



Office of the
Deputy Prime Minister

Creating sustainable communities

Evaluation of English Housing Policy 1975–2000

Theme 5
Management
Effectiveness

housing



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January 2005

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REPORT SUMMARY

Objectives

1. Since the 1980s a major thrust of housing policy has been to secure greater efficiency and effectiveness in the management of social housing. A series of policy initiatives, associated with a wider agenda of reform across public services, has been introduced and developed over the period. In broad terms, the objectives have been to stimulate:
 - Higher quality performance at competitive costs
 - Greater responsiveness to service users
 - Innovation or new approaches to service delivery

Key policy instruments

2. For the purposes of the review, policies were considered in three strands: performance and regulation, governance and participation and organisational management and staff development.
3. **Performance and Regulation:** this strand comprises a series of initiatives which aimed principally to raise service quality and cost consciousness among service providers, although each also featured an important customer dimension. There were three very specific policy instruments:
 - Performance indicators
 - Competitive (and voluntary) tendering of housing management services
 - Best Value

Policy instruments also included a number of financial incentives designed to improve performance and, more significantly, a strengthening of the supporting regulatory and inspection regimes.

4. **Governance and participation:** the second strand of policies has emphasised customer orientation. The key policy instruments to achieve greater tenant participation and tenant management were:
 - Legal: successive powers and duties in legislation including the Housing Act 1980, the Housing Act 1988, the Leasehold Reform, Housing and Urban Development Act 1992 and the Local Government Act 2000.
 - Financial support and incentives (e.g. support to PEP and TPAS, Section 16 of the Housing and Planning Act 1986, Estate Action)
 - Guidance: Housing Corporation Performance Standards and the Tenants Guarantee, circulars to local authorities and Tenant Participation Compacts.

5. **Organisational management and staff development:** the third strand comprises a group of policies aimed at changing organisational structures and enhancing management competence. Attempts to influence organisational structures and staff training and education were made through:
 - Recommendations in influential reports: the Audit Commission report of 1986, the governments' white paper (DoE, 1987); Social Exclusion Unit's Policy Action Teams (1999-2001), the Housing Green Paper (DETR, 2000).
 - Financial support to PEP and financial incentives through Estate Action; grants to housing organisations for housing training and bursaries for full-time postgraduate students.

Evaluation

6. In interpreting the evidence for management effectiveness, it is important to bear in mind the changing context for housing management over the past quarter century. In particular, the social housing sector has become increasingly residualised largely – but not entirely – as a result of the Right to Buy. Residualisation has created a sector increasingly dominated by flats and occupied by poorer and more vulnerable tenants.
7. **Performance and regulation:** There has never been a specific official evaluation of housing management CCT. However, there is some evidence that CCT was a significant catalyst for change in the housing service and that few of these gains would have been secured in the absence of compulsion. Some of the most significant changes were to management structures, processes and attitudes. However, smaller rural authorities were exempt from CCT and may have therefore failed to 'benefit' from the disciplines created by CCT.
8. The Best Value regime has been more widely evaluated. Early evidence indicated that authorities found Best Value to be more 'challenging' than anticipated. Researchers concluded that considerable progress had been made in performance comparison, but least progress had been made in relation to procurement, changes to housing strategy and programmes and incorporation of BV principles into existing CCT contracts.
9. The regulatory system for RSLs has had a critical role in setting standards and encouraging associations to perform better. The introduction of formal regulation and inspection for local authority landlords in 2000, combined with the star rating eligibility threshold for ALMO funding has undoubtedly boosted local authority housing service effectiveness towards the upper end of the performance spectrum. Tangible positive outcomes of inspection can also be identified at the other end of the 'league table'. However, there are indications that the current inspection regime downplays economy and efficiency in favour of effectiveness. Many inspection reports may have encouraged landlords to increase expenditure.
10. **Tenant participation and tenant management:** The implementation of tenant involvement in housing management happened slowly, but gradually increased over time, as further policy instruments were developed. Tenant participation is now a mainstream activity in most social landlords and there is widespread tenant involvement in service delivery. The introduction of Tenant Participation Compacts appears to have encouraged authorities to strengthen their tenant participation strategies. There is also some evidence that Best Value has been successful in encouraging landlords to engage

with tenants. The greater emphasis placed on the consumer dimension by the regulatory system may also have had an impact. Nevertheless, several studies suggest there is still considerable scope for improvement in participation practices.

11. TMOs manage only a tiny proportion of the social rented stock and growth has been very slow. This appears to be due partly to a lack of tenant enthusiasm and partly to the reluctance of many landlords. All the studies of tenant management in local authority stock have found that they offered a quality housing service, spent less than local authorities on management and maintenance, but obtained significantly higher levels of tenant satisfaction.
12. **Organisational structures:** There have been a number of studies that have evaluated organisational structures over the past 25 years. While almost all concluded that organisational structure was not the key determinant of good performance, the general consensus is that decentralised, local estate management can deliver improved management and maintenance performance and reduces crime and anti-social behaviour. However, to be effective, estate-based management needed tenant involvement, high quality well-trained staff, sensitive allocations and better partnership working. These increased inputs inevitably imply higher costs and views on whether local management is cost-effective are mixed. There are also mixed views on whether generic or specialist staff are more effective but recent evidence suggests that landlords are increasingly moving towards functional specialisation in areas such as rent collection and repairs ordering.
13. **Improving staff skills and knowledge:** There is evidence that the proportion of qualified staff and the level of training has increased though recent estimates suggest that only 10 per cent of those working in the social rented sector have a professional qualification in housing. It is also likely that a further 10% may have other relevant qualifications. In comparison with other professions, however, the commitment to education and training among housing employers remains low. There has been little assessment of the extent to which training and education impacts on management effectiveness and this area would benefit from further evaluation.

Conclusion

14. The evaluation of management effectiveness is difficult for a number of reasons. First, due to the sequential introduction of policies with similar objectives, few changes in performance can be attributed to one single policy. Second, we cannot determine how landlords would have performed in the absence of any policy change. A third problem stems from the changes in context: it is likely that landlords have had to run harder just to stand still.
15. Nevertheless, the evaluation makes clear that government policy has stimulated a widespread response from landlords. The performance culture is quite well established in many landlord organisations. Numerous changes have been made to organisational structures, systems and processes in an effort to deliver performance improvement and, rather more slowly, to involve tenants in decision making. There is convincing evidence that some landlords have improved performance considerably, particularly in the London boroughs. In contrast, smaller district authorities appear to have made much less progress.

16. Finally, it should be noted that the evaluation of management effectiveness was hampered by the lack of data. One route to establishing this information might be to follow up the 1993 baseline study of housing management. More consistent recording of information collected through the inspection process is an alternative.

1. BACKGROUND TO THE STUDY

- 1.1 Since the 1980s a major thrust of housing policy has been to secure greater efficiency and effectiveness in the management of social housing. A series of policy initiatives, associated with a wider agenda of reform across public services, has been introduced and developed over the period. In broad terms, the objectives have been to stimulate:
- Higher quality performance at competitive costs
 - Greater responsiveness to service users
 - Innovation or new approaches to service delivery
- 1.2 Efforts to reform the organisation and management of public services can be traced back to the 1960s and 1970s. At this time the focus was on central government departments and the civil service, where the concerns were to control public expenditure and establish clearer links between expenditures and outputs. However, the Plowden Report of 1961, the Fulton Report of 1968 and other initiatives such as the Programme Analysis and Review system (PAR), as well as an attempt at corporate planning in local government in the early 1970s were largely regarded as having failed to bring about lasting reform (Metcalf & Richards, 1987). By contrast, initiatives taken by the Thatcher administration, beginning in 1979 with the 'Efficiency Strategy' under Sir Derek Rayner, and the Financial Management Initiative (1982)¹, appear to have had a more lasting impact.
- 1.3 Thatcher's reforms had both political and managerial origins (Walsh, 1995). So-called 'New Right' theorists believed markets were more efficient than traditional public service hierarchies in both the consumption and allocation of resources, and favoured measures to reduce the role of the state, increase the use of market mechanisms and extend consumer choice. Complementing these ideas were those of management consultants and writers such as Peters and Waterman (1983) and Osborne & Gaebler (1992), who stressed the need to listen to customers and 'tighten up' management. Clapham & Satsangi (1992) argued that in the 1980s local authority and consumer organisations '*seized on the ideas and sought to relate them to British local government.*' The ideas were also central to the concept of the Citizen's Charter (1991) which emphasised the service standards, performance levels and redress consumers could expect, and influential in the widespread adoption of quality management techniques across the public sector (see for example, Cabinet Office, 1999).
- 1.4 The themes of value for money, performance measurement and consumerism gradually filtered beyond Whitehall into government agencies, local government, housing associations and other parts of the voluntary sector to form key principles of the evolving performance management systems. In the housing sector, a range of policy measures was taken in pursuit of the general reform objectives. For the purposes of this review, policies have been divided into three strands:

1 Rayner's 'scrutiny' programme aimed to identify and eliminate areas of waste, inefficiency, duplication and overlap (Metcalf & Richards, 1987). It also advanced the need for decentralisation, pushing responsibility down to the level at which costs are incurred, and for improved management information systems. These objectives continued to be pursued under the Financial Management Initiative (FMI) which was launched in 1982 to encourage departments to identify clear links between objectives and outputs and to ensure a critical scrutiny of value for money from government programmes, through the development of better output and performance measures.

- 1.5 **Performance and Regulation:** this strand comprises a series of initiatives which aimed principally to raise service quality and cost consciousness among service providers, although each also featured an important customer dimension. The strand includes three very specific policy instruments:
- Performance indicators
 - Competitive (and voluntary tendering) of housing management services
 - Best Value
 - but also includes
 - The overarching regulatory and inspection regimes, and
 - Other incentives designed to improve performance
- 1.6 **Governance and participation:** the second strand of policies has emphasised customer orientation and can be divided into two broad categories:
- Tenant participation
 - Tenant management
- 1.7 **Organisational management and staff development:** the third strand comprises a further group of policies aimed at changing organisational structures and enhancing management competence. Effected in a number of ways, often through persuasion rather than compulsion, the objectives have been to:
- Encourage decentralised, locally based/neighbourhood management
 - Create ‘comprehensive’ housing departments
 - Separate the strategic and operational roles of housing authorities (e.g. through CCT and the promotion of stock transfer & ALMOs)
 - Promote higher levels of education & training amongst housing professionals
- 1.8 Section 2 gives an account of policy evolution in these areas. In evaluating policy achievements, section 3 seeks to offer an overall assessment of how the range of policies within this theme have impacted on organisational management and performance in key business areas. Where impacts can be attributed to individual policies these are highlighted. Section 4 draws out the main conclusions.

2. Improving Housing Management Effectiveness: The Evolving Policy Agenda

Introduction

- 2.1 This section gives a more detailed account of policy evolution in the areas of performance and regulation, governance and participation and organisational management and staff development. While the main purpose of this is to clarify policy objectives, it also serves to illustrate the cumulative development of policy and thus the difficulty in identifying the specific impacts of individual instruments
- 2.2 Of all the policies examined under this theme, tenant participation has the longest history. With early initiatives focused on difficult to let estates, TP came increasingly to be viewed as a means to improve performance. The majority of other policy developments aimed at improving management effectiveness in social housing have occurred since 1989. Two studies were particularly influential in shaping policy change. In 1986 the Audit Commission revealed what it termed a 'crisis' in the management of council housing. While some of its recommendations referred to the need for physical stock improvements and appropriate funding mechanisms, much of the report was directed at what the Commission observed to be poor practice in both general organisational management and in financial control.
- 2.3 In relation to management and organisation the report proposed a need for:
- Clarification of management roles and responsibilities, including the appointment of a single chief officer
 - Strengthening the quality of top management in difficult or 'stress' areas
 - Enhancing the professional knowledge and management skills of staff and increasing the proportion with housing qualifications
 - Further development of unified housing functions
 - Greater decentralisation and delegation particularly in large authorities
 - A review of staffing levels in estate management and administration against 'good practice' levels (the Commission noted that despite a reduction in stock, expenditure on supervision and management had risen above the rate of inflation)
 - Improving communications with tenants and developing effective consultative procedures (as required at this time by the 1980 Housing Act)
- 2.4 To exercise better financial control, authorities were urged to:
- Minimise the number of empty properties by maintaining up to date waiting lists, more effective lettings procedures, tighter control of repairs, and minimising re-let periods
 - Review the adequacy of rent levels to cover costs, especially repairs

- Improve rent collection rates by addressing collection and arrears recovery methods
 - Clarify central support charges
 - Improve the administration of housing benefit
 - Introduce better management information systems
- 2.5 Optimistic (sic) projections were that such measures could lead to savings of £1billion per year (1984 prices). To assist authorities exercise better management and financial control, the Commission also suggested a number of indicators by which economy, efficiency and effectiveness could be measured.
- 2.6 Subsequent research for the DoE (MacLennan *et al.* 1989) revised and extended the Audit Commission's work, examining management effectiveness in both councils and housing associations. Rather than a pervasive crisis, this report concluded that there were good and poor performers in both sectors and that while higher spending was associated with greater effectiveness, low cost landlords could also be relatively successful. It reinforced a number of the Audit Commission's findings, advocating increased decentralisation, better training and management of staff and greater effort in tenant participation. Noting that *"few landlords had an ethos or operational systems which emphasised economy or efficiency"*, the report recommended that both housing associations and councils be required by government to develop and publish key indicators of performance against targets and that, for associations, performance should be reflected in funding allocations.
- 2.7 These studies were subsequently complemented by the general thrust of the Citizen's Charter (1991) and related service charters, which emphasised the importance of service standards and accountability, and provided key reference points for policy development throughout the first half of the 1990s. Flynn (1997) identified the range of mechanisms through which the Charter principles were to be implemented as *"more privatisation, wider competition, further contracting-out, more performance related pay, published performance targets, publication of information about standards achieved, more effective complaints procedures, tougher and more independent inspectorates, and better redress"*. The Thatcher government considered housing to be one of the weakest elements of public service delivery and, as the following review confirms, sought to apply each of these measures to the social housing sector, in some way. . Since then, the drive to improve and modernise housing services has been constant, with policies once regarded as symbolic of the Conservative Thatcher administration pursued with equal vigour under New Labour.
- 2.8 We now turn to a more detailed account of policy evolution under each strand.

Performance and Regulation

Performance indicators

- 2.9 One of the consequences of the Thatcher government's commitment to improving the efficiency of the public sector was the development and gradual evolution of a wide array of performance indicators (PIs) across the public services, and these were the first tangible manifestation of the emerging performance culture in housing. Both the Audit Commission (as noted above) and the Treasury have encouraged a three-dimensional

assessment of performance using the 'three E's' of economy, efficiency and effectiveness. While economy is concerned with the inputs or resources used to provide a service, efficiency is a measure of the outputs (or throughputs) achieved for a given resource input, often measured in terms of cost per unit or time taken to perform a specified activity. Effectiveness is concerned with how well a programme or activity is achieving its intended results. The argument for the use of indicators in the public sector is that they substitute for the pressures of a market where competition would either force out high cost producers or exert downward pressure on their costs. In the absence of these pressures *'measurement and reporting of efficiency is an essential part of public accountability and needs to be independently validated'* (Flynn, 1997), emphasising the importance of external inspection.

- 2.10 Much of the debate that has surrounded the use of performance indicators stems from a perception that undue emphasis has been given to economy and efficiency (which are generally easier to measure) than to effectiveness. Equally, different indicators may conflict (e.g. an efficient service is not necessarily the most effective) so that judgement is required as to the relative importance of each measure. In other words there can be no universal agreement on what constitutes 'value' (Stewart and Walsh, 1994) leading to concerns that rewards, or indeed sanctions, might be unfairly distributed.
- 2.11 Councils were first required to publish performance indicators by the Local Government and Housing Act 1989. The requirement, detailed in the Reports to Tenants etc. Determination 1990, was that tenants be provided with information on the performance of their landlord in a number of key areas, including rent collection, repairs and allocations. This system was soon supplemented, under the Local Government Act of 1992, by additional PIs to be published annually under the wider Citizen's Charter statutory performance indicators framework. Under this system the PIs for housing, as for other areas of local authority activity, were determined and published by the Audit Commission annually between 1993/94 and 2000/01. The Commission anticipated that the initiative would become *"increasingly effective in informing the public, and in helping councillors and local authority managers identify the need to improve performance and deliver those improvements"* (Vevers, 1995).
- 2.12 Following the introduction of Best Value a new set of Best Value Performance Indicators (BVPs) was devised in 2000/01, replacing the statutory PIs which have now ceased to be collected. The requirement for LAs to produce an annual report to tenants – informed by specified PIs – was dropped when Best Value was introduced. This is considered by the Audit Commission to have been a retrograde step and the Housing Inspectorate encourages authorities to produce such reports as *'good practice'*.
- 2.13 Parallel developments took place in the RSL sector. Since 1991 housing associations have been required to supply certain performance information in annual returns to the Corporation. In addition, a 1991 Circular extended the Tenants' Guarantee giving tenants a right to request certain performance information. At a minimum, this was to include details of rents charged, success in collecting rents, repairs times, re-let intervals and voids. For associations, PIs were introduced in the wake of the new financial regime which not only brought lenders into the frame as far as accountability was concerned, but also expected tighter cost control. These changes were reflected in the Corporation's early objectives for PIs which were:

"To improve the accountability of associations by informing tenants, lenders, local authorities and the corporation of the relative performance of each association"

To provide information to help management committees and staff manage their businesses more efficiently and effectively” (Jarman, 1995).

- 2.14 PIs remain an important tool in “*measuring the continuous improvement required in key areas*” of RSL business, and also play major roles in both the regulatory regime and in funding decisions (Housing Corporation, 2002a).
- 2.15 Performance indicators have evolved separately for councils and RSLs, and there have been frequent changes to definitions as well as additions and deletions to the indicators themselves. The institutional split between the two regimes has tended to frustrate the ambitions of policymakers aspiring to bring about cross-sector convergence (to promote HA/LA comparability) and/or to achieve year on year stability within the regimes (to facilitate the measurement of trends over time). This means that there are problems in both inter- and intra-sectoral comparisons. However, a new framework of 22 RSL PIs was introduced in 2000/2001, which allowed for some direct comparisons with local authorities.
- 2.16 Even if indicators are defined consistently, a number of factors can still complicate comparison between landlords. In seeking to identify the key determinants of housing management costs a number of studies (e.g. Maclennan *et al.*, 1989; Price Waterhouse, 1992; Kleinman *et al.*, 1992; Arthur Anderson/Centre for Urban and Regional Studies, 1999) have examined the nature of the housing management task. The general conclusion reached is that while a core group of services can generally be regarded as part of the housing management service², other services may or may not be included. “*As a result*”, Arthur Andersen concluded, “*the development of a universally agreed, comprehensive, detailed and unambiguous definition of housing management is extremely difficult and unlikely to be wholly achievable.*” Andrews (1998) distinguished between core services, which were provided to all tenants and funded from rental income and ‘added value’ services, which were provided some tenants and also to non-tenants and funded from a variety of sources. However, she noted that there was no consistent pattern in landlords’ views. Housing management costs are unlikely therefore to be attributable to the same set of activities across all landlords.
- 2.17 A further difficulty stems from accounting practice. While common principles are encouraged by the ODPM (for example, through the HRA ring-fencing regime) and guidance is provided by CIPFA, “*a wide range of different accounting practices are in practice used by local authorities to account for housing management. Individually these differences are often not material but in aggregate they can make significant differences to the recorded cost of housing management*” (Arthur Andersen *et al.*, 1999).
- 2.18 A third issue in comparison results from the different contexts in which landlords operate and this is discussed further in Section 3. It is now widely accepted that these three factors complicate, but do not invalidate, service cost and performance comparison across landlords. Indeed landlords have been encouraged to use PIs as a basis for benchmarking performance against others, including both ‘best in class’ (e.g. top quartile) and out-of-sector comparators. One of the main benefits claimed for PIs is that they act as ‘can-openers’, alerting managers to potentially problematic areas and encouraging investigation of the underlying causes. At the individual landlord level,

2 Arthur Andersen *et al.* (1999) defined core housing management activities as: void control, rent collection, rent arrears recovery, rent accounting, responsive repairs, cyclical repairs, major repairs, estates management, tenancy management and tenant participation.

PIs can also act as ‘meters’, allowing progress (or deterioration) in performance to be monitored over time. The use of indicators in this way is an important element in encouraging ‘continuous improvement’ in service delivery under the best value system, discussed further below.

Contracting Out: Voluntary and Compulsory Competitive Tendering (CCT)

- 2.19 The extent to which social landlords voluntarily contract out aspects of their housing management service is not routinely monitored. Prior to the introduction of CCT, however, a baseline study of housing management (Bines *et al.*, 1993) revealed that the practice of contracting out was not widespread amongst local authorities though was more common amongst housing associations, usually due to their smaller scale and housing-only focus. Only 11% of councils contracted out any services entirely to outside organisations. Services most likely to be contracted out were the DLO (repairs) (13%) and computing services (12%) (see Table 1). In contrast, 57% of associations did not employ a DLO. In addition, just under half the associations surveyed (48%) used an outside agency to provide or assist with the provision of one or more other functions, the most significant being training, the management of special needs dwellings, and computer services. Generally, smaller associations were more likely to use external agencies than larger associations.

Table 1: Contracting out by local authorities, 1992

Function	% of LAs
Direct Labour Organisation	13
Computer services	12
Management of short term accommodation for homeless	5
Housing aid and advice	2
Welfare rights	2
Arrears recovery from former tenants	1
Post inspection of repairs	1
Management of special needs dwellings	1
Training	1
(Base)	(273)
Source: Bines <i>et al.</i> , 1993 Table 4.3	
Note: data for HAs not available in comparable format	

- 2.20 The compulsory tendering of housing management services was to apply only to councils. In line with the then Conservative government’s philosophy, it was seen as a means of raising service levels and improving value for money by exposing public services to competition. CCT was first introduced to local government services under the 1980 Local Government Planning & Land Act in the areas of highway and building construction and maintenance, and meant that these services could be provided by local authority DLOs or DSOs only if won in open competition. It was later extended to further blue-collar services, such as refuse collection, under the Local Government Act 1988. This Act worked by specifying ‘defined activities’, allowing further services to be added through secondary legislation. The Citizen’s Charter (1991) signalled the

Government's intention to add a wide range of local authority professional or 'white collar' services to the list of defined activities:

"Local authorities have historically seen the direct provision of services as one of their major tasks... now is the time for a new approach. The real task for authorities lies in setting priorities, determining standards of service...and finding the best ways of meeting them... we are convinced that the widest possible application of competition will benefit the local taxpayer and consumer of services alike"

(Cmnd 1599, 1991)

- 2.21 Justifying the addition of housing management to the list of defined activities (under the Local Government Act of 1992), the government noted that while *"council housing in England is big business...the performance of many (authorities) leaves much to be desired"* and that *"tenants suffer as a result"*. In particular it drew attention to poor performance in rent collection, re-letting of empty properties and in the time taken to carry out repairs and to pay housing benefit to tenants. The government also pointed to wide variations in the cost of housing management even among authorities of comparable size and type, and observed that the numbers of non-manual staff employed by housing authorities had risen by over 50% over the previous decade. In short there was *"scope for greater efficiency and cost-saving in many authorities"* which could be achieved by forcing authorities to examine their performance and to break down *"entrenched monopolies"* (DoE, 1992).
- 2.22 CCT was not, however, seen as an isolated initiative but as complementary to other recent reforms aimed at raising management performance. The consultation paper drew particular attention to the 'business framework' created through HRA ring-fencing and the introduction of performance indicators, the promotion of integrated and decentralised service provision and the growth of tenant involvement in housing management. None of these developments, the government believed, was compromised by competitive tendering of housing management. On the contrary, it was intended that CCT would give 'added impetus' to them.
- 2.23 In line with the recommendations of Baker *et al.* (1992), full implementation of HMCCT was delayed to allow time for authorities to prepare and for alternative suppliers to gear up, with a phased introduction planned over the three years from April 1996. However, by the time HMCCT had been implemented, it was already clear that should it be elected, the Labour party would overhaul the competition requirements for local government.
- 2.24 Acknowledging the negative aspects of compulsion, Labour had pledged to replace CCT with a less dogmatic regime, claiming that *"what matters is what works"*. Secondary legislation in 1997 made changes to de minimis rules, extended CCT implementation dates and introduced exemptions to allow the piloting of an alternative 'Best Value' approach. Tendering continued as the government did not want a vacuum between the demise of CCT (abolished by the Local Government Act 1999) and the implementation of Best Value from 1 April 2000 (DETR, 1999). The philosophy underpinning Best Value was to emphasise service quality as well as cost, making no *a priori* assumption that out-sourcing was superior to in-house provision. But competitiveness, if not direct competition (Mullins, 2002) remained one of the key principles of Best Value.

Best Value (BV)

- 2.25 Following its manifesto pledge, the new Labour Government moved quickly to implement Best Value as a key component of the ‘modernising local government’ agenda. In terms of general principles, BV differs little from earlier performance improvement initiatives:

‘Best Value will be a duty to deliver services to clear standards – covering both cost and quality – by the most effective, economic and efficient means available’

(DETR, 1998).

- 2.26 However, as well as the greater emphasis on quality, which the government argued had often been neglected under CCT (DETR, 1997), Best Value also applied to a wider range of services than those covered by CCT. For housing, this meant that Best Value applied not just to housing management but encompassed all strategic and enabling functions.

- 2.27 Associated with the wider objectives of democratic renewal and improved service integration, Best Value policy documents stressed the need for responsiveness to ‘local community needs and aspirations’ and for effective partnership working in the planning and delivery of services. CCT had, according to the government, *“bred antagonism, so that neither local authorities nor private sector suppliers (had) been able to realise the benefits that flow from a healthy partnership”* (DETR, 1997). Best Value also continued to promote a need for *“innovation and new approaches to service delivery”*, by drawing on the skills and resources of the private and voluntary sectors, and for *“a culture of comparing with and learning from others in any sector of business”* (DETR, 2000, para 2.11).

- 2.28 At its core Best Value required authorities to undertake ‘fundamental performance reviews’ across all services. In doing so, authorities were encouraged to take a corporate approach and to focus on cross-cutting issues such as community regeneration, requiring review across service areas and organisations. Reviews were expected to address what became known as the ‘4 C’s’ by:

- Challenging both the need for service provision and the manner in which it is provided
- Comparing performance with other service providers
- Consulting service users and the wider community on standards and the scope for service improvement
- ‘Embracing fair competition’ as a means of securing performance improvements

- 2.29 At the outset, reviews were to be undertaken over a 5 year cycle, with the outcomes and future targets set out in an annual Best Value Performance Plan (BVPP). Outcomes were to be reported against both new national performance indicators (BVPIs were introduced from 2000/01) and local targets. Both reviews and their outcomes were to be assessed under a strengthened audit and inspection regime, including a new Housing Inspectorate, a separate arm of the Audit Commission.

- 2.30 Best Value was piloted by 37 councils – 22 of which included a housing dimension – from April 1998. Responses to the new regime are examined in section 3. However it is worth noting here the ambiguity in policy documents over the role of competition in securing best value (Boyne *et al.*, 1999). The DETR's White Paper on Best Value (DETR, 1998) identified six 'tests of competitiveness'. These included full or partial contracting out, joint public-private service provision or outright privatisation, but also suggested that 'competitiveness' could be determined through 'an independent benchmarking report'. This, as Boyne *et al.* (1999) noted, amounted to little more than an extension of the comparability requirement.
- 2.31 Drawing quickly on the early experience of Best Value, proposals for "*a streamlined, proportionate and integrated best value regime*" (ODPM, 2001) formed part of a new system of Comprehensive Performance Assessment (CPA) introduced from April 2002. Under this system, the requirement for 5 yearly reviews was dropped, allowing authorities to "*focus on the areas that present the most serious challenges and biggest opportunities for service improvement*" (ODPM, 2003b).
- 2.32 Although RSLs were not subject to the statutory BV regime, they were expected to embrace' its principles as an extension of the performance standards to which they already worked. Under the aegis of the Corporation and with guidance from the NHF, BV was piloted in the RSL sector in 1998/99 and BV inspection of RSLs came into force in April 2002.

Regulation and Inspection

- 2.33 Despite the encouragement of market mechanisms and market-like behaviour, social housing remains a predominantly non-market system, so that regulatory systems play a powerful if not entirely invisible hand in encouraging landlords to meet specified standards. Originally focused on matters of fiduciary accountability, regulation now spans a wide range of housing activities and stakeholder interests.

Regulation of RSLs

- 2.34 The Housing Corporation's role was extended by the Housing Act of 1974 to include the registration and monitoring of associations that were to receive Housing Association Grant. The monitoring system during this early period comprised only '*some rather primitive financial controls*' (Day, Henderson & Klein, 1993) to ensure that money allocated to associations was being properly spent. The advent of the new financial regime in 1989 brought a step change in regulation to reflect the increased risks and responsibilities that associations had assumed. The system needed to protect both public investment and the interests of tenants by ensuring that associations were not only providing, but also managing, housing as efficiently and effectively as possible. Moreover, it required to minimise the chances of financial failure that could damage associations' reputation and stem the flow of private funding into the sector.
- 2.35 A central component of the new regulatory system was the set of 'Performance Expectations', which set out the standards that housing associations were expected to meet across all functional areas. Originally canvassed as a basis for self-monitoring, these standards became the benchmark against which organisational performance was assessed. Since their introduction in 1989 the standards have been revised several times (evolving most recently into a Regulatory Code in 2002), each time reflecting changes in the regulatory approach, which has itself evolved from 'monitoring' through a much

wider 'performance audit' to 'inspection'. As associations and other RSLs adapted to the demands of the performance culture, the approach gradually became more tailored to give better performers longer intervals between inspections, to reduce the regulatory burden on small organisations, and to rely more on self-assessment and statements of compliance. As well as 'active' inspection visits, the system also depends significantly on the 'passive' assessment of a range of financial, performance and other returns and annual accounts.

- 2.36 The regulatory system has a critical role in setting standards, providing best practice guidance and incentivising landlords to perform better. Key to this are systems of performance assessment associated with a series of rewards and sanctions. RSLs have been graded since the 1980s, initially on the basis of monitoring visits but later through a combination of audit and desk-top reviews. Good performance has been rewarded by reductions in regulatory requirements and to a degree in greater access to funding. Sanctions, on the other hand, include appointments to governing boards, statutory inquiries where mismanagement or misconduct is suspected, and ultimately the possibility of assets being transferred to another social landlord.

Regulation in local authorities

- 2.37 Since its origins in 1983, when its principal role was to secure the external audit of authorities, the Audit Commission's work has expanded significantly, first with the introduction of statutory PIs in 1992 and then with the introduction of Best Value audit in 2000. According to Boyne (2000) the enhanced regulatory system suggested that despite a rather prescriptive performance management framework "*central government seems to lack confidence that these planning processes will in themselves lead to better services*". Perhaps the private sector has provided sufficient evidence to suggest that self-regulation is no guarantee of compliance.
- 2.38 A crucially important extension of the Commission's role came with the establishment of the Housing Inspectorate in 2000. In its conception, the Inspectorate was intended to overcome the limitations of the audit regime previously operated by the Commission. This had been seen as somewhat limited in its scope – tending to focus on economy and efficiency but ill-equipped to pronounce on service standards and quality.
- 2.39 The Inspectorate was initially charged with the role of assessing local authorities' housing performance and compliance with Best Value. Indeed, the Commission's view is that the inspection regime gave teeth to the Best Value regime. To begin with, the Inspectorate's activity was geared to assessing specific aspects of local authority housing services (as defined by LAs themselves) and following up internal Best Value reviews so that the inspection task was focused on both the quality of service provision and the conduct of internal BV reviews. More recently, with the relaxation of the earlier requirement that councils review all services within a five year cycle, the inspectorate's main focus has shifted to the assessment of housing services within the context of the Comprehensive Performance Assessment regime (which covers all council services).
- 2.40 Under the new CPA framework, authorities are assessed as 'excellent', 'good', 'fair' or 'poor', on the basis of their performance across a number of key service areas, including housing. The housing element (as assessed by the Housing Inspectorate) covers three areas: housing management (for authorities retaining their stock) as well as community housing services (such as private sector renewal work, housing advice and homelessness functions) and housing strategy (ODPM, 2003a; Irwin, 2002). Assessments

draw on a range of sources including BV inspection reports, PIs and government plan assessments. One of the main aims of this system is to offer high performing councils greater “*freedoms and flexibilities*”. Following the evolutionary path of the Corporation’s regulatory system, these include a reduction in the burden of regulation so that inspection effort can be focused on those councils that require more support, as well as some financial incentives. The system also includes powers of intervention as a last resort in case of service failure.

- 2.41 In yet a further evolution of the regulatory framework a single inspection scheme, applying to both councils and RSLs, was introduced in April 2003, in an explicit step towards the unification of the social housing sector. The inspection system, designed around the Best Value framework, is managed by the Housing Inspectorate, although the Corporation retains a regulatory role in respect of RSL governance and finance.

Financial controls

HIP allocations

- 2.42 Since 1991, local authorities have experienced a potentially powerful incentive in favour of management effectiveness, not through the regulatory system, but in the form of the government’s Housing Investment Programme (HIP) system for distributing capital spending approvals. Under this framework, 60% of HIP resources (reduced to 50% in 1997 and 30% in 2001) have been allocated according to central government discretion (as implemented by Government Offices for the Regions (GORs). The new system was intended to ‘increase efficiency and effectiveness in the use of scarce public resources’. More specifically, it was envisaged that it would ‘increase...the incentives to authorities to seek or maintain the highest standards, enhance...the rewards to those that succeed, and remove...the sense of a guaranteed level of support’ (DoE, 1992).
- 2.43 The exercise of GOR discretion over HIP allocations has reflected civil servants’ judgements on the ‘housing performance’ of each local authority against a range of published criteria, with each council being annually assigned a rating on a scale of 1-5 (using various terminology such as ‘well above average’, ‘disappointingly poor’ etc). Management effectiveness has formed one of the discretionary criteria and was assessed, in the main, in relation to scores against the statutory performance indicators on matters such as rent arrears and void management. Management PIs were only one among several criteria which have informed overall annual assessments of local authority performance over the last decade (the others encompassing issues such as strategic enabling, tenant involvement, quality of strategy). They have, nevertheless, often been seen as particularly influential in this regard.
- 2.44 Analysis of HIP allocation data, kindly provided by the Association of London Government, shows that, over the 10 years since ‘performance based’ discretionary allocations were introduced, some £133M has been shifted between London boroughs, alone. That is, a total of £133M has been deducted from the needs-related allocations of councils considered to be ‘below average’ performers, and added to those assessed as ‘above average’. This sum amounts to around five per cent of total HIP allocations over the period. However, because of the considerable year on year consistency of the GOR ratings, the cumulative effect on individual councils has been substantial in some instances. For example, Barking & Dagenham, Hackney, Islington and Lambeth have ‘lost’ over £50 million over this period (in relation to their notional needs-related allocations), whilst Croydon, Kensington & Chelsea, Newham and Westminster have ‘gained’ £66M. The extent to which such patterns equate to resource redistribution

loaded in favour of 'better off' localities or whether they are replicated in other regions is not known because the impact of the system has never been formally evaluated.

- 2.45 In practice, the amounts of HIP resources shifted between councils under the 'performance based' discretionary regime have not been wholly consistent with the published GOR assessments of each council's 'performance'. The Association of London Government believes that the system's potency has flowed more from the simple prestige value of attaining a favourable rating from central government rather than from the actual value of resources shifted per se. It is even asserted that this version of the name and shame/name and praise approach (similar to, but more low key than CPA) might have had almost as much influence if there had been no financial component at all. The significance of the competitive HIP regime has declined since 2000, as a new financial framework for English local authorities has partially replaced the (performance-related) HIP allocation with the Major Repairs Allowance (MRA) which is distributed on a purely formulaic basis.

Investment in ALMOs

- 2.46 As the emphasis on HIP allocations declined, the stress on business efficiency has been emphasised under the Best Value system with the introduction of the Arms Length Management Organisation (ALMO) option. 'High, performing' authorities (as assessed under the Housing Inspectorate's star rating system) now have the opportunity to qualify for substantial additional public investment (DETR, 2000). As Alistair McIntosh of the National Federation of ALMOs recently put it:

'To release the cash for improvements, ALMOs and housing departments up and down the country are straining every sinew to pass demanding inspections. There has never been a motivational force in housing like it'

(McIntosh, 2003 p27).

- 2.47 Recent Housemark analysis of performance against statutory PIs confirms that the first generation of ALMOs has tended to achieve higher standards than that recorded by 'parent' local authorities in 2001/02 (Inside Housing 30.9.03). This trend was apparent for rent collection, tenant satisfaction and repairs by appointment. The findings are all the more significant in that they relate to pre-ALMO housing departments which were already rated as among the best in the country. They can be seen as hard evidence of the impact of the performance-based resource allocation framework for ALMOs. Organisations must exceed specified threshold performance targets not only to gain initial access to earmarked funding, but also as a means of retaining access to these resources.

Other financial incentives for improved management effectiveness

- 2.48 In addition to the explicit rewards and sanctions linked to regulation and performance, central government has also been able to refashion finance and subsidy systems in ways that incentivise more efficient operation.
- 2.49 Organisations which can fund higher operating costs through raising charges (e.g. rents) or cross-subsidising their activities from other budgets (e.g. local authority general funds) may be seen as having little incentive to improve efficiency. This logic could be countered by the contention that an organisation experiencing a cut in income (as a consequence of 'inefficient operation') may simply reduce services and run the rest as inefficiently as before. Nevertheless, the argument for limiting the scope for raising rents or cross-subsidy was used by DoE to justify the ring-fencing of local authority housing

revenue accounts (HRAs) in the Local Government and Housing Act 1989 (Malpass, 1990). Similar reasoning underpinned the assumption of a two per cent void level within the calculation of notional HRA income which formed an important element of the post-1989 New Financial Regime for local authority housing. More recently, however, this kind of logic has gone out of favour, with developments such as the creation of a Single Capital Pot seen as examples of ‘un-ring-fencing’, supposedly in the interests of increasing local accountability.

- 2.50 The new financial regime for housing associations, introduced by the 1988 Housing Act, sought similarly to impose financial discipline. This was achieved by stemming the previously open-ended nature of the grant system so that associations had to meet the costs of any development cost overruns, limiting the funding available to cover revenue deficits and reducing the rate of grant subsidy for new projects. At the same time it was anticipated that exposing associations to the disciplines of the market (DoE, 1987) through the introduction of private finance, would exert downward pressure on operating costs. In practice, the introduction of market rents in the 1988 Act meant that rents took much of the strain initially, rising well ahead of inflation over several years. More recently, the change has increased the incentive for associations to merge or form group structures.
- 2.51 Additional incentives in favour of managerial efficiency have arisen from the increasingly strict rent controls bearing on both local authorities and housing associations. The government assumed that the changes introduced by the 1988 Act would encourage the private sector to express interest in the management of local authority housing, and the policy of pushing up social sector rents towards those charged by private landlords aimed to assist this. However, although there was a brief flurry of interest from building societies in the idea, there was little take-up. By the mid 1990s, there was increasing concern about the public spending consequences of rising rents, both directly through Housing Benefit expenditure, and indirectly through the contribution of council rents to RPI-triggered increases in Income Support and other benefit payments. A key turning point here came in 1995 when central government explicitly abandoned its previous policy of increasing rents and began to adopt a more interventionist stance (Department of the Environment, 1995).
- 2.52 Since the mid-1990s local authorities in England have had their rents effectively capped through controls on Housing Benefit subsidy. Similarly, the Corporation’s ‘rent influencing’ programme from 1997 sought to cap rent increases, initially for new properties through the development finance system but subsequently also for re-lets. With the government’s announcement of a 10-year programme of rent restructuring (DETR, 2000), these pressures are now intensifying, particularly for those RSLs whose previously adopted business plans envisaged significant real-terms appreciation in rents for the foreseeable future³.
- 2.53 It is not, of course, inevitable that reductions in income will generate cost efficiencies (nor indeed that increases in income will lead to service improvements). The apparent logic of this argument could be countered by the contention that an organisation experiencing a cut in income may simply reduce services and run the rest as inefficiently as before. This is presumably a potential outcome that the regulatory system will be keen to avoid.

3 Under the rent restructuring formula, rents are expected to fall in some parts of the country but to rise in others.

Governance and Participation

- 2.54 The group of policies examined under this theme are those aimed at increasing consumer responsiveness by actively seeking to involve tenants in the management of their homes. Cairncross *et al* (1989) defined tenant participation as a *'two way process which involving sharing of ideas, where tenants are able to influence decisions and take part in what is happening'* (p19). The term 'participation' covers a range of processes and forms. These were famously encapsulated by Arnstein (1969) in a ladder ranging from basic information, through consultation, to full citizen control. More recent writers have challenged the notion of a hierarchy of options and have instead suggested that tenant participation forms *'a spectrum of activity – a range of possibilities for dialogue and negotiation'* (ODPM, 1999). This includes a wide range of activities including: one to one contact with tenants, newsletters, public meetings, support to tenants' groups, customer satisfaction surveys, focus groups and involving tenants in decision-making committees. The ODPM guidance suggests that:

'Housing organisations should therefore see tenant participation as a dynamic process – continually changing, developing and opening up new avenues for dialogue and partnership – rather than as a series of fixed objectives to be achieved in sequence' (ODPM, 1999).

- 2.55 Tenant management has had a separate, though overlapping history with tenant participation, and is therefore dealt with as a separate government objective.

Tenant Participation

Government objectives

- 2.56 The 1977 White Paper indicated that the 'independence' of tenants was one of the key objectives for the next decade. The proposals to achieve this included creation of a new set of tenants rights, including security of tenure, the right to a written lease and *'tenant involvement in the running of estates, possibly through co-ops.'* Encouraging tenant participation in social housing management has been a consistent feature of government policy for the last 25 years. The most recent statement from the ODPM asserts:

'Involving tenants in how their homes and estates are managed is vital to deliver better housing services and improve the quality of life for local communities' (ODPM, 2003).

- 2.57 This section charts the various initiatives, legislation and policy instruments that have been used to promote tenant participation.

History

- 2.58 Organised activity by tenants, in the form of tenants' or residents' associations, has a long history, dating back to the beginning of the 20th century (Cairncross *et al* 1992). The rent strikes during the First World War, led to the rapid expansion of council housing. Early government advice to councils, through reports by CHAC, concentrated on maintenance and the control of disruptive tenants (Cooper, 1996). Government publications since the Second World War had advocated the involvement of tenants in the management of social housing (Goodlad 1991) but, initially, councils did little to encourage this. The stimulus for tenant participation was the (Conservative) government attempts to introduce 'fair' rents into the council sector, through the Housing Finance Act 1972. This precipitated widespread protest, and led to some councils introducing

consultation (Cooper, 1996). It also sparked political pressure to give tenants a greater say (Power 1987) and greater rights (Birchall, 1992).

Policy instruments since 1977

2.59 The key policy instruments to achieve greater tenant participation were:

- Legal: successive powers and duties in legislation
- Financial support and incentives
- Guidance and regulation.

These are examined in turn below.

Housing Act 1980

2.60 The original proposals in the 1977 Green Paper included a right to consultation on rents, policies and practices, maintenance and improvement programmes and housing management. The Labour Government had also intended to set up statutory tenants' committees, which would be consulted on a wide range of issues (DoE 1978). However the proposals were watered down by the incoming Conservative Government, which instead introduced a more general requirement for local authorities to consult tenants on changes in housing management which substantially affect them in the Housing Act 1980 (Goodlad 1991).

2.61 The terms of the 1980 Act were consolidated in the Housing Act 1985. This stressed the obligations on landlords to:

- provide information about their tenancies
- make legal obligations explicit
- and consult tenants on housing management matters

2.62 These legal rights to participate were very weak. Although tenants had the right to be consulted, this was not enforceable through the courts and the landlords decided the matters on which consultation should take place. Carr (2001) contrasted this weak position with that of the Right to Buy: where very detailed legislative provisions were made.

Housing and Planning Act 1986

2.63 The principles of tenant consultation were also embedded in the Housing and Planning Act 1986. This act proposed the establishment of Housing Action Trusts and required that tenants should be consulted on stock transfer. Section 16 of the Act made provision for grant aid from Central Government for tenant participation and tenant management. The Act did not have the intended effect: there was a wave of protest by tenants against the proposals to set up Housing Action Trusts, and the initial six HATs were voted down by tenants (Carr *et al*, 2001).

Housing Act 1988

2.64 The 1987 White Paper (*Housing the Governments Proposals*) marked a change of tone. The paper outlined the (conservative) governments' view that councils were not good landlords and expressed support for the rise of home-ownership and the 'independent sector' (housing associations). The subsequent Housing Act of 1988 introduced a raft of

policies, including ‘Tenants Choice’, which aimed to allow tenants who were dissatisfied with their council landlord to move to another landlord on an individual basis. However, the Centre for Housing Research study found that tenants were fearful of these proposals, which they interpreted as part of the governments’ privatisation strategy (MacLennan, 1989). The unintended effect of the legislation was to provide further stimulus to tenant participation, as councils and tenants united to avoid the perceived threat of private landlords trying to persuade tenants to transfer their tenancy (Scott *et al*, 1994).

- 2.65 The rights of new tenants of housing associations were reduced by the 1988 Act, as they were given ‘assured tenancies’, in which consultation did not feature. However, the ‘Tenants Guarantee’, drawn up by the Housing Corporation, provided guidance on the management of assured tenancies by housing associations. This indicated that associations should carry out consultation with tenants and should provide tenants with information on policies (Goodlad, 2001).

Performance information to tenants

- 2.66 The Reports to Tenants etc. Determination 1990, following the Local Government and Housing Act 1989, required councils to provide tenants with information on the performance of their landlord in a number of key areas.
- 2.67 The Citizens Charter, published in 1991, marked a shift in focus from tenant participation to consumer rights. As noted previously, the charters’ key principles were quality, choice, standards and value. The key proposals affecting tenant participation included:
- updating the tenants charter – ensuring that all tenants receive information about the performance and standards of their local authority
 - encouraging more councils to delegate management to tenant bodies
- 2.68 For housing associations, the Citizens Charter promised to strengthen the Housing Corporation Tenants’ guarantee through the provision of performance information to tenants, structured and regular consultation with tenants through satisfaction surveys, more active promotion of tenant representative organisations, including provision of facilities and involvement in policy reviews (Cm 1599, 1991). The legislation which followed, the Leasehold Reform, Housing and Urban Development Act 1993, required councils to consult tenants on housing management standards.

Financial and other incentives

- 2.69 Tenant participation was also encouraged by non-legal means. Although the government has rarely directly funded mainstream tenant participation work, it has supported independent training, information and advice to both landlords and tenants to develop capacity and improve the quality of involvement. Both TPAS and PEP received grant aid from government to promote tenant involvement in housing management. The Priority Estates Project (PEP) was established in 1979. This began as an experiment in intensive, tenant-focused management in ‘difficult to let’ council estates. The Tenant Participation Advisory Service was established in England in the mid 1980’s.
- 2.70 Research in the early 1990s by Sheffield Hallam University and TPAS (England) identified training and education as ‘*a crucial ingredient for success in participation*’ (Furbey *et al*, 1993, p3). During the 1990s, a number of agencies increasingly focused on tenant training. The National Tenants Resource Centre was set up in 1995, to

provide residential courses for tenants and both TPAS and PEP developed a range of courses, which eventually became the National Tenant Training Programme. The Chartered Institute of Housing also developed its CIH Certificate in Tenant Participation, aimed at both staff and tenants. The DoE provided support to TPAS and PEP to provide a training programmes and conferences and bursaries for courses at the National Tenants Resource Centre and colleges running the CIH certificate. This support has continued up to the present day (ODPM, 2002).

- 2.71 Government has also offered incentives to local authorities through other vehicles. The Urban Housing Renewal Unit was set up in 1985 and this channelled government funding for the regeneration of council estates (Cooper, 1996). Councils were required to consult with residents and establish local management schemes, in order to gain finance for Estate Action funding. In the early 1990s, City Challenge funding broadened the focus to include wider economic development regeneration. Councils were encouraged to develop multi-lateral partnerships, including residents, to bid for resources. In 1994, a number of sources of central government grants were combined into the Single Regeneration Budget, again requiring partnership bids (Hastings *et al*, 1996).

Guidance and performance standards

- 2.72 The Housing Corporation introduced a new set of Performance Standards for RSLs in 1994. These required associations to meet key standards – rather than simply encouraging them to do so (Housing Corporation, 1994). The guidance to associations on tenant participation was made more explicit and Tenant Participation was seen as a key performance standard. Housing associations were also instructed to provide similar information to that of councils to tenants on performance in key areas.
- 2.73 In 1994, the government issued guidance to local authorities on tenant involvement in housing management. The circular stated that *‘Ministers wish to see greater diversity in housing and increasing tenant involvement in housing management’*. (DoE, 1994, p1). The guidance suggested that the framework for TP should reflect three considerations:
- a comprehensive framework, with graduated levels of TP, to allow tenant involvement they wish
 - flexible requirements – account for different circumstances
 - formal structure for TP, which should not be centrally prescribed

Participation and social exclusion

- 2.74 When the Labour government came to power in 1997, the Prime Minister placed emphasis on addressing social exclusion. He established the Social Exclusion Unit (SEU) to examine a range of cross-cutting issues and made it clear that the trend towards partnership working involving residents would continue (Blair, 1998). The SEU produced a raft of reports. The report by Policy Action Team 5 on Housing Management stressed the importance of involving tenants in management (National Strategy for Neighbourhood Renewal, 1999). Following on from the reports of the Policy Action Teams produced by the SEU, the government launched a National Strategy Action Plan in January 2001 and set up the Neighbourhood Renewal Unit (NRU) to implement the plan and monitor progress in meeting the targets. (NRU, 2001).

Tenant Participation Compacts

- 2.75 The increased commitment to tenant participation was also seen in the Best Value Framework in which one of the four main principles was consultation with tenants. To encourage this, the government developed Tenant Participation Compacts:

'The aim of both the Tenant Participation Compact and the Best Value regime is to bring tenants closer to centres of decision-making, and give tenants power to choose how and where to participate' (ODPM, 1999)

- 2.76 The 2000 White paper *Quality and Choice* (ODPM, 2000) re-iterates that the government sees Tenant Participation Compacts as the way forward:

'We are tackling under-investment and raising the quality of housing and housing management by... introducing Tenant Participation Compacts to give council tenants a real say in the management of their homes.'

We aim for a step change in the quality of the stock and the performance of social landlords and are committed to ensuring that all social housing is of a decent standard within 10 years by... ensuring the consistent and rigorous application of Best Value and tenant participation compact principles across social housing, including both local authorities and registered social landlords'.

(ODPM, 2000)

- 2.77 In relation to stock transfer, the paper states that *'tenants should be given the opportunity to experience, and participate in, a substantive change of culture in the management of their housing'*. It also suggests that PFI and ALMOs will provide opportunities for tenant participation. There are no new proposals for legislation in the White Paper, and tenant participation does not feature in the draft Housing Bill.
- 2.78 The move towards tenant consultation as part of Best Value and the development of Tenant Compacts denotes a change in emphasis from formal structures for participation towards more process-driven standards. There are indications that Best Value and Tenant Compacts have had more impact on councils than previous guidance and legislation (Goodlad, 2001).

Community Planning

- 2.79 Alongside this broader emphasis on community involvement, the government also developed proposals for Community Planning. The Local Government Act 2000 placed a new duty on local authorities to prepare community strategies in consultation with local people, businesses and the voluntary sector. Following on from this, the DTLR (2001) proposed the rationalisation of the multitude of partnerships, plans and initiatives through Local Strategic Partnerships (DTLR, 2001). The LSPs will also prepare and implement community strategies and local neighbourhood renewal strategies. In order to protect the focus of strategies at neighbourhood level, the guidance suggests that partnerships should consider the model of neighbourhood management developed by Social Exclusion Unit's Priority Action Team 4 (PAT 4, 2000).

Tenant participation in RSLs

- 2.80 The Housing Corporation has also been updating its tenant participation policies. Making *Customers Count* was launched in 1998 and *Communities in Control* appeared in 2000. In December 2002, the Housing Corporation sent out a discussion paper on resident participation policy for the future. A further consultation paper was produced in July 2003. This suggests that the cornerstone of the policy should be that '*housing associations must seek and be responsive to residents' views and priorities*', in line with the Regulatory Code (Housing Corporation, 2003). It is proposed that the new policy will combine and develop the two existing policies and will be backed by firmer regulation, focusing on outcomes. However, associations will be able to decide how they consult and involve residents in their area. This broader focus on residents – covering applicants, tenants, leaseholders, shared owners, licensees and homes managed by associations, was also reflected in the new unified Residents Charter. The charter stresses that associations must allow residents opportunities to play a part in decision-making on the way that services are run and standards are set (Housing Corporation, 2003b).

Tenant management

- 2.81 In a tenant management co-operative (TMC), a social sector landlord (a local authority or housing association) owns the housing but particular estates or areas are managed by local residents. This description places tenant management a rung below full citizen control. Local councils were first given powers to devolve management to housing co-operatives under the Housing Rents and Subsidies Act 1975 (Clapham and Kintrea 1992). The original legislation was permissive, and relied on the willingness of a landlord to allow tenants to assume housing management functions. However, a DoE circular was also produced to provide guidance to local authorities (McCafferty and Riley, 1989). However, initially only a few housing organisations developed tenant management co-operatives, most notably in Islington and Glasgow (Scott *et al*, 1994).
- 2.82 A survey of co-operatives in 1981 suggested that they required more and better promotion, training and education for tenants, assistance with costs and access to independent agencies (Downey *et al*, 1981). The government responded to this research by introducing 'Section 16' grants in the Housing and Planning Act 1986. These grants were made to independent agencies to promote tenant participation and tenant management (Scott *et al*, 1994).
- 2.83 Both the Labour and Conservative manifestos proposed a 'right to manage' in 1987. This was greeted with concern by the housing profession. A report from the Institute of Housing indicated that there were considerable problems to be overcome and expressed scepticism over whether TMOs would be a significant answer to management problems (IoH, 1987). It is clear that only a few councils had considered tenant management. More than 10 years after the original legislation, a survey carried out by a Glasgow University team in 1987 (Cairncross *et al*, 1990) found that only 21 local authorities in England had considered tenant management. A DoE study of the same period found only 41 TMCs in local authority stock and 33 in housing association stock (McCafferty and Riley, 1989). However, a DoE review of tenant management recommended an increase in grant levels (DoE, 1989) and in 1990, the Department of the Environment considerably increased funding for tenant management.

- 2.84 Councils were also motivated by access to additional funding for improvements from the Government's 'Estate Action' programme if they established tenant management. In the late 1980s, a government funded agency – the Priority Estates Project – developed a joint management model (Estate Management Boards) involving both local residents and landlord representatives. However, despite considerable promotion of the model, by 1992, there were only 16 estate management boards established in local authorities in England (Scott *et al*, 1994).
- 2.85 Tenant management was given a further impetus in 1992, when the consultation paper on CCT suggested that tenant management might be an alternative to tendering management services (DoE/Welsh Office, 1992). In 1993, 'Right to Manage' legislation was introduced in the Leasehold Reform, Housing and Urban Development Act. This gave council tenants a legally enforceable right to take over management of their estate and the government provided grants for a feasibility study and a programme of training. Aspiring tenant committees chose an independent agency (from a government approved list) to take them through a training programme and to assess whether they were competent and representative. There was detailed guidance and a system of arbitration in the event of disagreements between landlords and co-ops (Scott *et al*, 1994b).
- 2.86 The English Right to Manage has been criticised for its administrative regime and its assumption that tenants will want to take control for negative reasons. This resulted in hostility from some councils who saw it as an attack on their role as housing providers (Scott, 2000). Enthusiasm for tenant management also waned when the DETR banned the secondment of local authority housing staff to TMOs, in order to prevent councils using this as a way of circumventing the requirements of Compulsory Competitive Tendering (Somerville *et al*, 1998). However, by 1998, there were 112 tenant management co-operatives, controlling over 49,000 homes – double the number in existence in 1992 (Rodgers, 1998).
- 2.87 Government support for tenant management has continued. Work by the Social Exclusion Policy Action team on neighbourhood renewal stressed the need for local housing management where *'tenants are encouraged to be involved in managing estates at whatever level they choose'* (DETR, 1999, p2). The report cited estate management boards and TMOs as examples of 'good practice'.
- 2.88 The most recent study of Tenant Management Organisations found that there were 202 TMOs, and 81 TMOs in development. However, tenant management has only been supported by a minority of councils. In total the study found that only 53 local authorities had established TMOs. The majority of these were in London and most of the rest were in the North-West and the Midlands (ODPM, 2002). This is similar to the pattern found in 1992 (Scott *et al*, 1994). Despite the steadily increasing numbers of tenant management organisations, there is some evidence that support for TMOs is declining among social landlords as councils consider transfers and ALMOs (Cole *et al*, 2001).
- 2.89 Support in the RSL sector has been much less strong. Clapham and Kintrea (1992) noted that the Housing Corporation was reluctant to support tenant management in housing associations, preferring independent ownership co-operative models instead. The Housing Co-operative Strategy, published in 1993, covered both ownership co-operatives and tenant management within larger associations. The strategy indicated that the Corporation would consider capital allocations for tenant management co-ops and revenue grants for the development of TMCs in existing associations. However, the strategy noted that, although the Corporation recognised co-operative principles, co-ops

must demonstrate value for money and meet the Performance Criteria (Housing Corporation, 1993). In practice, there appears to have been little promotion, or take-up of the model until the White paper *Quality and Choice* (ODPM, 2000) announced that the Housing Corporation was:

‘working up proposals to support and develop different types of resident control, including tenant management and full ownership models, such as housing co-operatives, particularly in the context of regeneration initiatives and stock transfers from local authorities’ (Para 7.49)

- 2.90 The Communities in Control strategy (Housing Corporation, 2000) was launched later in 2000 and appears to have been a response to the high priority set by government for the role of communities in controlling and influencing services. In 2003, with the support of the Housing Corporation, the Confederation of Co-operative Housing launched a good practice guide and website to promote community control (Duncan, 2003).

Organisational Management and Staff Development

- 2.91 Under this strand of policy we examine two specific aspects of organisational management:
- The structure and organisation of the housing service, in terms of the degree of centralisation or decentralisation, and the extent to which a ‘comprehensive’ housing service is provided by a single department
 - The training and education of housing staff
- 2.92 There is an assumption that changes and improvements in each of these areas should impact on management effectiveness. However, proving the direct impact of such measures – particularly those relating to training and skills – is, in practice, very difficult.

Organisational structures

- 2.93 The debate about the most effective structures for managing social housing has been a subject of discussion since the 1930s. A Central Housing Advisory Committee report (CHAC, 1939) noted that some local authorities had set up housing departments, while others had split the management tasks between different council departments. The report concluded that there was no best way to organise housing management. Since then, however, there have been various views espoused about the best way to organise services. This report concentrates on three themes: the unified housing service, decentralisation and the enabling role.

Comprehensive housing departments

- 2.94 By the 1960s, the view was emerging that housing services should be managed by a unified department. This viewpoint was supported by the Cullingworth report (1969) on council housing, which argued for the establishment of ‘comprehensive’ housing departments. The Bains report (1972) recommended that local authorities should establish separate housing committees. Following the re-organisation of local government in 1974 the number of authorities in England and Wales was reduced from over 1,300 to 308. Many of the new authorities established both housing departments

and housing committees (Kemp and Williams, xxx). The enthusiasm for unified housing services received widespread support from the mid-1970s and well into the 1990s. In part, this reflected a view that such structures could foster a more professional approach to housing management, economies of scale and greater efficiency (Kemp and Williams, xxx). Other arguments in favour of a 'unified housing function' included the belief this was '*less confusing for tenants*' and *involved 'clear managerial responsibility and accountability'*' (Audit Commission, 1986, p15).

- 2.95 Despite this, it is clear that many housing departments were far from 'comprehensive' in the 1980s. MacLennan *et al* (1989) noted that many functions were carried out by other departments. Local authorities with smaller housing stocks were more likely to have responsibilities split over several departments while councils with larger stocks were more likely to carry out functions within one department. Bines *et al* (1993) also noted that only 29% of local authorities had a separate housing department undertaking all housing management functions. Indeed, they found that the evidence suggested that housing departments were less comprehensive than in the earlier Glasgow study.

Decentralisation

- 2.96 However, the consolidation of housing functions was often allied to centralisation of services into 'remote town halls'. Power (1987) was one of a number of commentators who criticised the withdrawal of local services such as door-to-door rent collection and resident caretakers during the 1970s. Power suggested that centralisation exacerbated management problems and the Department of the Environment responded by spearheading the return to local estate management by sponsoring the establishment of the Priority Estates Project in 1979. PEP set up a number of pilot schemes in areas of housing stress which aimed to provide locally based, intensive and tenant-focused management (DoE, 1984). These schemes were followed in the early 1980s by more extensive decentralisation programmes, initiated by Walsall and the London Borough of Islington. These early decentralisation programmes often initiated by left-wing councils as a means of achieving political, administrative and managerial reforms (Cole *et al*, 1991).
- 2.97 Cole *et al* (1991) identified a second wave of decentralisation initiatives in the mid-1980s, where the strategy developed as part of incremental reform, in some cases building on existing PEP or Estate Action schemes. The growing consensus in favour of decentralised organisational structures was supported by the Audit Commission (1986) who called for '*...maximum delegation of authority and responsibility as far down the line as possible*' (*ibid* p.16). This policy prescription was not financially driven; indeed, the Audit Commission acknowledged that such an approach could be associated with higher unit management costs. Rather, there was a belief that decentralisation would improve service delivery and foster better relationships with tenants. Decentralised structures would, in other words, foster a more consumer-driven agenda in line with theories of writers such as Peters and Waterman (1983), Clarke and Stewart (1987) and Hambleton and Hoggett (1987).
- 2.98 Central government's belief in the importance of organisational scale – and its preference for smaller administrative units – has been illustrated by its imposition of maximum stockholdings for stock transfer landlords. In the early days of the transfer programme a limit of 5,000 dwellings was operated. The 2000 white paper (OPDM, 2000) announced the increase in this limit to a maximum of 12,000 properties to avoid '*large monolithic registered social landlords*'. However, in 2003 the size limit for transfer was abolished entirely. With our own analysis confirming the absence of any significant

link between LA stock size and assessed performance (see Section 3) it would seem that there is a degree of objective justification for this policy evolution.

- 2.99 Central government's general 'in principle' support for more decentralised approaches to housing management remained evident as recently as the early 1990s (as evidenced by the phraseology of the DoE's 1992 Housing Investment Programme guidance note to local authorities). The Circular stated that:

'Management ...should be sufficiently locally-based to be able to keep track of tenancies and physical problems in the stock ...Local cost-centre budgeting and accounting will be expected to aid good management of the stock, and to facilitate tenant involvement' (1992 HIP Guidance Note Appendix II para 3).

- 2.100 The Glasgow Nature and Effectiveness study (MacLennan *et al*, 1989) found that there was a clear relationship between the number of stock and the number of area offices: larger councils were more likely to have a greater number of area offices. The most common functions to be decentralised were rent collection; rent arrears; repairs reporting and estate management. In contrast functions such as housing benefit, homelessness, capital programmes, training, research and performance review tended to be centralised.
- 2.101 There is evidence from Bines *et al* (1993) that decentralisation of at least some functions was common by the early 1990s: 59% of local authorities had local offices and all councils with a housing stock of over 20,000 properties had local offices. However, extensive decentralisation of the majority of housing management functions was very rare (3% of LAs). They also noted that only 32% of local offices had delegated budgets. Cole *et al* (1991) notes that this reflects a tendency for selective decentralisation of operational functions and retention of strategic functions at the core. In other words, real power often remained at the centre, rather than being decentralised to local staff or tenants.
- 2.102 Latterly, the official preference for decentralised approaches has been mainly apparent in relation to tackling the ingrained problems of unpopular or deprived neighbourhoods – e.g. through 'on the spot housing management' as advocated by Social Exclusion Unit's Policy Action Team on housing management (Policy Action Team 5, 2000). Although the definition of what constitutes being 'on the spot' varies considerably, it is seen as facilitating and improving responsiveness to tenant/resident concerns.
- 2.103 In a further extension of local provision, Policy Action Team 4 (2000) advocated 'Neighbourhood Management', with multi-disciplinary working at estate or locality level:

'Our vision ...is for the role of neighbourhood management to enable deprived communities and local services to improve local outcomes, by improving and joining up local services, and making them more responsive to local needs'

(PAT 4, 2000).

Generic v functionally specialist working

- 2.104 Decentralisation was often accompanied by moves towards generic working for front-line staff. The concept of the multi-tasking housing officer was espoused from the earliest days by PEP, to enable tenants to identify one person to deal with their problems rather than being passed from section to section dealing with specialist staff

(Power, 1987). Cole and Windle (1982) found that generic working in local teams could broaden career prospects and foster greater job satisfaction. However, it could also mean that staff morale was undermined by greater demands and fewer resources.

- 2.105 Bines *et al* (1993) found that there was a strong trend towards more generic working by the early 1990s: most staff in their case studies had responsibilities over several housing management functions. Only 26% of HA staff and 39% of LA staff felt that they had too many tasks to perform – but those with the greatest number of tasks tended to feel that their job was too generalised.
- 2.106 There is very little reliable and up-to-date information on social landlords' managerial structures. There is some evidence, however, that social landlords are moving towards functional specialisation and away from generic working, at least for certain functions. Ford and Seavers (1998) found that most housing associations used generic staff but that there was increasing emphasis on specialist roles focused on arrears recovery. The Audit Commission (2002) study of rent arrears in Wales also found evidence of movement towards a more specialist approach to arrears management, especially among housing associations. Specialist officers were dealing with serious arrears, benefit advice, court cases and liaison with housing benefit sections. The English study (Audit Commission, 2003) found that around a third of local authorities had specialist posts. The move toward specialism seems to be linked to landlords taking a firmer line on rent arrears (Ford and Seavers, 1998; Audit Commission, 2002; 2003).
- 2.107 There is also evidence of moves towards specialist officers and specialist teams to deal with anti-social behaviour (Atkinson *et al*, 2000; Hunter *et al*, 2000). There is evidence that some social landlords are increasingly adopting a policing role. There is also growing use of surveillance equipment and techniques. In some areas, staff are on call 24 hours to witness problems, and neighbourhood warden schemes are being piloted in several areas (Scott *et al* 2001c).
- 2.108 Recent evidence collected by the authors in the course of an ODPM-commissioned study on possession actions and evictions shows a strong tide running in this direction. Over a third (38 %) of LAs and HAs reported that they had moved to a more 'specialist' approach to rent collection and arrears management during the period 2000-03. Only six per cent had introduced more generic systems during this period. At the time of the survey (summer 2003), nevertheless, 42% of landlords described their current approach as largely 'generic' (i.e. where the rent collection and arrears management function is carried out by officers responsible for a range of housing management duties). Only 37% of landlords reported operating 'specialist' approaches.

Enabling role

- 2.109 Whilst a limited commitment to decentralised approaches remains, greater official emphasis has more recently been placed on other aspects of organisational structure and governance. In particular, a theme encouraging the separation of strategic and landlord responsibilities in relation to LA housing has been discernible since the late 1980s. The governments' white paper (DoE, 1987) proposals for reform of the social rented sector sought to shift local authorities away from their role as providers and towards an enabling role. The white paper argued that although local authorities had a strategic role, in identifying the needs of their area, their dominant concern was the condition and management of their own stock. This dual role was seen as a 'substantial burden' which inhibited effective strategic planning. The proposals for CCT in housing

management (DoE, 1992) were intended to give ‘added impetus’ to the development of the enabling role. The Citizens’ Charter envisaged that, as services were contracted out, authorities would concentrate on setting policy, detailing service specification and standards and monitoring whether these were being met.

- 2.110 Following the demise of CCT central government has reconfirmed its commitment to this approach – e.g. the Housing Green Paper’s argument that strategic/landlord separation would ‘*strengthen both roles*’ (DETR, 2000, p24). Part of the motivation here is to counter a perceived LA pre-occupation with the managerial role so that authorities can better ‘*address in the round the housing needs of their wider communities...*’ (*ibid*, p29).
- 2.111 Another motivation underlying the policy preference for the separation of strategy and management in LA housing is the ‘managerialist’ belief that operational decisions strongly influenced by non-professional, non-consumer stakeholders (i.e. locally elected politicians) are likely to be sub-optimal in economic terms. Thus, through the promotion of both stock transfer and ALMOs, the policy aims to professionalise operational management by removing the landlord role from the exclusive control of elected members. ‘Better quality’ decisions – as anticipated under this framework – are, therefore, expected to lead to enhanced management effectiveness as well as more engaged communities.

RSL structures

- 2.112 In contrast to local authorities, housing associations were more likely to have the full range of management functions under their direct control. MacLennan *et al* (1989) found that typically, both large and small associations were organised into specialist sections such as central administration, housing management, finance and development. Bines *et al* (1993) found that 67% of associations had decentralised at least part of their housing management service – with larger associations more likely to be decentralised. In recent years, there has been an increasing tendency for larger RSLs to operate as part of a group of two or more organisations. A report by the Audit Commission and the Housing Corporation (2001) noted that the most common form was based on one dominant, stock-holding parent. In a third of groups there was a more mixed arrangement and more recently, ‘umbrella’ groups have developed with a non-asset holding parent and several equal subsidiaries. This last form appeared to be particular popular in stock transfer associations.

Staff Development

Background

- 2.113 The question of staff skills and education has been an issue since the days of Octavia Hill in the 19th century. The Association of Women Property Managers was founded in 1916 and the Institute of Housing was founded in 1931 (Brion and Tinker, 1980). The first qualifications for housing work were introduced in the 1930s (Williams, 1987). Central Housing Advisory Committee reports in 1939 and 1959 discussed the importance of trained staff. However, it was not until the merger of the professional associations in 1965 that the argument for increased professionalism was made and the Institute developed the Diploma in Housing Management (Provan and Williams, 1991). The Cullingworth report (1969) argued for the establishment of a comprehensive housing service and suggested the need for staff training while the Bains report (1972) stressed the need for housing authorities to take a wider view of their role.

2.114 A Housing Policy Review was announced in 1974 and the Housing Services Advisory Group was asked to consider education and training (Williams, 1987). Their report stressed the need for more professionally qualified staff and better training (HSAG, 1975). In response, the government commissioned City University to undertake a study of education and training. The City University report found considerable dissatisfaction with the syllabus for the Diploma in Housing Management (City University, 1977). The 1977 White Paper also stressed the need for more education and training for housing. The Institute of Housing responded by developing the Professional Qualification in 1978 and a number of authorities gave more attention to training (Williams, 1987). However, Williams (1987) criticised the qualification as overburdened, emphasising rote learning rather than analysis and weak in key areas. He also indicated that it was sometimes poorly delivered by colleges.

Policy instruments

2.115 Attempts to influence staff training and education were made through:

- Recommendations in influential reports
- Limited financial support

Government reports

2.116 The influential Audit Commission report (1986) expressed concern about the lack of qualified staff and the amount of training received by housing staff. The report noted that the Local Authorities Association recommended that 1% of staff costs was spent on training, compared with 5% recommended by the CBI for the private sector and 8% for the police. The report indicated that the majority of authorities spent less than 1%. The Audit Commission recommended that education and training needed to be improved by:

- Strengthening the quality of top management in difficult or 'stress' areas
- Enhancing the professional knowledge and management skills of staff and increasing the proportion with housing qualifications

2.117 The DoE report (1990) on housing education and training recommended that local authorities and housing associations should be encouraged to increase spending on training and education. The report noted that the costs of training in housing organisations could 'easily be off-set by very marginal improvements in housing performance' and suggested that *'it is clear that better training, leading to improved management performance can produce a significant dividend and justify the initial investment in training'* (DoE, 1990, p100)

2.118 Although the Best Value approach did not explicitly recommend training, it is likely that the regime has had some impact on staff development. The guidance on Best Value made a number of references to key quality assurance systems such as EFQM (the Business Excellence Model) and Investors in People and encouraged landlords to adopt these as part of their approach to best value (DETR, 1999).

2.119 There appears to be little further mention of housing education and training in government reports until the reports from the Social Inclusion Unit in the late 1990s. Priority Action Team 5's report on housing management called for professional standards to be raised to enable housing managers to meet the new challenges of social inclusion (PAT 5, 1999).

Requiring of the housing management service this wider lead role in ensuring the long term sustainability of an estate on top of day to day landlord services, will mean redefining the traditional role of housing management staff. the 'traditional' skills required for rent collection or voids management will not be those needed to stimulate action on a wider front. New skills will need to be added to the old. The training available for housing managers generally retains a narrow focus on the traditional skills and will need to be re-examined. (PAT 5,1999, para 19).

- 2.120 The Policy Action Team 16 report (2000) was also critical of the skills and knowledge base of those involved in neighbourhood renewal. The report suggested that many of the people involved in regeneration programmes (both community representatives and professionals) had not received the training and support required to make them effective. Only a small proportion of those working in housing are professionally qualified. The report concluded that many people working in public services were 'over-professionalised and departmentalised'. It therefore suggested that the key requirement was for training to develop cross-sectoral approaches. The Neighbourhood Renewal Unit report (2001) puts it even more bluntly:

Better skills and knowledge are fundamental. Too often people are expected to deliver ambitious programmes without being given the tools they need to do the job. People need new skills to work in new ways, to provide better public services.

(NRU, 2001. P2)

- 2.121 The NRU report on skills and knowledge (2002) took up this theme and stressed that initial training for a wide range of professionals should include elements 'that assist people to work in deprived neighbourhoods'. All the reports emphasised the need for further opportunities for qualified professionals to develop their skills and knowledge. They also argued that such training should take place on an inter-professional basis.
- 2.122 The list of key skills for senior housing staff produced by Housingpotential made similar points. Their report stressed that, while knowledge of legislation and social inclusion are important, transferable skills and abilities are essential (Housingpotential, 2002). However, a report carried out by Reid *et al* (2000), for Housingpotential, found that many employers felt that the syllabus for the professional qualification was too rigid and out-of date. As a result, many were opting to carry out their own bespoke staff development programmes, rather than support staff to obtain a professional qualification. The report recommended that the CIH should 'overhaul the professional diploma', taking employers needs into account with regard to the scope, content and flexibility of professional courses and 'the contribution they make to the wider framework for education and training for work in housing.'
- 2.123 The Chartered Institute of Housing revised the syllabus for the professional qualification in housing, in response to these reports. The new syllabus places a greater emphasis on skills such as leadership, team-working and dealing with conflict and includes new areas such as community regeneration, partnership working, social inclusion and neighbourhood management (CIH, 2001).

Government support for education and training

- 2.124 In the early 1980s, the government encouraged the LGTB and the Housing Corporation to give grants to housing organisations for housing training. The government itself provided bursaries for full-time postgraduate students at seven universities in the mid

1980s. This support for new Postgraduate Diplomas in Housing was intended to encourage a higher standard of housing education, to encourage graduates to work in housing and provide 'new blood' for housing organisations (DoE, 1990).

- 2.125 Funding for the bursaries for the Postgraduate Diploma was transferred to the ESRC in the 1993. This was argued to be more appropriate than direct funding by the government, as the ESRC provided funding for studentships for a wide range of postgraduate provision. However, in 1999, the ESRC announced a review of the funding it provided for postgraduate education. The review concluded that funding should be focused on education courses that provided a foundation for PhD research and that studentships for all vocational courses should be phased out. Studentships for postgraduate courses ended in 2002, when the new scheme of 1+3 studentships for Masters in Research and PhD funding was fully introduced.
- 2.126 In 1986, the government began to use Section 16 grants to support housing training. This was used to provide 'significant' support to the Chartered Institute of Housing for setting up regional centres in Leeds and Cardiff, support for recruitment and training of black and ethnic minority workers through PATH and support to TPAS and PEP for training for both staff and tenants. The Chartered Institute of Housing also received development funding for a Certificate in Tenant Participation and a new distance learning package for the Professional Qualification (DoE, 1990).
- 2.127 The DoE indicated that the total funding for housing education and training including support for postgraduate students, was £1.4m per year (DoE, 1990). A report by Aldbourne Associates (1994) found that, excluding post-graduate bursaries, Section 16 funding had provided £2.8m over 4 years (1987 – 1991) for housing education and training. This amounts to £700,000 per year – not a large sum.
- 2.128 Following the DoE report in 1991, the criteria for funding training and education from Section 16 were changed. The new criteria were that proposals should:
- assist in the assessment and evaluation of training and management development needs
 - encourage innovation and development in housing training
 - support exceptional training requirements which fall outside the responsibility of major housing providers
 - aid the development of training and management strategies to secure improvements in housing practice (Aldbourne Associates, 1994).
- 2.129 The Housing Corporation also made grants for housing education and training under Section 87 of the HA Act 1985. However, there is no published information on how much was spent on education and training under Section 16 or Section 87, nor what any grants were spent on.
- 2.130 In the mid-1980s, the government sponsored 10 Positive Action Training in Housing (PATH) schemes to address the under-representation of black and ethnic minorities as employees in social housing. Aldbourne Associates (1994) reported that between 1987 and 1991, the government provided £1.5million to PATH schemes as seedcorn funding. Support was subsequently subject to tapered withdrawal. Aldbourne Associates reported

that PATH was successful in raising awareness and supporting over 200 black people into a range of housing posts. Follow-up research (Julienne, 2001) found that PATH schemes had supported around 1,400 trainees over a 15 year period and that 80% of these trainees had obtained jobs in housing. The vast majority of the trainees thought that PATH had been important to their career progression. However, many felt that racism and discrimination were still commonplace in housing organisations.

2.131 The White Paper (ODPM, 2000) made brief mention of training, but implies that this is wholly the responsibility of housing organisations:

‘A number of Policy Action Teams were set up as part of the Social Exclusion Unit’s work on neighbourhood renewal. One of the Teams (PAT5) looked at housing management. It concluded that a variety of actions were necessary, ranging from extending on-the-ground management to improving training, if performance is to be raised to the level of the best.We have already increased the resources available for housing management after several years in which they were frozen, and are following up the recommendations of the Teams with all the bodies involved.’

(ODPM, 2000, para 7.47)

3. Management Effectiveness: The Evidence

Introduction and Context

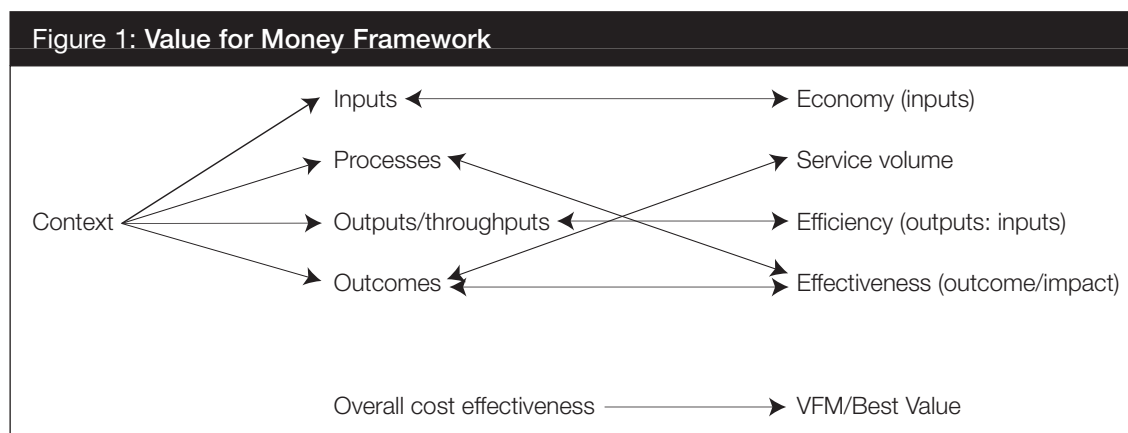
- 3.1 Since the mid-1980s a considerable research effort has been devoted to assessing the nature, organisation and effectiveness of housing management. Some studies have sought to define the components of the task and to account for variations in costs and performance according to different criteria such as scale, organisational type and organisational structure. Others have focused on specific aspects of management such as allocations, rent collection and repairs. A number have also attempted to identify the impacts of specific policy instruments.
- 3.2 However, the way in which policy has evolved, as described in the previous section, is such that few changes in organisation or performance are likely to be attributable to one single policy. This was one of the main conclusions of the baseline study of housing management in the early 1990s which had been commissioned to provide an initial assessment of the impact of the new financial regimes (NFR) for both housing authorities and associations (Bines *et al*, 1993). As pointed out by one of the authors, establishing the counter-factual is problematic:

“the NFR was not introduced into a static world where everything else was being held constant.... on the contrary, (it) was only one of the numerous policy instruments which the government had introduced to help engineer change”

(Kemp, 1995).

- 3.3 This assessment applies equally to the current review. Thus, while certain ‘beacon’ policies (PIs, HMCCT, BV and TP) take prominence, we have assumed (and there is some qualitative evidence to support this) that each of the policies described earlier has had some impact in determining the changes observed. Our approach to the evaluation has been to establish and review the available evidence on policy impacts. Our assessment is based largely on existing (published and unpublished) research but, drawing on official PI data, we have also constructed time series analyses of performance in key areas, which to our knowledge has not been attempted previously.
- 3.4 The evidence can be related to the value for money framework shown in Figure 1. Some assessment can be made of the impacts of policy in respect of the following parameters:
- Economy (inputs): our evidence relates mainly to management costs, but some information on organisation and staffing has been established
 - Processes: a number of the studies reviewed provide insights into changes in the way activities are organised and managed, including details of TP activity; these are important in determining both efficiency and effectiveness
 - Efficiency: the majority of PIs are measures of (productive) efficiency, relating specific outputs to units of resource input

- Effectiveness (outcomes): here we have drawn together some broad information on tenant satisfaction (at the national scale), more qualitative assessments of the impact of TP policies and a review of the impact of the regulatory machinery on overall landlord performance



3.5 Figure 1 also highlights the importance of context or operating environment which, as a number of studies (MacLennan *et al* 1989; Price Waterhouse, 1992; Kleinman *et al*, 1992; Bines *et al* 1993; Arthur Anderson/Centre for Urban and Regional Studies, 1999) have made clear, can affect the ‘degree of difficulty’, and therefore the cost of housing management. There is general agreement upon those factors most likely to affect supervision and management expenditure:

- The nature of the stock: costs are affected by the proportion of flatted accommodation, but also by the level of unmodernised stock and the degrees of both stock dispersal and density
- Tenant profile: the proportion of tenants needing additional support or with lifestyles demanding more intensive forms of management; these are agreed to include single, unemployed, low income households, the elderly and those suffering from some kind of disability or vulnerability
- Stock turnover: often correlated with both stock and household types, high turnover is typically associated with higher costs
- Location, as defined by its socio-economic profile: locational factors such as high unemployment, poverty, crime and vandalism tend to place extra demands on housing management

3.6 It is therefore important, in interpreting the evidence cited in this section, to bear in mind the changing context for housing management over the past quarter century. In particular, we have seen a social housing sector which has become increasingly residualised largely – but not entirely – as a result of the Right to Buy. Residualisation has created a sector increasingly dominated by flats (particularly flats in large blocks) and by poorer and more vulnerable tenants. The socio-economic dimension of residualisation can be seen from the fact that the proportion of council tenant households containing no one in work rose from just over 20% in 1975 to more than 50% in 1994 and over 60% by 2000/01 (Holmans, 1995, 2003). Demographically, RTB sales have led to what Murie *et al* (1998) termed the ‘hollowing out’ of council housing making it increasingly dominated by the relatively old (households headed by persons aged over 65) and the relatively young (households headed by persons aged under 30).

- 3.7 The pepper-potting impact of the Right to Buy may be seen as positive in its potential for diversifying social mix at the neighbourhood level. At the same time, however, it creates difficulties for social landlords by diminishing their capacity to resolve neighbour disputes and other anti-social behaviour.
- 3.8 Residualisation involving reduction in the number of houses as opposed to flats has a number of important management implications. With a growing proportion of the stock involving homes with shared access and party walls it contributes to the intensification of the housing management task. It also reduces the chances of remaining council tenants needing larger accommodation of getting a transfer to a more suitable property. New applicants are affected too, with large families amongst the homeless facing longer periods in temporary accommodation because of the need to wait longer for a suitable property among the diminished stock of larger homes.
- 3.9 With a higher proportion of remaining residents being from vulnerable groups, the housing management task is made more demanding. Social residualisation also adds to the stigma that council housing equals poverty housing. Especially where low demand reduces the power of landlords to filter applicants through rationing (see Bramley *et al*, 2000), problems such as anti-social behaviour tend to assume a higher profile. And because the tenure is – in all areas – increasingly stripped of tenants in the residentially stable middle age groups (households headed by persons aged 30-65), there is an underlying tendency towards rising rates of turnover which add to management costs and undercut community coherence (Pawson and Bramley, 2000).
- 3.10 Despite the fact that most housing association stock has been exempt from the Right to Buy, the sector has not escaped the impact of residualisation. As in council housing, the tenants of housing associations are increasingly drawn from the poorest sections of society. According to the 2001/02 Survey of English Housing, for example, the proportion of LA and HA tenants in receipt of Housing Benefit was identical at 60%.
- 3.11 This contextual overview points clearly to an increasingly difficult management task, although it is important not to over-emphasise the role of external factors in driving costs. Studies have established that the organisation, policies and management of the housing service are also important so that some landlords operating in difficult contexts can operate more cost effectively than those in easier circumstances. The impact of particular forms of management is however uncertain.
- 3.12 This apparent contradiction is indicative of the fact that across all of these studies, there was difficulty in establishing a clear statistical basis for the variation in management costs. As noted earlier, this is in part attributable to the absence of a clear definition of what constitutes a unit of housing management output – landlords vary in the nature, as well as the level and quality of service provided – and to differences in accounting procedures. But there are also differences in the economy and efficiency of service delivery as well as in context.
- 3.13 Against this backdrop the main policy impacts are now reviewed.

The Impacts of Compulsory Competition

- 3.14 While considerable research, much of it funded by the Department of the Environment, was conducted into the impact of CCT on blue-collar and, to a more limited extent, white-collar services, there appears to have been no official study of the specific impacts of competition in housing management. While this is most probably a function of timing, with the incoming Labour government committed to the abolition of CCT before it had been fully implemented, it poses a limitation for this evaluation. However, drawing on wider cross-service studies and unpublished research it has been possible to construct a reasonable picture of the main impacts of HMCCT, although the evidence is stronger on changes in inputs and processes than it is on outputs and service efficiency.
- 3.15 Much of the impetus for the extension of CCT to professional services stemmed from the reported success in blue collar contracting under the 1988 Act. According to Walsh (1991) the experience of CCT had highlighted weaknesses in pre-CCT organisation and management. These included:
- Poor management and organisation, particularly where services were divided between departments
 - Inadequate management information and information systems
 - Difficulties in preparing specifications due to lack of detailed knowledge of the work to be done
 - Unclear or unknown standards
 - Inadequate monitoring and inspection of work
 - Overlap and lack of clarity in the client and contractor roles
 - A lack of clarity over the role and cost of central support services in direct service delivery
- 3.16 Forcing authorities to address these weaknesses was clearly a positive impact of CCT. Walsh (1991) concluded that some of the most significant changes had been to management structures, processes and attitudes, including a greater emphasis on performance and autonomy.
- 3.17 Evidence on the financial gains also provided government with encouragement. Studies of the limited voluntary contracting activity which occurred before the 1988 Act generally revealed significant cost savings. Cubbin *et al.* (1988) found that costs were reduced irrespective of whether contracts were awarded externally or in-house, concluding that, *“it is the introduction of competition, rather than awarding contracts to private firms, which is the critical factor in achieving lower costs”*. Compulsory competition resulted in further, but less significant, savings, with some authorities facing higher costs (Walsh, 1991, Walsh & Davies, 1993; Austin Mayhead, 1997). By 1992 there was evidence that competition had impacted not just on directly affected services, but on other service departments, central services and corporate management as a whole (see Table 2), reducing the scope for efficiency gains through further tendering initiatives in other service areas such as housing management.

Table 2 – Chief Executives' views on the impact of compulsory competition on management 1992 (%)

	Strongly agree/ agree	Neither	Disagree/ strongly disagree	Base
The impact of competition has been limited to those services subject to CCT	32	4	63	285
Responding to competition has changed management processes across the authority	93	4	4	285
Responding to competition has changed the culture of the authority	80	12	7	285
Source: LGMB, unpublished information, in Rao & Young (1995)				

- 3.18 The extent of competition also varied by service area, increasingly a little after the 1992 Local Government Act tightened control over anti-competitive behaviour. In 1996, DSO market shares (by number of contracts) ranged from 42% to 79% (LGMB survey reported in DoE, 1997), and it was evident that the market was better developed in some services than others.
- 3.19 A study by Rao & Young (1995), reviewing council experiences of competition, captured some early indications of the effects on housing services. At the time, eight authorities had been selected as HMCCT pilots and many other authorities were gearing up for the process. The researchers found housing departments already *“setting up financial management structures, assessing costs, seeking to engender cultural change, improving service levels, and slimming down their staffing.”* Similar preparations were also confirmed in reports on the pilot authority experience (ADC/IoH, 1994). The pilot experience, during which three London Boroughs (Brent, Newham and Westminster) submitted their pilot areas to voluntary competitive tendering, also gave early indications of an undeveloped market in this service area.
- 3.20 Research for the DETR by Newchurch & Company between 1995 and 1998 aimed to monitor the implementation and impacts of white-collar CCT. Newchurch found that many of the necessary changes were already underway as a consequence of other pressures to improve value for money, but that the contracting process had assisted authorities in *“understanding the breadth and cost of service provision ... provided clarity between roles and identified key performance measures”* (Newchurch, 1998). At the same time, the research established that many local authorities expected to avoid tendering as a result of ‘credits’ for existing out-sourcing to private contractors (although this was typically arranged through systems of approved providers rather than formalised VCT processes). A quarter of the district council housing authorities in the Newchurch survey fell into this category, while a further half fell below the *de minimis* threshold. Although the threshold was later lowered to 2500 houses (before being raised again to 4000), it was clear at this point that CCT preparations had effectively ceased in a significant proportion of smaller authorities (Newchurch, 1996; DoE, 1997).
- 3.21 Newchurch’s attempts to assess the financial effects of competition were frustrated by the inability of many councils to provide comparable before and after information. With only 4 councils able to provide data in respect of housing management services, their results were not statistically reliable. Across all services, however, the overall indication

was that savings in contract values were being achieved, but these were often offset by the costs of contract preparation and management.

3.21 More specific monitoring data collected by CIPFA (1997) and LGMB (1996, 1997)⁴ on the first and second round HMCCT contracts established that:

- In the first round, the average cost per house (among the 34 authorities prepared to divulge contract values) was £175, ranging from £50–£285; however, only 15% of contracts had been for defined activities alone, with some including elements of financial services (housing benefit) and construction and property services, making comparisons almost impossible
- The level of competition was much lower than in the case of blue-collar services; in round one a fifth of authorities had received no external bid, and there were only 6 successful outside contractors, leaving DSO's with a market share of 96%.

3.22 In round two, the picture was similar, though in this case the number of external bidders was reported to have fallen from 22 to 10. This was partly attributed to alleged anti-competitive behaviour (over one hundred complaints had been received by the DoE. However, it also reflected the immaturity of the market, the unwillingness of some potential providers such as RSLs (as identified earlier by Baker *et al* 1992) to compete, as well as the amount of advance preparation undertaken by councils over a two year period.

3.23 Unpublished research by McGuigan (1997) into the impact of the first round of HMCCT contracts revealed that competition had been a significant catalyst for change in the housing service (see Table 3). The greatest impact, not surprisingly, had been structural change to effect separation of the client and contractor roles, and a number of authorities had also made changes to job descriptions and adjusted the number of decentralised units, in order to package work. Many had also reassessed staffing levels and the balance between front line and management staff. Almost half (47%) had reduced the number of staff employed.

3.24 Most authorities had reviewed standards and procedures in key performance areas, over 9 in 10 had examined support charges and a third had overhauled IT systems. McGuigan's survey also revealed that some authorities had been prompted to introduce quality management systems and tenant satisfaction surveys, review complaints policies and procedures and step up staff training and team development.

⁴ These original monitoring reports could not be traced but summary data was reported in McGuigan (1997)

Table 3: Housing Management CCT: review and change in service delivery structures and systems

Service area	Arrangements were reviewed %	Major changes were made %
<i>Organisational structure</i>		
Office staffing structure	87.5	46.8
Client-contractor structure	81.2	65.6
Number of decentralised offices/teams	53.1	34.3
<i>Terms & conditions of service</i>		
Job descriptions/profiles	78.1	40.6
Salaries/grades	59.3	18.7
Other e.g. flexi-leave	37.5	6.2
<i>Performance standards</i>		
Rent arrears collection targets	84.3	31.2
Average void relet periods	78.1	34.3
Target response & completion times for repairs	56.2	18.7
<i>Procedures</i>		
Rent collection, arrears recovery	68.7	21.8
Responsive repairs	65.6	12.5
Waiting list, lettings, allocations, voids	68.7	34.3
<i>Support service charges</i>		
Internal housing dept charges	93.7	40.6
Corporate/central charges	93.7	43.7
<i>IT systems supporting client & contractor</i>		
Management information system requirements	81.2	37.5
Housing IT (rents, repairs, lettings)	71.8	31.2
Source: McGuigan (1987) Table 4, p.54 Number of cases for both columns = 32 (41% of first round authorities), reported to be representative of authority types and region		

- 3.25 Fewer than half of the authorities (43.7%) had compared housing management costs pre- and post-tender. Half had secured savings, a fifth had experienced an increase in costs while a further fifth reported no change. Where savings had been made, these were mainly attributed to reduced staffing costs, but changes in overhead charges and other unspecified efficiency savings were also mentioned. As in other services, savings were not restricted to cases where external bidders were involved. In terms of service performance, the majority of authorities (60%) reported no significant change overall, although there had been significant improvements in re-let intervals (41%), rent collection (28%) and former tenants' arrears (25%). Performance had deteriorated in only a minority (9%) of councils. Despite the pain experienced by some in the process, 81% of respondents thought that HMCCT had brought some positive effect.

- 3.26 Across the range of services tendered, the various studies identified several clear gains:
- Clearer and more comprehensive service specification, more closely aligned to client needs
 - Greater clarity in commissioning and providing roles, and in lines of responsibility
 - Better performance measurement and monitoring systems
 - More understanding of input costs, including central charges
 - Improvements in operational efficiency and effectiveness, although not across the board
- 3.27 Rao and Young (1995) concluded that few of these gains would have been secured in the absence of compulsion. Despite the acknowledged benefits, compulsion was the one aspect of the regime least supported by authorities, and the key question was whether they would return to *“the old familiar patterns of service management”* in its absence. While Rao and Young concluded that they would not, Austin Mayhead (1997) found that almost a third of authorities would not undertake competitive tendering should compulsion be removed. Whether Best Value could continue to exert competitive pressures on authorities remained to be seen.
- 3.28 In the intervening period, authorities were asked to report the position on tendering of management services⁵. The data suggest an increase in both the number of contracts and dwellings under contract between 1999 and 2000, although the results are compromised by incomplete responses. At 1st April 1999 contracts had been let for some 900,000 dwellings, involving fewer than a quarter of all authorities. By 2000, over a third of authorities (38%) reported 443 contracts covering at least 1.15 million dwellings, around a third of the council stock. In two third of cases, contracts were run by in-house teams, and in both years, London Boroughs showed a greater propensity to tender than other types of council (Whittle *et al.*, 2001; ODPM, 2000, 2002). The position since 2000 is uncertain as contract activity no longer appears to be monitored.
- 3.29 Anecdotal evidence also suggests a considerable cost attached to post-CCT reorganisation, as authorities set about dismantling client-contractor structures. However, isolating this from other factors affecting costs is virtually impossible.

Progress under Best Value

- 3.30 The implementation of Best Value has been closely monitored (e.g. Martin *et al.*, 1999 & 2000; Audit Commission, 2001 & 2002) and widely commented upon. Drawing on authorities' early experience a number of themes, mostly relating to organisational processes, emerge. In general (across all services):
- Authorities had found the implementation of Best Value ‘more challenging’ than anticipated (Martin *et al.*, 1999)

⁵ Information on competitive and voluntary tendering was sought in the 1999 and 2000 HIP returns; changes to the question design and differences in response rates (e.g. more LA's reported number of contracts than total stock covered) require the data to be interpreted with caution

- The processes associated with preparing for and undertaking BVR's were resource intensive; unless focused on weaker services, costs could outweigh the benefits.
- In terms of the 4 C's, reviews were not always sufficiently challenging; there was a tendency to focus on improving existing approaches rather than assessing whether services were really needed or whether new services were required
- Performance comparison, using some form of benchmarking, was widespread; this was typically within-sector and more often used to justify existing performance than to identify how improvements could be made (Bowerman and Ball, 2000). However few private companies had been willing to participate in benchmarking (Martin *et al* 1999), and the time required to investigate underlying processes often seemed prohibitive.
- Most pilot authorities had developed their consultation mechanisms and found the results valuable, though again the staff resources invested in this task were significant
- Progress in developing non-adversarial forms of contracting and partnership delivery mechanisms had been slow, with most authorities opting to focus on improving in-house services

3.31 More specific findings on BV in housing (Whittle, *et al.*, 2001; ODPM 2000, 2002; Aldbourne Associates, 2002) were that:

- Housing services were not always identified as a corporate priority for service review
- However, almost two-thirds of authorities had programmes in place by 2000 for housing service reviews, though few had been completed; in most cases (among both LA's and RSLs) weaker services had been selected for review in the first instance
- Most reviews had been service-specific, but cross-cutting reviews were beginning to assume greater importance
- Considerable progress had been made in performance comparison, with a proliferation of benchmarking networks. This was found to be the most widely adopted of the 4 C's; the researchers (Whittle *et al.*, 2001) expressed a concern, however, that the predominant focus on in-sector comparisons could "*lead to the trading of mediocrity*"
- Within housing authorities, least progress had been made in relation to procurement, changes to housing strategy and programmes and incorporation of BV principles into existing CCT contracts
- Substantial progress had been made on tenant participation although in 1999 a third of authorities reported no consultation; by 2000 81% reported consultation with tenants over service standards and targets
- Thirty four (10%) mostly small, rural authorities were classified as reluctant participants in the best value regime (Whittle *et al.*, 2001)

- 3.32 The RSL pilot Best Value programme revealed similar experiences in respect of the first 3 C's. RSL's needed to consider why they were providing a service not just how it was being provided, to experiment with alternative consultation mechanisms and to focus on relevant and productive performance comparisons (DETR, 2001). Although, as noted earlier, RSL's were more likely to use outside suppliers, the prospect of competing directly was a newer challenge. However, some RSLs were developing a more explicit client-side function, and considerable progress was being made in developing relational contracting and partnering arrangements with existing suppliers and in collaborating successfully with other social landlords to save costs through jointly commissioned services. In general, however, RSLs have used partnering and collaboration to expand services rather than contract them (Mullins, 2002).
- 3.33 Albourne Associates' study of a sample of LA's and RSL's (2002) found that many organisations had already been committed to performance improvement prior to the introduction of best value, but that BV encouraged them in this endeavour and some benefits were already being reaped from the BVR process

The Findings of Regulatory Assessment

- 3.34 One way to gauge the effectiveness of the regulatory framework is to examine changes in performance assessments over time. However, data on BV (& CPA) inspection results for authorities is as yet limited and although RSLs have been monitored over a much longer period, the assessment system has changed on a number of occasions, making the construction of a time series difficult.
- 3.35 In the council sector, performance assessments to date show wide variations across authorities. In 2001 over 60% of all services were rated poor or fair and the poorest services were often found to be the least likely to improve (Audit Commission, 2001). Unitary and county authorities tended to perform at above average level. Housing services scored close to the average, with 64% rated poor or fair, but a higher proportion than average (64%) were judged likely to improve (see Table 4). Authorities inspected between 2001-2002 performed less well, with almost 8 in 10 rated poor or fair, although almost two thirds were again rated as having promising or excellent prospects for improvement. The apparent decline in standards could be explained by differences in the sample: relatively fewer London Boroughs, which tend to have higher scores, were included in the 2001-02 inspection round. District councils, on the other hand, tended to score least well and were judged to have lower prospects for improvement (see also below).

Table 4: Best Value Inspection Findings, 2001-2002

	To August 2001	To June 2001	July 2001- June 2002
Ratings	All services	Housing	Housing
<i>Score</i>	%	%	%
0 star (poor)	8	15	15
1 star (fair)	55	49	64
2 stars (good)	35	32	19
3 stars (excellent)	2	4	2
<i>Improvement judgement</i>			
Poor	12	4	4
Uncertain	37	32	31
Promising	43	49	50
Excellent	7	15	15
<i>No. of inspections</i>	506	47	182
Source: Audit Commission, 2001, 2002 Results include a number of Welsh authorities			

- 3.36 Two thirds of the 2001-02 inspections related to landlord services, a quarter to community services and the remaining 10% to strategy and enabling functions. The proportions judged to be good or excellent differed little between these three service areas though strategic/enabling functions showed lower improvement prospects (Audit Commission, 2002). The Commission considered that this could be explained by an over-representation of shire districts, many of which had transferred their stock. If true, this flies against the government's view that separation of the strategic and operational functions would strengthen authorities' strategic focus.
- 3.37 Within landlord services, more repairs and maintenance services were judged poor or fair (85%) than for other housing services. Weaknesses included frequent underspending on planned maintenance programmes, poor control of response repairs, inadequate performance monitoring and a failure to target resources strategically. However, the fact that two thirds of those inspected had good prospects for improvement provides some encouragement, given the importance of this service in relation to tenant satisfaction.

Table 5: Housing Inspectorate star rating – most recent inspection (landlord services) by LA type

LA type	No of stars awarded				Total	N=
	0	1	2	3		
District (%)	17	63	19	1	100	81
London (%)	4	59	33	4	100	27
Met (%)	21	50	29	0	100	24
Unitary (%)	9	68	18	6	100	34
Total (%)	14	61	22	2	100	166
Source: Authors' calculations based on Housing Inspectorate assessments as accessed from Housing Quality Network website – www.hqnetwork.org.uk .						

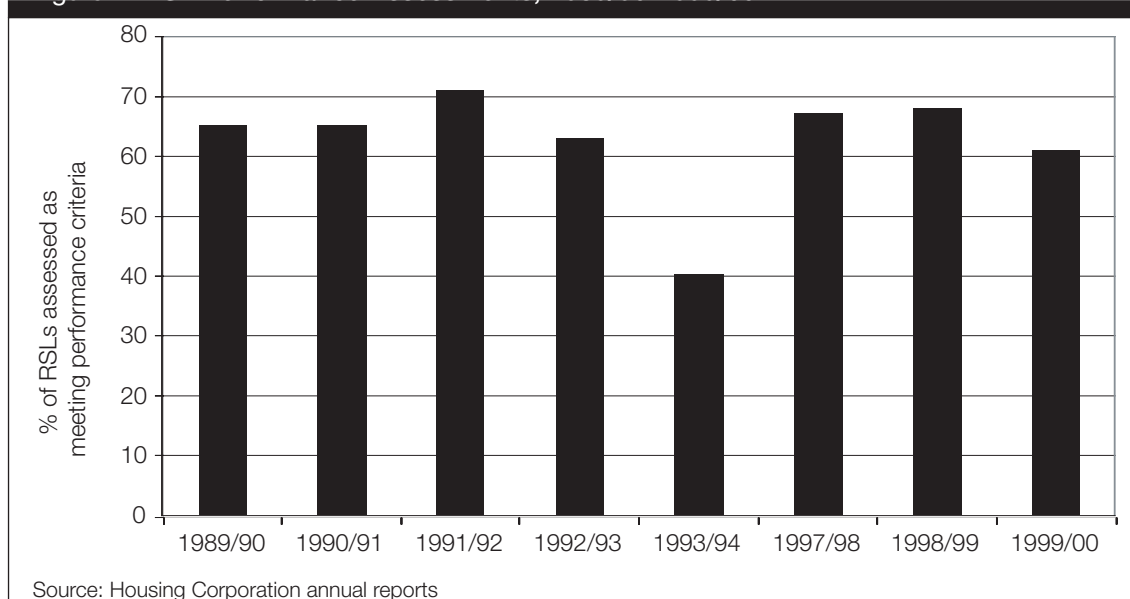
Table 6: Housing Inspectorate assessment of LA prospects for improvement – most recent inspection (landlord services) by LA type						
LA type	Assessed prospects for improvement				Total	N=
	Poor	Uncertain	Promising	Excellent		
District (%)	6	28	59	6	100	81
London (%)	0	26	59	15	100	27
Met (%)	0	21	63	17	100	24
Unitary (%)	6	41	44	9	100	34
Total (%)	4	30	57	10	100	166
Source: Authors' calculations based on Housing Inspectorate assessments as accessed from Housing Quality Network website – www.hqnetwork.org.uk .						

- 3.38 Tables 5 and 6 draw on the inspection results from the 166 local authorities subject to housing inspections as at August 2003 (in the case of LAs inspected two or more times the score relates to the most recent instance). This analysis shows that London boroughs tend to score rather higher than other types of authority – e.g. 37% of London LAs were rated as two or three stars, as compared with the overall average of 24%. District councils have tended to be rated rather less positively, both in terms of stars assigned and the likelihood of improvement. Metropolitan councils and London boroughs are most likely to have been judged to have promising or excellent prospects for improvement. As far as London is concerned, these findings seem consistent with the strong message from our time series PI analysis (see Annex 1) that the London boroughs have seen a marked improvement in performance over recent years.
- 3.39 Although some of the cell sizes in Table 7 are rather small, the figures reinforce the impression that inspection scores tend to have been highest among (the typically larger) London boroughs and Northern Metropolitan councils. Scores have tended to be poorest among Midlands and Northern districts. Thus, whilst, Murie and Walker have recently re-confirmed the negative correlation between local authorities' housing PI ratings and the number of homes managed, the inspection findings reveal a different story. Correlating the inspection star ratings set out in Tables 5 and 7 against stock managed reveals virtually no relationship between the two variables (correlation coefficient: 0.02). Gauging the relationship between housing CPA scores and stock size (for the 101 unitary LAs subject to CPA in 2002) likewise reveals a very small positive correlation coefficient – 0.13. This suggests that, if anything, larger landlords are considered better performers, not the converse, as suggested by simple PI analyses. The tendency for poorer scores among districts in the Midlands and the North may reflect the challenge posed by low demand in these regions and the Inspectors' judgement that (unlike their Metropolitan council counterparts) district council responses have tended to be inadequate.

Table 7: Housing Inspectorate star rating, most recent inspection (landlord services) by LA type and region

LA type	No of stars awarded				Total	2 or more stars	N=
	0	1	2	3			
London (%)	4	59	33	4	100	37	27
Midlands district (%)	18	64	14	5	100	18	22
Midlands met (%)	25	75	0	0	100	0	4
Midlands unitary (%)	0	25	25	50	100	75	4
North district (%)	20	75	5	0	100	5	20
North met (%)	20	45	35	0	100	35	20
North unitary (%)	17	67	17	0	100	17	12
South district (%)	15	56	28	0	100	28	39
South unitary (%)	6	78	17	0	100	17	18
Total (%)	14	61	22	2	100	25	166

Source: Authors' calculations based on Housing Inspectorate assessments as accessed from Housing Quality Network website – www.hqnetwork.org.uk.

Figure 2: RSL Performance Assessments, 1989/90-1999/00

- 3.40 Inspectorate assessments of service delivery are more likely than simple PI scores to be influenced by considerations of service quality, and to take account of differing local contexts – i.e. the degree of difficulty of the housing management task.
- 3.41 Figure 2 shows the results of RSL performance assessments over the period since 1988/89 (but preceding the introduction of the new regime under which inspections are carried out by the Housing Inspectorate on the Housing Corporation's behalf). However, as a consequence of differing audit criteria, results need to be interpreted with caution. Over the period to 1993/94 assessments were based on monitoring/performance audit visits which rated associations as satisfactory or unsatisfactory. Between 1997/98 and 1999/00 the performance review system assessed RSLs through a two stage process; an initial desk top review was followed by a more limited number of investigatory reviews or validation visits. Over this period the number of RSLs assessed as having met the standards fell from 67% to 61%. This was however attributed to a more stringent approach (HC Regulation report 1999/00).

Tenant Participation

The extent of tenant participation

- 3.42 The implementation of tenant involvement in housing management happened slowly, but has gradually increased over time, as further policy instruments were developed. A City University study shortly after the 1980 Act found that many landlords had not consulted with tenants over management changes that had taken place after the 1980 Act came into force (Kay *et al*, 1984). The researchers concluded that many local authorities had not met even the minimum legal requirements and that councils were reluctant to implement, providing only minimum resources and publicity. However, by 1987, a survey of local authorities in England found that there had been a growth in the use of participation methods, mainly through meetings with tenants – but the majority of councils did not provide any support to tenant's groups. (Cairncross *et al*, 1989).
- 3.43 The major study of housing management by the Centre for Housing Research (MacLennan, 1989) found that only a fifth of tenants felt that their landlord always or usually consulted them on important issues. The tenants interviewed as part of that research were sceptical about tenants' associations and felt they would be ineffective unless they were actively promoted, and financially supported, by landlords.
- 3.44 The follow-up study of housing management in the early 1990's found that *'the promotion of tenant participation remained relatively undeveloped in many housing associations and local authorities'* (Bines *et al*, 1993, pxiii). However, over 80% of council and association landlords had consulted tenants on at least one issue in the year to March 1991. The most common reason was major improvements, which suggests that consultation was localised and may have been limited to issues such as choice of colours and finishes in the improved work.
- 3.45 The study found that there had been a *'significant increase'* in support to tenants organisations, since the Glasgow study (p73). Half the local authorities (50%) and 60% of HAs provided some form of support to tenants' groups. 29% of councils and 14% of associations employed specialist staff to promote tenant participation. Larger organisations (both councils and associations) were more likely to extensively promote tenant participation. Smaller rural areas were less likely to have tenants' associations than larger urban areas (Bines *et al*, 1993).
- 3.46 Another survey carried out in 1992 found that 28% of councils had local estate based initiatives involving tenants. Over half these respondents said that their estate initiative had developed from an Estate Action proposal. This suggests that funding from central government was an important component in encouraging councils to develop tenant participation. However, the authors noted that many such initiatives appeared to be short-lived. The study also found that 70% of councils had taken some form of tenant participation initiative and that 34% had assisted in the provision of training for tenants (Scott *et al*, 1994)).
- 3.47 The analysis of the 1999 Housing Investment Programme (HIP) returns, by Sheffield Hallam University, suggested that many local authorities had made substantial progress in implementing tenant participation policies and practice. They noted higher levels of participation by tenants in decisions at a strategic level. This tended to be focused on standard setting and contract monitoring, but there was little participation in rent-setting (ODPM, 2000). The analysis of the 2000 HIP return (ODPM, 2002) indicated that the

introduction of Tenant Participation Compacts had encouraged authorities strengthen their tenant participation strategy. The report noted that, at the time of the HIP submission, 65% of London boroughs, 59% of metropolitan and unitary authorities and 58% of shire councils had agreed a Borough-wide Compact. However, only a small minority had agreed area or neighbourhood compacts. The report also indicated a shift away from consultation through tenants' associations and Tenants' Federations to (non-elected) forums, tenants' surveys and focus groups.

- 3.48 The most recent report on tenant participation compacts (ODPM, 2003c) indicates that all English local authorities have produced some form of compact and that this has raised the profile of tenant participation in many cases. The authors reported that, in better performing authorities, the principles of participation had been embedded in main-stream activity. However, in others it was suggested that developing and reviewing the compact had *'become an industry in itself'*. *The report expressed concern that formal structures for tenant participation may focus on the activity of a relatively small number of tenants and staff and noted that there was no evidence to suggest that compacts had increased involvement from a wider range of tenants. Comments from tenant activists in London (LHU, 2003) echoed these findings, with some suggesting that many staff and tenants were unaware of the compacts and some councils were only paying lip service to tenant participation.*
- 3.49 The report by Sheffield Hallam, summarising the findings of three research projects (Cole *et al*, 2000), noted the wide diversity of approaches to TP by local authorities. The report confirmed that tenant participation had become a mainstream activity in many local authorities and that there was widespread tenant involvement in service delivery issues such as repairs and anti-social behaviour, though less in areas such as voids, arrears management and lettings. However, the authors also noted the limitations of participation. They indicated that published policies were largely written by officers, rather than the product of negotiation with tenants. Tenants were rarely involved in rent-setting, staffing issues or reviews of organisational structures. This suggests that housing professionals still hold power and control over the participation agenda and that, in practice, few organisations have fully subscribed to tenant empowerment (Cairncross *et al*, 1997)
- 3.50 A recent study of tenant participation in RSLs (Aldbourne Associates, 2001) found that around three-quarters of RSLs had a TP strategy and similar proportion had formal tenants groups. Only 17% had Tenants Compacts – but a number hoped to develop these. Conversely, nearly three-quarters had tenants on the board. Resources for tenant participation were found to vary considerably and 35% of RSLs did not have a separate TP budget. The researchers reported that tenants were keen to be involved, but not necessarily in formal tenants groups or meetings. Many preferred individual consultation, particularly through telephone surveys. Landlords were found to be shifting the focus of participation away from traditional methods (such as tenants groups and meetings) to surveys, focus groups and mystery shopping exercises. The most successful tenant participation initiatives were locally-based and concerning local issues such as vandalism and the condition of estates.

Does tenant participation make a difference?

- 3.51 Cole *et al* (1999) suggested that the measurement of the impact and effectiveness of tenant participation is very complex. The ODPM report on developing tenant participation states that:

‘It is not possible to condense the diverse and constantly changing network of relationships between tenants, tenants’ organisations, officers, members and other partners, and to track the shifting balance of power and responsibility between them in terms of a series of precise indicators’. (ODPM, 2000).

- 3.52 The National Framework for Tenant Participation Compacts suggests a number of measures including:

- inputs (such as training courses, publicity),
- outputs (such as the number of tenants’ groups),
- outcomes (such as tenants’ views on the quality of life in their area and user satisfaction)

(DETR, 1999a, Appendix G).

- 3.53 ODPM (2000) focused on outcome measures, and suggested that the effectiveness of tenant participation can be measured three ways:

- the impact of participation on tenants themselves
- the impact of participation in improving the quality of the housing service
- the impact of participation on the wider community in areas other than housing.

- 3.54 However, it is not clear how these outcomes might be measured.

- 3.55 Cole *et al* (2000) noted that systematic monitoring or evaluation of TP activities by landlords was very limited. Councils tended to assess progress measured by inputs and levels of activity rather than outcomes. But the report indicated that case study respondents all believed that tenant participation had had a positive impact on service quality. This view was re-iterated in the summary report:

‘There is considerable activity, but relatively little evaluation and reflection about the purpose of involving tenants more closely in decision-making and housing strategy. The benefits of participation were taken as self-evident truths by many officers in the research case studies, rather than as empirically demonstrable outcomes’

(Cole *et al*, 2001):

- 3.56 It may be that the inspection process will impact on the way that councils evaluate their services. Evidence from the Housing Corporation inspection process indicates that the inspectors were interested in both structures and processes and in outcomes: whether the involvement of tenants had made a difference to strategies or services (McCormack, 2003).

Evidence from satisfaction surveys

- 3.57 Evidence on whether tenants perceive that landlords provide them with information and take account of their views has been collected through the Survey of English Housing since 1994/95. This shows that tenants' views on how good the landlord is at keeping tenants informed declined between 1994/95 and 2001/02. In 1994/95, 83% of the council tenants thought that their landlord was good at keeping tenants informed, compared with only 79% in 2001/02. RSL tenants started from a higher level, with 87% feeling that their landlord kept them informed, but by 2001/02, only 85% thought that this was the case (Table 8).
- 3.58 There is a similar picture on the question on the extent to which the landlord takes account of tenants' views (Table 9). In 1994/95, 28% of council tenants thought that their landlord did not take their views into account at all, compared with 31% in 2001/02. Around half the tenants in each year felt that the council only took their views into account a little. RSL tenants were more inclined to think that their landlord took account of their views, but the numbers thinking that their views were not taken into account at all still rose from 18% in 1994/95 to 23% in 2001/02.

Table 8: How good landlord is at keeping tenants informed about things that affect them: 1994/5 to 2001/2

Tenure and year	How good landlord is at keeping tenants informed of things that affect them as tenants						Total	All households
	Very good	Fairly good	All good	Fairly bad	Very bad	All bad		
	%	%	%	%	%	%	%	<i>thousands</i>
Council tenants								
1994/51	39	44	83	10	7	17	100	3,660
1997/8	34	47	82	12	7	18	100	3,197
1999/00	25	53	78	14	8	22	100	2,995
2000/1	30	48	78	12	10	22	100	2,823
2001/2 – nw	28	50	79	12	9	21	100	2,660
RSL tenants								
1994/51	52	34	87	8	6	13	100	716
1997/8	51	39	90	6	4	10	100	950
1999/00	47	40	86	8	6	14	100	1,119
2000/1	42	42	84	9	7	16	100	1,226
2001/2 – nw	40	45	85	9	6	15	100	1,164
All social sector tenants								
1994/51	41	43	84	10	7	16	100	4,375
1997/8	38	45	84	11	6	16	100	4,147
1999/00	31	49	80	13	7	20	100	4,114
2000/1	33	46	80	11	9	20	100	4,048
2001/2 – nw	32	49	81	11	8	19	100	3,824

Source: Survey of English Housing

Table 9: How much landlord takes account of tenants' views: 1994/5 to 2001/2					
Tenure and year	How much account landlord takes of tenants' views			Total	All households
	A lot	A little	None at all		
	%	%	%	%	thousands
Council tenants					
1994/51	23	49	28	100	3,486
1997/8	24	50	26	100	3,024
1999/00	17	50	33	100	2,834
2000/1	18	50	32	100	2,688
2001/2 – nw	20	49	31	100	2,527
RSL tenants					
1994/51	42	40	18	100	679
1997/8	47	39	14	100	908
1999/00	38	41	21	100	1,078
2000/1	36	42	23	100	1,148
2001/2 – nw	34	44	23	100	1,086
All social sector tenants					
1994/51	26	48	26	100	4,164
1997/8	30	47	23	100	3,932
1999/00	23	48	30	100	3,912
2000/1	23	48	29	100	3,837
2001/2 – nw	24	48	28	100	3,614
Source: Survey of English Housing					

- 3.59 A final table (Table 10) examines tenants views on the opportunities for involvement in management and decision-making by region. Overall, 38% of social renting households in 20001/02 were satisfied with the opportunities, 16% were unsatisfied and 22% felt that they had no opportunities/desire for involvement in management. Households were most likely to be satisfied in the South of England (42%) and least likely to be satisfied in London (34% satisfied).
- 3.60 Information from the Housing Corporation (2002) indicates that, in surveys conducted by landlords, 62% of RSL tenants were satisfied with opportunities for involvement in management and decision-making in 2001. This suggests that RSL tenants may be considerably more satisfied than council tenants.

Table 10: Views on opportunities for involvement in management and decision making by region England 2001/02

Region	Views on opportunities for involvement				Total	All Households
	Satisfied	Neither satisfied nor unsatisfied	Unsatisfied	No opportunity /desire for involvement		
	%	%	%	%	%	Thousands
North	39	22	17	21	100	1301
Midlands	35	24	16	26	100	741
London	34	26	21	19	100	659
Rest of South	42	22	13	24	100	1093
Total	38	23	16	22	100	3794
Note: Excludes households where the respondent was not the household reference person or partner of the household reference person Source: Survey of English Housing 2001/02						

- 3.61 It should be acknowledged that there are a number of difficulties in using satisfaction surveys as a measure of the effectiveness of tenant participation. Customer satisfaction is influenced by a wide range of factors, including age, gender, income, expectations and satisfaction with the wider environment. Hence older tenants tend to be more satisfied than younger tenants and people living in flats are less likely to be satisfied than those living in houses.. It would be necessary to disaggregate the national survey findings to local authority levels, to establish whether greater efforts to involve tenants produced greater feelings of satisfaction than in areas where there was little or no participation. In addition, the characteristics of tenants have changed considerably over the past 25 years, so comparing older surveys with the most recent may not prove anything.
- 3.62 Cole *et al* (2000) also suggested that the link between tenant participation and tenant satisfaction with their landlord was very limited. They queried whether landlords with little or no participation performed less well. The evidence from the Baseline study in Scotland (Clapham *et al*, 1995) indicated that the best performing councils (mainly in rural areas), measured on a range of indicators, including tenant satisfaction, often had very low (or non-existent) levels of tenant participation. The key factor was the wider environment. Councils operating in difficult urban environments were most likely to promote tenant participation, but more likely to have low levels of satisfaction.
- 3.63 The Housing Inspectorate have also noted that some landlords with very poor services have good tenant satisfaction ratings while some services rated highly by the inspectors had poor satisfaction ratings from tenants. Again, the key factor appears to be environmental. Similarly, the Housing Corporation inspectors found little correlation between tenant satisfaction with their opportunities for participation, as reported in surveys, and the inspectors' judgement on performance on tenant involvement. McCormack (2003) reported that inspectors had learnt not to take satisfaction survey ratings at face value and instead they 'dug below the surface' to assess whether the ratings were supported by the views of tenants and residents interviewed during the inspection.
- 3.64 It is clear that landlords have increased tenant participation activity , and that housing officers believe that this has had a positive impact. However, Bines *et al* (1993) questioned the effectiveness of tenant participation in achieving tenant empowerment.

The report indicated that some of the case study landlords had devoted considerable time and effort to tenant participation, but often had a majority of tenants who felt that they did not have enough influence over policy. There may be a number of reasons for this. First, this may be due to differences in perception and expectation: landlords may think that their TP policies and practices are extensive, but these may be viewed as very limited by the tenants (Bines *et al*, 1993). Although there may be widespread information and consultation, this might not result in real influence over policy decisions, Cole *et al*, (2000) suggested that there were only a few examples where tenant involvement had '*penetrated to the heart of both council decision-making and service delivery*'. In most cases, the landlords set the agenda and determined the areas and issues on which views were sought.

- 3.65 Second, it is also likely that, in most landlords, only a small minority of tenants are actively involved in tenant participation initiatives and that the majority of tenants do not perceive that they have any impact on landlords' decisions. Third, the Survey of English Housing findings suggest that a substantial minority of tenants (22%) may have no desire for greater involvement in decisions. These tenants may simply want a 'contractual' relationship with their landlord (a good service provided for the rent paid) rather than a negotiated relationship.

The Effectiveness of Tenant Management

- 3.66 All the studies of tenant management in local authority stock have found that they offer a quality housing service. McCafferty and Riley (1989), Birchall (1991) and Power (1998) found that TMCs generally have a high standard of management. McCafferty and Riley also found that local authority TMCs spent less than local authorities on management and maintenance, but obtained significantly higher levels of tenant satisfaction. These findings were supported by a major study in the early 1990s, which concluded that co-operatives '*are a flexible model capable of delivering housing services which compare with the very best mainstream providers*' (Price Waterhouse, 1995, p125). The study also found that tenant management co-operatives produced longer-term savings and benefits, which more than outweighed set-up costs. All the studies emphasised that the small scale of tenant management co-operatives appeared to be central to their good performance.
- 3.67 In contrast, McCafferty and Riley (1989) found that TMCs in housing association stock performed significantly worse than those in local authority stock. These associations had particularly poor ratings (by tenants) for upkeep of communal areas and 'sense of community' (Comparative financial information was not available). Clapham and Kintrea (1992) also noted the concerns of the Housing Corporation about the performance of co-operatives. These included poor financial control, discretionary allocations and lack of forward planning. However, Clapham and Kintrea point out that many of the co-ops in RSL stock were very small (around 20 properties) and lacked paid staff.
- 3.68 A study by Somerville *et al* (1998) also suggested that tenant management organisations offered a range of good practice examples. The authors also noted that:

'Perhaps the most outstanding successes were those where the TMO had taken a lead role in the regeneration of the area in which they lived, or had made major contributions in terms of fund raising and job creation. Some of these achievements had gained national and international recognition, sometimes well beyond the field of housing management' (Somerville *et al*, 1998).

- 3.69 The most recent study of tenant management (ODPM, 2002) found that most TMOs were performing better than the local authorities in whose areas they operated on repairs, allocations and rent collection. Tenant satisfaction was found to be higher than average (77% were satisfied with their TMO compared with 67% of council tenants in the Survey of English Housing). Tenants were also more likely to be satisfied with the opportunities to be involved in management (77% of TMO tenants compared with 49% of council tenants in the Survey of English Housing). The research also noted the involvement of TMOs in wider activities.
- 3.70 Overall, however, the most notable fact is that, despite government support over the last 25 years, TMOs manage only a tiny proportion of the stock in the social rented sector and growth has been very slow. This appears, in part, to be due to a lack of willingness by tenants and reluctance of many landlords. However, it may also be argued that the framework and structure of social housing in the UK is not conducive to resident control and locally determined provision.

Organisational Change

- 3.71 The Nature and Effectiveness study (MacLennan, 1989) found that the degree of comprehensiveness of the housing service did not appear to influence housing management performance and Clapham (1991) concluded that *'the emphasis on a comprehensive housing department seems to be a mistaken one'* (p43).
- 3.72 The early studies of decentralisation painted the picture of success stories (e.g. Seabrook, 1984; Mainwaring, 1988). However, Mainwaring (1988) acknowledged that the trauma of the radical change in Walsall led to strikes, disruptions in services and tensions between central and local services. The Islington scheme had problems with new technology, training programmes and inter-departmental collaboration (Burns and Williams, 1989). Cole *et al* (1988) indicated that decentralisation did appear to improve performance on rent arrears, void properties and repairs. However, this study noted that determining the relationship between cause and effect was fraught with difficulty.
- 3.73 The University of Glasgow's Nature and Effectiveness study (MacLennan *et al*, 1989) was also circumspect. The research found that decentralisation often led to better performance as a result of being *'closer to the customer'*. *The study concluded however, that 'organisational type and structure is not the key determinant of effectiveness... what matters most is the will to manage efficiently and effectively'*. (MacLennan *et al*, 1989, p130).
- 3.74 Glennester and Turner's (1993) evaluation of the estate-based management approach, carried out on two estates over a 3 year period in the late 1980s found that local housing management produced a more responsive housing management and maintenance process and that tenant satisfaction had increased. However, tenant involvement had only increased moderately. They suggested that, to be effective, estate-based management needed tenant involvement, high quality well-trained staff, sensitive allocations and better inter-agency co-ordination. Crucially, they noted that social deprivation on the estates had increased over the period of the study and concluded that:

'Estate based housing management is a necessary but not sufficient condition for combating housing and social decay on deprived housing estates'

(Glennester and Turner, 1993. pxii)

- 3.75 Power and Tunstall (1995) made similar observations about improvements in performance against a backdrop of increasing social problems in 20 estates. this view was also echoed by the Social Exclusion Priority Action Team on Housing Management:

‘Good housing management, with an on-the-spot presence, can make a real contribution to reducing social exclusion by improving the quality of life for those in deprived areas. On its own, however, it cannot eliminate social exclusion’.

(National Strategy for Neighbourhood Renewal, 1999).

- 3.76 There have been only a limited number of studies of the costs of decentralisation and the results have been mixed. Decentralised forms of management were found by Price Waterhouse to “generate higher levels of workload for housing managers on a continuing basis” (p.8), implying additional cost. MacLennan *et al* (1989) found, on the other hand, that (within the council sector) “decentralisation was generally associated with better services but not higher costs” (summary report para 8). Cole *et al* (1991) indicated that, although local estate-based services may save money as a result of lower voids and increased rental income, in most cases there was a considerable capital and revenue cost. In addition, successful services generated increased demand – leading to greater pressure on resources.
- 3.77 The evaluation of the PEP approach by CAPITA (1993), based on a comparison of several ‘PEP’ estates with ‘control estates’ found that management performance in the PEP estates had improved while performance (measured against key indicators) in the control areas declined. Tenant satisfaction was also higher in the PEP areas – though the authors noted this may have been at least partly due to physical improvements in the estates. Management costs were significantly higher in the PEP model and the report concluded that:

‘The PEP approach is cost-effective at achieving change but less cost effective in terms of improved performance’

(CAPITA, 1993)

- 3.78 The evaluation of ‘on the spot housing management’ (Cole *et al*, 2001) found that cost-benefits of such initiatives were very rare. Almost all the landlords thought that localised management was more expensive than centralised management but they felt that extra costs of this approach were outweighed by the benefits derived. Specifically, it was generally believed that on the spot management could deliver improved management and maintenance performance, reduced demand on other service providers, reduced crime and anti-social behaviour and increased demand. These had not, however, been quantified and there was little hard evidence of the wider benefits.
- 3.79 Transfer evaluations (e.g. Mullins *et al*, 1995; National Audit Office, 2003) have generally concluded that the new landlord bodies have been subject to effective management, and that tenant and independent board members have made a significant contribution to this. The NAO’s finding that most transfer landlords have succeeded in delivering their ‘transfer promises’ (e.g. in respect of stock improvement and rents) is also relevant here.
- 3.80 There have been only limited studies of whether generic working is more effective than specialist working. In the past, opinions on whether landlords should employ specialist arrears staff, or have generic staff deal with arrears, has been divided. The Baseline Study of Housing Management in Scotland found examples of each which were effective (Clapham *et al*, 1995) and Gray *et al* (1994) indicated that there was no single

best way of dealing with rent arrears. However, both Atkinson *et al* (2000) and Hunter *et al* (2000) found that landlords who employed specialist staff to deal with anti-social behaviour appeared to have a better understanding of the legal issues, and were more likely to take, and win, legal action.

- 3.81 Group structures have become increasingly common in the RSL sector over the last decade. Research conducted by the Housing Corporation and Audit Commission (2001) concluded that there was no evidence that group structures generated greater efficiency, effectiveness or economy over other types of organisational form. The only clear advantage they seemed to have over other organisations came from their tax position and their ability to access relatively cheap loans.

Staff Skills and Knowledge

- 3.82 To assess the effectiveness of the governments aim to improve staff skills and knowledge, it is necessary to assess this against some key criteria. First, as the government provided bursaries for full-time postgraduate students from 1980, it can be assumed that one of the key objectives was to raise the number of staff with a qualification in housing. Second, the support to the CIH and support through section 16 and Section 87 grants can be assumed to encourage a culture of training in organisations. Finally, the statements in the 1990 DoE report encourage housing organisations to invest more in staff development and training. These are assessed in turn.

Increasing the number of staff with professional qualifications

- 3.83 The DoE report (1990) suggested that housing education courses at undergraduate and post-graduate levels, as well as through the Professional Qualification, produced around 700 qualified staff per year and that this had substantially increased since the early 1980s. Statistics from the Chartered Institute of Housing, based on returns from education providers, indicate that there were 1,746 students on housing courses in 1982. By 1992, this had risen to 3,686. Numbers peaked in the mid 1990s, but have since declined slightly (Table 11).

Table 11: Numbers of students on housing courses 1982-2000			
	Courses leading to housing professional qualification	Other housing courses	Total
1982			1,746
1992	1,540	2,146	3, 686
1995	1,789	2 769	4, 558
1999	1,948	1,820	3, 768
2002	1,870	2,089	3, 959
Note: These may be under-estimates as these figures were derived from annual returns submitted by education providers to the Chartered Institute of Housing and were based on less than 100% returns.			

- 3.84 Aldbourne Associates (1994) indicated that the large growth was due to the increase in the number of courses recognised by the CIH at undergraduate and post-graduate levels. This is likely to be related to the growth in academic departments at Universities across the UK which focused on housing and urban issues. These included CURS in Birmingham, SAUS at Bristol and the School of Urban and Regional Studies in Sheffield.

Numbers of students studying for professional qualifications at undergraduate and postgraduate level continued to increase through-out the 1990s. The introduction of an HNC in Housing and the launch of specialist certificates for staff such as Sheltered Housing Wardens and Community Participation Officers also boosted demand.

- 3.85 However, recent figures show that, following the demise of the bursary scheme for full-time students, the numbers of students on many postgraduate housing courses have declined. Full-time undergraduate courses have also had greater difficulty in attracting students, reflecting, perhaps, the decreasing attractiveness of public and social sector jobs. Demand for qualifications at HNC level and specialist certificates offered by the Chartered Institute of Housing has however, increased since 1999.
- 3.86 A DoE report on housing education in 1990 reported that there were 80,000 staff working in housing (manual and non-manual). However, the report estimated that only 7 per cent were graduates or had a professional qualification (DoE, 1990). This contrasts with the findings of the Nature and Effectiveness study (MacLennan *et al*, 1989), which examined the educational backgrounds and training needs of more senior staff. This indicated that, overall, 29 per cent of managers were graduates and 37 per cent of staff had a professional qualification in housing, planning or management. Bines *et al* (1993) suggested that the number of qualified staff were slowly rising. Overall, a third of the managers in the Bines study were graduates and 20 per cent had a housing qualification. However, in 2000, Policy Action Team 16 reported that only 10 per cent of those employed in housing had a qualification in housing. The source of this figure is not clear. The only published figures from around this date were in a Scottish survey, which reported that 6% of housing staff in Scotland had a professional qualification in housing and a further 4% held an HNC level qualification (Keoghan and Scott, 1999). However, the authors noted that this figure may under-represent the true position because many housing organisations did not have records of the qualifications held by staff.
- 3.87 Evidence of rising numbers of people with a professional qualification in housing can also be gleaned from the membership of the professional body. In 1976, membership of the Institute of Housing stood at 4,703 (Williams, (1987). In 1991, membership had risen to 10,107, of which around 4,500 were full corporate members and by 2001, there were 17, 500 members of the Chartered Institute of Housing, around a third of whom were full corporate members – that is people who had passed the professional qualification (Figures from CIH). It should be noted that many people who qualify for corporate membership do not take it up, so the numbers of staff with qualifications recognised by the CIH is undoubtedly much higher than this. Although there is no hard evidence of the current proportion of housing staff with a professional qualification in housing, it seems likely that it is well above 10%. Staff at senior grades are also more likely to have a professional qualification in housing.
- 3.88 However, it may be argued that simply looking at professional qualifications in housing is too narrow a measure. Staff working in housing organisations have varied backgrounds and a Scottish survey (Scott, 1992) found that 11% of staff had qualifications in planning, surveying, accountancy, architecture and management.

Changing culture of housing organisations – learning organisations

- 3.89 There is evidence that the commitment to training and education by housing organisations has increased. MacLennan *et al* (1989) found that around 60 per cent of staff said that they had received in-house training but only 44 per cent felt that they had

received sufficient training. The study noted that approaches to training were very varied. Some organisations had dedicated training staff and active staff development programmes while other had very little support for training.

- 3.90 Bines *et al* (1994) found that support for training had increased. The research found that 85% of staff surveyed had received some training in the previous 12 months and 59% thought the training opportunities were good or very good. (Housing association staff were more likely to think this than local authority staff). Most staff (82%) felt that more training would improve their performance.
- 3.91 Albourne Associates (1994) also reported evidence of active training cultures in housing organisations. However, they found that there was no clear consensus about the role of training in housing organisations. In some organisations it was central to development of organisational culture, in others training was a 'costly largely external activity of dubious benefit'. In many organisations training was haphazard and provided largely in response to specific staff demands.
- 3.92 Reid *et al* (2000) made similar comments. The authors suggested that support for education and training was not spread evenly across rented housing sector. They identified three organisational types:
- Modern – organisation has accepted the premise of the 'virtuous circle' – investment in staff, enhanced organisational capacity, improved business excellence
 - Traditional – organisation is caught in the vicious circle of limited training budgets and a perception that training is a diversion from real work.
 - Transforming – Simply trying to do better with the resources they have. (p50)
- 3.93 The report suggested that only a small proportion of organisations have developed a 'learning culture' epitomised by the modern organisation, but that the traditional model is becoming more rare. Most, however, felt that they could not support staff development to the extent that they wished and that education and training was still a low priority.

Encouraging housing organisation to invest more in staff development and training

- 3.94 As noted earlier, the Audit Commission (1986) indicated that the majority of authorities spent less than 1% of their housing staff costs on staff training and education. Albourne Associates (1994) noted that training budgets varied widely and comparison between organisations was difficult because some budgets did not including staff time for delivering or attending training and, in local authorities, central services often provided generic skills training (e.g. Customer Care). Nevertheless, Albourne Associates suggested authorities spend around £60m of education and training for housing staff. The average expenditure on training per member of staff was £600 and, on average, staff received five days training per year.
- 3.95 The most recent survey by Reid *et al* (2000) found that 37 per cent of housing employers invested less than 1.5 per cent of their salary bill in housing education and training, 41 per cent invested between 1.6 and 3 per cent of their salary bill and only

21 per cent invested more than 3 per cent. However, the authors noted that these figures should be viewed with caution because many costs were hidden in other budget heads. They indicated that these figures may under-represent the true position.

- 3.96 It appears, therefore, that many social landlords have increased the proportion of their salaries bill that they invest in training and education. However, Reid *et al* (2000) noted that *'funding for training and staff development remains for the most part a vulnerable area of budgets and is frequently seen as subject to cuts'* (p66)

Measuring effectiveness

- 3.97 Although there is evidence that housing staff are more likely to be qualified than 25 years ago, and more likely to receive training, it is more difficult to assess whether this improvement in staff skills and knowledge has had an impact on management effectiveness.
- 3.98 The Albourne Associates report on housing education (1994) noted that, although colleges themselves carried out internal evaluation exercises and external evaluation was carried out by the Chartered Institute of Housing (and more recently by the Quality Assurance Agency), there had been no evaluation of the funding provided to housing courses. Thus it was not possible to assess how successful courses were in educating new recruits to the housing sector, nor to evaluate the effectiveness of their contribution to improving management performance and effectiveness of organisations which employ them. The report noted anecdotal evidence that courses were highly valued, both by organisations recruiting and the students themselves. The educational courses were thought to provide a focus for innovative approaches to housing management issues and new developments in policy and practice. They encouraged students to adopt a critical approach and the high standards in teaching were thought to filter down to other training provision.
- 3.99 Albourne Associates found little evidence of evaluation of training by housing organisations. Some employers used course evaluation forms but only a few monitored costs, amounts and types of training. They noted that some organisations were beginning to apply staff appraisal techniques. The report by Reid *et al* (2000) found that staff appraisal was much more common and that 80% of LAs and 91% of RSLs had staff development policies in place. However, the authors commented that:

'many housing organisations are struggling with the task of generating evidence of the benefits to their organisation of investing in education and training. Despite the 'new management' and the new business culture, this area of evaluation remains in many ways the most traditional, and in many cases is an area of human resource management competence which is simply missing'

(Reid *et al*, 2000.p51).

- 3.100 Reid *et al* felt that many employers were trying to justify expenditure on education and training as a quantitative 'value-for-money' exercise, when the benefits were primarily qualitative. They felt, however, that the Best Value approach may encourage *'more rounded thinking about the issue of service quality, closer working with staff, better planning of resource needs, and new thinking about the skills needed for continuous improvement'* (Reid *et al*, 2000.p51).

Performance Levels and Performance Trends

- 3.101 Having established some of the impacts of key policy initiatives on management inputs and processes, we now consider the impact on housing service efficiency in the principal functions of housing management. As noted in Section 2 a standard set of housing management performance indicators was first introduced in 1989. The suite of statutory indicators initially specified for inclusion in the annual performance reports for tenants formed the basis for the housing PIs incorporated within the Citizen's Charter performance indicators regime established in 1992. The body of performance data accumulated under this framework, and its Best Value successor, now spans eight years (from 1993/94 to 2001/02).
- 3.102 A similar regime has been in place for housing associations since 1994, though the detail of the HA framework differs not only in relation to publication requirements but also with respect to some of the specific indicators and their definitions.
- 3.103 The range of standard local authority and housing association PIs, as well as their precise definitions, have been subject to sometimes significant changes over the years. HA PIs, for example, were revised extensively in 2001. It is, nevertheless, possible to assemble time series analyses which provide pointers to important changes in performance since the mid-1990s, although interpretation of such analyses needs to take account of the limitations of PIs, as discussed above. Our analysis should be seen as complementing that carried out by Murie and Walker (2002b) which focused on 2000/01 PI data for both LAs and HAs. Among the conclusions of this earlier study was the confirmation that the best performing LAs tend to be less deprived non-metropolitan districts with fewer flats and a smaller stock size than the average. Similarly, in the HA sector performance was generally negatively correlated with organisational size, though unit management costs of smaller landlords tended to be higher.
- 3.104 The detailed analysis of LA and HA PIs for the period 1993/94-2001/02 is set out in Annex 1.

Performance indicators on housing management and costs: summing up

- 3.105 Generally, social landlords' housing management performance has tended to deteriorate over the past few years, particularly in the housing association sector (see detailed analysis in Annex 1). In the HA sector, whilst repairs activity has improved marginally, both rent collection and void management have declined – the latter to a marked extent (see Annex 1 Figures A1.3-A1.4, A1.7, A1.10-A1.11). The picture in the local authority sector is a little brighter. Whilst performance has fallen off slightly on both rent collection and void management (see Annex 1 Figures A1.1-A1.2, A1.6), there has been a marked improvement on reactive repairs (see Figure A1.9). The significant strides made by the London boroughs on rent arrears reduction, void management and repairs (see Figures A1.2, A1.6, A1.9) are perhaps the most striking finding which emerges from the analysis.
- 3.106 The aggregate performance improvement recorded for repairs results from enhanced consistency within both sectors, particularly among local authorities where the absolute gap between best and worst performers has been reduced significantly over the past few years. In respect of rent collection and void management, however, no such trend is apparent.

- 3.107 Housing management costs, whilst running well ahead of RPI in both sectors, have been rising closely in line with earnings inflation (see Annex 1 Figures A1.14-A1.18). That unit costs have not risen more sharply among local authorities suggests that managers are recording some success in downsizing their operations to compensate for the continuing stock losses under the RTB. It is also notable that management cost inflation (ahead of RPI) has been substantially reduced in recent years by comparison with the 1980s and early 1990s.
- 3.108 Whether BV (or any other performance management framework) is worthwhile depends not just on whether service improvements are achieved but at what cost. Boyne (2000) suggests that there are both conceptual and technical problems in determining these. First, as noted earlier, measures of performance are inherently contestable. Whether a fair but expensive service is better than a cheap but unfair service is ultimately a matter of judgement. Secondly there are the costs incurred by regulated bodies in complying with regulatory requirements. Should these be ignored on the grounds that good managers should be undertaking these activities anyway or should they be included in the value for money calculation?
- 3.109 There can be little doubt about the significant impact of the inspection regime on local authority housing services (particularly in combination with the qualification rules for ALMO funding). At the same time, however, there is a view that the system has been subject to professional capture. Had there been inspection in the mid-1980s the Commission would have encouraged inspectors to investigate staffing levels, repair costs, void levels and so on, perhaps at the expense of service quality. Under the Inspectorate, however, efficiency issues have tended to be substantially downplayed and many inspection reports have caused councils to increase expenditure.
- 3.110 Finally there are the costs of the regulatory machinery. With the creation of new inspectorates and the requirement for additional external audit activities, Best Value is likely to have increased these costs. Unfortunately, the data to test the calculation are currently inadequate, although it would undoubtedly be possible to estimate, given sufficient cost data from even a sample of authorities. In the meantime, the new CPA, streamlined Best Value system and tailored inspections reflect a recognition that regulation at any cost is not acceptable.

4. Summary and Conclusions

Context

- 4.1 The period since the 1980s has been one of increasing and often rapid change for social landlords. In part this stems from a changing socio-economic context – the sector has come to be dominated by socially excluded households as more affluent tenants have bought their way out of both LA and HA sectors (either through RTB or through open market purchase). Over 1.5 million local authority houses have been sold in England through the Right to Buy, leaving landlords with an increasing proportion of less popular stock which is typically more expensive to manage (given the rising proportion of flats and blocks with problematic design or construction). At the same time, there has been growth in the levels of vandalism, anti-social behaviour and other problems that tend to manifest themselves disproportionately in social housing estates, and especially in higher density urban areas. Authorities and RSLs are having to learn that they are managing not just housing but neighbourhoods.
- 4.2 Change has also been driven by government economic and regulatory policy. Measures to make expenditure go further by securing greater efficiency and effectiveness in the management of social housing have formed part of wider public service reform agendas pursued by both the previous Conservative and current Labour administrations. Housing management was first put under the microscope in the mid-1980s (Audit Commission, 1986), criticised for its lack of attention to economy and efficiency and for its failure to listen to its customers. The recommendations of this report followed by those of Maclennan *et al.* (1989), allied to the principles of the Citizen's Charter (1991), formed the springboard for a series of policies introduced over the last decade designed to create more cost efficient, better managed and more responsive social landlords. Have they succeeded?
- 4.3 In seeking to answer this question, we have examined a number of 'beacon' policies – performance indicators, the competitive tendering of housing management services, Best Value, tenant participation and management, and the overarching regulatory regimes – firstly charting their evolution and clarifying their objectives, and secondly reviewing available evidence on their impacts. Further policies aimed at changing organisational structures and enhancing management competence have been reviewed in a similar fashion. The way in which policy has evolved, however, as described in Section 2, is such that few changes in organisation or performance can be attributed to one single policy. This was one of the main conclusions of the baseline study of housing management (Bines *et al.* 1993) commissioned to assess the impact of the new financial regimes (NFR) for both housing authorities and associations. As pointed out by one of the authors, establishing the counter-factual is problematic: "the NFR was not introduced into a static world where everything else was being held constant.... On the contrary, (it) was only one of the numerous policy instruments which the government had introduced to help engineer change" (Kemp, 1995).
- 4.4 This review faces the same problems. Firstly, because of the sequential introduction of policies with similar objectives, we have had to assume (and there is some evidence to support this) that each of the policies has played some part in determining any changes observed in activities and outcomes. Secondly, we cannot determine how landlords would have performed in the absence of any policy change. A third problem stems from the changes in context outlined above: it is possible that landlords have had to

run harder just to stand still. Finally, there is the perennial problem of information needed to properly evaluate policies. In its 1986 report, the Audit Commission described its inability to explain the real increase in management costs as “symptomatic of the lack of information about council housing”. Since then there has been much research into the organisation and management of social housing and information systems – such as those for collecting performance data – are better developed. But there remain important information gaps that prevent a systematic and comprehensive assessment of the impacts of policy on the organisation, efficiency and effectiveness of housing management.

- 4.5 In this concluding section, we begin by summarising the key aims of policy. This is followed by a review of organisational and other changes that have been prompted by successive policy initiatives. We then assess the main impacts of policy in terms of changes in the economy, efficiency and effectiveness of service provision.

Policy Objectives

- 4.6 Measures explicitly designed to improve the cost-effectiveness of housing management have been a constant feature of policy thinking for almost 20 years. This overriding objective underpinned the introduction of performance indicators, compulsory competitive tendering and best value, and was key element in further initiatives such as the changes to local authority and housing association subsidy systems in 1989. Above all, policy has sought to instil a more business-like ethos in the minds of social housing managers, who had hitherto faced little pressure to change established ways. But since 1989 policy has encouraged managers to:
- Establish and question service costs: both direct costs including staffing and indirect costs, particularly those charged for central services
 - Strengthen the professional knowledge and management skills of staff
 - Challenge the way in which services are provided: could business processes such as rent collection and lettings procedures be re-engineered, or could better use be made of developments in new technology? Is it necessary for all activities to be carried out in-house or could specialised contractors provide better value for money?
 - Set targets and monitor performance in areas that have a critical impact on income or expenditure, and in doing so establish higher quality information systems
 - Compare performance with others and, through benchmarking and more recently partnership working, identify ways in which service delivery could be changed and improved
- 4.7 A further critical element in this policy framework has been a strengthening of the regulatory machinery including, importantly, systems of rewards and sanctions, to provide the stimulus to performance improvement that is lacking in an essentially non-market system.
- 4.8 Concurrently, policy has sought to focus on the extent to which services are provided to the standards that customers desire. A second key strand of policy has therefore been concerned to ensure that tenants have the opportunity to contribute to decisions about which services are provided and the standards that should be met. Tenants have

been provided with information against which to assess service standards, rights to consultation on housing management policies and rights to directly manage their own homes. These measures have been fuelled in part by the belief that bureaucracies do not always know what is best for their tenants and that participation or control is in part a substitute for the choice that customers of other services can exercise by taking their business elsewhere. But the involvement of tenants in decision-making is also believed to lead to better use of resources (which could be wasted providing services that tenants consider unimportant or do not want), better managed estates and better satisfied residents.

Policy and Organisational Change

- 4.9 It is important to consider first some of the ways in which government policies have affected organisation and management processes as these in turn affect input costs, efficiency and effectiveness.
- 4.10 Introduced in 1996 compulsory competitive tendering of housing management (HMCCT) was arguably the most critical test of value for money, by exposing services to real market pressures. Experience in the tendering of blue-collar services under the 1988 Local Government Act had provided evidence that significant gains could be achieved. But contracting out of housing management services was rare: in 1991, only 11% of councils contracted out any services and these related, in the main, to repair & maintenance services (Bines *et al*, 1993). Press reports at the time give little doubt that the prospect of HMCCT was a culture shock for many housing departments. However, as far as we have been able to establish, there has never been an official evaluation of the policy, despite the fact that competition remains a core element in the successor best value regime. Nevertheless, by drawing on an unpublished survey of the first round of HMCCT (McGuigan, 1997) and evidence of the wider local government experience, we have concluded that CCT was a major catalyst for change in the housing service. While the absence of a full evaluation means that many of the findings are not quantifiable, the main impacts, first in respect of organisation and managerial processes, appear to have been:
- Structural change, principally to effect the separation of client and contractor roles but also to package work into suitably sized contracts (coinciding here with the more general central government imperative in favour of smaller managerial units)
 - Improvement in the clarity and definition of service specifications, and a closer alignment of services to client needs
 - Clearer lines of responsibility in both the client side and delivery functions
 - Pressure to review and, in a fair proportion of cases, change procedures in key areas of housing management activity
 - Improvements in performance measurement and monitoring systems, including the re-specification of standards and targets, and changes to housing IT systems

4.11 In respect of costs and performance, the evidence suggests that CCT led to:

- Detailed investigation of input costs, including charging arrangements in respect of ‘support services’ (e.g. legal, finance, HR) provided to housing departments by corporate units (e.g. through Service Level Agreements – SLAs), and a review of staffing levels and terms and conditions of service in many authorities
- Cost reductions in some authorities, but cost increases in others, following the pattern experienced in other service areas. It is difficult to establish the extent to which costs were affected by changes in service standards. There was also some evidence that the 1988 Act had prompted at least a considerable proportion of authorities to introduce changes in services not yet directly affected by CCT. This, allied to other pressures to improve value for money, could have limited the scope for savings to be achieved. McGuigan’s survey (1997) found that half of authorities had reduced their costs, mainly by reducing staffing levels. What the survey also revealed was that fewer than half had actually compared costs pre- and post-tender, a surprising omission given the policy objectives.
- Some significant improvements in service performance, especially in relet times and rent collection, although this was not a uniform experience and for the majority performance did not change significantly.

4.12 In the experience of local government CCT as a whole the level of competition varied considerably by service area. In contrast to blue collar contracting there were very few external bidders for housing management, with the number falling to just 10 in round two. The competitive process, however, was judged by researchers to be just as important as competition itself in stimulating changes in attitudes and work processes. Indeed, McGuigan’s survey found that over 8 in 10 authorities considered CCT to have brought some positive effects, despite the widespread aversion to compulsion.

4.13 There are at least two qualifications to these general conclusions. First, as a result of de minimis rules, and the changeover to best value before HMCCT had been fully implemented, it appears that some, particularly smaller rural, authorities fell through the net, and may have therefore failed to ‘benefit’ from the disciplines created by CCT. There seems to be some correspondence here with progress under Best Value, where these authorities are more likely than others to be ‘reluctant’ participants (Whittle *et al.*, 2001). Secondly, there is anecdotal evidence (but no systematic knowledge) that considerable resources were expended in dismantling and redesigning structures and systems following the abolition of CCT. If widespread, then this is a cost that ought in principle to be accounted for, though in practice is unlikely to be established.

4.14 A further observation is also pertinent. Not only does the evidence indicate that CCT did bring tangible benefits, but current (BV) policy continues to argue the need for landlords to demonstrate ‘competitiveness’. It would therefore seem to be in the interests of policy to monitor the extent to which authorities continue to subject their housing management services to market testing. HIP returns in 1999 and 2000 did attempt to collect such data, revealing in 2000 that some one third of the council stock – dominated by London Boroughs – was being managed by external contractors. This data is no longer collected. Given that procurement is an area that authorities have apparently pursued with little vigour under Best Value, systematic monitoring of this aspect of management practice could be revealing.

- 4.15 There is less detailed evidence on changes in organisational practice in RSLs as they responded to policy developments. However, the performance standards and indicators introduced in 1989, backed up by increasingly sophisticated supervisory and regulatory regimes, are likely to have induced considerable change. The considerable merger activity seen in recent years is one of the most visible signs of an increasing focus on cost-efficiency. The adoption of Best Value in the RSL sector, allied to the recent creation of a unified inspection framework should mean in future that progress by different types of landlords can be more readily compared.
- 4.16 Turning to Best Value, the evidence so far indicates that authorities in particular have found it to be more ‘challenging’ than anticipated. This verdict was at least partly connected to the initial requirement for a five yearly service review cycle (BVRs) across the board, which was found to be very resource intensive. The relaxation in this requirement, to allow focus on weaker services, seems sensible and is no doubt welcome. The tenant consultation requirement has also been reported to be resource intensive, suggesting that BV has perhaps been more successful in forcing landlords to engage with tenants than previous initiatives (see below). Judged against the other 3 C’s (challenge, compare, compete), evidence suggests the following:
- There is still a tendency to stick with the status quo, with landlords finding it easier to tinker with, rather than challenge, existing approaches to service delivery
 - Performance comparison is now widespread: this was clearly initiated by the introduction of statutory/mandatory performance indicators for LA’s/RSL’s in 1989 which continue to be a key element of the Best Value regime. There has been a proliferation of benchmarking although comparison is typically within-sector, often restricted to the statutory PIs and for some appears to constitute the main test of competitiveness
- 4.17 It follows, as already implied, that progress in contracting, testing alternative forms of procurement, and partnership delivery mechanisms has been slow, although some successes have been reported in the RSL sector in joint purchasing arrangements.
- 4.18 Tenant involvement has increased slowly over time. Although legislation requiring landlords to consult with tenants over housing management matters was first enacted over 20 years ago, landlords seemed reluctant to do so. Even by 1991, tenant participation remained relatively underdeveloped (Bines *et al.*, 1993). More recent analysis (ODPM 2000, 2002) suggests considerably higher levels of tenant participation activity since the introduction of Best Value and Tenant Participation Compacts, and this could also be a reflection of the greater emphasis placed on the consumer dimension by the regulatory system.
- 4.19 It is not possible to disaggregate the costs of tenant participation from CIPFA returns. It can, however, be assumed that there are a number of costs to landlords. First, seeking the views of tenants and involving them in decision-making, incurs staff time and costs. Many housing organisations have employed specialist tenant participation officers, while others have added the responsibility for tenant participation to the work of housing officers. Second, supporting tenants organisations requires resources, such as meeting rooms and training. Third, providing information to tenants, through newsletters and reports has a cost.

- 4.20 The additional resource implications of participation have been recognised by government, through the provision of resources to national organisations, such as TPAS and PEP and funding through Estate Action and similar schemes to encourage participation initiatives. The recent research for the Housing Corporation by Aldbourne Associates (Housing Corporation, 2001) indicates that there is no correlation between money spent and successful tenant participation. The authors indicated that enthusiastic local staff were perhaps the most important factor. However, the study suggested that successful approaches to tenant participation were able to show that tenant involvement was keeping costs down. The Audit Commission is currently carrying out research on the cost-effectiveness of tenant participation, which may shed further light on the costs and benefits.
- 4.21 Tenant management has also been supported by government, with considerable resources provided to assist in setting up these organisations. TMOs also require resources from the landlord, both at the setting-up stage, and for the ongoing monitoring and support for established TMOs.
- 4.22 There have been a number of studies that have evaluated organisational structures over the past 25 years. While almost all concluded that organisational structure was not the key determinant of good performance, the general consensus is that decentralised, local estate management can deliver improved management and maintenance performance and reduce crime and anti-social behaviour. However, to be effective, estate-based management needed tenant involvement, high quality well-trained staff, sensitive allocations and better partnership working. These increased inputs inevitably imply higher costs and views on whether local management is cost-effective are mixed. There are also mixed views on whether generic or specialist staff are more effective but recent evidence suggests that landlords are increasingly moving towards specialist units in key functions.
- 4.23 The importance of well trained and qualified staff has been recognised for some time and has received some government support. There is evidence that the proportion of qualified staff and the level of training increased, although in comparison with other professions, the commitment to education and training remains low. Recent estimates suggest that only 10 per cent of those working in the social rented sector have a professional qualification in housing – although a similar proportion may have other relevant qualifications. However, it is difficult to assess whether this improvement in staff skills and knowledge has had an impact on management effectiveness.
- 4.24 In terms of performance enhancements to more detailed aspects of policy and procedure, there is limited information. In relation to rent collection, for example, the Audit Commission (1986) noted that major changes had occurred as a result of changing technology, the introduction of housing benefit and other factors, but that only a “small fraction” of authorities collected rent by means of a bank transmission. By 1991, only eight per cent of council tenants paid in this way whereas housing associations collected a quarter of rents by this means. More recent information on practice has proved elusive. In a similar vein, landlords have been encouraged since 1989 to set targets as a means of gauging performance improvement. Between 1987 and 1992, it was clear that a significant increase in the use of targets had occurred (Bines *et al.*, 1993). The requirement to tender housing management services (HMCCT) was also credited with having some impact in this regard. While it might reasonably be assumed that no self-respecting landlord would now operate without any form of targets, the information does not appear to be readily available to confirm this.

- 4.25 While most of the evidence so far is largely qualitative, it does give a reasonable indication of the ways in which landlords have responded to policy change. There is, however, little readily available data – other than the results of BV inspections (see below) – conducive to quantification. It would therefore seem worthwhile for government/Audit Commission to consider how certain data, such as those collected in the course of inspections, could be used to construct a representative picture of changes in organisation and practice.

Housing Management Costs

- 4.26 Housing management costs are a key measure of economy and thus a central component in the value for money framework. Analysis of local authority HRA expenditure on supervision and management (Holmans, 2003, Table M.1)⁶ shows that costs rose continually between 1975/76 and 1989/90, by 77% in real terms, against a 13% reduction in stock. More recently, however, unit cost increases seem to have been contained somewhat. Thus, the average annual rate of increase for the five years from 1995/96 (at constant prices) was 1.4% – as compared with 4.1% in the first half of the 1990s and 6.7% in the 1980s.
- 4.27 Since 1993/94 unit management cost data has been produced within the suite of statutory PIs, and these reveal a number of important trends. Local authority unit management costs rose significantly in the eight years to 2001/02. Nationally, median weekly unit costs rose by £3.50 – or nearly 50% – over this period. After taking account of inflation the increase is a more modest 20%. And, in relation to the change in average earnings, the increase has been only marginal. The difference in costs between London and other regions is striking – this will reflect factors such as higher pay rates in the Capital, as well as the uniquely high proportion of flats (particularly flats in large blocks) managed by London boroughs. Unit cost trends in the housing association sector bear some similarity with unit costs increasing only slightly ahead of average earnings. A point of note in this sector is a gradual convergence in the costs of transfer and traditional associations.
- 4.28 The degree of variation in management costs was noted with concern by both the Audit Commission (1986) and the DoE (1992), but there appears to have been little convergence. In the local authority sector since 1993/94, the lower quartile value has consistently remained at or a little below two thirds of the upper quartile value. As noted in section 2, comparison of costs between landlords is complex: much of the difference could be explained by differences in the service provided or different accounting methods, as could be attributed to differences in economy or efficiency.
- 4.29 Against the evidence from the pre-PI period, unit management costs look to have been more closely controlled since the mid-1990s. It has been difficult to determine the underlying reasons for these patterns – it could be, for instance, that increasingly stringent rent controls have been more important than the need to observe regulatory requirements (e.g. tendering) Information on changes in staffing levels, the key component of costs, is not readily available, although the indications are that between the mid-1980s and around 1992 reductions in staff had not kept pace with falling stock levels (though further analysis would be needed before confirming this conclusion).

6 HRA data relate to England and Wales

- 4.30 The fact that unit costs have risen more closely in line with earnings than RPI should be of little surprise given that housing management is such a labour intensive activity. That unit costs have not risen more sharply among local authorities suggests that managers are recording some success in downsizing their operations to compensate for the continuing stock losses under the RTB. On the other hand, the fact that costs are merely keeping pace with earnings suggests that landlords have been unable to translate changes in working practices (e.g. as achieved through progressive computerisation) into real savings. Like the Audit Commission in 1986 we can only speculate as to the reasons for this. The potential effect of a more difficult operating context has already been discussed. Added to this is some evidence that service throughputs have not reduced in line with falling stock. Stock/tenancy turnover in council housing, for example, doubled between the late 1970s and the late 1990s (Pawson and Bramley, 2000).
- 4.31 Should these management cost trends continue, what is likely to be of greater concern to landlords themselves is their ability to maintain current levels of service with income levels pegged at or close to the RPI. Whether they can continue to do so depends on the degree of scope that exists in the system for further efficiency savings set against the factors that cause costs to rise.

Service Efficiency

- 4.32 The remaining performance indicators – relating to rent collection and arrears control, void management and response repairs – are essentially measures of productive efficiency. While local authority rent collection rates were fairly stable over the period 1993/94 to 1999/00, housing association performance showed a gradual decline with uncollected rent rising from 0.9% in 1995/96 to 2.5% in 1999/00. While the reasons for this are uncertain, problems with the Housing Benefit system could be a factor. An apparently steep drop in performance in both sectors from 2000/01 is largely related to a change in the PI definition, so that a longer period is needed before any conclusions can be drawn. Arrears rates in London authorities remain high relative to other regions, though the average rate fell from 11.8% in 1995/96 to 8.9% in 1999/00, the only significant improvement in the sector. This was below the 10.6% recorded by the Audit Commission in 1984 and the rate of 14.7% for inner London authorities recorded in 1991 (Bines *et al* 1993) so London authorities at least appear to have secured efficiency gains in this area.
- 4.33 Nationally, void management performance has tended to decline in both sectors. Average relet intervals in local authorities rose from 33.6 days in 1993/94 to 39.2 days in 2001/02. That said, this level of performance appears to contrast favourably with the 11 week average recorded by the Audit Commission in 1986 (though the definition included stock awaiting repair). The deterioration among housing associations was more marked but still below the local authority average at 32.9 days (although definitional differences mean that the data are not strictly comparable). In both sectors the decline was significantly greater in northern England, possibly reflecting the increasing problems of low demand. London boroughs, on the other hand, recorded sharp improvements virtually eliminating the historic disparity in performance between the Capital and other regions.
- 4.34 Void rate statistics closely mirror these trends. Whilst the national LA void rate rose from 1.9% in 1994 to 2.9% in 2001 (Statistical Context for Housing Policy), the picture varies markedly by region. Whilst rates doubled in the North from two per cent to four per cent, they fell in London from 3.3% to 1.9% over this period.

- 4.35 Repairs performance shows a general trend of improvement in both sectors with London boroughs again emerging as having made the most progress. In contrast to the other indicators, there appears to be some convergence between the worst and best performers.
- 4.36 The overall picture, therefore, shows no consistent improvement in housing management performance over the past few years, with housing associations, in particular, struggling to avoid performance slippage. At the same time, performance levels appear generally better than those recorded in the late 1980s/early 90s. The significant strides made by the London boroughs on rent arrears reduction, void management and repairs are perhaps the most striking finding to emerge from the analysis. Why this should be the case is of interest. Their greater propensity to tender housing management services is one possible factor. Another is the more aggressive implementation of 'performance-based' resource allocation but to confirm either of these as a causal explanations would require further investigation.
- 4.37 Whilst considerable efforts have already been made in harmonising performance indicators the remaining inconsistencies between LAs and HAs (e.g. in respect of void management and repairs) continue to hamper cross-tenure comparisons.

Service Effectiveness

- 4.38 Given the range of objectives pursued by housing services judging how well these are met is not entirely straightforward. However, it is now commonly accepted that the degree of tenant satisfaction is one possible measure. Here, the results are not encouraging, showing rising rates of dissatisfaction over the period 1995/96 to 2001/02.⁷ The most recent data show dissatisfaction rates of 23% and 16% among LA and HA tenants respectively. Given the improvements in repairs performance, believed to be of prime importance to tenants, the results are all the more disappointing.
- 4.39 The results might also be regarded as surprising given the significant increase in tenant participation activity among social landlords. However, while research suggests that housing staff feel that tenant participation in housing management has increased effectiveness, there is no measurable data to support this (Cole *et al*, 2001). In contrast, the findings from the Survey of English Housing also indicate that tenants' views of their opportunities to be involved have declined. Several studies (Bines *et al*, Cole *et al*, 2001, Aldbourne Associates, 2001) have suggested that there is no strong correlation between tenant participation activities and tenant satisfaction. However, we do not know whether tenant satisfaction with opportunities to be involved would have been much lower without tenant participation activities. Part of the explanation for these discouraging trends may lie in the changing composition of tenants, as the Right to Buy continues to filter out better quality housing and better off tenants.
- 4.40 The studies of TMOs (McCafferty and Riley, 1989, Price Waterhouse, 1995, ODPM, 2002) found that local authority TMCs spent less than local authorities on management and maintenance, generally out-performed their parent bodies and obtained significantly higher levels of tenant satisfaction. These studies do not take into account the setting-up and monitoring resources, nor the considerable voluntary efforts of the tenants themselves. Nonetheless, the achievements are impressive. That said, TMOs manage only a tiny proportion of the stock in the social rented sector and growth has been very

7 Results drawn from the Survey of English Housing, as relevant BVPI has been collected for only two years

slow. This appears to be due to a lack of willingness by tenants and reluctance of many landlords.

- 4.41 An alternative perspective is provided through the audit and inspection regimes which assess several dimensions of landlord performance. As yet it is difficult to draw firm conclusions from BV inspection results given the limited run of data. It appears nevertheless that housing authorities have some way to go, with almost 8 in 10 rated poor or fair in 2001-02. Although two-thirds were judged to have promising or excellent prospects for improvement, the result might be considered disappointing after a decade or more of policies aimed at service improvement. Across the two years of the Best Value inspection regime London boroughs have scored relatively well, while District authorities (particularly those in the Midlands and the North of England) show the greatest scope for improvement. RSLs have been subject to audit and inspection for more than a decade; however, changes in the assessment criteria make a clear trend in ratings difficult to establish.
- 4.42 The regulatory system for RSLs has had a critical role in setting standards and encouraging associations to perform better. The introduction of the Housing Inspectorate for local authority stock in 2000, combined with the star rating eligibility threshold for ALMO funding has undoubtedly boosted local authority housing service effectiveness towards the upper end of the performance spectrum.
- 4.43 One indication of this is the Inspectorate's record in rating virtually all of the first and second round ALMO bidders as satisfying management performance criteria, in a number of cases representing significant improvements on the findings of earlier inspections. Tangible positive outcomes of inspection can also be identified at the other end of the 'league table'. The Inspectorate points to 'up to 20' cases where an initial award of a zero star rating has stimulated a subsequent transformation in service provision. However, there are indications that the current inspection regime downplays economy and efficiency in favour of effectiveness. Many inspection reports may have encouraged landlords to increase expenditure.
- 4.44 The extent to which repeated rounds of inspection demonstrate improved ratings will be a broader test of the effectiveness of the regulatory and inspection system itself. Nevertheless, there is always a balance to be struck between the burdens and costs imposed by regulatory requirements and the gains secured. Like the Housing Corporation's regimes that preceded it, this consideration has recently been reflected in the streamlined Best Value regime of which the new CPA system forms an element. While it might be possible to estimate the costs of regulation (with sufficient data from a sample of landlords, added to the running costs of the regulatory bodies), it would always be a matter of judgement as to whether the rate of improvement in service delivery provided sufficient recompense.

Concluding Comments

- 4.45 The evaluation makes clear that government policy has stimulated a widespread response from landlords. The performance culture is well established, with a much greater awareness of the importance of monitoring income and expenditure. Many changes have been made to organisational structures, systems and processes in an effort to deliver performance improvement and, rather more slowly, to involve tenants in decision making.

- 4.46 There is clear evidence that, after a period of considerable real increases in management costs up to the late 1980s, the rate of increase has moderated significantly. But costs are still keeping pace with earnings, rising well above the level to which rental income is pegged. Not only does this set landlords a continuing challenge, but it suggests that efforts to produce services more economically and more cost-efficiently have been offset by other system changes. These are likely to include a more difficult operating context with landlords housing increasingly disadvantaged groups in less popular stock. Moreover, there is some evidence of an increased volume of work, associated with increased regulation (though the cost of this cannot be quantified), greater tenant participation activity, as well as a higher volume of lettings (which have not reduced in line with stock).
- 4.47 These factors may also explain the downward trend in performance in rent collection and lettings. On the other hand reactive repairs performance has improved, yet there is no correlation with tenant satisfaction which has also fallen in recent years. The relatively poor ratings achieved so far by housing services under the inspection regime are also disappointing, though it would be surprising if a new regime produced results showing little scope for improvement!
- 4.48 Taking account of the more difficult environment in which landlords now work and factors that point to an increasing workload, it is possible to conclude that landlords have performed relatively well in the circumstances. Moreover, there is convincing evidence that some landlords have improved performance considerably. Here the achievements of London boroughs stand out, in contrast to the smaller district authorities which appear to have made much less progress. Equally, there are variations in performance between north and south, illustrating the importance of examining sub-national as well as inter-landlord trends.
- 4.49 A final observation relates to data. While it is now fortunate that performance can be tracked over time in a reasonably consistent fashion (though a single set of performance indicators has been long in the making), there remains a dearth of information on the factors that drive performance. There is no up to date information on staffing levels, on voluntary contracting, or on a range of other policies and procedures that are important determinants of performance. One route to establishing this information might be to follow up the 1993 baseline study of housing management, concentrating on these key issues. In addition, it would be major step forward if the Housing Inspectorate carried out more systematic recording, collation and publication of information collected during inspections.. Better information on key features of organisational policy and practice might lead to less speculation in future over what has caused changes in performance.

Annex 1

Analysis of Housing Management Performance Indicators

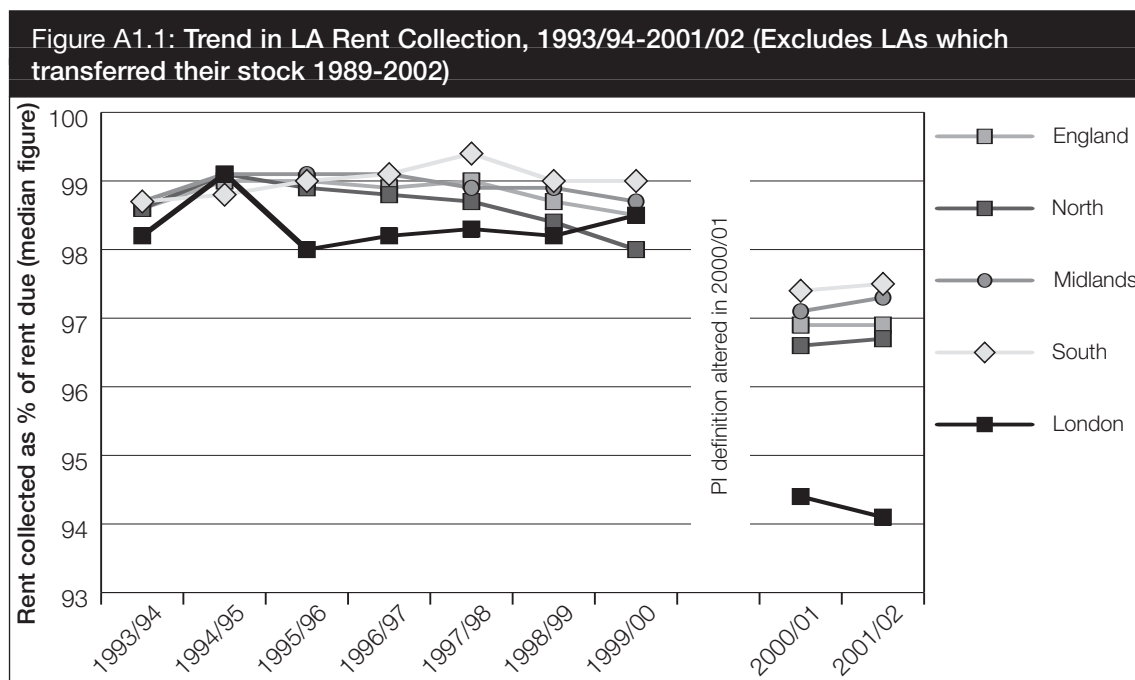
Analytical Framework

- A1.1 In assembling the following analysis we have accessed the raw performance indicator data for the period 1993/94-2001/02 for local authorities (as collected by the Audit Commission) and 1995/96-2001/02 for housing associations (as collected by the Housing Corporation). Over this period the character of the two sectors has been altered by the ongoing process of stock transfer. Over 70 more local authorities have relinquished their landlord role in addition to the 30 which had already done so prior to 1993.
- A1.2 To avoid the possibility that the changing cohorts of LA and HA landlords might have distorted apparent performance trends we have (except in relation to tenant satisfaction) filtered out all local authorities which had, by 2002, transferred their stock. Similarly, (other than in relation to tenant satisfaction) the analysis presents 'national' housing association figures which separate out HAs created through whole stock transfers and exclude associations owning less than 250 dwellings, as well as the small number above this threshold size which manage mainly housing for elderly people. In terms of 'national' trends, therefore, the analysis generally focuses on those councils which remained active as landlords in 2002, as well as traditional (non-transfer) 'general needs' housing associations.
- A1.3 Constructing our analysis from raw PI data has also enabled us to build in a regional perspective which is not emphasized in the way that the local authority data has been presented officially. We would argue that this is important given the known contrasts in housing market conditions across England over the past decade. Local authorities can be simply classified in terms of their broad region (with the East of England region being subsumed within 'South' alongside South East and South West). In the housing association sector it is not so straightforward. Partly because some larger associations manage stock across regional boundaries, the Housing Corporation's PI dataset classifies only associations owning less than 5,000 homes according to their 'field of registration' (or home region). For this reason, the specific trends shown below for associations in the North and London do not encompass the performance of these larger landlords. They also exclude the relatively small numbers of (sub-5,000 dwellings) whole stock transfer associations created in these regions.
- A1.4 Performance trends are shown in terms of median figures for each identified cohort – that is, the mid-point of each performance distribution. We also examine trends in the pattern of performance by tracking the inter-quartile range on each key indicator. Our focus here reflects the fact that reducing the gap between 'high performer' and 'failing' councils is a specific objective of the BV regime. With the exception of tenant satisfaction (graphed from Survey of English Housing data) all other analyses are based on data drawn from Audit Commission, ODPM and Housing Corporation official PI datasets.

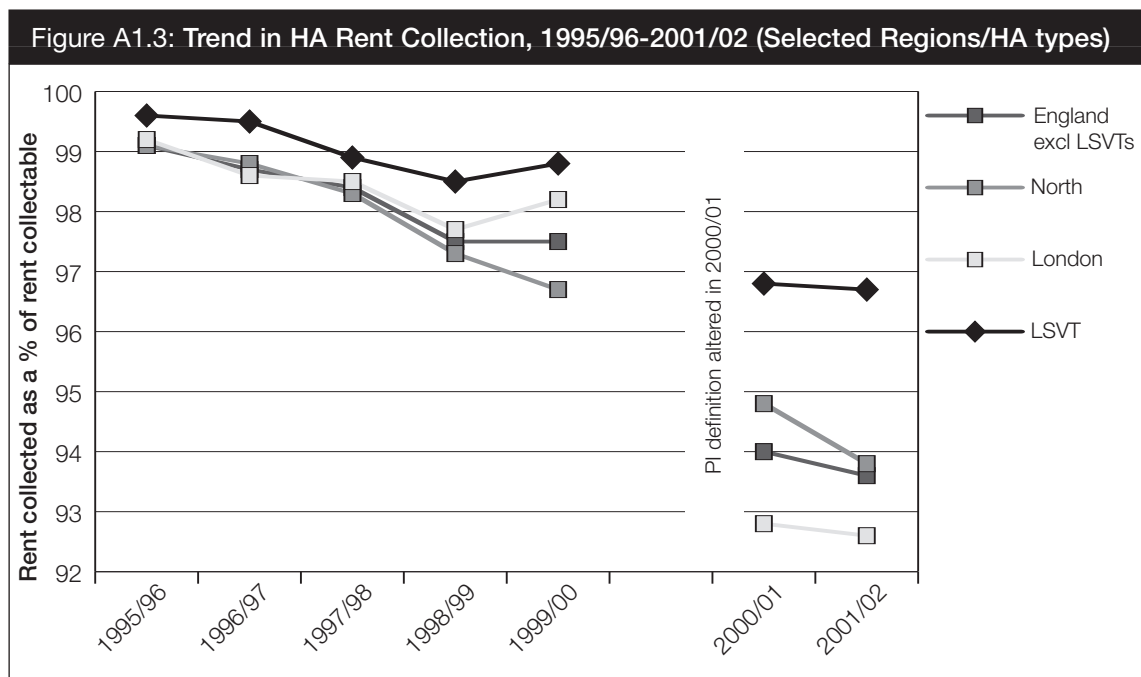
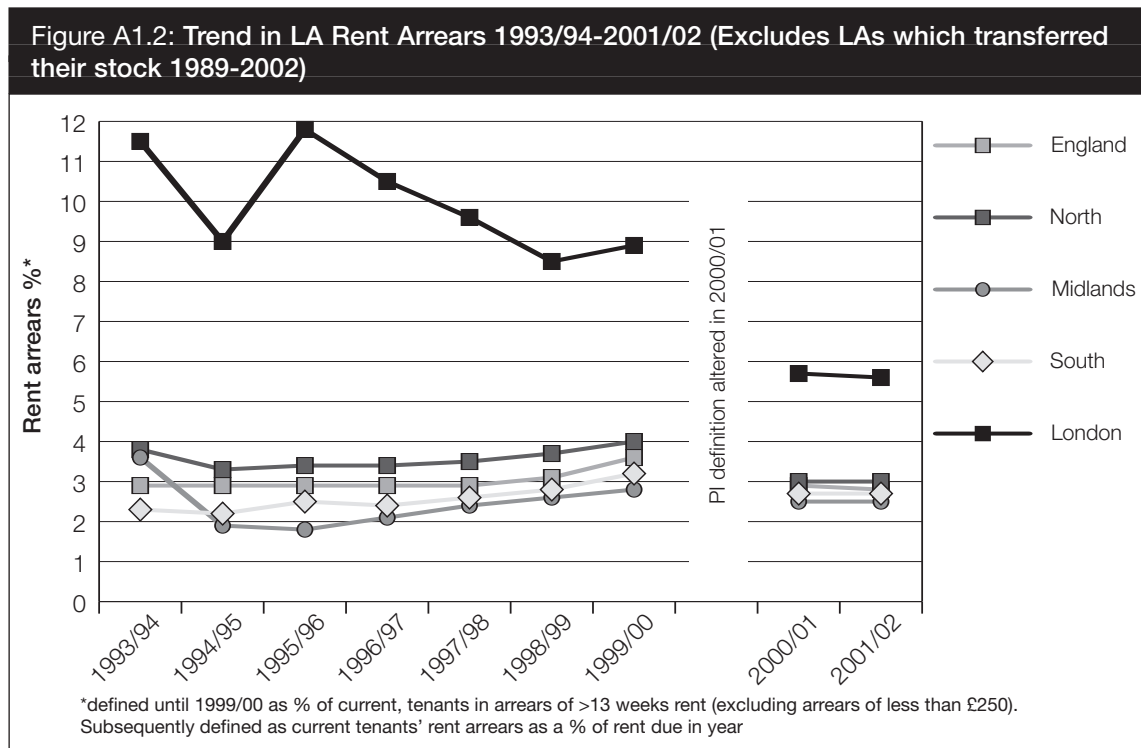
Rent Collection and Arrears Control

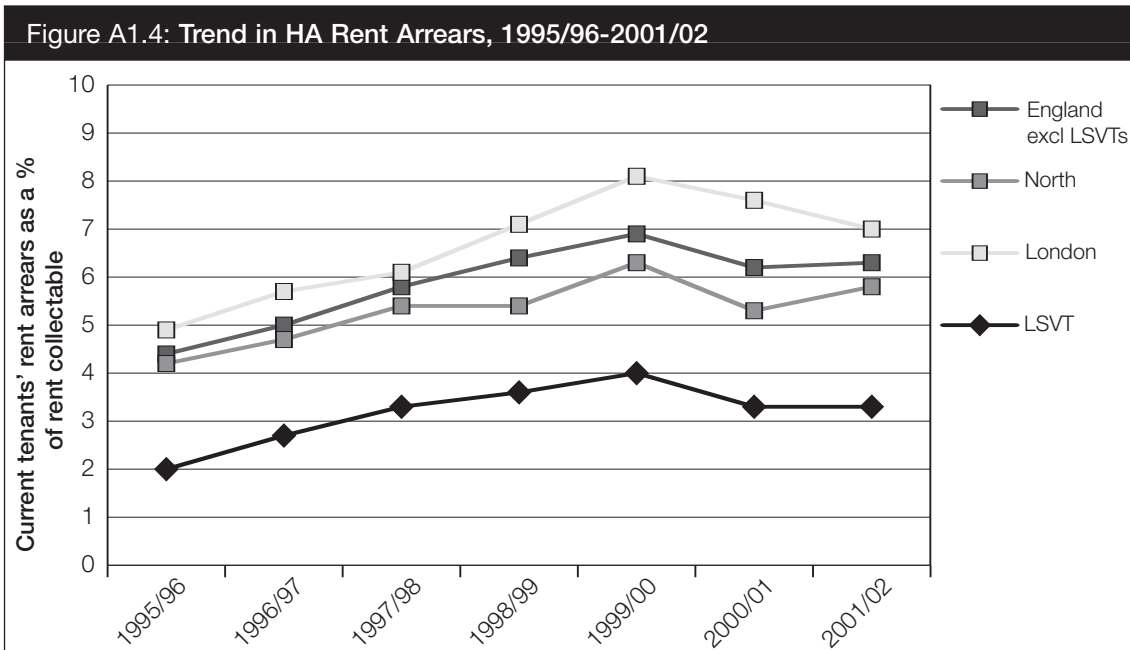
A1.5 Tracking long term trends in performance in this area has been complicated by significant changes in the definitions of key performance indicators in 2000/01. In relation to rent collection, these changes created an apparent drop in performance (see Figures A1.1 and A1.3) because the denominator was changed from rent collectable in the year to rent collectable in the year plus outstanding arrears at the start of the year. Whilst LA collection rates were fairly stable up until 1999/00, HA performance was clearly in gradual decline throughout the late 1990s, with the proportion of uncollected rent rising from 0.9 per cent in 1995/96 to 2.5 per cent in 1999/00. Because of the break in the series in 2000/01 it is difficult to ascertain whether that trend has been subsequently reversed.

A1.6 It may well be that housing associations' generally declining performance on rent collection and arrears results largely from growing problems with the Housing Benefit system. Because local authority Housing Benefits are paid through rent rebates rather than through the increasingly complex rent allowance system it may be that councils have been insulated from these problems. In spite of the introduction of common PIs in 2000/01, therefore, it may be hazardous to make direct comparison between actual collection rates in the two sectors.

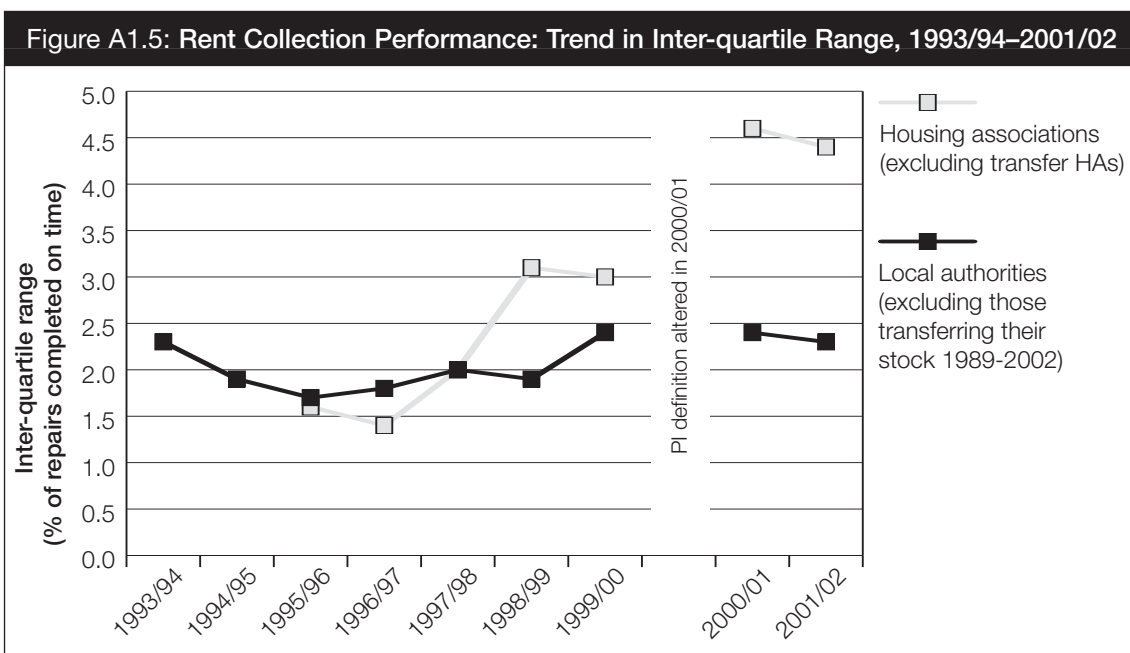


A1.7 Arrears figures were also generally rising among housing associations during the late 1990s, with the national figure rising from 4.4 per cent in 1995/96 to 6.3 per cent in 2001/02 (see Figure A1.4). Again, local authority performance here remained fairly stable (as shown in Figure A1.2). One important exception concerns the London boroughs which recorded a generally favourable trend over the period – albeit involving performance substantially inferior to other councils (see Figure A1.2). Within the HA sector it is worth noting that transfer associations substantially outperformed traditional HAs both in relation to rent collection and arrears rates (Figures 3 and 4). This illustrates the case for the exclusion of transfer associations from 'national' figures in our analysis – the growing presence of transfer landlords in the sector will tend to boost recorded sector-wide performance, tending to obscure any decline in performance among traditional associations.





A1.8 Figure A1.5 illustrates the lack of any clear trend in favour of reducing performance differentials across the distributions of LAs and HAs. In both sectors the period 1996/97-1999/00 saw increases in the inter-quartile range, indicating greater rather than reduced performance variation at the national scale. The pattern was similar in respect of rent arrears outstanding (as defined in Figures 3 and 4).



Void Management

A1.9 Nationally, void management performance has tended to decline over the past few years in both the local authority and housing association sectors (see Figures 6 and 7). In the former, average relet intervals rose from 33.6 days in 1993/94 to 39.2 days in 2001/02, whilst in the latter the national figure increased from 21.0 days to 32.9 days in the six years to 2001/02. In percentage terms, the deterioration in performance has been much more serious among housing associations, with the national median figure

rising by 56 per cent over this period as compared with an increase of only 12 per cent among local authorities.

A1.10 In the local authority sector the national figures conceal a fairly dramatic contrast in performance trends between London, on the one hand, and the North, on the other (see Figure A1.6). Intensifying low demand may help to explain the recent decline in performance among northern councils, though it is interesting to note that on other indicators, the problem was already becoming serious before 1998/99. The improved showing among London boroughs, on the other hand, probably reflects genuine enhancements in efficiency which have now virtually eliminated the historic performance disparity between the Capital and other regions.

A1.11 Tracking HA void management performance is complicated by the significant change in the PI definition introduced in 2000/01. This involved the exclusion of initial lettings of newly built homes (as originally proposed several years earlier (Pawson *et al*, 1997). The apparent decline in performance following this change is predictable given that the letting of newly built homes is likely to be relatively quickly accomplished. During the period 1995/96–1999/00, however, recorded median performance declined across all the classes of association identified in Figure A1.7. Partly thanks to the sharp deterioration in the North, the national figure rose by nearly 50 per cent over this period – from 21 to 31 days. Some proportion of this increase will probably have been attributable to the falling proportion of initial lettings of newly built homes within this total.

A1.12 Again, cross-sector comparisons of absolute performance figures need to be heavily qualified because of technical differences in PI definitions on relet intervals as used by LAs and HAs. Prior to 2000/01 the two sets of figures were incomparable because LA lettings were entirely composed of relets, whilst an appreciable proportion of HA lettings were initial lets of newly built properties. Even since that time, potentially significant differences remain. Local authorities are, for example, instructed to exclude entirely all cases where ‘major repairs’ are carried out in the course of a void period. Otherwise, councils record the entire period from the void date to the subsequent tenancy date. Housing associations, on the other hand, are instructed to record only the period an empty property is both vacant *and available for letting*.

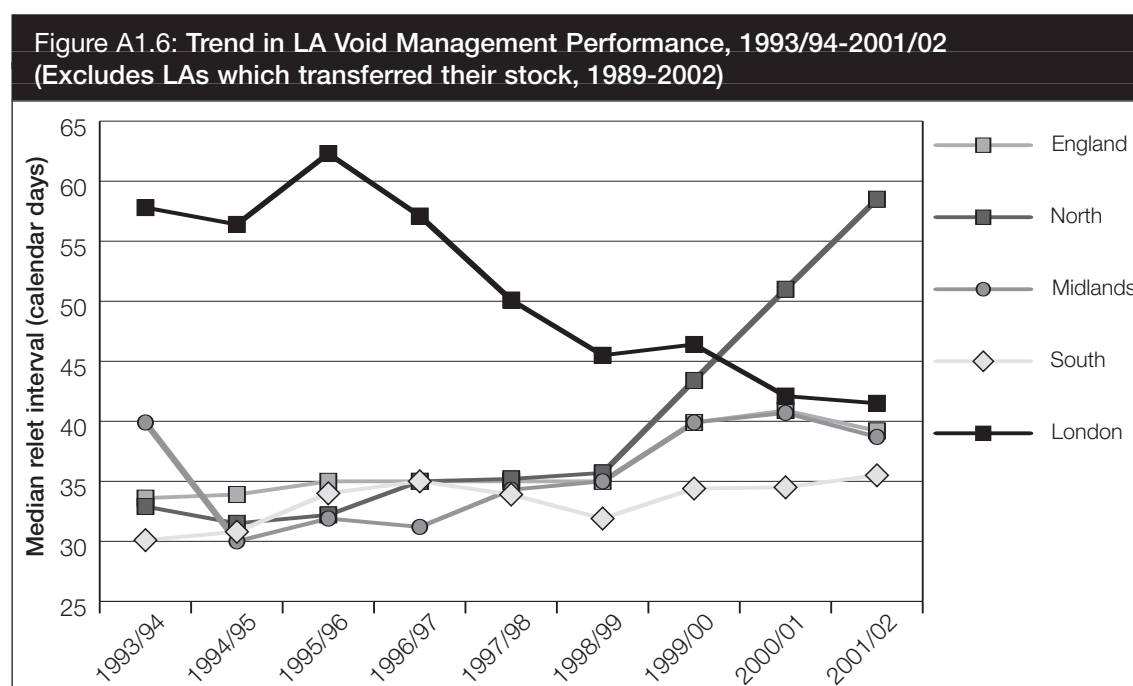
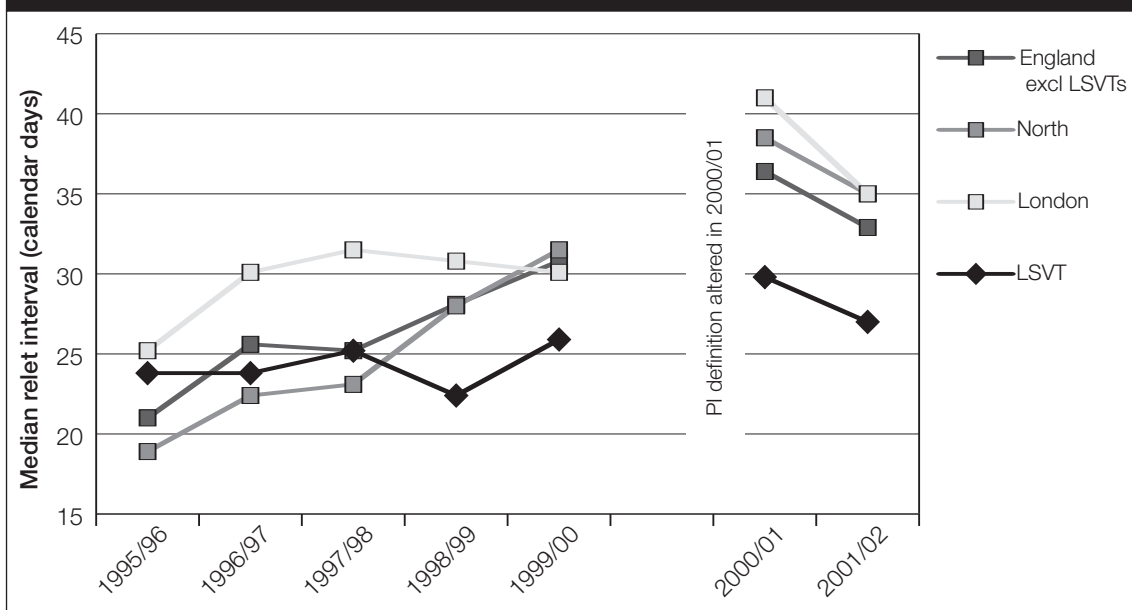
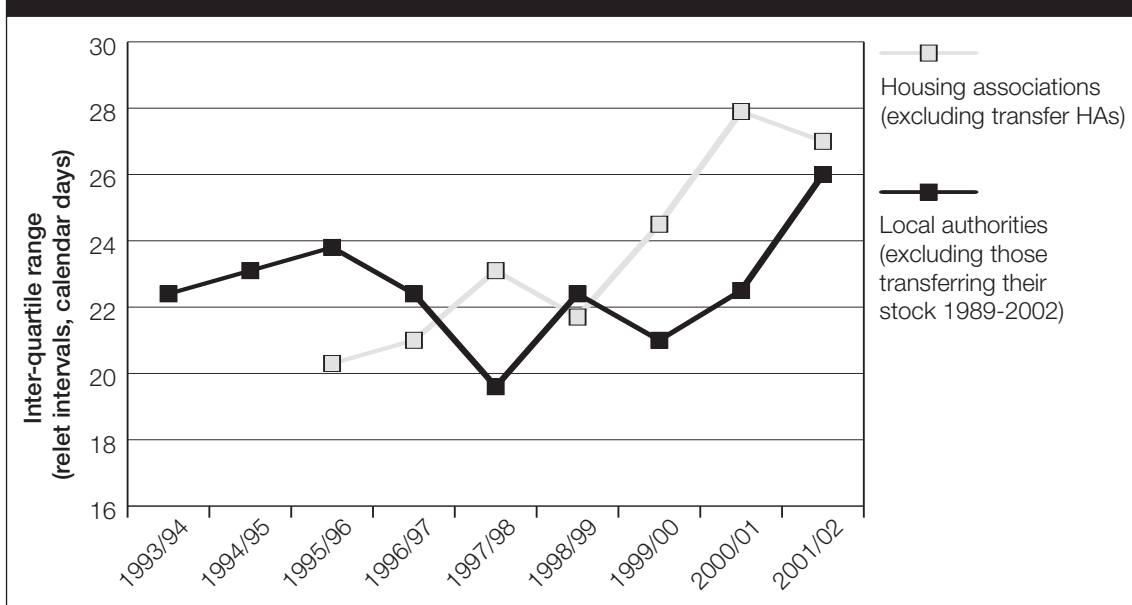


Figure A1.7: Trend in HA Void Management Performance, 1995/96-2001/02



A1.13 Again, there is little sign of any reduction in performance variation within the two sectors (see Figure A1.8). If anything, inter-quartile ranges are on a rising trend among both local authorities and housing associations. Once more, this probably reflects the regionally diverging housing market conditions seen over the past few years.

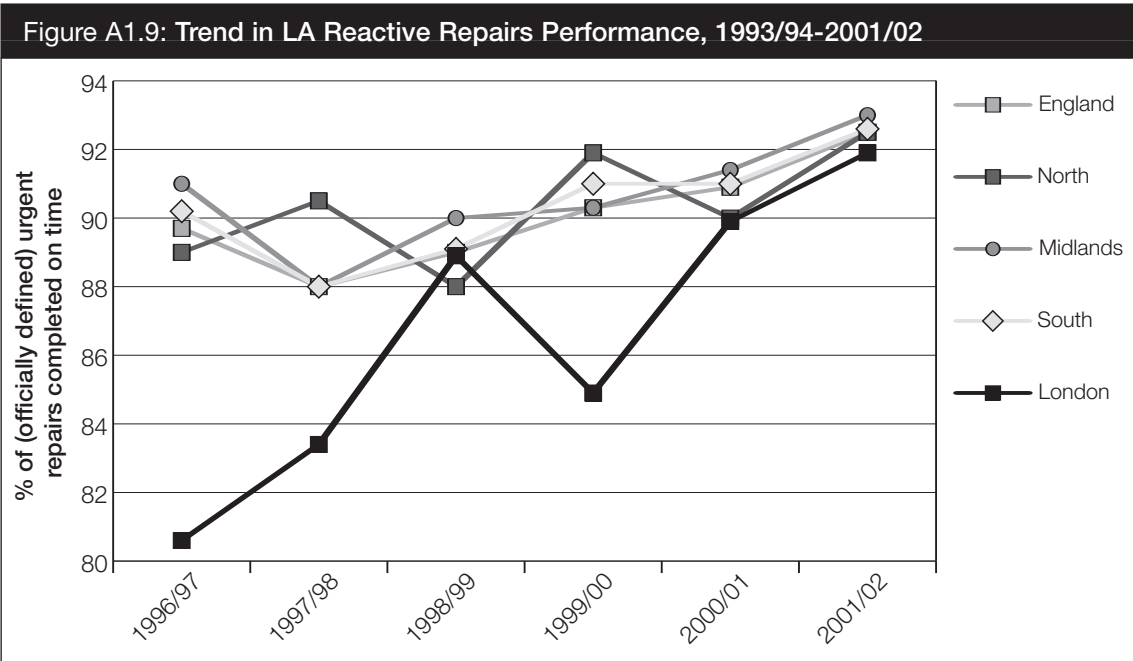
Figure A1.8: Void Management Performance: Trend in Inter-quartile Range, 1993/94-2001/02



Response Repairs

A1.14 Response repairs performance is measured quite differently in the LA and HA sectors. It is, however, apparent that both sectors have seen generally stable or improving trends over recent years (see Figures 9-11). The trend of improvement seems most clearly apparent among local authorities, with the proportion of (officially defined) urgent repairs completed on time rising from 89.7 per cent in 1996/97 to 92.5 per cent in 2001/02. Again, the record of the London boroughs stands out as especially impressive,

with the proportion of urgent repairs remaining uncompleted outside target times being cut from 19.4 per cent in 1996/97 to only 9.1 per cent in 2001/02.



A1.15 Within the housing association sector, transfer associations lag slightly behind others in this area of activity (see Figures 10 and 11). Both in relation to ‘emergency’ and ‘urgent’ repairs, median performance among transfer landlords is slightly inferior to that of traditional associations.

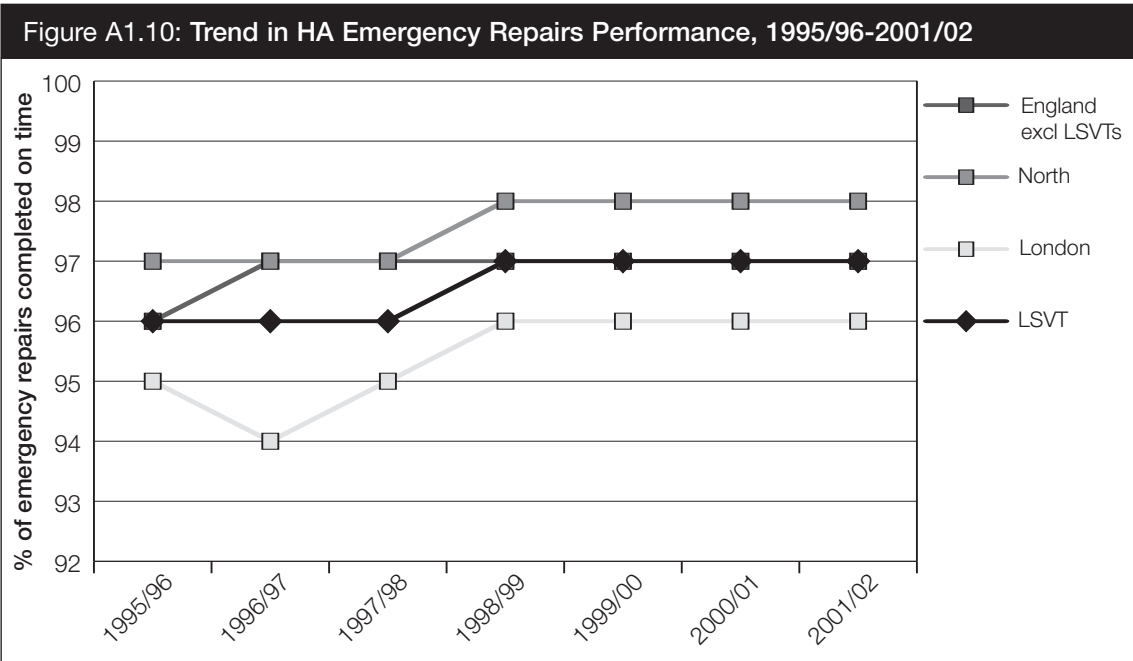
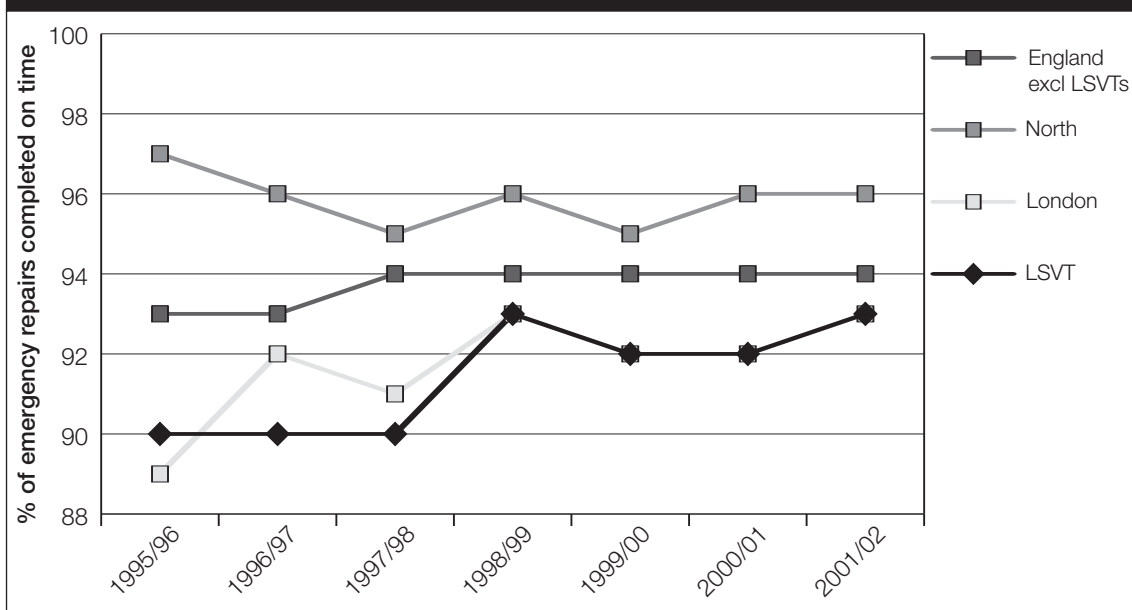
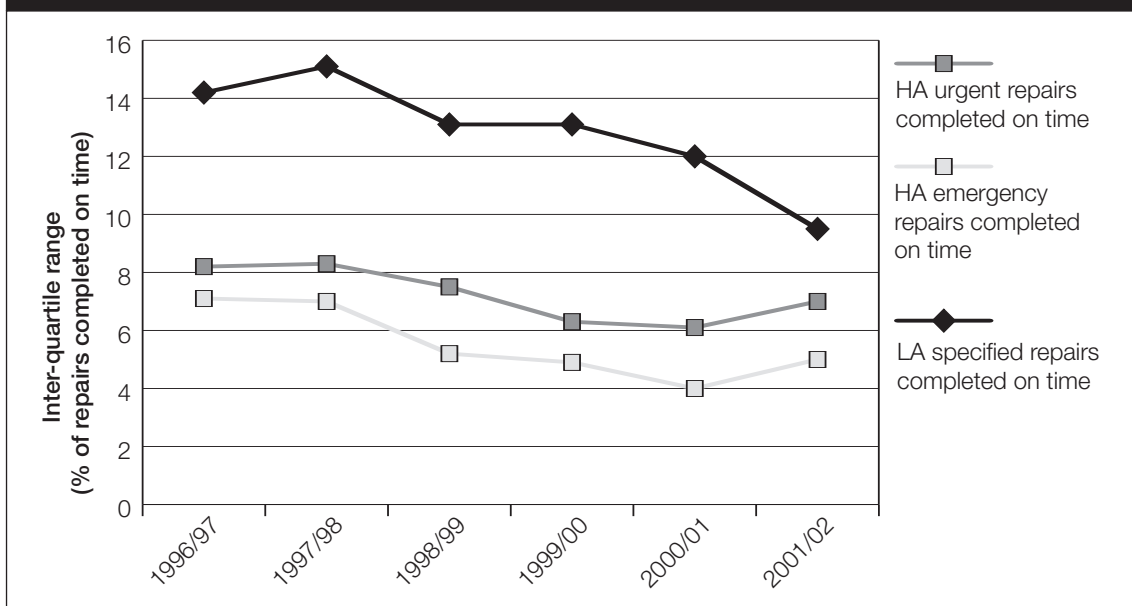


Figure A1.11: Trend in HA Urgent Repairs Performance, 1995/96-2001/02



A1.16 Unlike rent collection or void management, repairs performance does appear to have been becoming more consistent over the past few years, particularly in the local authority sector. As Figure A1.12 illustrates, the inter-quartile range of performance among local authorities fell from 15 per cent in 1997/98 to under 10 per cent five years later. The same pattern, albeit more weakly manifested, is also apparent in the housing association sector.

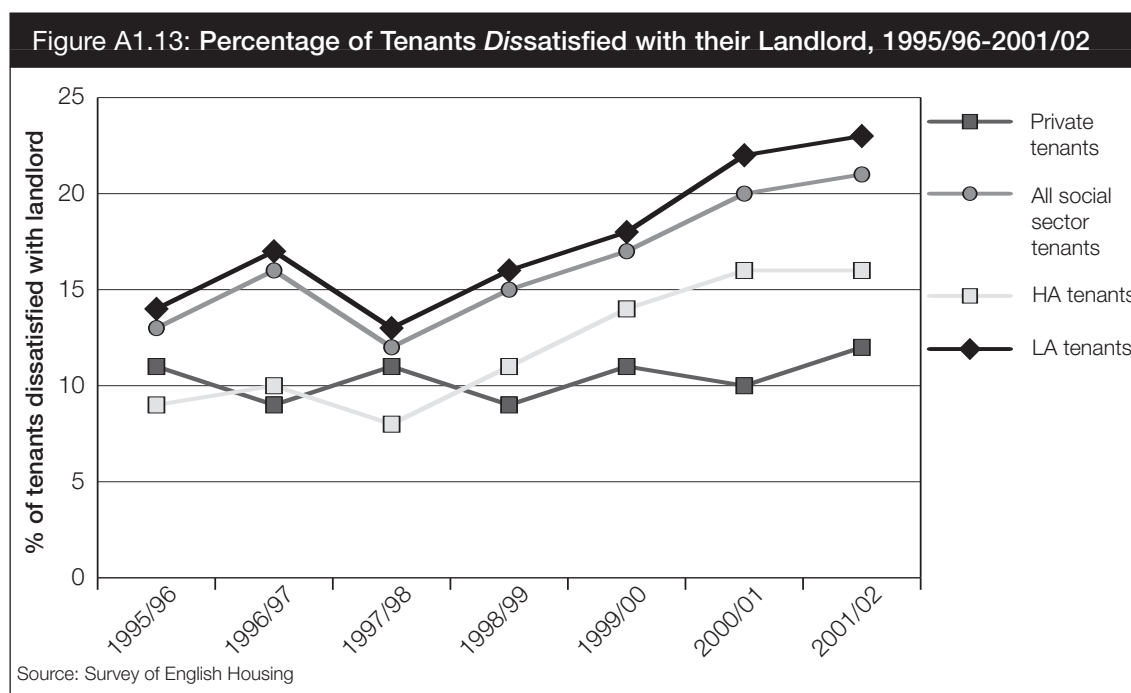
Figure A1.12: Repairs Performance: Trend in Inter-quartile Range, 1996/97-2001/02



Tenant Satisfaction

A1.17 Since 2000/01 measures of tenant satisfaction have been incorporated within BVPIs for both local authorities and housing associations. However, whilst considerable effort has been expended in devising model methodologies aimed at producing comparable outputs, there must be some doubt as to the reliability of the data generated. Partly for this reason, and partly to facilitate time series analysis we have focused below on

‘overall (dis)satisfaction with landlord’ scores extracted from the annual Survey of English Housing (SEH). As noted by Murie and Walker (2002), an important contextual consideration here is the Audit Commission finding that the proportion of households satisfied with housing services is low in comparison with other services (Audit Commission, 2001).



A1.18 For both local authorities and housing associations, the past few years have seen a tendency towards rising rates of tenant dissatisfaction (see Figure A1.13), a trend reflected only weakly among private tenants. Part of the explanation here may be the continuing structural and demographic changes affecting the composition of local authority housing, in particular. Specifically, the ongoing filtering process resulting from the Right to Buy disproportionately removes better quality housing stock and better off tenants from the sector, year by year. Similarly, the generally higher sales rates for houses result in council housing becoming increasingly dominated by flats. This is probably significant not only because flats are generally less popular dwellings in themselves, but also because living in a flat exposes residents to a higher risk of being affected by neighbour nuisance – often a problematic issue for social landlords to resolve. The selective effect of stock transfers also needs to be taken into account, though the cohort of transferring housing has become more mixed in its quality and condition over the past few years.

A1.19 The deteriorating satisfaction trend seen in the housing association sector is perhaps more difficult to explain, though it may be connected with the continuing transformation of the sector into one where housing for older people accounts for a smaller and smaller proportion of the total.

A1.20 More generally, as argued by Murie and Walker (2002), the likely long-term decline in tenant satisfaction rates may be more explicable in terms of rising aspirations and expectations than deteriorating services. ‘New households entering the housing market today are much more likely to aspire to owner occupation than was the case in the early post-war years. They are much more likely to see social rented housing as associated with homelessness and failure and consequently more likely to see it as a short-term coping strategy if it fits into their housing strategies at all’ (Murie and Walker,

2002, p5). In terms of understanding the fairly marked changes seen during the past decade, however, such explanations must be seen as of only limited relevance.

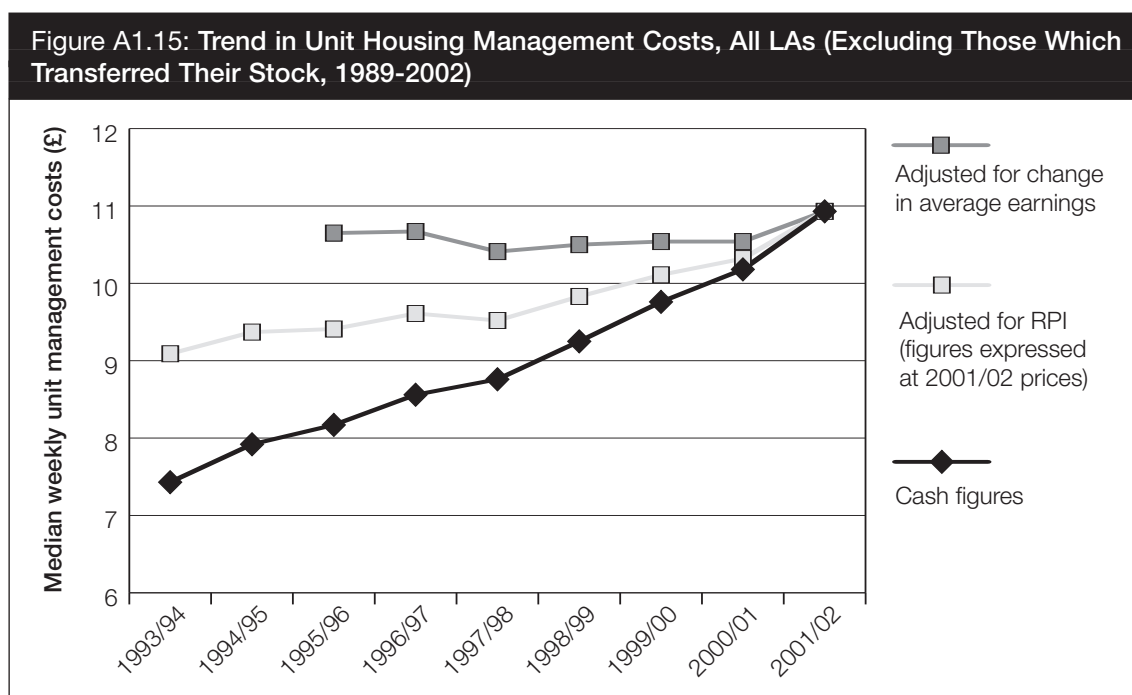
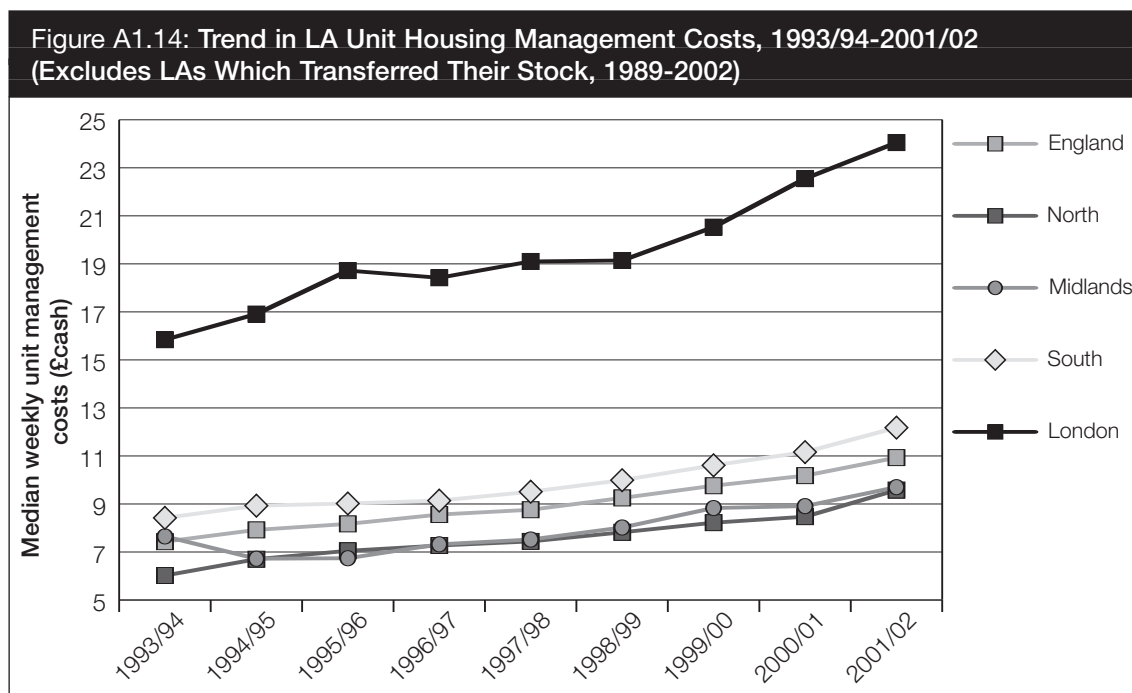
A1.21 And although it might be expected that tenant satisfaction would be closely correlated with measurable performance in terms of standard PIs, it is acknowledged by the Housing Inspectorate that this is not always the case. Where expectations are low, tenant satisfaction can be high. Conversely, where a landlord is operating in difficult circumstances (e.g. in relation to the prevalence of crime, drug misuse etc) tenant satisfaction can be low in spite of a landlord's commendable efforts to deliver the best service possible.

Housing Management Costs

A1.22 Although statistics on management costs are not normally seen as performance indicators, they are clearly measures of economy and in this sense relevant to any consideration of social landlords' management effectiveness.

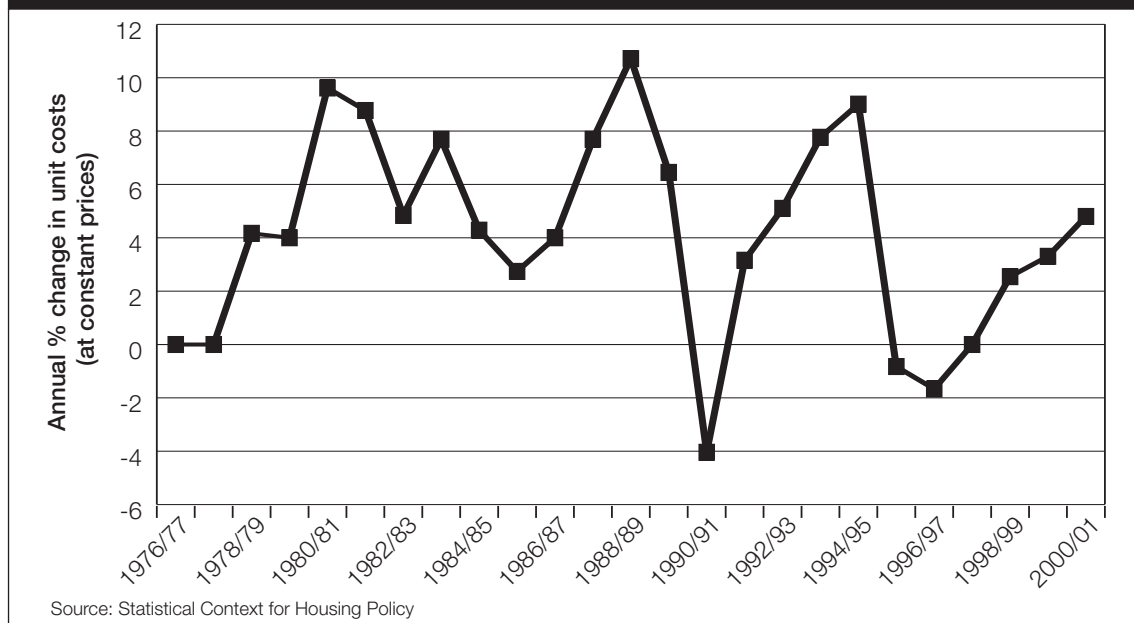
A1.23 In the period prior to the introduction of performance indicators it is difficult to establish trends in either staffing levels or staffing costs. The Audit Commission (1986) reported that in 1983/84 there were around 57,000 staff employed in the management of some 4.8 million local authority dwellings in England & Wales (including caretakers, wardens and others involved in delivery of 'special services'). The cost of managing social housing had risen by 30-40% above the rate of inflation over the six years to 1983/84, despite a four per cent reduction in the dwelling stock, leading the Commission to suggest 'good practice' staffing levels for different functions (see Audit Commission, 1986, Table 8). According to Bines *et al.* (1993), LA staffing in England stood at 52,300 in 1991 (with a further 14,400 employed by housing associations) against a stock total of 4.121million (E&W). Despite the difficulties in comparing these two sets of figures, the data suggest that reductions in staffing levels at this stage had not kept pace with falling stock levels. Indeed, the Price Waterhouse study (1992) found that staff numbers employed in housing management had increased in all the case study authorities. (Note: this study refers also to DoE Annual Report 1992, Figure 126).

A1.24 More recent estimates of staffing numbers have not been established. However, management cost PIs which have been produced since 1993/94 reveal a number of important trends. It can be seen from Figure A1.14 that local authority unit management costs rose significantly in the eight years to 2001/02. Nationally, median weekly unit costs rose by £3.50 – or nearly 50 per cent – over this period. Taking inflation into account (see Figure A1.15) costs have risen by a more modest 20 per cent. And, in relation to the change in average earnings, the increase has been only marginal (see Figure A1.15). The sharp distinction between LA unit costs in London and other regions (see Figure A1.14) can probably be explained mainly with reference to the very high proportion of flats and multi-storey blocks in the London LA stock.



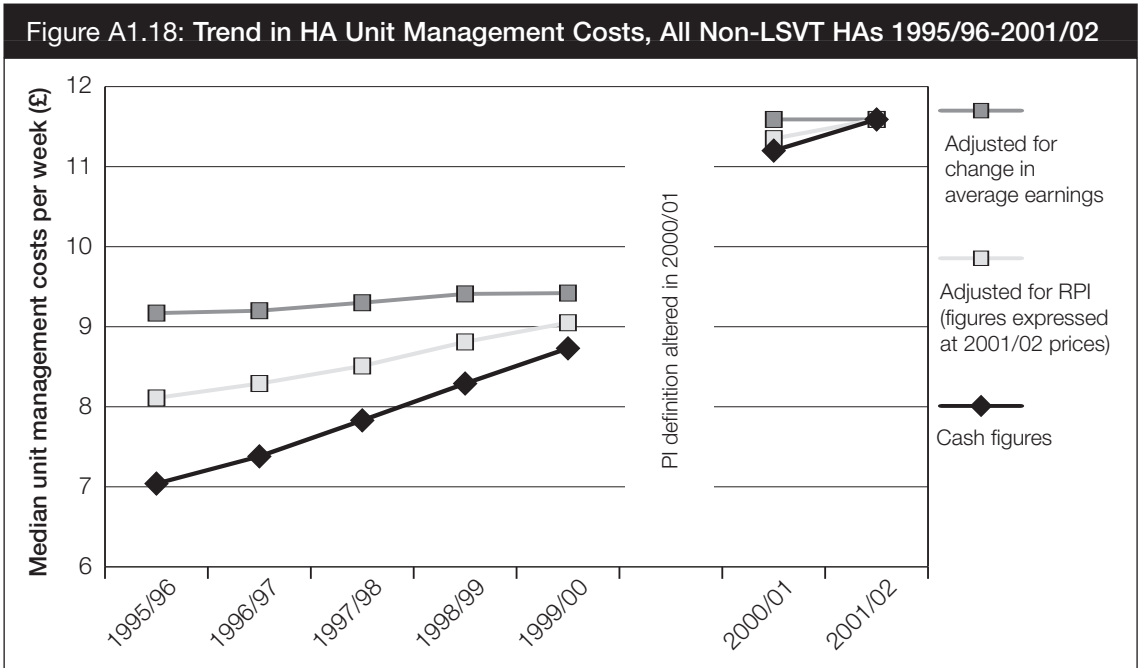
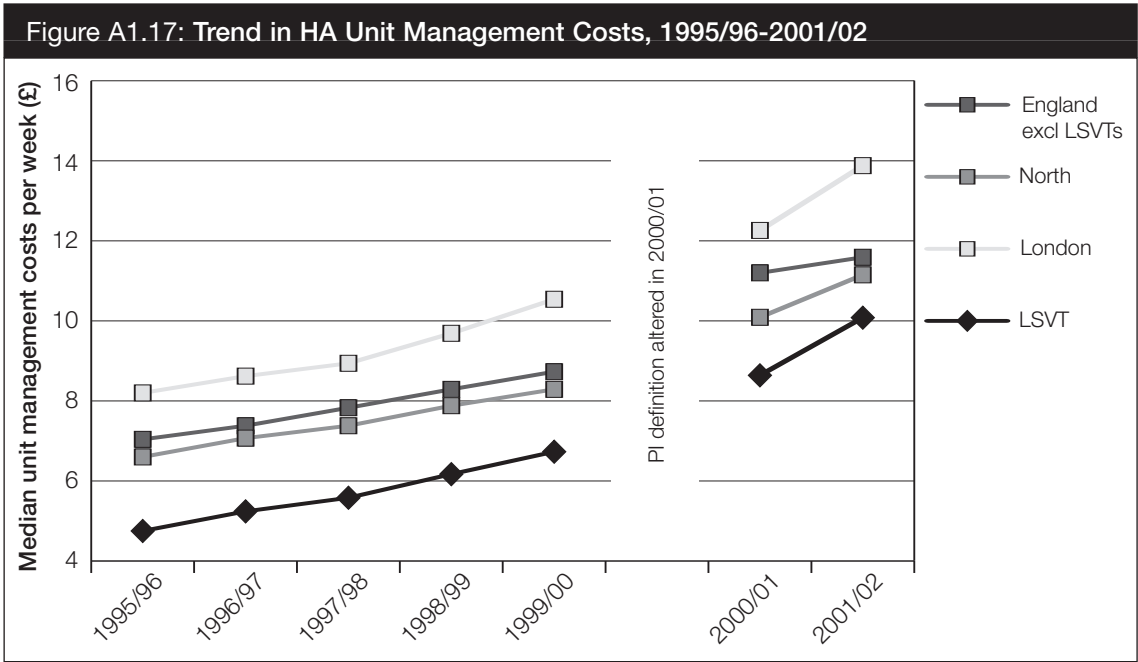
A1.25 Placing these figures in a longer-term context it can be seen that management cost increases have moderated in the recent past. During the 1980s, for example, costs rose in real terms by 67 per cent whilst the comparable figure for the 1990s was 38 per cent. In the five years from 1995/96 inflation-adjusted costs rose by less than 10 per cent (see Figure A1.16). In explaining the long-run cost trends it should be borne in mind that the compliance costs associated with increasingly demanding regulation will probably have had some impact. Another factor will have been the long-run increase in stock/tenancy turnover. For example, Pawson and Bramley (2000) showed that the 'rate of relets' in council housing doubled between the late 1970s and the late 1990s.

**Figure A1.16: Long Term Trend in LA Unit Housing Management Costs
(at Constant Prices)**



A1.26 Diversity in management costs across the local authority sector has remained little changed since 1993/94, with the lower quartile value consistently remaining at or a little below two thirds of the upper quartile value. In 1993/94, for example, the former was £5.79, equating to 63 per cent of the latter, £9.24. By 2001/02, the comparable figures were £9.17 and £13.65, the lower quartile figure equating to 67 per cent of the upper quartile.

A1.27 Unit cost trends in the housing association sector bear some similarity with local authorities (see Figures 17 and 18), although diversity here revolves around distinctions other than the London/non-London cleavage (see Figure A1.14). It is interesting to note that the management cost differential between transfer associations and other HAs has been reducing over time. Whereas, in 1995/96 transfer HAs recorded unit costs two thirds those of the median for traditional associations, this had increased to 87 per cent by 2001/02. This may reflect the entry into the sector of transfer associations operating in more problematic urban areas, rather than rising costs among those transfer landlords already set up at the start of this period. Another factor which could have some bearing on the position of transfer landlords is their vulnerability to rising unit overheads resulting from the erosion of stock through (preserved) RTB sales. (Despite many transfer associations being active developers of new housing, transfer landlords as a group currently experience significant net stock losses over time).



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This report considers the extent to which policy through the period has improved the effectiveness of management of the social rented sector.