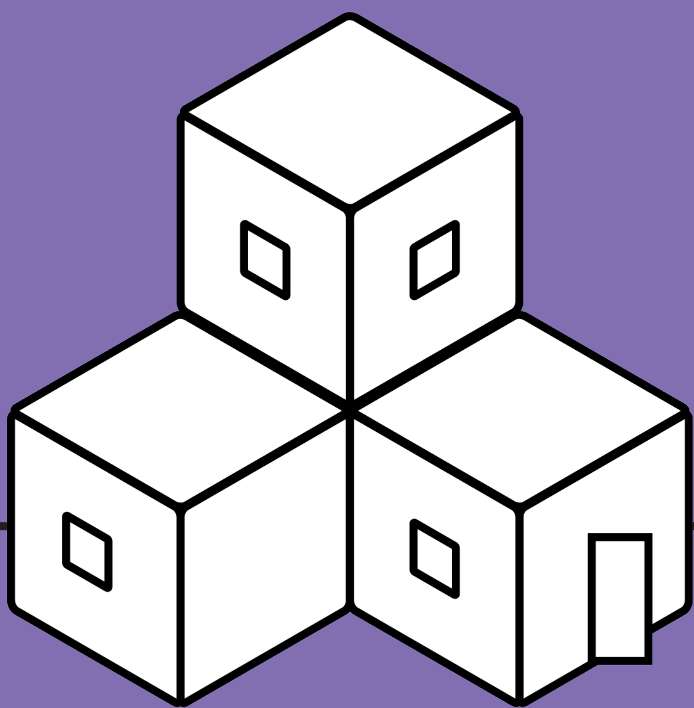
HOW TO DELIVER A HOUSING CAPITAL PROGRAMME

A Practical Guide

Mark Baigent
April 2021



Contents

1. Introduction

Landlords are generally responsible in law to keep the homes they own in a good state of repair. In the short term, this means having reliable systems for responding to disrepair as it arises and is reported by residents. In the medium and long term, landlords need to organise systematic maintenance and replacement of defective building components, as well as considering when major improvements to building performance might be needed or desirable.

In simple accounting terms, day to day repairs are dealt with as "revenue" expenditure whilst planned and major works are covered by "capital" finance. For example, patch repairs to a roof, plumbing repairs and gas appliance servicing would all be revenue costs, whereas replacing a boiler, fitting a new shower or completely renewing a roof would be capital expenses.

Hence this practical guide is focused on delivering a large housing capital programme, where long term planned and major works are provided across a portfolio of properties.

Many social landlords seem to be constantly playing catch-up, following years of inadequate funding of repairs and maintenance. Where they are also investing in new build, effective design and quality control in construction is essential to prevent future maintenance challenges. A robust business plan is vital to ensuring sustainability and clarifying investment priorities.

This guide is aimed at the social housing sector and draws heavily on experience in managing housing property services for local councils. Most of the principles should equally apply to private sector landlords with large portfolios and to councils' corporate and commercial property assets.

2. Repairs vs Major Works – getting the balance right

There will always be urgent and unexpected repairs as a result of accidents, excessive wear and tear, extremely bad weather events, or when components fail earlier than their average lifespan. However, in principle, a robust and comprehensive preventative maintenance and planned replacement programme should significantly reduce the volume of responsive repairs needed.

In the 1990s, the Audit Commission used to monitor the ratio between planned and responsive repairs carried out by local authority landlords, with a suggested ambition to achieve a 70:30 split based on expenditure. This calculation needs to be considered carefully where planned and major works programmes are not being delivered evenly and consistently over time, as this can lead to large variations in the ratio year to year. Nevertheless, the principle here is that it is more efficient to anticipate and plan maintenance to a whole block of flats or estate of houses, rather than carry out reactive repairs as an *ad hoc*, piecemeal response as each failure is reported. The key to doing this effectively is having an accurate and comprehensive knowledge of your housing stock.

Also consider the wider financial impacts of stock investment. For example, installing door entry security systems and CCTV may reduce the costs of tackling anti-social behaviour or vandalism.

Exercise: Review your expenditure on repairs, planned maintenance and major works over the last 5 years. Are your revenue costs increasing or decreasing? Look at the specific areas of work that are costing more – is this because of cost inflation, a higher quality standard or a higher volume of jobs? Calculate the ratio each year between planned and responsive works – how is it changing? What reasons can you see for the trend over a 5 year period? Where could you do more to shift the balance in favour of planned and major works rather than responsive repairs?

3. Stock Condition – getting to know your assets

Typically, a large portfolio landlord will own a wide range of properties of varying ages, types, sizes and conditions. Some of these may have been built by the landlord themselves (or at least designed and built to their specification under a construction contract), some bought brand new from a house-builder (e.g. via a Section 106 Planning agreement) and others acquired individually or *en masse* in the second hand market. At the point of handover from construction or acquisition into management, it is vital to secure as much information as possible about the assets – such as the construction methods used, the components used, their current condition and expected lifespan, any repairs history, conversions, refurbishment, etc. Surveys prior to acquisition should identify any current and future works needed. Future new build homes should come with detailed construction data in Building Information Modelling (BIM) format and compliant with the full "golden thread" information requirements under the forthcoming Building Safety legislation.

For landlords with properties already in ownership for many years, a key aspect to improving the efficiency of delivering repairs, maintenance and major works is to regularly survey the condition of the properties as well as carrying out health and safety checks (e.g. electrical systems, water tanks) and servicing of appliances such as gas boilers. Collecting repairs and survey data across a large property portfolio and then intelligently analysing the data will enable planned maintenance and component renewal to be programmed to address disrepair trends in particular property types or issues with specific repeat component failures.

Landlords need to decide whether to survey their stock on a rolling programme (say over a 5-year period, 20% per year) or as a single snapshot survey repeated every five years or so. For example, Lewisham Homes recently completed a whole stock survey to inform a new programme addressing Decent Homes, 2030 zero carbon targets and fire safety measures.

Where a large portfolio includes many homes of the same age and type, it may make sense to carry out a sample survey (say 15% or 20%) and then extrapolate for property archetypes. This will certainly be necessary where accessing homes internally is difficult.

Some large landlords may directly employ a team of building surveyors who can carry out stock condition surveys across the whole stock on a programmed as well as responsive basis. Others will choose to procure a specialist surveying consultancy to do this work. In each case, it is important to specify clearly up-front what the scope of the surveys will include, how the stock condition data will be captured (e.g. mobile handheld devices) and how the data will be stored and analysed (e.g. via a bespoke stock data software system or as a module within an integrated housing management and maintenance database system).

The scope of data collection might need to include building construction type and structure, age and condition of components, compliance with the Decent Homes Standard (see MHCLG definition and guidance), energy efficiency performance (EPC rating and SAP rating), etc. The landlord is likely to have separate processes for surveying and recording electrical safety checks, gas safety compliance, water hygiene / legionella compliance, the presence and management of asbestos, security, door entry, lifts and other communal plant, fire risk assessment and fire detection systems, etc. Ideally all this data will be integrated and cross-referenced as part of the landlord's asset data management approach so that the full costs of work needed can be evaluated and works can be planned and programmed in a comprehensive way.

Staffing structures often integrate stock data, asset management strategy and major works delivery in order to provide a coherent whole asset life approach to stock maintenance and improvement, with a single senior manager providing clarity of leadership and oversight across these activities.

What is critical is that there is effective communication and collaboration between those producing the asset management strategy and those collating and managing the stock condition database.

There is also value in including input from the repairs service and homeownership service, both of which can provide a "reality check" based on current and recent interactions with residents and their homes. This is particularly important where the stock condition database is based on an old stock survey and there may not have been effective updating with both revenue and capital works completed in the interim. For example, where a contractor has failed to provide full stock condition data on works completed prior to contract termination.

Exercise: Look at how you collect and hold data on the condition of your property assets. Have you invested sufficiently in your stock condition data system? Have you integrated stock data with repairs records and building safety compliance monitoring? How often do you survey your homes? Do you update your stock data every time repairs or major works are completed? Do you hold records of how your properties were constructed and what materials and components were used? Do you have a clear plan to keep your stock data updated?

4. Asset Management Strategy – planning to maximise your asset lifespans

Armed with a detailed, accurate and up-to-date knowledge of your properties, you need to have a clear long-term strategy for maximising the value and lifespans of your assets, both to generate the best possible return on your investment and to provide the best value service to your residents. Your strategic objectives are likely to include keeping residents and their homes safe, secure, warm and water-tight, reducing and mitigating risks, reducing and eliminating carbon emissions, improving communal spaces and enhancing the external estate environment.

An asset management strategy should set out your long-term approach to maintaining and improving your housing stock, taking into account base assumptions about building component lifespans and the timing of cyclical works, as well as factoring in changing ambitions and legal requirements around building safety compliance, sustainability, zero carbon, and estate environmental concerns (such as community safety and communal space enhancements). The strategy should also address how stock condition data is surveyed, collated and kept up to date.

Landlords typically forecast future capital investment in the stock using a standard set of assumptions about the lifespan of each building component and hence forecasting works needed based on the known age of each element. Here is an example of one landlord's assumptions:

Kitchen	20 years
Bathroom	30 years
External doors	30 years
Windows	30 years
Roofs	60 years
Boiler	15 years
Electricals	10 year periodic inspection

Clearly these are assumed average lifespans and real-world use in occupation can result in different outcomes. A very careful tenant may keep their kitchen in good condition well beyond 20 years; a household exerting above average wear and tear on their kitchen may need a renewal well before 20 years is up. Hence the importance of property surveys every 5 years or so to identify whether components are lasting well against assumed lifespans or in fact need earlier renewal than previously forecast.

Installing the right components effectively is also a key consideration. For example, pipework within blocks of flats is critical to preventing leaks that can damage multiple assets, are notoriously hard to trace and time-consuming to remedy.

Rather than rigidly replace components against an assumed lifespan, a more efficient approach is to adopt a "Just In Time" renewal policy. This aims to get the longest possible life out of each component in each property, rather than being driven by the lowest common denominator of failing building elements. However, this needs to be set against the efficiencies and economies of scale achievable in procuring and delivering a programme of replacements, e.g. across an estate of similar properties.

Given the costs and inconvenience of scaffolding a large block of flats, it always makes sense to consider undertaking a full package of works (e.g. windows, roof/guttering, external decoration) at one time, rather than incur repeat scaffolding costs within a relatively short period.

Non-residential Corporate Property

Many local councils are currently on a journey of transforming how corporate property and non-housing capital expenditure are managed and delivered. The goal is to have a more integrated corporate landlord function, rather than each service department (e.g. Schools, Social Care, Leisure) looking after its own property assets and developing new assets. This move towards integration of facilities management, building compliance and asset development is in line with wider local authority trends and good practice examples in London (e.g. Tower Hamlets, Haringey, Camden).

However, in most cases, the housing landlord role remains a separate function, in recognition of the scale and expertise in this service area. Despite this separation organisationally, there are clear advantages in adoption of core service principles and practices that can be shared between corporate and housing landlord teams, with a sense of a shared asset management culture, possibly joint training and staff development sessions, and common monitoring and reporting arrangements. Housing staff should be sharing learning and expertise with corporate colleagues in areas such as stock database management, surveying, design, specifying works and contract management.

Exercise: When did you last set out your asset management strategy? What has changed since? Do new ambitions or challenges mean you need to revise your priorities and objectives? Do your assumptions about future component renewal reflect the latest data, new products now available and the real world experience of component failure in your property portfolio? For local councils, how well integrated are your housing and non-residential corporate asset management strategies?

5. Finance – business planning your asset portfolio

Long term asset ownership requires good financial planning to ensure that funds are available to meet capital expenditure on component replacement, ideally by building up capital reserves (sometimes called a "sinking fund"). If the asset owner has to borrow to fund major works, then the overall costs will be higher and the debt may need to be secured against the value of the properties across the portfolio.

Investment decisions in a private commercial business environment are likely to be driven by profitability and value. A simple, straightforward investment appraisal methodology assesses the Net Present Value (NPV) of an asset by calculating the lifetime income and expenditure associated with the asset and taking into account the cost of capital funds to the business (known as the "discount rate", e.g. the interest rate on borrowing or the rate of return that could be achieved by investing the capital funds elsewhere, with a similar risk profile).

Thus, landlords can make reasonable assumptions about future capital costs (based on their asset management strategy) and then assess the relative value of their property assets using an NPV calculation for each asset. Across a large and diverse portfolio, this approach results in a simple evaluation of which property assets are forecast to be most profitable and worth retaining (positive NPV), as well as which are not worth investing in from a commercial perspective (low or negative NPV) and should be considered for disposal, conversion or demolition and redevelopment.

Of course, social landlords are not wholly driven by commercial thinking and may well retain properties with a low or negative NPV because of social purpose reasons and outcomes. Disposal of social housing, particularly street properties in higher value areas, is often avoided as it is very politically controversial.

However, the analysis is still worthwhile in understanding the financial performance of the stock portfolio and informing future investment decisions. It is also vital for social businesses to understand the impact on their organisational financial capacity of retaining negative NPV assets. For example, this may inhibit their ability to borrow and invest in new build or other business growth activities. Ultimately, an organisation that holds too many negative valued assets may find itself unable to finance the essential management and maintenance activities and be unable to raise further debt funding, resulting in the demise of the organisation or wholesale acquisition by a more efficient entity.

Exercise: Do you know how well each of your property assets is performing financially? How do you calculate and evaluate this? Which homes are losing you money? What options do you have to improve the financial performance of your portfolio as a whole? Do you have a clear set of criteria for guiding decisions on retaining or disposing of property assets? Do you have a realistic projection of your asset performance over the next 20 or 30 years? How effective is your business planning approach?

6. Governance – making the right decisions at the right time

The larger and more complex the property portfolio and capital programme, the more vital it is that decisions about 'what-works-are-done-when' are coordinated and well governed. Unclear or poorly timed decisions can have substantial financial consequences.

Of course, there is not one universal approach to delivering housing capital improvement works across the UK. There will be good local contextual reasons for different approaches and often the scale of the operation is a key consideration. However, for most large urban local authorities, the ideal end to end process of delivering a housing capital programme can be summarised in the model set out below, which tracks the process as a linear series of decision gateways.

Gateway 1: Stock condition survey provides a draft schedule of works priorities for following year

Gateway 2: Internal and external consultation to reality check the draft schedule and finalise it

Gateway 3: Approval of planned programme, budget allocation and procurement approach

Gateway 4: Client briefs approved and detailed design commissioned

Gateway 5: Resident consultation on design proposals

Gateway 6: Finalised briefs and designs approved

Gateway 7: Approval of tender documents for full procurement or use of framework

Gateway 8: Tender award following tender evaluation or framework drawdown contract

Gateway 9: Contractor notification following s20 consultation (if required)

Gateway 10: Start on site

Gateway 11: Completion of works

Gateway 12: Lessons learned / resident satisfaction survey / final accounts / update stock database

[Adapted from Homes for Haringey / Paul Lowenberg]

Within the landlord organisation, it must be clear where approval authority sits at each stage, preferably with an internal protocol or practice guide for everyone involved, setting out the process (e.g. indicating expected standard timescales for each stage).

For local authorities, wider corporate rules, standing orders and the constitution will determine where some decisions are taken (e.g. defined Key decisions over a certain value may need Cabinet or Committee approval). There may be existing decision-making Boards already in place involving lead Members and/or chief officers. If not, setting up a specific housing capital investment board is advisable.

Local authorities with a wider property and economic investment role typically need to make capital investment decisions taking these broader interrelationships into account, for example holding an overarching Corporate Investment Board as well as a more focused Housing Delivery Board (overseeing both new build and capital major works). There may also be a Major Projects Board (covering corporate capital projects with a focus on complex mixed use schemes e.g. a library or leisure centre with community facilities and housing above).

Similarly, for housing associations and other registered providers of social housing, clarity is needed over what approvals sit with the main Board, a sub-committee or with the executive officer team.

An annual review of housing capital investment strategy should consider the competing choices within the programme, rather than presenting a *fait accompli* based on stock data and the professional expertise of the investment team. Whilst the stock data should provide a strong steer, in the political context of local authorities it is important to ensure that Member and resident views are taken into account, not least to reduce the scope for future challenge and criticism once works have been delivered.

While most local authorities do not have an in-depth Cabinet-level capital programme prioritisation discussion every year, it is advisable to have a regular major resident consultation and Member approval process to agree programme priorities, typically on a 5 year basis, or whenever there is a proposal to significantly restructure the emphasis of investment (such as expanding building safety interventions, introducing more challenging zero carbon ambitions or rephasing works to accelerate new build and estate regeneration).

Governance arrangements should also consider programme performance monitoring (see section 13 below).

Exercise: Get your whole team together and map out your organisation’s current practices against this model. Be clear and personal – name who is responsible for each decision at each stage. Identify any pinch points or bottlenecks where delays routinely occur or approval is not robustly obtained and recorded. If you don’t have one, develop a protocol document to guide all staff in managing the process, including locally agreed timescale expectations and levels of delegated authority for each approval gateway.

7. Procurement – contracting options to suit your programme

The essential elements of procurement are quite simple – decide what work needs to be done, find someone reliable who can do it to the right standard and for the best price, then award a contract and get the work done!

However, with large programmes of major works across a portfolio of properties, the procurement options and approaches can be much more complicated, particularly for public authorities.

At the height of Decent Homes delivery, many landlords adopted **Partnering** contracts, with a small number of large contractors in place over several years who were virtually guaranteed the lion's share of a large major works programme between them. Often the work was allocated to each contractor on a geographical basis (e.g. splitting a London Borough into North/South/East/West quadrants) or based on stock type (e.g. high-rise, low-rise, Sheltered, older street properties). Certainty of scale and long-term workload meant that contractors would be more committed and invest in local depots, employ local labour, build lasting relationships with local client teams, residents, community groups and political representatives.

A criticism of partnering is that the certainty of workload sometimes leads to complacency and a lack of focus on quality. So more recent partnering contracts tend to introduce an element of competition between the selected group of partners, meaning that some of the workload can be reassigned or distributed between the partners within the terms of the agreement, based on performance. It is also critical that the client team continues to monitor performance and communicate effectively with the contractors throughout the agreement. Client complacency can be equally to blame.

Once Decent Homes programmes were completed, some landlords chose not to renew their partnering contracts, instead reverting to traditional **JCT contracting** on a project-by-project basis, whilst they adjusted to a reduced scale of programme and a shifting set of investment priorities. This requires more focused effort in fully tendering each works contract through a separate process, so it can be resource-intensive for the client. However, it can also result in more bespoke and carefully selected contractors, particularly relevant to more specialist niche areas of major works (e.g. roofing, cladding, fire safety, lift renewal).

A few years ago, the trend was to use **Framework** agreements, set up under EU public procurement regulations, which satisfied basic consultation and value for money evaluation requirements. Contractors secured a place on the Framework (usually for four years) without being guaranteed any work and could then be awarded specific work packages based on a simpler evaluation of relevant criteria or a mini-competition between a small number of contractors on the same Framework.

More recently, **Dynamic Purchasing Systems** have become popular, with simple entry criteria and then further evaluation to award specific work packages. The advantage over previous Frameworks is that contractors can join the DPS at any time, rather than facing a competitive process to join at the point a new Framework is set up (usually every four years).

Procurement presents an excellent opportunity to make improvements in the **social value** aspects of contracting – in fact, it is a legal requirement for councils and housing associations to look at economic, social and environmental well-being impacts of their contracts under the Public Services (Social Value) Act 2012. Housing major works contracting should consider local labour and training, waste management, reuse and recycling of materials, social value performance monitoring and resident involvement in the delivery process.

Landlords need to consider which procurement route best suits their upcoming programme of planned and major works over, say, the next five years. A mixed approach may be needed, with more bespoke JCT tendering for certain specialist works alongside a Framework or Partnering approach to the more generic major works elements.

The landlord/property team need to map out realistically the volume, frequency and complexity of future procurement activities required. A large partnering contract procurement might be a five or even ten year event, resource-intensive for a relatively limited period, whereas specialist contracting through existing frameworks or dynamic purchasing systems are likely to be less time-consuming but much more regular.

There is also a question to consider about who in the organisation undertakes the procurement work, which may depend on the approach taken. Does the landlord need to build and sustain a dedicated property contracts procurement function in-house or instead bring in external consultancy support for the infrequent but important peaks in procurement activity. The answer to this question will require an assessment of the existing corporate procurement service and how the landlord/property team draws upon and interacts with that team, who may act as a kind of internal consultancy support to a range of service departments.

Insourcing major works delivery?

Many larger landlords employ an in-house “direct labour organisation” (DLO) to undertake repairs and maintenance services. A typical DLO has a permanent core team of operatives, including plumbers, electricians, decorators and multi-skilled labourers. Sometimes this in-house team carries out full internal refurbishment of empty homes (known as “voids”) including rewiring, kitchen and bathroom renewal and full redecoration.

After more than a decade of outsourcing repairs services, there has been a recent trend in the social housing sector to insource maintenance contracts and in some cases insourcing major capital works. For some councils, this is seen as part of a wider political commitment to insource service delivery, particularly where this can improve use of local labour, support an inclusive economy, deliver social value (e.g. training and apprenticeships) and promote community wealth building.

However, there are a number of fundamental reasons, predominantly about economies of scale and scope, why few local authorities and housing associations have a full in-house major works delivery service. The breadth of major works activity and the need for specialist equipment and training mitigates against a single organisation, even one with more than 30,000 homes to manage, delivering structural works, scaffolding, asbestos removal, window installation, kitchen and bathroom renewal, lift replacement, door entry systems, water, electrical and gas system replacements, etc. through an in-house DLO. The peaks and troughs of work in each area of specialism over time do not support establishing and sustaining these functions internally.

There are some good examples of specific use of DLOs for less complex capital works where there is a continuous workstream (e.g. kitchen and bathroom renewal programmes). A bespoke, dedicated in-house installations team can prove cost-effective, provided it is well supervised and a long term multi-year continuity of work at sufficient scale can be programmed and guaranteed.

However, there are certainly also lessons to be learned from examples where social landlords have over-loaded their DLOs resulting in poor value for money outcomes, typically where the DLO has had insufficient time to build up its capacity and ends up sub-contracting work, without this kind of client and procurement experience and with the Council paying DLO overheads rather than simply contracting out the works in the first place and getting better value for money.

An interesting example to follow is in Haringey, where in 2020 the Council insourced Facilities Management of corporate properties, managing the soft FM within the corporate landlord team and contracting with Homes for Haringey (the Council's ALMO) for hard FM services via its DLO. At the time of writing, this arrangement was at an early stage and the full requirement on and capacity of the DLO had not yet been resolved. Initially the ALMO had to sub-contract some elements of the specialist corporate property FM work that was not easily aligned with the core housing repair DLO functionality.

Where landlords hold an ambition to insource elements of capital delivery, it is vital that the transition is planned very carefully and piloted in discrete areas where VFM can be demonstrated. Building DLO capacity in advance is essential, taking things slowly and keeping the approach simple to ensure success.

Exercise: Based on your stock condition data and anticipated expiry of existing contracts, map out your projected five-year volume of work, broken down by elements or specialisms, and identify options for procurement of each strand of major works. Note the pros and cons of each procurement route for each work strand. Identify who will lead on procurement of each work strand and where external consultancy support may be needed. Set out the likely timescale for each procurement process, including specifying, tendering, evaluating and decision-making stages. Think about the potential conflicts and synergies between each work strand and the timing of each procurement process, so you have an overview of how the whole programme will come together. Consider carefully whether there is any scope for in-house direct delivery and the risks involved.

8. Programme Management – delivering consistently across a portfolio and over time

As indicated at the procurement stage, it is important for the landlord to have a clear view across all the individual contracts or packages of work being delivered within the major works programme. A programme manager seeks to coordinate management of individual projects in the most beneficial way, making best use of resources (internal team and external consultancy), overcoming blockages and achieving overall objectives, within the available programme budget.

One potential blockage is the process of turning a theoretical works programme derived from the stock condition database into detailed packages of specification ready to issue to contractors. This can be an area of internal debate and tension between the people responsible for proposing a programme (based on the stock database and the programme budget) and the people responsible for pre-contract surveying of properties and delivering works (based on their observations of current condition). Whilst this can be a healthy process of peer review that may assist effective prioritisation, the dialogue may slip into wasteful duplication of effort, prolonged uncertainty and lack of cooperation.

A rigid attempt to keep to programme budget plans without some accommodation of a more holistic view of what is needed on the ground is likely to result in future resident challenges and the risk of returning to carry out further works, at reduced value for money and with repeated disruption. Pre-contract surveys (by internal surveyors or consultants) can prevent contractors unexpectedly "discovering" the need for additional works during on-site delivery. The emphasis must be on strong and clear programme leadership to ensure a culture of collaboration and mutual assistance between programming and delivery teams.

Some large landlords' major works teams have a strong core of permanent project managers, with minimal use of consultants, whilst for others recruitment challenges have resulted in substantial elements of major works being project managed and contract administered by private firms.

The risk in relying on a strong permanent in-house team is the lack of capacity to respond to urgent delivery priorities (such as the additional emphasis on fire and building safety works in the aftermath of the Grenfell Tower tragedy). A reluctance to use consultants, even though the volume of work is too much for the existing delivery team, will inevitably result in delays and project managers being over-stretched.

A balanced mixed approach is best, following careful consideration of the need to use consultants, in a measured and selective way to deal with urgent peaks of work and specialist areas of delivery where expertise may be missing or harder to recruit (e.g. lift renewals). Whether using consultants longer term or in a time-limited way, client scrutiny of the quality of their input is essential.

Major works programme management also involves managing the landlords' relationships with key suppliers and contractor partners. Under a formal Partnering contract approach, there is likely to be a regular "core group" meeting required within the contract so that ongoing progress across all projects or works packages can be monitored and lessons learned across the programme.

A similar approach can be used, outside of contract formalities, to share learning between a group of separate contractors delivering complementary works in parallel contracts for the same landlord, or even between a group of competing contractors on a Framework agreement.

Some large landlords deliberately over-programme, i.e. procuring and issuing works contracts beyond the available annual capital budget, on the assumption that there is inevitably going to be some unexpected slippage or delay in delivery of some projects within a large programme. This approach ensures full budget spend. If no slippage occurs, then a budget overspend can be avoided by either bringing budget forward from the following year or consciously slowing delivery towards the year end. A prudent level of over-programming is typically 10% to 15% of the capital programme budget.

Exercise: Reflect on how your major works programme is managed and coordinated. Who makes sure you have the right mix of in-house project management and external consultancy support? Are you ready to respond quickly to unexpected or specialist demands and bring in additional project management resources? How do you achieve a healthy dialogue between long-term stock data analysis and on-the-ground pre-contract property survey results? How do you manage and organise programme-wide dialogue with your main contractor partners? How do you maximise use of the budget and avoid underspending?

9. Project Management – keeping delivery on track

There are vast amounts of helpful practical advice and training on project management, with some organisations adopting corporate methodologies such as PRINCE2, Agile, Scrum, Kanban, etc. However, most organisations use hybrid approaches and seek managers well-versed in several approaches who know how to weave together various practices depending on what a particular project calls for.

For housing major works projects, the essentials are likely to include:

Inception – a report setting out the need for the works (what works? to which homes? why now?), the evidence base (stock database? recent property surveys? resident concerns?), an estimated cost and financing option (existing budget? additional borrowing? charging leasehold owners?). Sometimes, this “project initiation document” is needed to get budget approval for the project to start. It can also be useful as a basis for briefing residents on the works prior to commencement.

Project Plan – a report capturing the tasks involved in delivering the project, organised in a way that shows the interdependencies between tasks, the resources (people/materials/money) needed to complete each task, and the timescale for task and overall project completion. This may be shown visually as a GANTT chart and software is available to capture, track and update the plan as the project progresses. Sometimes the contractor will have their own project plan – if so, it is important to check before works start that their plan matches up with the client landlord’s plan.

Delivery Monitoring – while the works are actually delivered by the major works contractor (and any sub-contractors), the client project manager needs a robust set of monitoring arrangements to keep track of delivery, such as regular formal meetings with the contractor, requirements for regular data reporting progress with works, any delays against the project plan or unexpected events, any supply chain issues, health and safety reporting, complaints or concerns raised by residents. Some landlords employ their own Clerk of Works to go on-site to check the quality of work being undertaken. Sometimes an external contract administrator is used to monitor on the landlord’s behalf. Any variations to the contract (e.g. additional works added) must be noted accurately. In some cases, where performance is significantly ineffective or inadequate, the project manager may need to close a project contract and re-procure or redesign from inception.

Closure – once the major works are completed, a report setting out the final cost of works, comparing the final cost with the estimated cost at inception, any budget saving or over-spend, capturing quality outcomes, resident satisfaction results, any lessons learned from the project to improve the delivery of similar works in future.

10. Resident Engagement – how and when to involve everyone

For contracts covering large blocks or estates, major works contractors typically employ resident liaison officers to keep tenants and leaseholders informed about the progress of works and respond sensitively and positively to any difficulties or complaints. This is more about customer care during the disruption of works on site, rather than involvement in decision-making and setting priorities.

In my experience, many landlords in the past saw resident involvement in major works restricted to offering limited product choices (e.g. kitchen and bathroom colours and finishes), informing residents immediately prior to works beginning and then completing a satisfaction survey at the end.

But a more holistic approach from the best social landlords sees residents involved throughout the whole delivery process, particularly in stock investment strategy, programme planning and procurement, and offering enhanced communication with them in the on-site delivery phase.

In many cases, the shortcomings in engagement are partly an issue of staff culture and training, with those recruited for their technical property expertise (building surveyors, project managers) often not so experienced in building rapport and engaging with customers and residents. In the worst cases, property professionals have been complicit in perpetuating a stigmatising view of social tenants, the stereotypical view being that property maintenance would be so much easier if it weren't for the residents living in the landlord's homes.

These kinds of attitude are explicitly addressed in the Government's Social Housing White Paper (2020) which sets out a charter for more meaningful resident engagement and treating residents in social housing with respect. As well as explicitly setting out expectations for resident engagement in relation to fire and structural safety issues (to be legislated in the new Building Safety regulations), the Regulator of Social Housing will require landlords to identify a "responsible person" to ensure compliance with consumer standards and good quality customer service. This should apply equally to major works delivery as well as housing repairs and day-to-day management processes.

Landlords should make bespoke training available to enable residents to engage in and influence policy and decision-making. For example, where residents are involved in the procurement of major works contractors, they may need training in specifying works, evaluating tender documents, interviewing tenderers and measuring social value outputs.

A leading example of resident engagement in major works delivery is the Putting Residents First standards commitment from Southwark Council. This document sets out the standards that the landlord will ensure are met in each major works project delivered in the borough.

As well as involving residents in specific major works projects that affect their homes directly, the best landlords engage residents across their housing stock whenever they update their asset management strategy or the property standards they adopt for all their homes (typically based on the Government's Decent Homes standard with additions to reflect local context and emphasis). New policy commitments to zero carbon outcomes as part of tackling the climate emergency are also a key area for resident engagement, particularly given the related challenges around fuel poverty (e.g. the higher running cost of electric over gas heating, despite the lower carbon impact).

As tough decisions will be needed, with limited resources and significant pressures and ambitions, strengthening resident engagement in capital programmes is becoming increasingly important. This could be an ideal area for recruitment of modern apprentices to train and develop into resident engagement and building safety roles.

In relation to resident safety and the implications of the Building Safety Bill, it is difficult to give concrete advice on resourcing for resident engagement, given the lack of detailed regulations (with much of the detail to follow in secondary legislation). What is clear is that the requirements for the roles of Accountable Person and Building Safety Managers (BSM) for higher risk buildings will require additional resourcing and this may be on a significant scale. Government has not proposed a resourcing formula and most landlords are doing their best to gear up and build expertise whilst awaiting the more detailed guidance.

Discussions with early adopters suggest landlords are looking at a range of parameters (number of blocks, complexity of construction, mix of tenants and leaseholders, proximity and geographical distribution) to determine the scale of resources needed. As a starting point, an average of 1 BSM to 5 higher risk blocks has been suggested. However, the other critical issue is the likely evolution of the workload, with the initial period focused on surveying and completing safety cases and risk assessments, before settling over time into a business-as-usual focus on building management and maintenance. A sensible approach is to focus recruitment on surveyors who are technically qualified and can then be developed into BSMs over time, with a particular likely need for training around resident engagement and customer care as the process moves from preparation into day-to-day management.

Across all these technical roles, in data, delivery and compliance, there are recognised recruitment challenges across the public sector. Private consultancies typically offer more financially attractive packages and many boroughs are using market supplements to secure permanent staff. The introduction of the new Building Safety Regulator, seeking to bring in a whole cadre of experienced experts, is set to make this recruitment problem for councils even harder. Maximising the scope to offer attractive reward packages to secure and retain staff will continue to be a major priority.

Consultation with long leaseholders under Section 20 of the Landlord and Tenant Act 1985 is a particular additional issue, which the next section addresses along with charging arrangements.

Resident satisfaction with major works is often not measured well; this is addressed in the section below on performance monitoring as a key element in service improvement.

Exercise: What resources do you devote to resident engagement in major works delivery? Do you offer training to enable residents to take part effectively in decision-making such as procurement? How do you gather evidence of resident satisfaction with completed major works? What specific improvements have you made as a result of meaningful resident involvement in major works delivery? How are you gearing up for resident engagement in the new building safety regime?

11. Leaseholder Challenges – consulting fully, charging fairly

Section 20 of the Landlord and Tenant Act 1985 sets out how a landlord (freeholder or head lessee) must go about charging leaseholders for qualifying works to the property under the terms of the lease. The landlord must consult the leaseholder before carrying out works or risk not being able to levy charges for the leaseholder's share of the works. The rules do not apply for works under £250 per leaseholder.

Where the landlord has not entered a qualifying long term agreement with a contractor (e.g. a Framework or Partnering agreement), then the leaseholder is able to make observations about the proposed works and put forward a contractor to be invited to provide an estimate to carry out the works.

Where the landlord has properly entered a qualifying long term agreement, then the leaseholder is only able to make observations about the proposed work, not put forward an alternative contractor. In this case, the leaseholder should have been consulted before the landlord entered into the qualifying long term agreement (which may have happened several years earlier).

The proposed works should be described and the reasons why they are necessary explained by the landlord. However, a full detailed specification of the works is not needed for the Section 20 consultation process.

The landlord can apply to the First Tier Tribunal for a dispensation from the need to consult if the work is urgent and it is not possible to wait for two months whilst consultation takes place. It is also possible to apply for a dispensation if the consultation process failed to meet the Section 20 rules. There is important case law in this area which landlords need to understand and follow closely.

The Section 20 Notice is an estimate of the cost of works prior to completion. Once works have been completed and the contractor's final account has been paid, the landlord will issue a service charge bill to the leaseholder.

In some leases, there is provision for the leaseholder to pay regularly into a reserve fund or "sinking fund", so that monies are gradually accumulated in advance to meet the cost of future major works. Many social housing leases don't include reserve accounts, they are more common in private market sector leases. This means that sometimes a leaseholder will receive a very large one-off bill. Many social landlords have introduced payment arrangements that enable leaseholders to spread the cost of these larger bills over several years, sometimes on an interest-free basis. It is also possible for exceptionally large costs to be met by placing an equity charge on the property, so that the landlord is paid at the point of future sale of the property by the leaseholder.

Where a leaseholder believes charges are unreasonable or works were unnecessary, they can apply to the First Tier Tribunal to challenge the landlord. Before mounting a legal challenge, leaseholders should approach their landlord directly to make their case against the charges being levied.

Leaseholders can get independent advice from the Government-funded agency LEASE, more details at: http://www.lease-advice.org

There are also two excellent guides giving more detail about leaseholder management issues:

TPAS Leasehold Engagement Guide by Kate Newbolt (2014) and Major Works Good Practice Guide by LEASE, funded by the Welsh Government (2015). Both are available online.

12. Competing Priorities – stretching resources to meet a mix of ambitions

Capital resources are limited and investment decisions should be based on both social purpose outcomes and commercial or financial prudence. However, many large landlords, particularly in the social sector, are ambitious to improve many aspects of the quality of their homes and estates. They will have a long list of possible uses for capital resources – including internals (e.g. kitchens and bathrooms), structure (e.g. walls, cladding, insulation, roofs, windows), fire safety, security systems, the external environment (soft and hard landscaping), energy efficiency and sustainability, as well as new build or conversion and extension to provide more homes. How are competing priorities best resolved into a balanced programme that fits within available budget and borrowing constraints?

It should go without saying that a "safety first" approach is common sense, yet sadly the findings of the Hackitt Review (2018) into building safety regulation (following the Grenfell Tower tragedy) demonstrated that many developers, construction companies and building owners have cut corners on safety over recent years. The fire and building safety legislation now progressing through Parliament, including creation of a new safety regulator within the Health and Safety Executive, will require landlords to evidence the safety of their homes, particularly higher risk high-rise blocks. With increased regulation, enforcement powers and criminal sanctions, landlords must increase their safety focus and invest in gearing up to meet new building compliance regulations.

Back in the 2000's social landlords focused closely on achieving the Government's Decent Homes standard, originally with a target date to achieve 100% compliance by 2010. However, this standard failed to address some fundamental issues – for example, there is no reference to adequate provision of lifts, door entry security systems, or communal areas. In many cases, landlords concentrated their investment on providing new kitchens and bathrooms (popular with residents) whilst external decoration and improvement programmes were delayed or cyclical repair cycles extended, sometimes indefinitely. Whilst some achieved the standard ahead of the deadline, many struggled to get close and some have shifted their focus since, allowing the level of non-decency to increase as key components fall out of the maximum age and minimum condition requirements. With the Government about to consult on a new enhanced version of the Decent Homes standard, this is likely to put additional pressure on stretched capital resources.

On top of these demands, many landlords have made strong commitments to ramp up zero carbon investment programmes in light of the climate emergency and compelling protest and lobbying by Extinction Rebellion (XR) and other green groups, with the Government setting challenging targets for domestic carbon emission reduction by 2035 and 2050. Retrofit measures for existing homes can be both expensive and hard to achieve, particularly for solid wall houses in Conservation areas. The green technology needed is still emerging and developing, with landlords facing tough choices between paying more to get ahead of the curve or holding back in the hope of cheaper and more reliable results as new products and methods are trialled and scaled up. Confoundingly, immediate measures designed to achieve the 2035 EPC "C" target are then likely to need further enhanced measures to achieve zero carbon by 2050. Surely better to find an approach to take homes straight to zero carbon? The GLA is now investing in pilots of the Energiesprong ("energy leap") approach, already being implemented in the Netherlands, as a possible solution.

New build housing development is another high priority for many housing association boards and for local authority elected politicians. With Government grant for affordable housing severely constrained, and the scope for cross-subsidy from market sale also constricted, the pressure on other capital resources and borrowing is high. Attempts to insulate risk, such as setting up separate council-owned housing development companies, have had limited results to date. The recent severe financial difficulties at Croydon Council were directly linked to its housing company Brick By Brick being unable to repay substantial development finance loans from its parent council in line with original business performance forecasts and commitments.

Whilst some large social housing providers are now actively acquiring land for development from the private market, for many councils and smaller housing associations the initial focus is on infill development (between and around the homes on existing estates), so the interface between the new build and major works delivery teams is vitally important.

The capital delivery team needs to recognise the potential advantages in joining forces with the new build team where works can benefit both new and existing residents (e.g. district heating and communal environmental improvements).

In my experience, collaboration is often patchy and inconsistent, with development opportunities being missed and unpopular delays in refurbishment works sometimes being avoidable, if delivery teams worked harder to dovetail and integrate their implementation plans. With capital resources tight, finding synergies between new build and major works to existing homes is critical. Rooftop development is a good example, where the landlord can save the cost of roof renewal and benefit from new homes, often at a discount on typical new build costs (with no land value impact and effective foundations already in place). This is a fertile area currently being pursued actively across several London boroughs.

Review of new build schemes, say 3 years after completion, provides a chance to learn lessons and inform the design of subsequent new homes, including the impact on future maintenance requirements.

Resident engagement over new build and refurbishment works is also a critical area for collaboration and integrated, cohesive messaging. Public realm improvements can be a persuasive factor in securing resident support for new build on an estate. Capital delivery and investment teams could also be actively involved in identifying development opportunities. Again, the focus here is on a culture and mindset that sees the bigger picture and the full range of corporate priorities and outcomes, rather than a parochial focus on a limited set of team outputs.

Where residents may fear that new build activity is taking funding away from existing stock investment, a joined-up approach to communications is needed that emphasises the benefits of integrated delivery and demonstrates that new build can be self-sufficient and support estate improvements.

Another key interface is between housing new build and the sustainability / zero carbon agenda, with building design choices having vital material impacts on energy use in occupation, as well as procurement issues around the construction supply chain, embodied energy and construction waste.

The brief canter through competing housing capital demands above hopefully gives a flavour of the complex nexus of pressures a large landlord faces in setting out at implementing a major works capital programme. The right mix, the acceptable balance between these priorities is going to take much discussion, reflection and deliberation to reach. It is essential to remain open to adapting and amending the mix over time as the context changes and through a live dialogue with staff, residents, community, board members and politicians.

Exercise – Get key stakeholders together to look at the competing capital investment priorities within your programme. How are you sharing out available resources between these priorities? How will this mix of plans change over the next 5, 10, 20 years? What synergies between different priorities could you be missing? How is the dialogue and debate about competing priorities held in a way that hears a diversity of views and reaches a robust conclusion in a clear and open way?

13. Performance Monitoring – how and what to measure

Keeping on track with delivery outputs and capital finances requires real time collection and analysis of relevant performance data.

Typically, the capital programme delivery team will complete monthly Project Status / Highlight forms which are reviewed by the senior programme managers and then reported to a governance body such as a Capital Investment Board or Housing Delivery Board. This formal dedicated monthly meeting of senior and service managers to discuss programme performance should take reports on an exceptions basis (i.e. focusing on major slippages or under/overspends).

In my experience, the major works programme is sometimes only monitored at a macro level (overall spend) rather than senior managers actively holding each team and project manager to account for their individual output. The focus is often on budget spend with less emphasis on tracking quality issues and outcomes.

Best practice examples of performance reporting collate a wider range of key performance data, such as:

Resident satisfaction (% satisfied in an independent survey following completion of works)

Defects (number of defects / time taken to rectify defects)

Time (predictability to meet contract timescales / milestones / allowance for extensions of time)

Cost (spend against budget / number of compensation events rejected or reduced)

Health and Safety (compliance / audits / recording and reporting of incidents)

Social Value (evaluation against a range of criteria: social / economic / environmental benefits)

[Source: Camden Council Property Works Framework]

Beyond the client and contractor data, it is important to collate major works complaints from residents and Members' enquiries from local councillors and MPs. Landlords should have a clear process of learning from complaints and enquiries systematically, analysing the patterns of similar complaint issues and taking time to review schemes and produce a "lessons learned" register to inform future major works projects.

Exercise: Review the key performance indicators you use to track your major works programme. How well do they show you what is working well and what needs attention or improvement? What measures could you add to get a more rounded picture of what you are achieving? How do you learn from things that go wrong as well as things that work well, so you are continuously getting better?

14. Celebrating Success – using capital works to promote your brand

Social landlords often seem to focus their promotional and external communications activity on successful new build development, estate regeneration and resident engagement in community events. Millions of pounds of investment in bringing homes up to modern standards sometimes goes unreported and uncelebrated, within the organisation and in the wider public arena.

Where leasehold owners are facing large bills for their share of major works costs, their voices (challenging the necessity of works or whether costs are justified) can attract more local press interest than the good news story that residents, both tenants and leaseholders, will be healthier and happier as a result of improvements to their homes.

Large landlords with a dedicated communications team should be looking for personal interest stories and photo opportunities that demonstrate the benefits of major works projects and then promoting them in the local press and on social media.

Many landlords issue their own residents' newsletters and can use these to promote upcoming major works as well as celebrate successfully completed projects, with stories and views from residents who benefited from the investment.

Where major works projects are taking place, there is also the chance to promote the landlord's corporate brand and key messages to the local community through site hoardings and information boards on the front of blocks undergoing works. Residents' families can be involved in designing hoarding, for example using children's drawings and paintings to illustrate what they most value or their hopes and dreams for their homes and estates.

Landlords who publish annual reports of their activities should include a summary of their overall major works investment that year as well as examples of particular success stories and personal outcomes for residents.

Finally, if you are delivering major works well, then share your good practice with other landlords to encourage them to improve and adopt the secrets of your success. By always looking out for good opportunities to share success stories with each other, you might learn something too.

About the author

Mark has been working as an independent consultant and interim senior manager for 6 years, following 25 years in UK public housing and regeneration. He works mostly with local authority clients to tackle homelessness, deliver new homes, and unlock estate renewal. His other practical guidebooks include: *How To Set Up A Local Housing Company* (2017) and *How To Respond To A Local Housing Emergency* (2020). Mark was the founding Director of PLACE Ltd, providing pan-London modular temporary accommodation for homeless families, and the first Chair of Capital Letters Ltd, the pan-London procurement hub for temporary accommodation and homeless prevention.

Mark Baigent, MBCL, March 2021.

http://www.markbaigentconsulting.co.uk

http://www.markbaigentconsulting.co.uk/

Cover design 3Fox
http://www.3fox.co.uk/

Published April 2021