



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Rural and Communities Overview and Scrutiny Committee

7th January 2021

Report of: Councillor Robert Reid

Cabinet Member for Housing and
Planning



Void Process and Performance – Housing Technical Services

This report seeks to update members on the progress towards an efficient voids process and to begin the consideration of appropriate performance measures.

Report Author

Paul Crow, Interim Head of Technical Services

Tel: 07921 250444

Email: Paul.crow@southkesteven.gov.uk

Corporate Priority:	Decision type:	Wards:
Growth	Key	All Wards

Reviewed by:	Chris Stratford, Interim Assistant Director for Housing	24 December 2020
Approved by:	Karen Bradford, Chief Executive	18 December 2020
Signed off by:	Councillor Robert Reid, Cabinet Member for Housing and Planning	22 December 2020

Recommendation (s) to the decision maker (s)

1. It is recommended that the Committee notes the report and particularly the potential operational and financial benefits identified in the report by adopting the changes being proposed.
2. Supports the initial steps proposed to improve performance and the further work needed to achieve a final revised policy proposal is critical to the overall process.
3. Reports its views and comments on these proposals to Cabinet on 12th January 2021.

4. **Receives, at its next meeting, a proposed performance dashboard of key performance indicators.**

1 The Background to the Report

- 1.1 The Council manages approximately 5,950 rented homes of which at present approximately 5.68% (338 properties) become vacant each year. These vacant properties are known as voids.
- 1.2 The Issue of void management is one which members of this Committee have been concerned about for some time. Particularly a review of the current voids policy has been expected since June 2020 and had been a request prior to this date.
- 1.3 This report does not provide a revised policy statement or position, rather it begins the process of taking action to deal with performance and process management issues. Following further detailed reports over the coming months as more complex matters are dealt with and scrutinised by the Committee, it will finally be possible to wrap up all these improvement changes into a comprehensive policy document.
- 1.4 The proposals set out in this report have formed the basis of a Cabinet report to be considered on the 12th January 2021, and this Committee's views will be reported to Cabinet.
- 1.5 In reviewing the initial performance, officers have examined current arrangements for the re-letting of dwellings from end to end and referred to sector averages for void management which suggest that the Council's management of voids requires significant change. It is further recognised that to move from the current arrangements to a fully improved position including a new policy statement will take time and a phased approach to ensure new systems, processes and culture are embedded. This is not possible to achieve in one move as indicated in 1.2 above.
- 1.6 There are a complex set of other changes which need to be fundamentally revised to reach 'good practice' such as a revision of the voids standard. This report therefore identifies changes that can be made now to relatively quickly begin the journey to performance improvements, but also highlights those other operational and process management issues which will be subject to further work and engagement with Members of this Committee and Cabinet through further reports.
- 1.7 It is vital when dealing with the management process for void properties that this management is efficient and effective in order to:
 - Reduce turnaround times to a minimum so that potential tenants can access properties quickly;
 - Maximise rental income by reducing rental loss by minimising void periods through good management;
 - Ensure void works are of a high quality, whilst driving cost down wherever possible; and
 - Ensure void property improvements are necessary, timely, sustainable, environmentally friendly and cost effective.
- 1.8 The Council's objective now must be to significantly improve void performance with appropriate changes to process and management in the short term, whilst aiming to achieve long term improvements year on year through other more significant changes. Overall, these objectives involve;
 - Better collaboration across key service areas within SKDC;
 - Embracing digital innovation;

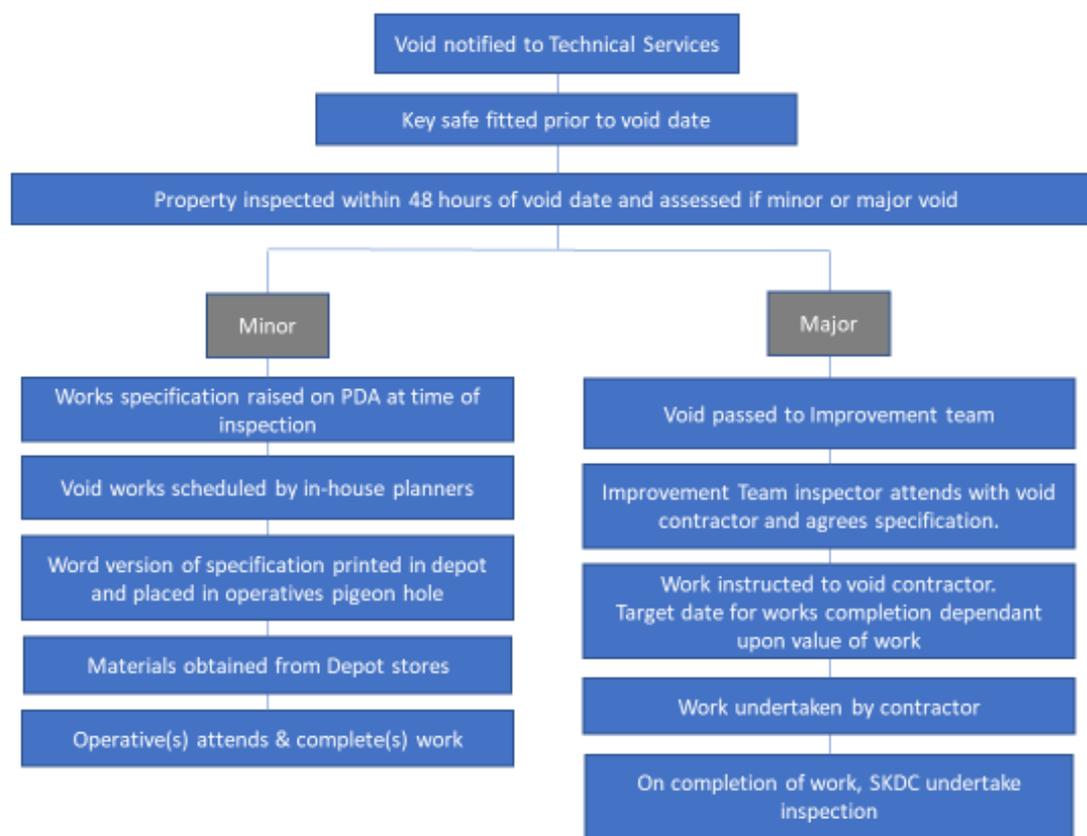
- True partnership working with contractors;
- Meeting environmental challenges;
- Ensuring our services are sustainable; and
- Working with our customers to make sure that they are satisfied with the condition of properties let, and their new home is safe, compliant, and affordable.

- 1.9 Closely aligned to the Housing Technical Service processes is the Housing Management Service area, this relates to the allocation and letting of voids once they keys are returned. This element of the service of not form part of this review at this time but will be part of the longer-term review process as we make progress with the more complex service improvements. This service area was recently reviewed, and changes have been and continue to be implemented at this time to improve performance specifically impacting on overall void times.
- 1.10 There will be a further opportunity to fundamentally improve the overall process and performance, but this is largely related to the forthcoming introduction of the new Northgate Integrated Housing Management System, and subject to separate member consideration and approval. The Northgate integrated housing management system would be a very significant project, which members still need to consider including the budget needs, specification proposals, and operational benefits prior to any approval being confirmed. It is anticipated however could commence in the early summer of 2021 and take some 18 months to fully complete if members are minded to support this initiative when it comes forward. The impact of this system will substantially improve and refine the processes of managing voids from a letting perspective and will reduce anticipated days for completing the critical management process leading up to the new tenancy being secured. This will be a further significant contribution towards good performance.

Current void work process and key problems

- 1.11.1 The current void process contains too many tasks that must be undertaken manually due to the lack of key I/T infrastructure within the current Northgate voids management system. Subsequently the process is very heavily paper based with little automated actions.
- 1.11.2 Void works are currently carried out by:
- SKDC's in-house void team if works are classified as "minor".
 - SKDC's voids contractor if works are classified as "major".
- 1.11.3 Minor works include day to day repairs including light fitting replacement, replacing broken door furniture, replacing internal doors, rehanging doors, minor electrical and plumbing activities, some decorations and matters of a similar small scale.
- 1.11.4 Major works include replacement of elements of the property such as window, kitchen and/ or bathroom replacements, new doors, rewiring.

The following flowchart details SKDC's current void work process.



- 1.11.5 **In-house Team** – SKDC's internal void team currently deliver minor void work. There are currently 14 operatives that undertake this type of work.
- 1.11.6 **Void Contractors** – Historically major void works were delivered by an external contractor Foster Property Maintenance Ltd. Following a recent procurement exercise, major void works were again awarded to the same contractor.
- 1.11.7 **Access to voids** - Until date keys were returned by the outgoing tenant directly to the Civic Centre offices, and then passed across to the repair's depot. This process has caused very significant delays ahead of any void works being specified and then completed. It was recognised as part of looking at this one simple process that very significant improvements to performance could be achieved by a simple and inexpensive solution.
- 1.11.8 By introducing with effect from 4th January 2021, a small key safe which will be installed at the property prior to the end of the tenancy, the outgoing tenant will be advised to place the keys in the safe. These will then be retrieved by housing staff either the same day, or the day after the tenant vacates the property, and the return of these keys to be recorded as received the same day ready for the necessary void inspection to complete the works schedule.

Current Inspection Process - A void inspection is scheduled to be undertaken within 48 hours of the property becoming vacant. The void is assessed as major or minor works at the time of the initial void inspection, and is based on the likely number of hours it would

take to complete the work, and the scope and likely costs associated with the work required. This is however mainly a subjective decision taken by the void inspector at the time of the initial inspection. Should the void be classified as major, the void is passed across to another surveyor who will then arrange to undertake a further detailed inspection with the void contractor in attendance to conclude the final detailed costed work schedule.

1.11.9 The current void work completion targets for minor repairs are based industry standard schedule of rates (SOR) completion targets, these set out targets for individual job items, and therefore, the overall target time is dependent on the longest completion target time set within the works raised. However, these targets are then often changed and extended due to problems with internal resource availability and this then impacts in a very negative way on performance.

1.11.10 Members should note these processes sit outside of any tenancy management regime, and whilst tenancy management may have some impact on the condition of a dwelling many of the properties in the Councils ownership are occupied for many years and indeed by those tenants facing challenging social and financial circumstances and this coupled by a lack of proper planned works and improvements means that a higher number of voids require more substantial repairs etc when handed back at the end of a tenancy. A review of current tenancy management policies and practices will need to be concluded, along with a significantly different approach to planned works to understand if these condition challenges can be overcome or improved.

1.11.11 **The current void work completion targets for major repairs are shown in the following table: (These targets fall outside of reasonable performance comparisons and are not regarded as acceptable)**

Code	Value of work per dwelling	Timescales			Total time
		For joint survey & provision of priced schedule	From receipt of instruction works to be commenced within	Maximum time for completion of works ordered	
1	Between £1,000 & £4,000	7 working days	5 working Days	10 working Days	22 working days
2	Between £4,000 & £6,000	7 working days	10 working Days	15 working Days	32 working days
3	Between £6,000 & £10,000	7 working days	15 working Days	20 working Days	42 working days
4	Between £10,000 & £15,000	7 working days	15 working Days	25 working Days	47 working days
5	Between £15,000 & £20,000	7 working days	20 working Days	30 working Days	57 working days
6	Between £20,000 & £50,000	7 working days	20 working Days	40 working Days	67 working days

Current Void Performance and what it Demonstrates

1.12.1 Void performance based on current process and management arrangements in the financial year 2019/20 is detailed in the following table.

VOIDS 19/20	MAJOR VOID 19/20	MINOR VOID 19/20	TOTAL
Total annual void repair cost* (£)	£862k	£1.16m	£2.02m
Total no. of voids in period**	118	223	341
Average void works cost (£)	£7,305	£5,202	£5,925
Average void turnaround – key to key (calendar days)	153	63	94
Average turnaround – void works (calendar days)	120	29	60
Total void rent loss key to key*** (£)	Not available	Not available	£447k
Average rent loss per unit (£)	Not available	Not available	£1,311

Source: * Minor spend from Northgate & financial system. Major spend from financials system; ** Northgate system; *** Financial system rent loss for 2019/20. Unit info breakdown not held.

1.12.2 Benchmarking comparable are detailed in the table below:

VOIDS 19/20	SKDC AVERAGE 19/20	BENCHMARKING	VARIANCE
Average void works cost (£)	£5,925	£2,124* (Lowest Quartile)	-£3,801
	£5,925	£2,750* (Median)	-£3,175
	£5,925	£3,514* (Highest Quartile)	-£2,411
Average void turnaround – key to key (calendar days) Major void	153 calendar days	70 calendar days**	+83 calendar days
Average void turnaround – key to key (calendar days) Minor void	63 calendar days	24 calendar days**	+39 calendar days

SOURCE: * HOUSEMARK ; Comparison selected from Peer Group** North Kesteven DC key to key re let targets 19/20

1.12.3 The comparisons demonstrate that the scope of works required in some empty homes, especially those identified for extensive works, is significantly contributing to the time taken for works to be completed and the higher associated costs being incurred. This in part can be explained by the impacts of not completing planned works in an effective way, and the lack of stock condition data held by the Council and also tenancy management issues, but it does not fully explain why there is such a very significant

difference in performance so it is most likely that overall process management is failing. In addition to the extra days indicated in the benchmarking comparable table relating to average void turnaround times.

- 1.12.4 Members should note that a further 32 days needs to be added as this relates to the average time taken to complete the allocation process. These additional days (32) do not represent good practice either although most of the improved performance will only be achievable once the new Northgate Housing Management system is commissioned and deployed see comments above in 1.6.
- 1.12.5 As can be seen, the average void turnaround is extremely high with average void costs being significantly higher than even the highest quartile example shown. It is possible to estimate the total likely extra costs likely to be incurred over the 12-month period identified using the average additional variance figures comparing the SKDC void costs and the upper and lower quartile void costs identified for the comparable example. It should be appreciated this data only acts as a guide and there may well be significant district or regional variable's, but non the less it is possible to draw the conclusion that there is significant scope for improvement.
- 1.12.6 Applying the number of properties becoming void (338) in the period, it can be assumed that if SKDC moved into a position representing higher or lower quartile performance that saving to the HRA would be between £815,000 and £1,284,000 per annum. Clearly this figure would fluctuate from year to year given the total number of voids occurring, and the building cost indices movements, but this represents a conservative estimate of saving should a move to good practice be achieved. The total benefits associated with making process changes can be further enhanced as we move to a better programmed works scheduling of investment through improved stock condition data, and of course eventually by fully deploying the new Northgate Integrated Housing Management I/T system. These figures do not include the benefits in terms of increased rental income should the reduction in overall void times be achieved as well.
- 1.12.7 The benchmarking exercise has identified that the focus therefore for SKDC should be to agree a new way of achieving the effective delivery of void works comparable to those other similar landlords, and which will significantly improve turnaround time and drive cost down to be closer to best practice.
- 1.12.8 With this objective in mind the flowchart below details the new proposed void work process and targets. There are two flowcharts:
- When SKDC receives notice from the tenant this should be the normal practice for most voids occurring;
 - When SKDC does not receive notice, such as where the property is abandoned, or tenant evicted.

NEW PROPOSED VOID WORK PROCESS & TARGETS (Addressing the Problems)



1.12.9 The void work process under these new arrangements is significantly streamlined with simple more focused targets reducing overall timelines (see orange boxes for process changes). This will significantly speed up this part of the process to reduce turnaround times so that we can release homes for reletting more quickly and therefore increase the

number of homes available for letting each year and house potential tenants more quickly and reduce annual void loss costs to the HRA.

Costs and Performance Management

- 1.13.1 Currently there is no formal performance or project management system in place to proactively monitor void works against target. There are also no key performance indicators (KPI's) produced for major or minor void works. In addition, there does not appear to be any formal contract management being undertaken with our external contractors in order to reduce void turnaround and drive costs down.
- 1.13.2 With immediate effect officers have now introduced monthly contract meetings with our contractors, where we will now address the key issues of void repair costs and performance and review specifications and monitor timelines for works and quality finishes to ensure we move towards the good practice outputs. This will form part of a regular agenda with performance information circulated to contractors prior to the contract meeting taking place. It is also intended to introduce a suite of KPI data for members to review regularly through the Rural and Communities Overview and Scrutiny Committee, and these KPI proposals will be brought forward for members to review and discuss, at the Committees meeting scheduled for 11 March 2021.

Void Material Management, Quality of Workmanship and Completion of works

- 1.14.1 The Council currently has a material supply contract with Buildbase Ltd, which is now due for re-procurement. Materials are purchased from the supplier and stored at the Grantham Depot for use by the void operatives. The management of the stock control and ordering of materials is currently being reviewed following a recently completed stock control audit by the Councils internal auditors. The audit identified several issues related to the management and monitoring of stock within the depot. An action plan in response to the audit is currently being developed to address these findings. The procurement of a new materials contract has provided the opportunity to review our materials strategy.
- 1.14.2 Therefore, we are also looking at other options of material supply, such as using impress van stocks so that materials are obtained directly from the supplier more efficiently, which would mean that the Council would no longer be required to store and supply materials as at present. Once this review is completed and the proposals around stock control and management have been more fully reviewed along with the possible introduction of utilising imprest van stocks, members will be receiving a further detailed report on the progress made and the outcomes.
- 1.14.3 Recent feedback from the Housing Management team also highlighted that some properties are being returned to them with poor standards of workmanship, incomplete work and not in-accordance with the void standard. Therefore, officers will be implementing "virtual void property walk rounds" with operatives and contractors whilst they are working on site to address these issues. These virtual walk rounds are made possible by utilising the iPad camera technology to stream real time video from properties so 'inspections' and technical guidance can be provided to operatives and contractors thus reducing inspection or instruction delays. In addition, regular virtual contractor meetings

have now been implemented to ensure contractors are undertaking and delivering work in accordance with contract terms and conditions.

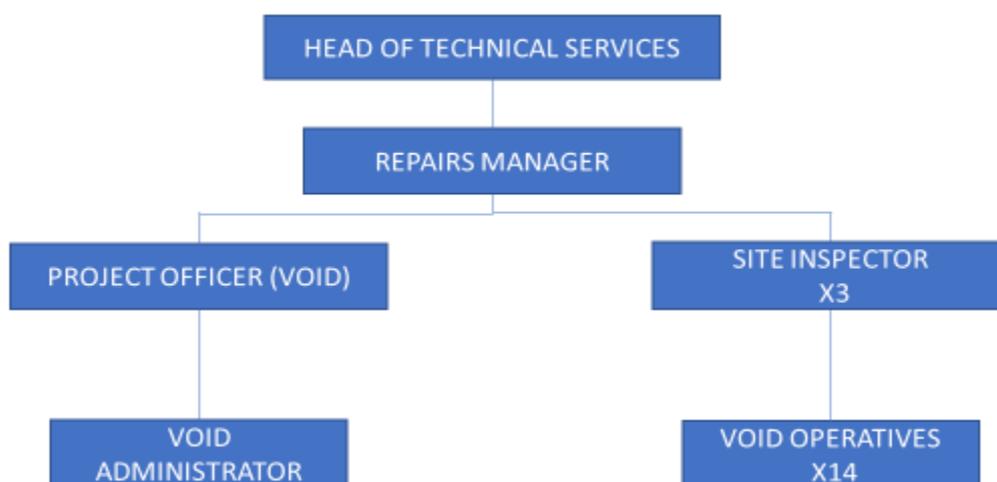
The Void Standard

- 1.15.1 The Council currently has a void standard that was introduced in 2013 and has not been reviewed since. This is poor practice as standards should be reviewed at regular intervals and normally no longer than 3-year intervals. **The current standard** is attached as **Appendix 1**. This is currently being reviewed to make it fit for purpose and to ensure the void work budget is being spent effectively. Officers are also looking at the feasibility of developing several void standards that are related to demand management, thus enabling Council to invest more on low demand properties to increase their potential desirability. Any amendments to the void standards to achieve this latter objective will be reported to members to seek their approval when the work has been completed.

Structural Amendments

- 1.16.1 The current Technical Services void team is split by Minor and Major repair teams, by Manager and by physical location. Subsequently each team focuses on different priorities relating to their specific part in the chain of void events. The current structure is outdated as it supports a vertical hierarchy that promotes “silo working” by embedding little to no collaboration or aligned priorities across the structure. A simple horizontal change to the structure will remove this and significantly improve interaction and co-operation. The amended structure is as follows:

Voids – Technical Services – amended 1



2 Consultation and Feedback Received, Including Overview and Scrutiny

- 2.1 Consultation has been undertaken within the Technical Services and Housing Management Services with amendments made based on feedback received and taking account of good practice principles where these can be adopted and implemented as soon as possible there are no redundancies or significant cost impacts associated with these early proposals.

2.2 The more complex issues and further technical and management adjustments to improve still further overall performance and the void process will take more time as we move to complete procurement and service reviews. The process of updating members to the point of agreeing a finally agreed comprehensive voids process will therefore continue. Members will receive regular updates in respect of this process commencing in February 2021. Having concluded this early phase of review it is considered at this stage there are three options which could be considered. These are:

3 Available Options Considered

3.1 **Option 1.** Leave as current. This is not a viable option and entails carrying on in the same way as we do now. That is, to provide a costly and ineffective voids management service. This is costing the HRA and particularly customers significant amounts of money as void costs and the length of time taken to return properties for use is incurring and losing unsustainable resources, especially as we move towards a full review of the HRA Business plan. There are therefore no perceived benefits provided by this option.

3.2 **Option 2.** This is a viable option that captures the core elements of the changes highlighted within the report detail. The primary benefits of this option are:

- Streamlined voids process to reduce overall period and reduced rent loss.
- Introduction of key safe facilities at void properties to reduce days lost for key returns.
- Tighter Contract and Project Management of external contractor activities.
- Virtual inspection process to improve inspection regime leading up to re let.
- Merging of Major and Minor voids team under single management post.
- Better van stock process to reduce lost time collecting materials.
- Early review of current voids standard for consideration by members.
- Reduced costs associated with voids through tighter specification control.

3.3 In the longer term the potential introduction of the new Northgate Housing system, will further improve the process management of technical and housing management services bringing further overall service performance improvements and in line with other similar Landlords. The specific perceived benefits of this are:

- (a) significantly improved interaction and co-operation;
- (b) reduced void work turnaround and reduced rental loss; and
- (c) improved quality of work and reduced costs.
- (d) Significantly reduced paper-based systems and improved customer experience

3.4 **Option 3.** Investigate the potential for all void works to be delivered by an external contractor/s through a price per void (PPV) contract. Given the initial early wins indicated in option 2 above it would be appropriate to implement the Option 2 proposals at this stage and develop the process and management changes and then review the overall anticipated benefits, before considering and determining whether to move into a potential outsource option and complete the additional detailed work necessary to report to members for consideration.

4 Preferred Option

- 4.1 Taking account therefore of the anticipated benefits associated with the proposals contained in the report at this time is considered that the preferred option is option 2.

5 Reasons for the Recommendation (s)

- 5.1 The changes identified in the preferred option 2 will also:
- Ensure synergy within the technical services void team as it will bring both teams together into one team to ensure interaction and co-operation in an effective way;
 - reduce void spend;
 - reducing void times and rent loss;
 - achieves a more cost-effective service;
 - maximise rental income;
 - improve void quality and standards;
 - reduces administrative burden by designing out waste and duplication;
 - offers a customer centric approach by instilling a positive resident experience from commencement of tenancy (better standards);
 - addresses the issues raised in recent internal audits, such as void audit, stock control audit;
 - improve the experience of staff in delivering those services with 24/7 real time monitoring information and improved functionality, enabling staff to access and update information more speedily; and
 - meet our responsibilities for compliance with Health and Safety legislation with additional operational management control and enhanced I/T solutions.

6 Next Steps – Communication and Implementation of the Decision

- 6.1 Implement option 2 structure, new process and targets and performance management systems.
- 6.2 Review and implement a new void standard(s) and advise members accordingly.
- 6.3 Produce proposals for core KPI data, and revise the current voids standard for consideration by this committee and approval by Cabinet in March.
- 6.4 Communicate changes to relevant stakeholders and undertake training.

7 Financial Implications

- 7.1 The report identifies the potential savings and efficiencies that could be realised by introducing an alternative approach to void management. Should the preferred option be approved, then Finance will work closely alongside Housing colleagues to identify and support the introduction of new systems and procedures. There may be short term financial implications arising from the proposed changes but these will be reported during the programme implementation.

Financial Implications reviewed by: Richard Wyles, Interim Director of Finance

8 Legal and Governance Implications

- 8.1 A review of the voids process is to be welcomed from a governance point of view. Establishing KPIs, with regular monitoring on performance, provides transparent accountability in this important area of HRA expenditure.

Legal Implications reviewed by: Shahin Ismail, Director of law and Governance

9 Equality and Safeguarding Implications

- 9.1 It is anticipated that by substantially reducing void costs and turnaround times will increase available homes for new tenants and existing occupiers to move into year on year. This will clearly have a positive impact on those seeking to resolve medical, and social challenges, and reduce overall anticipated waiting times.

10 Risk and Mitigation

- 10.1 The Councils risk will be reduced through the implementation of option 2 especially in the context of safeguarding the resources of the HRA and contributing to the overall objectives associated with delivering full compliance of particular importance to the Council given its emerging relationship with the Regulator is the following:

10.1.1 Home standard:

Registered providers shall ensure a prudent, planned approach to repairs and maintenance of homes and communal areas. This should demonstrate an appropriate balance of planned and responsive repairs, and value for money. The approach should include responsive and cyclical repairs, planned and capital work, work on empty properties, and adaptations

11 Community Safety Implications

- 11.1 There are no community safety implications other than those already outlined and identified through the audit and compliance work.

12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

- 12.1 Reduces carbon footprint by reducing the number of visits to void properties by internal staff and external contractors.

13 Other Implications (where significant)

- 13.1 None

14 Background Papers

- 14.1 None

15 Appendices

- 15.1 Appendix 1 – SKDC Void Standard.

Report Timeline:	Date of Publication on Forward Plan (if required)	14 December 2020
	Previously Considered by:	Not Applicable
	Final Decision date	12 January 2021