciting gifts from third parties.
- Arranging personal deliveries at work.
- The completion of timesheets.

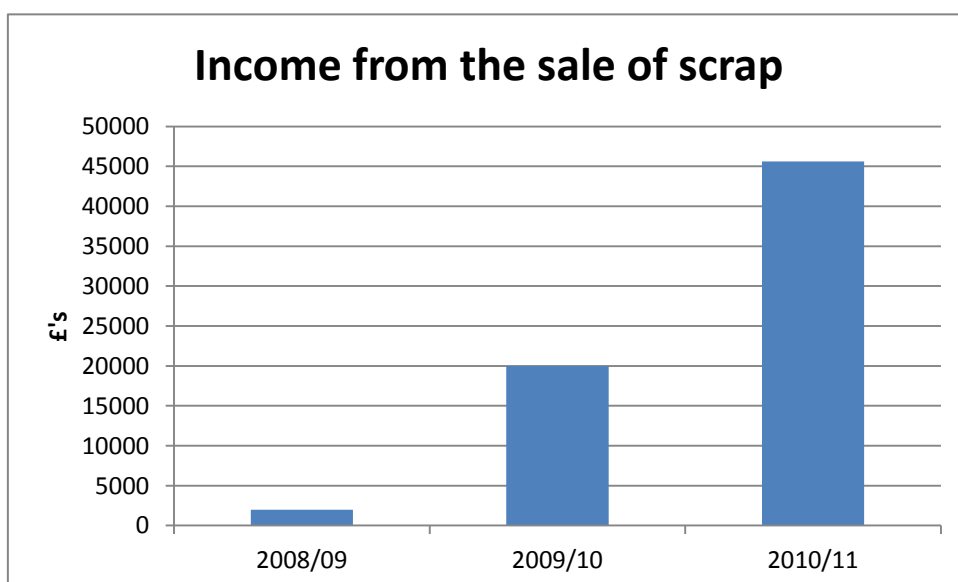
Management should review the Code of Conduct to ensure that, in the light of previous experience, there is no room for ambiguity in what are acceptable practices.

### **Action Plan No 5**



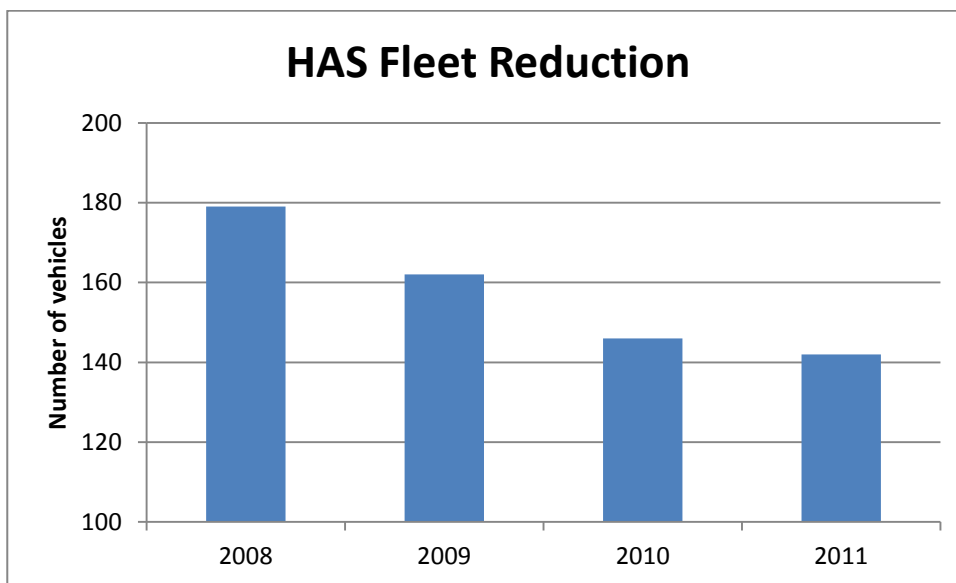
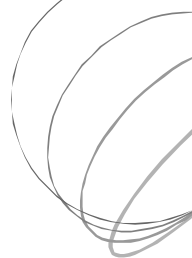
## Other matters

29. Salvage and sale of materials can be a significant source of income to the council. HAS now has written instructions in place on accounting for scrap. The HAS manager advised that, following an exercise to ascertain the financial benefits of recovering salvageable roofing materials, it was decided that there was no financial case to do so. Scrap metal is now the main material systematically salvaged and sold. It is noteworthy that since the new procedures have been in place a considerable increase in the income from scrap metal is being recorded.



During the course of the review we drew attention to one unsatisfactory element of the process for dealing with salvageable material; management moved to rectify this immediately.

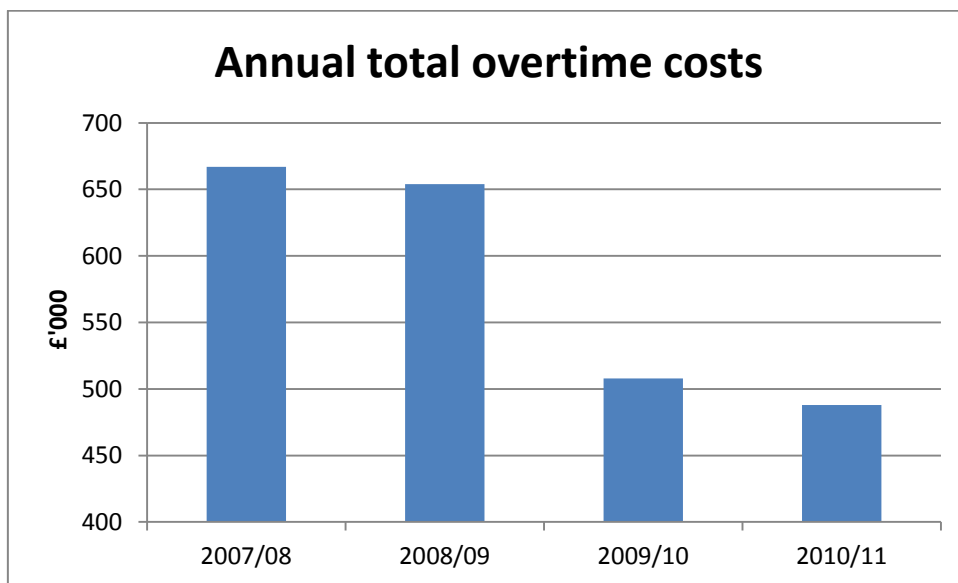
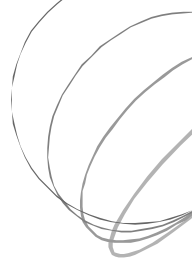
30. In conjunction with the Head of Roads and Transportation, the HAS manager prepared a vehicle fleet rationalisation plan. Over the past three years a significant reduction in the number of vehicles owned or leased by HAS has been achieved. Information drawn from the Masternaut tracking system has contributed to the reduction in the vehicle fleet size. A further reduction in vehicle numbers in the period to 31 December 2012 is expected.



*Note: The chart excludes the transfer of 17 vehicles to HAS from Housing Services in April 2010*

The reduction in the number of vehicles in the operational fleet demonstrates a clear commitment to a leaner organisation. We did, however, note that there are still a considerable number of vehicles taken home overnight. Management confirmed that the number of vehicles being taken home overnight is the minimum number of vehicles necessary to meet current business need. To avoid the risk of any unplanned escalation in the number of vehicles being taken to operatives' homes overnight, management has advised that such vehicles are continually monitored both in terms of numbers and movements.

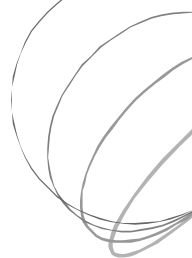
31. In December 2009 the Council's Internal Audit Service reported on the bonus scheme in operation in HAS's predecessor organisation. Essentially, the scheme was found to be not fit for purpose. Following a fall in bonus payments from 2008/09 to 2009/10 bonus earning increased by around £235,000 in 2010/11. Management has advised that this was due to the increased proportion of housing improvement work being carried out by HAS. After lengthy negotiations with the trade union the bonus scheme was bought out, at a cost of some £1.400 million and ceased to be in use from July 2011.
32. Also in December 2009 the Council's Internal Audit Service reported on the controls relating to the payment of overtime. The report included nine recommendations which Internal Audit subsequently reported had all been sufficiently or fully implemented. The chart shows the decline in overtime payments over the last four financial years.



The results of the greater control exercised over overtime payments are encouraging. Following the elimination of the bonus scheme there is a risk that operatives will seek to replace lost bonus through increased overtime working. Management confirmed that overtime payments are, and will continue to be, subject to robust review and follow-up.

## Performance of the responsive repairs service

33. Since 2007, the Council has made positive changes to how it delivers its responsive repairs service. This work continues with an increasing focus on improving customer service, productivity and choice. The Council has introduced an appointment system that enables tenants to choose the morning / afternoon and date of their choice when ordering a repair. It uses an ICT system to manage its scheduling of repairs and we saw that it is continuing to improve its use of this, particularly on increasing its productivity levels.
  
34. The Council uses repairs categories to prioritise repair completion with emergency repairs targeted at 2 hours, urgent repairs at 24 hours and other jobs at 5 working days. It told us that tenants are encouraged to choose an appointment within these times with the opportunity to request a date outside these times if required in non emergency situations.



35. The table below summarises the Council's reported performance in completing response repairs.

EAC	2008/09	2009/10	2010/11
Repairs to Council Dwellings: Overall % of repairs completed within target *	81.5%	86.7%	89.3%
Repairs appointments kept (%)	N/A	96.8%	94.8%
Average end to end time taken to complete a repair from repair logged to completion (days)	N/A	3.4	3.0
First time fix (%)	94.6%	92.7%	93.2%

Source: East Ayrshire Council

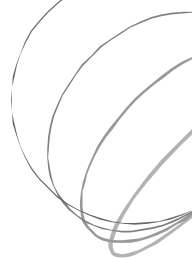
\* Repairs by appointment

36. The Council's reported performance in delivering repairs against its target has improved in each of the last three years. It also reports improved performance in its average end to end time taken to complete a repair and its rate of "first time fixes". Reported performance in appointments kept has remained around 95% between 2009/10 and 2010/11.

37. The Council's reported overall percentage of repairs completed within target figure is not fully accurate. It publicly reports its target as the number of appointments it keeps but its figures include appointments where it did not get access to complete a repair (6%) and also around 7,300 emergency call-out repairs that it completed without an appointment in 2010/ 2011. It reported that it completed 68.1% of these repairs within its target time.

38. We found other areas for improvement in how the Council calculates its reported performance in responsive repairs:

- It does not include the amount of time it takes to complete a pre-inspection in its performance figures. It completed around 600 pre-inspections in 2010/11.
- It reports that around 95% of repairs are fixed on its first visit. It records a repair as a first time fix if it is completed on the first visit and told us that it regards repairs carried



out on a subsidiary repair as not a first fix. However, its figures include a number of “made safe” repairs where the full repair is not completed on the first visit.

- It includes some repairs to empty properties but excludes others.

39. During our review, the Council responded positively to our findings. It agreed the need to fully clarify the definitions of its repairs performance indicators to ensure it collects information consistently and improves the accuracy of its reported performance. As part of its Repairs Experiment, the Council expanded and improved its range of performance measures. It changed the way it measures and calculates its performance, increasingly concentrating on appointments and the overall time to complete a repair and reducing its emphasis on fixed repair category targets. This reflects the Council’s increased focus on its customers and is a positive development.

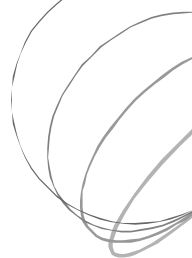
#### **Action Plan No 6**

40. The Council recorded that it post inspected 479 repairs between March and July 2011 and reported that it found no repairs to be of sub-standard quality. Following significant organisational changes, HAS no longer operates in a client and contractor environment. In these circumstances it is important that the Council continues to develop its approach to quality assurance. In response to our findings, the Council agreed to complete proportionate external checks on the quality of its repairs work and to further develop the role of tenants in quality assurance of the repairs service.

#### **Action Plan No 7**

### **Performance monitoring and reporting**

41. We saw that the Council uses a good range of performance reports for HAS and also provides regular performance updates from these to its Housing Services Scorecard. Performance is monitored monthly and improvement actions are outlined when required. It also sets challenging annual improvement targets for its reported performance measures.
42. The Council is currently unable to meaningfully compare any of HAS’s reported performance against other Scottish local authorities because it uses different measures and calculates its performance in a different way. As a result, it does not benchmark its reported responsive repairs performance or outline comparative performance in its performance reports to managers, elected members or to tenants. The Council is reviewing definitions and is



preparing to benchmark with English local authorities who use similar performance measures.

#### **Action Plan No 8**

#### **Customer focus**

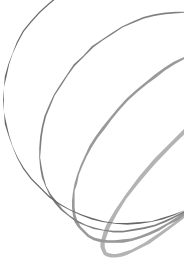
43. The Council provides information on its repairs service to its customers through its website, tenant's pack and repairs charter. This provides much useful information although it does not include up to date information on more recent improvements, such as its appointment service and it also includes information on repairs target times that are different from those it uses in practice. The Council told us that it is currently reviewing its web-based information and it also agreed to update its other customer information material.

#### **Action Plan No 9**

44. The Council uses telephone surveys to collect tenant satisfaction information with its repairs service. It told us that it has been receiving a low level of response to its calls and as a result has not reported tenant satisfaction results collected through this method since 2009/10. It has plans in place to develop new customer survey procedures to coincide with the recent relocation of call centre staff to its Risk Management Centre. The Council plans to introduce Customer Satisfaction Pledge cards in October 2011 which will enable its tenants to post back comments on the service to the Council. During our review, the Council was conducting a large scale tenant satisfaction survey and intends to report the results later in 2011.

#### **Action Plan No 10**

45. The Council consults with the East Ayrshire Tenants and Residents Federation (EATRF) on changes to its repairs service. Members of the Federation that we spoke to told us that the service was improving. Positive views were expressed on the appointment system and the engagement of staff with the Federation. But service quality was considered to be variable and information to tenants was limited. During our review, the Council acknowledged the views of EATRF and confirmed its intentions to continue to improve in the areas identified.



# Conclusion

46. On the basis of the work undertaken we have concluded that, in the main, there are adequate governance arrangements and internal controls operating over the HAS. We have also concluded that the Council continues to make sound progress in improving the performance of its responsive repairs service. There are, however, some important areas where improvements could be made to enhance existing arrangements and an action plan to address these potential improvements is included at appendix A.

# Action plan – Appendix A

No.	Page / Para Ref	Issue & Risk	Responsible Officer	Response & Agreed Action	Action Date
<b>Governance and control environment</b>					
1.	7/24	<p><b>Issue:</b> No service specific business plan in place.</p> <p><b>Risk:</b> Lack of clarity on the service's objectives.</p>	Head of Housing Services	<p>The Council no longer operates any significant trading organisations requiring individual business plans. The Corporate Service Planning process is the Council's agreed strategic planning mechanism, bringing all service plans to Cabinet.</p> <p><b>Agreed Action</b> Housing Asset Services specific business objectives to be set out clearly in Housing Service Plan.</p>	March 2012
2.	8/25	<p><b>Issue:</b> Limited monitoring information provided to members.</p> <p><b>Risk:</b> Without adequate information members cannot satisfactorily perform their key governance role nor can they monitor the quality of service being delivered to tenants.</p>	Head of Housing Services	<p>The agreed Corporate approach to reporting performance to elected members is through the Council's East Ayrshire Performs report, six times per year, with regular standalone performance reports since discontinued.</p> <p><b>Agreed Action</b> Enhanced information on Housing Asset Services performance to be included in East Ayrshire Performs to better support elected members to perform their key governance role.</p>	January 2012

No.	Page / Para Ref	Issue & Risk	Responsible Officer	Response & Agreed Action	Action Date
3.	8/26	<p><b>Issue:</b> The performance information provided on the HAS section of the Neighbourhood Services Scorecard is limited.</p> <p><b>Risk:</b> There is a risk that the performance information relied upon by senior management is not sufficient to provide a balanced picture of HAS's performance.</p>	Head of Housing Services	<p>The recognition of the extent and range of information available within the service is welcomed.</p> <p><b>Agreed Action</b> Enhanced information to be provided through EPMS to support Corporate Management Team monitoring of Housing Asset Services performance.</p>	December 2011
4.	9/27	<p><b>Issue:</b> Lack of clarity on ongoing training on key governance documents; the Code of Conduct, Disciplinary Procedure and Whistleblowing Procedure</p> <p><b>Risk:</b> Training not being refreshed leading to a development of undesirable behaviours.</p>	Head of Housing Services	<p>A wide range of training is routinely delivered on Corporate and Service issues.</p> <p><b>Agreed Action</b> Housing Asset Services Health and Safety Training and Development Plan to include scheduled periodic refresher training for all employees on Code of Conduct, Disciplinary Procedure and Whistleblowing Procedure with all attendances recorded.</p>	October 2011
5.	9/28	<p><b>Issue:</b> Management should review the code of conduct to ensure that, in the light of previous experience, there is no room for ambiguity in what are acceptable practices.</p> <p><b>Risk:</b> Exploitation by operatives of lack of clarity.</p>	Head of Human Resources	<p>The Head of Human Resources keeps the Corporate Code of Conduct under continuous review to ensure there is no room for ambiguity in what are acceptable practices.</p> <p><b>Agreed Action</b> A revised Code of Conduct will be presented to Cabinet for approval.</p>	December 2011

No.	Page / Para Ref	Issue & Risk	Responsible Officer	Response & Agreed Action	Action Date
<b>Performance of the responsive repairs service</b>					
6.	14/39	<p><b>Issue:</b> The Council does not have a single set of definitions for its key performance measures.</p> <p><b>Risk:</b> Lack of clarity and consistency in reporting gives an inaccurate picture of performance.</p>	Head of Housing Services	<p>The comments on Housing Asset Service's performance monitoring and reporting systems are welcomed particularly in relation to the increased focus on customers.</p> <p><b>Agreed Action</b> Definitions for key Housing Asset Services performance measures to be clarified to ensure information is collected consistently and to improve accuracy of reported information.</p>	December 2011
7.	14/40	<p><b>Issue:</b> At present, the Council post inspects its work without any independent external validation.</p> <p><b>Risk:</b> Standard of repairs is not adequately monitored for quality.</p>	Head of Housing Services	<p>The proposal augments existing plans to develop Housing Asset Services quality assurance systems.</p> <p><b>Agreed Action</b> System of proportional external checks on quality of repairs work to be introduced with further development of tenant involvement in quality assurance in the repairs services.</p>	March 2012

No.	Page / Para Ref	Issue & Risk	Responsible Officer	Response & Agreed Action	Action Date
8.	15/42	<p><b>Issue:</b> The Council does not benchmark its performance against external bodies.</p> <p><b>Risk:</b> The Council has no reference to judge its performance.</p>	Head of Housing Services	<p>The reporting format is long established and focuses on the customer. It does not lend itself to traditional benchmarking opportunities.</p> <p><b>Agreed Action</b> New benchmarking arrangements to be introduced with comparative authorities operating similar reporting arrangements.</p>	March 2012
9.	15/43	<p><b>Issue:</b> The Council's website and other publications do not include up to date information on its appointment service and it also includes information on repairs target times that are different from those it uses in practice.</p> <p><b>Risk:</b> Tenants are unclear on the service they can expect. Tenants cannot judge the service provided.</p>	Head of Housing Services	<p>The information provided currently is recognised as being useful to tenants and will continue to be developed to reflect ongoing service improvements.</p> <p><b>Agreed Action</b> All customer information on the repairs service, including Web based information, to be updated to reflect recent service improvements and information on Housing Asset Service performance.</p>	February 2012
10.	15/44	<p><b>Issue:</b> Limited tenant satisfaction information is currently gathered.</p> <p><b>Risk:</b> Management are unaware of performance issues.</p>	Head of Housing Services	<p>A major Tenants Satisfaction Survey has been completed with results due to be confirmed shortly.</p> <p><b>Agreed Action</b> Further enhancements including Customer Satisfaction Pledge Cards and telephone based customer surveys, to be introduced to increase recording and reporting of levels of tenant satisfaction with the repairs service.</p>	December 2011