

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

11 APRIL 2019

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Housing Committee held on 9 April 2019 – Agenda Item 11

Report Title	REPAIRS AND MAINTENANCE SERVICE 2020
Purpose of Report	To share with Housing Committee the outcome of the detailed service review and to seek authority to in-source the Repairs and Maintenance Services function from 1 April 2020
Decisions	<p>The Committee RESOLVES to:</p> <ol style="list-style-type: none"> 1. Approve the in-sourcing of the Housing Reactive Repairs and Maintenance (R&M) Service from 1 April 2020. 2. Approves Option 10 (App L) of the cost benefit analysis (CBA) report, and taking into account the risks and mitigations the potential contracting-out of a small proportion of the service delivery as described in Option X. 3. Recommend to Strategy and Resources Committee and Council an additional revenue budget of £53k in 2019/20 and £132k in 2020/21 to cover the one-off implementation and set-up costs, and a new capital programme for HRA IT systems totalling £175k over 2019/20 and 2020/21. 4. Agree delegated authority to the Head of Contract Services to progress and implement the insourcing of the R&M Service, and procurement of all other support services as required in consultation with the Chair and Vice Chair of Housing Committee, Head of Legal Services and the Section 151 Officer.
Consultation and Feedback	<p>Consultation consisted of:</p> <ul style="list-style-type: none"> • Two workshops with a wide range of Council Officers, tenants and members in attendance • A presentation with Q&A at Housing Review Panel • Briefings with the Chief Executive • Briefings with The Leader • Briefings with the Chair and Vice Chair of Housing Committee • Discussions with Finance • Discussions with the Head of Housing Services

Financial Implications and Risk Assessment

The financial appraisal has been undertaken by an external specialist. It indicates that the proposed method of delivering repairs and maintenance would, after initial investment, be at a lower cost than alternative options.

Mobilisation costs of £430k have been identified in the report.

The revenue costs are expected to be £123k in 2019/20 and £132k in 2020/21. £70k is already included in the 19/20 budget as approved by Council in January 2019 and so the allocation of an additional budget of £53k is being requested. This could be funded from HRA general reserves.

The need for a new capital programme of £175k over two years for IT systems has also been identified. This could be funded from the Major Repairs Reserves.

All additional budgets would need to be approved by Council.

There is a potential cost of redundancy, but this will not be known until the structure and TUPE list is finalised.

Although a potential reduction in cost has been identified in future years, it is recommended that any surpluses are kept in a holding reserve over the short term to mitigate against any unforeseen costs.

There are significant risks associated with delivering parts of the service in house, and these would need to be closely managed. If successful it would provide more control of service delivery and better data on our housing and repairs.

Analysis of the costs will continue throughout the process.

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Risk assessment by the report author

Risks associated with the project but in particular those relating to insourcing are: - a decrease in productivity; greater health-and safety responsibilities; fluctuating costs of materials; equality of pay; and having the necessary resources to implement the transfer of services. Strong management of the transfer and robust implementation plans will ensure that these risks are effectively mitigated. Risks will be monitored through Excelsis for transparency.

Legal Implications	<p>The Committee has delegated authority to make this decision save that any additional budget must be approved by the Strategy and Resources Committee.</p> <p>There will be a number of additional legal implications relating to the actual mechanics of bringing any decision into effect but these do not impact upon this decision and will be dealt with by officers as part of the delegations set out in paragraph 4 of the recommendations.</p> <p>Patrick Arran, Interim Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk</p>
Report Author	<p>Joe Gordon, Head of Contract Services Tel: 01453 754190 Email: joe.gordon@stroud.gov.uk</p>
Options	<p>Re-procure an outsourced service provision based on a split delivery model. Planned Repairs being delivered by a single contractor across the district and Reactive Repairs and Voids being delivered by a different contractor. Or delivery through any of the models outlined within the main report.</p>
Performance Management Follow Up	<p>A performance framework will be developed in line with sector norm, to reflect service, corporate and end users objectives. An integrated software system will provide enhanced levels of transparency for the service and will deliver a significant return on investment through a range of direct and indirect benefits.</p>
Background Papers/ Appendices	<p>Appendix A – Repairs & Maintenance Option Appraisal and Cost Benefit Analysis (Appendices A - T relating to this report have been published onto the Council's website and a hard copy is available in the Members' Lounge)</p> <p>Appendix B – IT Systems Costs</p>

1.0 Introduction

- 1.1 The Council is currently undertaking an extensive business transformation programme, aimed at improving efficiencies, providing value for money, and improving customer satisfaction.
- 1.2 Tenant Services have a number of contracts in place to deliver asset related services for the upkeep of its retained stock. The major spend elements being related to day to day Responsive Repairs, Planned Programmes of work, Cyclical Painting, and smaller elements relating to Mechanical and Electrical functions.
- 1.3 Annually the service spends in excess of £3.5 million on repair and maintenance delivering a broad range of services.

- 1.4 Tenant Services have already successfully in-sourced its Gas Heating, service, following a decision made at an Executive meeting on Monday 8 April 2013.
- 1.5 The service has recently let a short term contract (2 years) for the provision of the repairs, and planned maintenance services in the south of the district following the early departure of Mears.
- 1.6 A review of ICT systems and software has been undertaken as part of the service review as it was prudent to do so.
- 1.7 This report sets out the options available to the Council for the provision of the repairs and maintenance service from April 2020 onward.
- 1.8 Limitations and scope of the review have been highlighted within the main supporting report at Appendix A.

2.0 Background

- 2.1 Across all social housing providers nationally, repairs and maintenance is almost exclusively the number one priority for tenants.

It is generally considered that there is no 'one size fits all' operating model for the delivery of day-to-day housing repairs and associated services.

A lot has changed locally, and on a national level. The local government 'landscape', and that for social housing, looks very different. To ensure we continue to deliver the best possible service to our tenants we need to rethink how the R&M Service is delivered and consider the options available to us.

- 2.2 In 2014 a report presented to Stroud District Council Housing Committee indicated that Tenant Services would look at options to insource work streams as contracts came to an end.
- 2.3 In 2015 Stroud brought its Heating Servicing and repairs function in house. Over the past three years the organisation has seen increased levels of satisfaction in this area. This has largely been achieved through having a greater degree of control over the service and the flexibility to deliver a service which better suits the needs of our tenants.

SDC overall experience with internalising the heating servicing and repairs has been positive for both tenants and the Council. Feedback received suggests there is a greater degree of confidence experienced by tenants when the Council delivers services directly.

However while the internalisation of the heating service has been positive, we cannot look at this in isolation, excluding what may be other viable options including to continue delivery of the service using similar or existing models as present.

- 2.4 Provision of the repairs and maintenance service is currently split North and South across the district, provided by two separate organisations. The Council currently has differing arrangements with each of the two contractors due to the early termination of an existing arrangement.
- 2.5 Contractual arrangement for the delivery of the repairs and maintenance function with one of two incumbent contractors comes to an end on 31 March 2020, with no option to extend beyond the end date. The Second arrangement has a break clause aligned, with the above as a result of the initial term coming to an end; however in this instance an option exists to extend for a further six years by two terms of three years each.
- 2.6 Successive service providers have been unable to consistently provide a level of service provision which delivers high levels of customer satisfaction and which adequately protects the brand and reputation of the organisation. High levels of administration, supervision, and intervention have been required where adequate service provision has been achieved.
- 2.7 A review of IT Systems and processes was undertaken which highlighted that a disproportionate level of manual interventions is required to ensure transparency and efficiency of management processes.

Irrespective of the service delivery model chosen, it is clear that significant investment is required in ICT to ensure that the management tools and expertise required are in place. This would create the foundations needed to generate the performance levels expected of a top quartile repairs and maintenance service.

- 2.8 Workshops were undertaken with a range of stakeholders to look at, and evaluate a long list of eighteen viable options, which were eventually reduced to seven. Details are set out within the report Repairs & Maintenance Option Appraisal and Cost Benefit Analysis at Appendix A (See Appendix B&C within).

3.0 Stakeholder Engagement

- 3.1 In order to identify the drivers and priorities for any new arrangements, stakeholders have been engaged to explore the benefits and issues experienced with the existing arrangements. This has helped to develop an understanding of the needs and aspirations of tenants and councillors in shaping the future provision.

Staff, Councillors and tenants came together to review the positives and negatives of a range of models for delivery.

3.2 Feedback from the two workshops which took place was used to reduce a long list of eighteen options down to four main types of delivery model, of which three included modified options making a total of seven models which were considered. Detailed descriptions of all delivery models are again set out within the main report at Repairs & Maintenance Option Appraisal and Cost Benefit Analysis Appendix A (see Appendix D within).

3.3 The final options considered were:

- a) Option **3** – Out sourced, traditional procurement, SOR, two contractors, one to deliver repairs and voids only and one to deliver planned works only
- b) Option **6** – Out sourced, traditional procurement, Open Book, two contractors, one to deliver repairs and voids only and one to deliver planned works only
- c) Option **10** – Hybrid, traditional procurement, Open Book, Two contractors, DLO to deliver repairs and voids, and out sourced contractor to deliver planned works - *includes modified options for DLO to start gradually on the volume of repairs, include modified options for the DLO to have a different constitution (WOS etc) – include modified options for the DLO to be managed by a management consultant/agent (through a procured route)*
- d) Option **15** – Fully in-sourced Wholly Owned Subsidiary delivering planned and repairs to all areas

Each option above to consider “dialogue aspects” during the procurement, not full competitive dialogue, but engagement through interview and presentations during the process

3.4 It is worth noting that the top six key drivers gleaned from workshop feedback were:

1. Control
2. Partnership and Collaborative Working
3. Value for Money
4. Skills and Behaviours
5. Customer Service
6. IT Systems

3.5 While we have made good progress in getting costs under control, these key themes taken from the workshops indicate that there is still some work required in a number of key issues largely characterised by silo working, trust, and value for money.

3.6 The workshops facilitated by Impart Links Consultancy made clear at the outset that Tenant Services had no particular view about which

delivery model is most appropriate other than, a pragmatic view would be taken based on each models ability to deliver quality services for stakeholders and represents value for money for the Council.

4.0 Options Appraisal

4.1 We have looked at the contracting options available to the Council. Seven options for the re-provisioning of repairs and maintenance were considered as set out in 3.3 above.

Each of the different service models can be seen to be working successfully given the right situation in different organisations. Best practice advice is that the optimal solution is one which will best serve the needs of the organisation's customers, its business drivers, and its stakeholders.

4.2 It was established that whilst a number of the options are relatively balanced in respect of cost, value for money and quality, Option 10 Hybrid (direct delivery/contractor approach) is seen as the best match for the Council's overall objectives for this service.

4.3 Insourcing the Service would strengthen partnership working with other Services. For example, it would enable the Service to support the new approach to housing management and to be an integral part of locally-based neighbourhood management.

4.4 The overarching reason for bringing repairs and maintenance in-house is the need to have more control to mitigate potential risks. There is a risk to reputation which is outside of our control when using larger contractors. When problems arise with an outsourced operation, it is difficult to affect change quickly especially with larger service organisations as we are often seen as small fish in a big pond.

4.5 The other reason for in-sourcing is to have greater control and sight of the costs associated with repairs and maintenance. Internalising the heating service has realised efficiencies of over £300k in less than three years which is a saving of over 18% when compared to outsourcing the works to an external organisation. (Figures are based on 2014/15 financial years figures, and uplifted by inflation).

4.6 Having greater control over the service provision means we would be able to react to the customers priorities more quickly, and gain much improved customer insight. There is also an opportunity to communicate a message of intent to stakeholders that SDC has recognised performance, service, and accountability is central to our relationship with them and extremely high on their agenda.

5.0 Finance

- 5.1 As with most projects, some investment will be required at the outset to support project delivery.
- 5.2 The initial one-off implementation costs involved in insourcing the Service would amount to £430,645. However, in the long-term insourcing is the reactive maintenance element of the service is the most cost-effective option expected to achieve year-on-year sustainable savings for the Housing Revenue Account (HRA). Anticipated efficiencies are set out within the options appraisal.
- 5.3 Of the total set up cost, the insourced service would require £123,000 of revenue and £88,000 of capital in year one (19/20), and the balance in year two (20/21). This includes costs for the provision of or upgrading of the existing IT software, and early transfer or provision of key trades operatives to ensure there is no dip in service provision at the point of transfer.
- 5.4 The business model for a modern Insourced service is very different to the old days. Transparency is key and therefore ongoing financial appraisal and analysis will form part of the reporting mechanism to ensure Members and the Executive Team can remain reassured of commerciality of service.
- 5.5 For the benefit of comparison VAT for the insourced service when compared against an externalised provision is cost neutral.
- 5.6 The initial five year projections are set out on page 10 of the Repairs & Maintenance Option Appraisal and Cost Benefit Analysis report at Appendix A.

6.0 Opportunities

- 6.1 Subject to legal and financial due diligence there would be opportunities for income generation not only in terms of Council budgets but also being able to provide services for third party organisations, leaseholders, and local businesses.
- 6.2 The neighbourhood benefits because the insourced service will be a local contractor, and will draw its workforce from the local community creating local sustainable employment and training opportunities.
- 6.3 Collaboration – growing a successful in-house team gives us the potential to work closely with other Social Housing providers across the region providing shared savings and efficiencies.
- 6.4 The option to bring the repairs service in-house, with certain elements contracted out to local specialist businesses where possible, should have a positive impact and give us some influence in terms of

economic growth and encouraging job creation. Delivering services through the 'Stroud Brand'.

- 6.6 Any contractual arrangement for the delivery of services including the current arrangements for the R&M Service, involves a degree of contractual inflexibility in how that service is delivered. Bringing the R&M Service in-house for direct delivery will enable the Council to use these resources collectively - exploring opportunities for joint benefits and better integration, thereby achieving efficiency savings for other Council Services.

7.0 Risks

- 7.1 There are of course risks associated with the option to insource the Service (as indeed there are with all the other alternative delivery options discussed in the report), and some of these risks are significant. However, measures are and will continue to be in place to mitigate these, and if any of them significantly escalate, or any significant new risks (including financial ones) emerge, a further report would be brought back to Housing Committee.

- 7.2 Key risks associated with insourcing the Service relate to: - a decrease in productivity; greater health-and-safety responsibilities; reputational; fluctuating costs of materials; pay; and having the necessary resources to implement the transfer of service. Strong management of the transfer and robust implementation plans will ensure that these risks are effectively mitigated.

- 7.3 As part of the risk mitigation strategy an overarching risk management plan will be developed and implemented for the duration of the project.

8.0 Conclusion

- 8.1 There is increasing pressure from the Regulator of Social Housing to deliver value for money (VFM) and this is particularly relevant for the procurement and delivery of the repairs service. The size and value of repairs expenditure provides the Council with considerable opportunities to maximise the contribution that R&M can make to community sustainability through innovative procurement.

It is more important than ever that all Council Services are efficient and represent value-for-money, achieving better outcomes for customers with limited resources.

- 8.2 There are opportunities to apply a more agile approach to managing and future proofing the services we deliver. Not only will this be of benefit to stakeholders, through the delivery of a service they should rightly expect from their landlord, but there will also be a financial benefit to the organisation.

- 8.3 We recognise that there are a range of potential benefits and challenges to different types of arrangement, and have considered these carefully in coming to a view about the best model for the housing repairs service. Once fully integrated into the Council there will be further opportunities to create efficiencies within the service.
- 8.4 Notwithstanding the wish to have more control and influence over service provision, we believe that a well managed insourced service can make strong contribution to the community. For many of our stakeholders it may be the only face to face contact they have with the Council, and the service we provide is a direct reflection of us.
- 8.5 We realise that a huge cultural shift is required, as insourcing the service will involve transferring the current Mi-Space and NKS workforce delivering the R&M Service, into the Council, but believe that we will be able to realise our goal of providing great customer service by having direct control over service delivery.
- 8.6 Increasing customer satisfaction is a priority for us, and therefore insourcing gives us a unique opportunity to customise service delivery based on what our stakeholders say.

9.0 Recommendation

- 9.1 We recognise that a number of key elements of the service would be best delivered by external contractors, and therefore do not intend to directly deliver internal or external planned works, cyclical painting, or other specialist work.
- 9.2 Internalise the delivery of reactive repairs.
- 9.3 Implement a suitable ICT system which brings together the R&M, Asset Management, and Contractor workforce functions on a single platform.
- 8.4 Develop in consultation with key stakeholders a Repairs Charter to meet the needs of all stakeholders.

This report should be read in conjunction with the Repairs & Maintenance Option Appraisal and Cost Benefit Analysis at Appendix A, along with the Appendices contained within.