

Wiltshire Council

Cabinet

3 July 2018

Subject: Housing Repairs and Maintenance Service

Cabinet Member: Councillor Richard Clewer

Key Decision: No

Executive Summary

This report outlines the business case for extending the Council's Direct Labour Organisation (DLO) to take on additional work to ensure the Council's housing stock is maintained effectively.

Wiltshire Council owns 5,746 properties, mostly in the old Salisbury District Council area, along with over 1,300 garages, un-adopted roads, land and communal spaces. There are 4 major contracts relating to the repair of council housing stock which come up either for an extension or to an end in March 2020. In addition there are a number of other minor contracts relating to repairs and maintenance services and some services that currently do not form part of a contract and are tendered or quotes sought as and when those repair issues arise. These contracts currently operate alongside the DLO.

At the Cabinet meeting on 14th March 2017, the following was resolved:

1. To approve, in principle, the process that will be followed in order to deliver the required outcomes, including the various stages that will be undertaken and how suitable contractors can be selected.
2. To note that all options for delivery of services considered within the report in Appendix 1, in light of the report's conclusions, agrees in principle:
 - i. To progress with the enlargement of the DLO to take on all responsive repairs and voids work, and look to recruit a new managerial structure to lead and co-ordinate this service
 - ii. To extend the current partnership contracts with Ian Williams, British Gas and Wessex Electrical for a further two years and then look to migrate some of these services to the DLO, subject to a further review; and
 - iii. That a further report will be presented to Cabinet in June 2017 with costings and potential savings in support of the above.

This report addresses (iii) above presenting the costings and potential savings in support of (i) above. There have been delays to presenting this report for

decision due to leadership changes within the housing service.
A further review will be carried out after implementation of (i) to determine the extent to which the DLO should be further enlarged to deliver additional works currently outsourced as detailed in (ii) above and a further report presented within the next 12 months.

Proposals

1. To agree the business case for progressing with the enlargement of the DLO to take on all responsive repairs and voids work.
2. That authority be delegated to the Director of Housing and Commercial Development to agree staffing and contractual changes required to deliver the responsive repairs and voids service by the DLO with effect from April 2019.

Reason for Proposals

On average Wiltshire Council plans to spend around £12 - £14m from the Housing Revenue Account (HRA), both capital and revenue, each year on the repair and maintenance of the housing stock. This includes all emergency and day to day repairs, works to void properties, gas servicing, electrical testing, lift maintenance, as well as elemental replacements, such as kitchens, bathrooms and insulation, to continue to meet the Decent Home Standard.

The majority of this work is currently outsourced to contractors (value c.£13m) with just under £1m being directly delivered by the Council's Direct Labour Organisation.

The key reasons for the proposal for the DLO to take on a greater share of the services are;

- Minimising the risk of contractor failure and the knock-on impact on our residents
- Developing a more commercial approach to the delivery of repairs and maintenance services in-house in line with the sector
- Generating savings and avoiding paying profit margins to external organisations
- Capitalising on the higher performance already being delivered by our DLO
- Enabling opportunities to improve management of the supply chain for materials and plant as well as fleet and IT
- Providing flexibility to change and innovate in response to national and local policies changes and demands, without the need for protracted negotiations with external providers.

Alistair Cunningham
Corporate Director

Wiltshire Council

Cabinet

3 July 2018

Subject: Housing Repairs and Maintenance Service

Cabinet Member: Councillor Richard Clewer

Key Decision: No

Purpose of Report

1. This report outlines the Business Case for enlarging the Direct Labour Organisation (DLO) to take on additional work for the repair and maintenance of the Council's Housing Stock enabling the Council to continue to deliver a quality Repairs and Maintenance (R&M) service for the upkeep and improvement of the Council's Housing Stock for the next 30 years

Relevance to the Council's Business Plan

2. The delivery of new R&M service arrangements should deliver the following from the Council's Business Plan:
 - a. Protect those who are most vulnerable – the nature of our housing service is that it is there for those people who are least able to afford to house themselves and the delivery of effective R&M services is the key issue when it comes to resident satisfaction
 - b. Boost the local economy - the employment of local labour and creation of more effective agreements with local materials and equipment suppliers will lead to the creation of new apprenticeships, traineeships and wider job creation within Wiltshire
 - c. Bring communities together to enable and support them to do more for themselves – as part of the transformation of services service recipients will be empowered to help shape and agree the future of R&M services and deliver cost efficiencies
 - d. An innovative and effective Council – enlarging the DLO will enable the service to behave more commercially, offering better value for money, making best use of technology and delivering improved performance and better outcomes for customers

Background

3. Wiltshire Council owns 5,746 housing properties, mostly in the old Salisbury District Council area, along with just over 1,300 garages, unadopted roads, land and communal spaces and the majority of the contracts for the upkeep of these come to an end or up for potential extension in March 2020.
4. The proposal contained in report submitted to Cabinet on 14th March 2017 outlined how the R&M Steering Group, made up of members, managers, staff

and residents, had progressed through a series of stages in order to propose the agreed most suitable and affordable delivery vehicle for delivering repairs and maintenance to the Housing stock.

5. Cabinet agreed in principle:
 - i. To progress with the enlargement of the DLO to take on all responsive repairs and voids work, and look to recruit a new managerial structure to lead and co-ordinate this service
 - ii. To extend the current partnership contracts with Ian Williams, British Gas and Wessex Electrical for a further two years and then look to migrate some of these services to the DLO, subject to a further review;
 - iii. That a further report will be presented to Cabinet in June 2017 with costings and potential savings in support of the above
6. There have been delays to presenting this report for decision due to leadership changes within the housing service. However, this report now delivers the third resolution and focuses on the first resolution to enlarge the DLO with effect from April 2019 (Phase 1). A further review (Phase 2) will be undertaken to determine the scope for bringing additional services in-house and a report will be subsequently brought to the Cabinet once these contracts have been reviewed.

Main Considerations for the Council

7. Cost savings. Details of the anticipated cost and efficiency savings that are achievable through the proposed changes are summarised below and in **Appendix A**.
9. Timescales. The main contract delivering services alongside the DLO has been extended to March 2020 with a break clause from March 2019. It is proposed that the contract is terminated at the end of March 2019 and that the DLO takes responsibility for full delivery of responsive repairs and voids services from April 2019. A proposed programme for these changes is attached as **Appendix B**
10. Implementation. A skilled and motivated management team will be required to drive change and the transformation of this service. There will be staffing changes required as a result of this proposal and a review of role descriptions will take place including the management roles to ensure the post holders have the skills and experience required to deliver the service.
11. Risk Assessment A draft risk register is attached as **Appendix C**

Cost Analysis (Appendix A)

12. Over the last 20 years there have been some major swings in the trend of setting up or enlarging in-house DLOs (Direct Labour Organisations) to complete repairs and maintenance services in the Housing Sector. The 2010 collapse of mainstream contractors such as Connaught and ROK left a lot of housing organisations struggling to find alternative providers to fulfil planned

and responsive maintenance works on their properties and highlighted the risk of reliance on contracted out services.

13. All the main housing providers in Wiltshire and neighbouring areas have DLOs or commercial wings within their group structure to provide most of the main repair and maintenance works with only some elements of work still outsourced. Most new build work is still currently outsourced but some larger housing providers are also stepping into this arena too.
14. At present some 93% of the value of work for repairs and maintenance to housing stock is outsourced and within this there is an average annual profit margin paid by Council of over £400k, which could be reinvested back into the stock. The proposals in this report would move this to 83% still being externally resourced over the next 2 years but then decreasing further to around 40% from 2020. This could potentially deliver some savings of £2-7m back into the HRA Business Plan over 30 years.
15. A study by the Guardian newspaper found that DLOs were on average 10% cheaper than using a Contractor and DLO performance for completing responsive repairs on time was 3% faster than using a contractor. However, achieving this relies on good support networks such as new technology and the effective management of supplies and materials, including vehicle stock and scheduling of works. It is intended that the DLO will be developed as a commercial organisation that could stand alone as a contractor in the future and potentially offer out services to other organisations. The intention is to build resilience and deliver at least 5-8% savings, this would deliver an additional £4 -19m savings into the HRA Business Plan over 30 years.
16. Appendix A compares the average cost of a repair under the MD contract to the average cost of repair through the DLO based on 2017-2018 actual data to provide a comparison between the two delivery models and indicates the level of savings that could be achieved for Phase 1. It is proposed that an annual report will be taken to the Housing Board to detail the actual costs and savings, following implementation.
17. It is anticipated that further savings will be generated from 2020 with more services delivered by the DLO increasing opportunities for negotiating volume supply chain management, scheduling works effectively and attracting and retaining a skilled and motivated workforce.

Rate of Change (Appendix B)

18. In order to simplify the transformation process and minimise risk, it is proposed to split the transformation into Phase 1 and Phase 2. In Phase 1, it is proposed that the only service brought in-house from March 2019 would be the services which are undertaken through contract with MD Building Services Ltd. This contract covers voids works and some responsive repairs.
19. Given the nature of works undertaken already by the DLO, there is considerable duplication with both a contractor and the DLO carrying out the same types of repairs and therefore our operatives will not require any

additional training to perform in these areas, however, additional resources will be required and there is the likelihood of some TUPE transfers of staff from MD to the DLO to help bridge this gap in resources.

20. In line with the March decision by Cabinet, contracts with Ian Williams, Wessex Electrical and British Gas have been extended for a further 2 years to March 2020. Prior to March 2020 a further report will be submitted to Cabinet outlining which elements of these contracts could be brought in house as part of Phase 2 of the transformation programme.

Management Approach

21. It is intended that management roles will be reviewed to ensure there are sufficiently skilled and experienced staff in post to drive forward the growth and efficiency of the DLO. The housing service has a robust IT structure and performance dashboard and is well placed to attract the required candidates to fill any vacancies created.

Risk Management (Appendix C)

22. A summary of the risks to the proposed enlargement of the DLO and the steps proposed to minimise the impact these could have on the Council is attached at Appendix C.

Overview and Scrutiny Engagement

23. This report was discussed at the Environment Select Committee on 13th June 2017 and Tuesday 26th June 2018 and reviewed by the Chair of Environment Select Committee on 5th June 2018.

Safeguarding Implications

24. All staff entering people's homes will be appropriately checked and vetted to ensure that our residents are safe within their homes. In addition, we will work with our in-house staff to ensure continuous training, awareness and reporting of safeguarding issues

Public Health Implications

25. Delivery of effective and efficient R&M Services will ensure the safety of our residents in their homes, whilst ensuring compliance on the part of the Council, particularly on key issues such as fire, gas, electric and water safety and asbestos. In addition, good quality homes assist with ensuring tenants health is maintained effectively.

Procurement Implications

26. Any procurement requirements resulting from the strategy set out in this report will be undertaken in accordance with Council Procurement and Contracts Regulations with support from the Strategic Procurement Hub. The Strategic

Procurement Hub is committed to support to ensure successful service transformation.

27. Post transformation the procurement team will continue to drive service innovation by helping to develop opportunities for efficiencies within the housing service.

Equalities Impact of the Proposal

28. There are no major equalities impacts from this report as the services are for all of our residents, both tenants and leaseholders, and will be delivered in a considered, non-discriminatory manner
29. As part of these proposals an Equality Impact Assessment has been completed to ensure no adverse impact on any groups.

Environmental and Climate Change Considerations

30. Energy Efficiency will be considered as part of the void inspection and any resultant works will be delivered. The operatives will also be trained, alongside some of our residents, on energy awareness so that the 'Cost in Use' of our properties is reduced.

Risks that may arise if the proposed decision and related work is not taken

31. Cabinet has already approved the enlargement of the DLO in principle subject to costs and savings being presented back to Cabinet. If this work is not progressed other options will need to be considered for the delivery of the service when the current repairs and maintenance contract terminates in March 2020.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

32. A risk assessment is attached at Appendix C

Financial Implications

33. In Appendix A the average price per repair has been calculated based on 2017/2018 actual cost to allow the comparison between the current model using MD contractor and DLO to the proposed model in phase 1 of growing the DLO.

Assumptions have been made regarding the future potential costs and savings that could be incurred/generated from the revised model, they include:

- Additional costs in relation to central overheads for increased staff and operational requirement.
- Additional costs for Management and Admin support.
- Savings of 10% for improved supply chain management

- Savings of 5% for efficiency gains through improved scheduling
- Savings of 4% for contract management

These assumptions are based on national and internal data and are considered to be a prudent estimate.

Overall the model is showing that based on 2017/2018 actual costs and factoring in the above assumptions a full year saving of £326,000 could be achieved by increasing the DLO and undertaking void and responsive repairs in house rather than outsourcing them to contractor MD Building Services Ltd.

Actual costs and savings can be monitored and evaluated, following implementation.

The Council will take on the risk of employing more staff in the DLO rather than operating through a contract, this will include future financial risks if operational model changes in the future around Pension liability and redundancy this needs to be considered when making this decision.

Legal Implications

34. This is a report updating Cabinet on information relating to the in principle decision taken by Cabinet on 14 March 2017 to progress development of the DLO should due diligence be satisfied.
35. There is nothing contained within the due diligence to date which would negate the proposed direction of travel adopted by Cabinet on 14 March 2017.
36. At the point when due diligence is completed a formal decision will need to be taken as to whether to bring these contracts in house. Should that decision be made then TUPE, as well as any other relevant legal implications, will need to be considered.
37. Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE)
 - (i) Whilst it is difficult to identify the detail as we are still in the due diligence stage it is likely that the TUPE regulations are likely to apply to the enlargement of the DLO as the Council is proposing to insource the services currently being provided by contractors. TUPE will apply if within the contractors' organisations there is an organised grouping of employees whose principal purpose is delivering services under the contract with Wiltshire Council. The employment of employees of the contractor who are wholly or mainly assigned to the Wiltshire Council contract will transfer to the employment of Wiltshire Council.
 - (ii) Therefore this may mean that direct recruitment of or procurement of required skills may not be as extensive if suitably qualified staff are to transfer from the providers. The employees who are transferred under TUPE will transfer to the Council on their existing terms and conditions of employment.

(iii) As the transferring staff will become employees of the Council they will be eligible to join and will be automatically enrolled into the Local Government Pension Scheme (LGPS). There will be an ongoing financial cost to the Council in terms of the Employer contributions it will have to make to the LGPS in respect of those transferring staff who become members of the LGPS.

(iv) If TUPE does not apply or applies to an insufficient number of resources then a recruitment campaign will be required.

Options Considered

38. The alternative to agreeing to increase resources within the DLO to enable a higher percentage of repairs and maintenance services to the council's housing stock to be provided in house is that the majority of services will continue to be outsourced and be provided by external contractors.

39. The implications of the option of continuing to provide services as we do now compared to implementing the proposal to enlarge the DLO are explained in Appendices A & C (cost analysis and risk assessment)

Conclusions

40. The proposed new delivery model for the Repairs and Maintenance services will ensure the Council's stock is maintained and improved in line with the Council's statutory obligations and ensures tenants live in good quality homes with high quality services.

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Appendices

As detailed in the agenda, the following appendices have been made exempt from publication:

- A. Cost comparison
- B. Project Timescales
- C. Risk Assessment

Background Papers

The following documents have been relied on in the preparation of this report:
None

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