

Working with Resitech

Housing Association position paper September 1999

Housing associations have expressed dissatisfaction about working with Resitech (formerly HPD—the Housing Production Division of the Dept of Housing) over quite a long period. A quick look at the files shows that members have been raising a variety of issues since early 1998 at least. More recently, the Federation has asked housing associations for their comments, to get a more systematic picture of what's been going wrong, what's been working well, and how the relationship should be organised in the future. This position paper is our attempt to resolve the long-standing issue of how to work with Resitech. After a brief look at the current context, the paper summarises the key issues in housing associations' complaints about Resitech. The final section sets out possible strategies for dealing with these issues.

context

Resitech has been a “separate service agency” of the Dept of Housing since late last year, as part of the process of commercialisation. The plan is for Resitech's services to be made “contestable”, meaning that public and community housing providers will be able to obtain these services from a wider range of organisations. The recent rearrangement of the Dept of Housing has not changed this direction, however the process has been very slow and there are doubts about Resitech's ability to be truly competitive when the GST is implemented.

Housing associations' position on working with Resitech is affected by a number of developments in the sector. For example, the strategic asset management proposals may change the division of responsibility between housing associations and the Office of Community Housing (OCH). The resourcing strategy, which is currently being developed for the next four years, will also have an impact on the respective roles of housing associations, OCH, and other organisations, such as Resitech. The revised CTS Budget Strategy, the move to accreditation of community housing organisations, and the increasing professionalism and autonomy of housing associations, are also related developments. These issues form the context of this paper, rather than being addressed directly.

Housing associations' satisfaction, or otherwise, with Resitech is also linked to several other issues, primarily concerning property standards: whether there is a lower standard for stock transferred from public to community housing than the standard for new stock; whether sufficient money is available for upgrading stock transfers; and whether upgrading work should be decided by the property's needs or by a pre-determined budget. These issues are probably best resolved separately from discussions around Resitech.

This position paper aims to help housing associations meet the twin demands of financial and social viability. Financial viability depends in part on the availability of cost-effective building services, such as those currently provided by Resitech. Housing associations are facing pressure to reduce costs, and this is made much more difficult when they are locked into uncompetitive and expensive contracts. Social viability demands that housing associations meet the needs of their tenants and applicants. This means that acquisitions, upgrades and other building works must be completed on time, so that people are not made to wait for housing.

issues for Housing Associations

Members have told us about a number of problems which come up regularly in their dealings with Resitech. These can be grouped into three general categories: the difficulty housing associations have in being recognised as the client; the quality of the work carried out by Resitech's subcontractors; and the cost of the work. These last two issues are seen to result in part from Resitech's near monopoly on service provision.

Being treated as the client

Housing associations think of themselves as Resitech's client. That is, they think of themselves as the organisations for whom the project is being carried out, since they are the ones who will manage the property. Housing associations are not the only client: for example, it is recognised that OCH has an interest in how their funding is spent, as does the government and public more generally. However, many housing associations report that they have trouble getting Resitech to treat them as the client. Instead they feel sidelined from the project.

There are several ways in which this sidelining is experienced: the most common is a lack of communication from Resitech. Housing associations are often not kept informed of the progress of work, nor are there open channels of communication for raising and resolving disagreements. This is perceived to be a result of Resitech not taking housing associations seriously as clients of their projects, with a legitimate right to receive information. The burden appears to be on the housing association to make all the effort to find out what progress has been made.

Example *A housing association had a property which was to be demolished. The association gave a tenant permission to keep their belongings in a locked room in the property, prior to demolition. Resitech gave the demolition team vacant possession of the property without notifying the housing association. As a result, the tenant's belongings were thrown away or destroyed in the demolition process. This was a serious communication breakdown, with major legal implications.*

As well as being kept informed of progress, housing associations also want to have more input into projects, but it is not clear how this can be achieved. Some housing associations report that they have a good relationship with Resitech staff, and negotiate successfully over what work should be prioritised on stock transfers. Others state that Resitech staff determine what work should be done without any consultation. Often Resitech seem to negotiate primarily with OCH rather than with the housing association, or operate according to their own assumptions. Given that Resitech have worked almost entirely with public housing, many housing associations have found it hard to convince them that things can be done differently in community housing.

Example *A housing association engages Resitech to select properties for purchase, according to a brief. The properties identified are completely unsuitable for the housing association's stated needs.*

The issue here is not simply one of poor communication—which is in itself a problem—but of Resitech's failure to recognise housing associations as their client.

A second type of sidelining experienced by housing associations surrounds the confusion over the roles and responsibilities of OCH, housing associations, and other organisations. This is an issue which the sector is dealing with in various ways at present, and it has specific relevance to the problems with Resitech. The distinction in the service agreement between OCH as the “program client” and the housing association as the “project client” seems to lead to confusion within Resitech about the status of housing associations.

Example *Housing associations have been told by Resitech staff that OCH is their client.*

Resitech’s roles and responsibilities can also be confusing.

Example *A housing manager is dissatisfied with the upgrading work done on stock transfers. Is this shoddy work, or are the standards simply too low? Who sets the standards—OCH or Resitech—and who decides how to apply them in each case? The housing manager is not sure who is responsible for the situation, or how to get better input into decisions.*

Housing associations are generally happy with the service agreement in principle. It sets out a “collaborative approach” to projects, with “clear and explicit communication” between the parties, and contains checklists which should allow all parties to be kept up to date on progress. However, some housing associations have never signed the agreement, or it was signed once but has now expired, and others have never even seen a copy. More importantly, most make the point that in practice, projects rarely follow the procedures outlined in the agreement.

Example *“If our projects worked like the service agreement says they should, we wouldn’t have half the problems,” says one housing manager.*

Many housing associations report that the quality of their relationship with Resitech depends too much on the individual staff involved. If they are lucky enough to get a good project manager, things go smoothly. However, if they find themselves working with an uncooperative staff member, there seems to be no procedure for sorting things out. Following the service agreement would reduce the dependence on luck and personality.

Since building, acquisition and upgrading projects are carried out with public money, there is a legitimate role for OCH or the government more generally. Nevertheless, in many ways housing associations are already bearing the risk and responsibility for the assets. When projects are delayed, it is housing associations which end up paying, through lost rent and lost staff hours. When problems emerge because of inadequate checking, it is housing associations which are liable for the damage.

Example *A housing association was not given the opportunity to monitor Resitech’s assessment of a property. When the hot water system broke, causing a great deal of damage to the property, the housing association was expected to pay for all repairs. The association was expected to take responsibility for a process over which they had had no control.*

If housing associations are expected to bear the risk, their role as clients in the process must be taken seriously. As a client, an association is an active participant in the project, not merely a passive “end user” of other people’s decisions.

Quality of the work

Another issue raised by housing associations is the poor quality of the work carried out by Resitech's subcontractors. In part, this is an effect of the failure of Resitech to treat housing associations as the client, and to communicate effectively. Housing associations find themselves at two or three removes from the work being carried out. This leaves them with few opportunities to monitor the work, and little control over the outcome, even though they are the ones who will have to manage the property in the future and find money for maintenance if the work is substandard.

The poor quality of work is also related to Resitech's monopolistic and uncompetitive practices.

Example *Housing associations report that Resitech contracts work out on an annual basis. This means that subcontractors have little incentive to be responsive and efficient, since they are assured of work for a year.*

Many housing associations state that Resitech fail to supervise their subcontractors properly. Since housing associations are often sidelined from the project (as discussed above), it is crucial that Resitech can be relied on to monitor the work being done.

Example *A housing association pays for independent inspectors to assess work carried out by subcontractors, rather than trust that Resitech has monitored the work adequately. "It's expensive, but it's money well spent," says the housing manager, "because it means we can refuse to accept properties until all the substandard work is fixed. It gives us leverage with Resitech."*

It is worth stating that some housing associations are happy with the work carried out by Resitech and their subcontractors, and other associations would consider using Resitech if they were one choice among several. In other words, the problems experienced with Resitech are not insurmountable, but there is a feeling that if Resitech had to compete for work, the quality of their work would automatically improve.

Cost of the work

Several housing associations report that they could have work done much more cheaply by going directly to local contractors rather than by going through Resitech. Even in cases where Resitech's prices are reasonably low, they often take much longer to do the work. In both cases, the housing association is losing money. Where Resitech charges higher fees, housing associations pay more than they need to. Where Resitech's work is slow, properties stand vacant for longer, resulting in lost rental revenue.

Example *A housing association now gets local contractors to carry out work which Resitech used to do. Properties are now tenanted again within two weeks, instead of the six to eight weeks it used to take Resitech. This means there is much less of an opportunity for vandalism, as properties do not stand vacant for so long. As well, the association is paid rent more quickly, and applicants do not have to wait as long for housing.*

The fee structure is also a problem. The 1998-99 service agreement continues to state that parties to the agreement are "not yet in a position to establish fee structures in their final form", and maintains a flat fee structure as a result. In particular, fees have not yet been

disaggregated so there is little flexibility in the work housing associations can pay Resitech to carry out.

Example *A housing association carries out part of the work on acquisition projects. However, there is no capacity in the fee structure to pay Resitech less than their full fee, so the association ends up paying them for things they are not even doing.*

A more general complaint is that the fee structure is not transparent, so it can be difficult for housing associations to determine whether Resitech's prices are competitive or not.

recommendations

Housing associations are under pressure to reduce their costs from a number of sources. Resitech's monopolistic service makes this difficult. Associations should be able to work with other building service providers (for want of a better term), in order to reduce the cost of acquisitions, upgrades and other building works.

Recommendation 1

Housing associations should be able to choose between different building service providers, including Resitech, to ensure that cost effective building services are available to the community housing sector.

As well as opening the market to more building service providers, there should be more flexibility in the type of work housing associations can undertake themselves. The community housing sector is developing quite rapidly, with many associations now becoming quite sophisticated. The strategic asset management proposals, accreditation process and several other contemporary developments indicate that housing associations can be trusted to be responsible for a wider range of activities. The best way for associations to access building services will depend a number of factors, including their size and stage of development, and their location. Some housing associations may have the capacity to take on the role of project manager for others, on a fee-for-service basis.

Recommendation 2

Housing associations should be allowed to take direct responsibility for a wider range of purchasing, upgrading and building works, depending on their experience and ability. Further, housing associations with the appropriate experience should be allowed to offer these services to other organisations in the sector.

The service agreement needs to be rethought in the light of contestability. While housing associations are generally happy with the processes set out in the current agreement, it may not be possible to have this type of agreement with a wider range of building service providers. The current agreement contains a mixture of levels of accountability and responsibility in the one document and in the one process. That is, decisions about programs and the development of the sector which should be made at the level of government are combined with decisions about individual projects which should be made by housing associations. This type of mixture seems possible only when a single quasi-government body is authorised to provide all building services to the sector.

The mixture of levels of accountability contributes to the confusion over the status of housing associations and the legitimacy of their claims for input. A fair process would recognise that housing associations bear many of the risks, and therefore should be treated as the client. The service agreement should also make clear which parties are involved in the various

stages of each project. For example, housing associations may work with the building service provider to identify potential upgrading work for a stock transfer, while the decision about which work to undertake may be made according to priorities negotiated between associations and OCH.

Recommendation 3

A new type of service agreement or contract should be designed for use with a range of building service providers. The agreement or contract should more clearly focus on the project to be undertaken and the respective roles of housing associations, the building service provider, and OCH in each stage of that project. The agreement should also make it clear that the housing association is the client.

There are many other ways in which housing associations are accountable to OCH, and many other ways that OCH can ensure that the building and purchasing decisions of housing associations fit within the government's overall programs. This type of accountability need not be included in the contract with the building service provider.

Housing associations want a more professional, flexible and transparent relationship with building service providers.

Recommendation 4

Any new agreement between housing associations and building service providers should include a flexible and transparent fee structure, in which fees for different types of work and different stages of the project are able to be disaggregated. The agreement should also include: clear communication protocols; clear mechanisms for parties to raise and resolve disputes; and "milestones" along the course of the project, so that progress can be monitored adequately.

With any changes to the relationship between housing associations and building service providers, it is important to resource the sector adequately. Training may be required to ensure that housing associations have the skills necessary to handle emerging responsibilities. This would complement the current aim of establishing a more professional and autonomous sector. At all times, the focus should be on helping housing associations to meet their social and financial viability criteria: to provide cost effective and high quality services to their tenants, applications and communities.

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