

## **Delivery of Response and Voids Service**



### **High Level Procurement Options Appraisal Report Updated June 2015**

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## **1.0 Executive Summary & Recommendations**

- 1.1 This Report provides recommendations for the future delivery of the Repairs and Voids service for Wiltshire Council through consideration of several alternative models, some of which allow Wiltshire Council to access external support in the ongoing management and delivery of the Repairs and Voids service.
- 1.2 The Report follows the appointment of echelon Consultancy Ltd to undertake a high-level review of the current service delivery model and to consider several potential alternative delivery models as follows:
- Option A –Expand DLO
  - Option B – Create Wholly Owned Subsidiary with External Provider
  - Option C – Develop ‘Managed Service’ type model with External Provider support
  - Option D – Outsource Contract to external Provider (Discarded)
  - Option E – Create Joint Venture model with External Provider (Discarded)
  - Option F – develop Cost Sharing Group with Selwood (Discarded)
- 1.3 The contents of the Report have been developed following presentations to both the Housing and Procurement Boards of Wiltshire Council and it is recommended that the outputs are developed by a project specific Project Group which should include Resident and full stakeholder input.
- 1.4 As part of the review, the Report considers the internal and external drivers for the service. The recommendations within this report are provided to ensure that Wiltshire Council develops a service that fully meets the identified objectives of Wiltshire Council and its customers.
- 1.5 Section 2 of the Report provides a high level overview of the current delivery models adopted by Wiltshire Council for the delivery of the service.
- 1.6 Section 3 provides benchmark data on both a qualitative and quantitative basis for the current service delivery models based on cost data provided by Wiltshire Council. This data will require further analysis before detailed cost projections can be completed.
- 1.7 Section 4 provides a summary of the objectives identified by Wiltshire Council for the delivery of the service in the future, with a target of the new service being in place by April 2016.
- 1.8 Section 5 provides an overview of the various delivery models considered as part of the review.

- 1.9 A separated report (provides a series of recommendations for the core service delivery model and sets out the basis of how the service should be delivered in the future to ensure Wiltshire Council's objectives are fully met.
- 1.10 Sections 6, 7 and 8 provide narrative on the Expand DLO, Wholly Owned Subsidiary (WoS) and Managed Service Agreement (MSA) models.
- 1.11 Appendix A details a series of sector-wide drivers.
- 1.12 Appendix B provides a SWOT Analysis against the three options and Appendix C provides an evaluation matrix of the three options against Wiltshire Council's published objectives.
- 1.13 Appendix D provides a cost summary against each model and Appendix E provides a risk analysis of the three options.
- 1.14 **The Report recommends that Wiltshire Council considers the following models further:**
  - **Option A – Expand DLO**
  - **Option B - Wholly Owned Subsidiary Model**
  - **Option C – Managed Service Model**
- 1.15 It is recommended that Option A only be considered on the basis that a highly experienced Project Manager, with commercial experience, is engaged to deliver the enhancements. On the basis of the review process the culture that the WoS will drive is also a key consideration and we recommend that Wiltshire Council undertake a visit to the case study at United Welsh as part of the process.
- 1.16 In essence, all these solutions have the capacity to deliver the desired outcomes for Wiltshire Council. The key difference is that the WoS model will naturally drive and force the change through the procurement and realignment of the service and the fact the commercial risk will pass to a third party whereas the expanded DLO Model will have to be driven from within.
- 1.17 The Report provides details on each of the recommendations and the approach taken by echelon to reach this conclusion.
- 1.17 **A separate report has been prepared highlighting the recommended core service standards to be incorporated in the delivery model (Proposed Delivery Model Report).**
- 1.18 We have also provided a third document that sets out our proposal for supporting Wiltshire Council in the procurement of the options, including a detailed procurement timetable (echelon Support Proposal).
- 1.19 It is recommended that a Project Group is convened for the delivery of this review and is tasked in the implementation of the process.

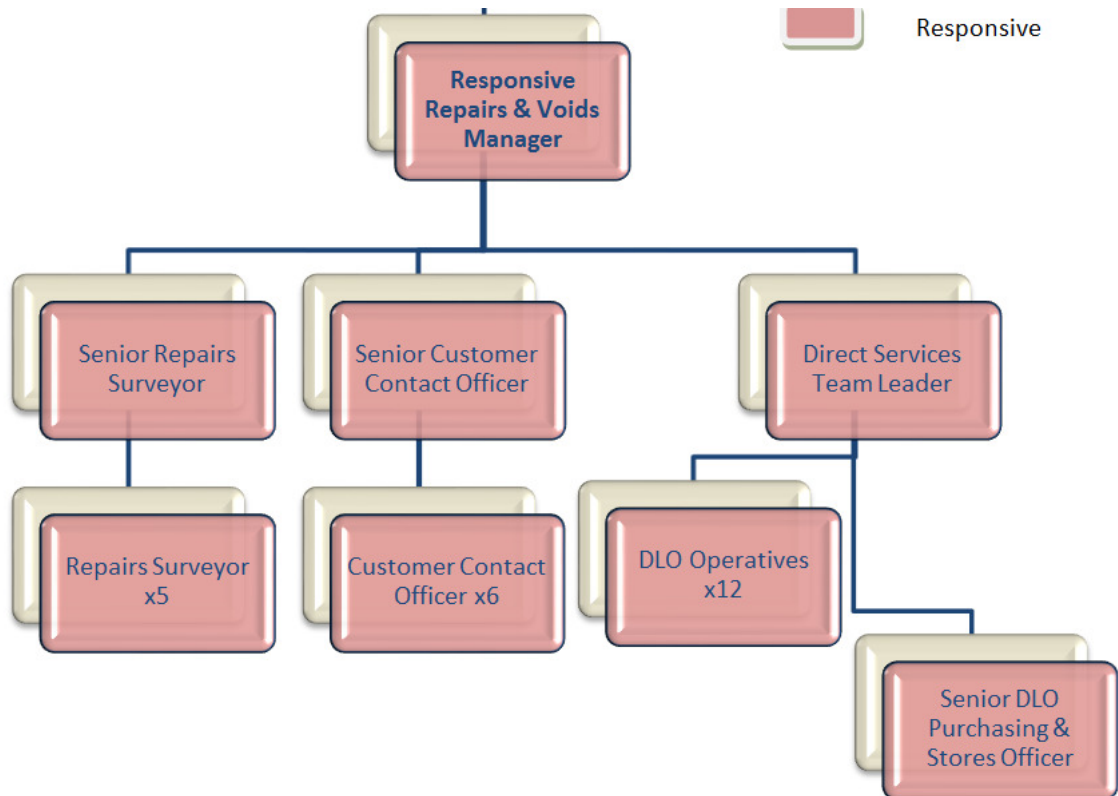
**2.0 Current Service Delivery**

**2.1 Current Delivery Model**

2.1.1 Wiltshire Council has repairs responsibilities for approximately 5,439 dwelling units.

2.1.2 Wiltshire Council has an internal service provision in the area of response and voids maintenance, delivered through a team of 12 directly employed operatives.

2.1.3 At present, Wiltshire Council’s Repairs Service has the following personnel:



2.1.4 In addition, the Council has a Partnering Contract with MD Building Services who provide the remainder of the responsive repairs and voids. This contract runs until April 2016 with an option to extend for upto two further years (on a 1+1 basis).

2.1.5 Requests for repairs are taken via an in-house call centre based in Salisbury.

2.1.6 We have not undertaken a root and branch review of the current structure but have focused on output costs and levels of performance.

### 3.0 Benchmarking

#### 3.1 Current Key Performance Indicators (Non Cost)

3.1.1 The following table highlights current KPI performance against Wiltshire Council's measures:

- 85.8% Jobs Complete on Time (MD)
- 91.6% Jobs Complete on Time (DLO)
- 90.7% Customer Satisfaction
- 25 Days Void Completion (no major works)
- 30.1 Days Void Completion (all voids including major works)
- 84.5% First Visit Outcome (from survey response not orders)
- 93.6% Appointments Kept (from survey response not orders)

#### 3.2 KPI Benchmarking

3.2.1 For the purposes of benchmarking we are drawing on three sets of external data. The first will be to evaluate against Housemark the second against amip (Asset Management Improvement Partnership) ([www.amip.org.uk](http://www.amip.org.uk)) and the third against two high performing RPs.

##### 3.2.2 Housemark Benchmarking

The report has reviewed Wiltshire Council performance against Housemark data for 2012/13. Percentage satisfaction with repairs is middle/upper quartile; average time in days to relet voids is upper quartile.

##### 3.2.3 AMIP Benchmarking (Based on 2013 Q4 AMIP data)

KPI	Wiltshire Council Score	AMIP High	AMIP Low
C-Satisfaction	90.7%	99%	91.7%
Completions on Time - MD	85.8%	100%	91.1%
Completions on Time - DLO	91.6%	100%	91.1%
Appointments Kept	93.6%	99.5%	90.9%
Right First Time	84.5%	100%	86%
Void Key to Key	30.1 Days	7.4 Days	36 Days

### 3.2.4 Client to Client comparison

The table below compares current performance at Wiltshire Council against the performance of Celtic Horizons, which is the WoS created by United Welsh and a high performing repairs contract (Origin).

KPI	Wiltshire Council Score	Celtic Horizons	Origin Housing
C-Satisfaction	90.7%	95.7%	93%
Completions on Time - MD	85.8%	100%	100%
Completions on Time - DLO	91.6%	100%	100%
Repairs End To End Times	N/A	7.4 Days	11.1 Days
Appointments Kept	93.6%	96.5%	99.5%
Right First Time	84.5%	88.30%	85.6%
Void Repairs	30.1 Days	6.9 Days	5.1 Days
Productivity (Repairs) Jobs/Day/Operative	-	-	5.3

Notes:

- Both organisations use a fixed price per property Model.
- Both organisations used third parties to capture customer satisfaction.
- Both measure right first time as 'first time fix opportunity' (i.e. if for any reason the repair is not completed it fails)

### 3.2.5 Commentary

- **Customer Satisfaction** – the reported customer satisfaction at Wiltshire Council is lower than any of the 22 members of AMIP and is clearly an area that should be targeted for improvement. During the next phase of the project it is important that analysis is undertaken to ascertain the areas of performance affected
- **Completions** – again performance here is below the level we would expect on a contract of this type and resource scheduling/planning will need to be looked at in more detail when scoping the new service to ensure better performance in this area
- **End to End Times** – it will be useful to measure this as part of the scoping exercise to identify any areas for improvement that will also drive improvements in appointments and completions

- **Appointments Kept** – performance here is good but not exceptional and is another area that should be targeted in the new delivery model – we would expect 95% plus
- **Right First Time** – as above current performance is above average but we would expect this to be above 85%. The key is to understand why the 15% plus have failed and build a model around managing these issues out of the new service delivery model
- **Void Repairs** – this appears to be an area where performance could be improved – we have several contracts that are reducing significantly improved void performance through re-engineering the void process and we would look to include this in Wiltshire Council’s new model
- **Productivity** – it would be useful to undertake a review of current productivity of the DLO. Given the geography of the contract we would expect productivity to be somewhere around 4 - 5 jobs per operative per day

### 3.3 Current Cost Information – Repairs

3.3.1 echelon have undertaken an initial review of Wiltshire’s current costs, focusing on the costs of the repairs and voids service, as summarized in the table below:

Cost Type	Cost
2013/14 Actual Repairs and Voids Cost Per Property	£581.95

3.3.2 Please note the figure in the table above **excludes** VAT. The figure is based on the data as supplied by Wiltshire Property from the finance system.

3.3.3 There are a number of issues with the data provided by Wiltshire Property from both their finance and repairs ordering systems as highlighted below:

- There are a number of mis-codings within the accounts meaning that accurate per void and per property figures are unable to be calculated
- The repairs history is accurate for repairs carried out by external contractors, however for works which are carried out by the DLO there is no link between the SOR values entered into the repairs system and the true deliver cost of the works

3.3.4 The majority of the voids are delivered by external contractors and as such we can calculate the average void cost at £1,357.08, and although there may be a small margin of error in this it is unlikely to be material.



3.3.5 If the repairs history is taken to be true for voids we can estimate the repairs cost per property at £425.76 by deducting this void spend from the overall spend in the accounts.

3.3.6 For the remainder of this report these figures, as summarized in the table below, will be used for benchmarking and analysis purposes:

Cost Type	Cost
2013/14 Actual Repairs Cost Per Property	£425.76
2013/14 Actual Cost per Void	£1,357.08

### 3.4 Cost Benchmarking

3.4.1 For cost benchmarking purposes we have compared Wiltshire's current cost with three comparators groups

- echelon recently procured repairs contracts
- Housemark (from the 'Value for money in responsive repairs and voids 2012)
- AMIP data available through the best practice and benchmarking club AMIP([www.amip.org.uk](http://www.amip.org.uk))

#### 3.4.2 echelon recently procured contracts

We have benchmarked Wiltshire's current cost against six contracts that we have recently procured and expressed the outturn cost as a price per property. While in the majority of cases risk provisions are not expended we have included them in the benchmark group for comparison purposes

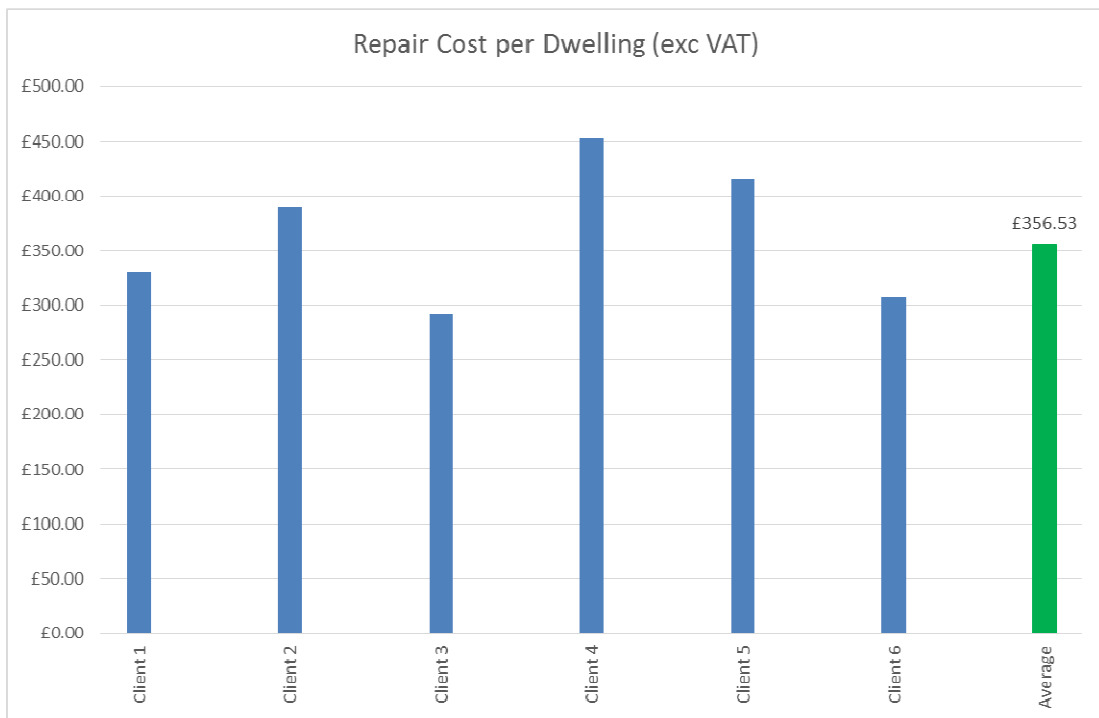
The comparator group for benchmarking purposes are:

- **Client 1 – Registered Provider with 21,525 units (London and Home Counties) – 15 Year Contract.**  
This is for a repairs service that includes the provision of a call centre, a flexible appointments system (fix now/fix at convenience) and includes all building and electrical work. The contract was awarded in April 2012. For information this is a wholly owned subsidiary model.
- **Client 2 – Registered Provider with 4,851units (North London) – 10-year Contract.**  
This is for a repairs service that does not include the provision of a call centre, but has a flexible appointments system (fix now/fix at convenience) and includes all building and electrical work. The contract was awarded in October 2012.

- **Client 3 – Registered Provider with 5,852 units (South London) – 2 year contract**  
This is for a repairs and voids service that does not include the provision of a call centre, but has a flexible appointments system (fix now/fix at convenience) and some planned works. The contract was awarded in January 2013.
- **Client 4 –Registered Provider with 4,308 units (Wales) – 10 year contract**  
This is for a repairs and voids service that includes the provision of a call-centre, but has a flexible appointments system (fix now/fix at convenience) and includes planned works and a 3\* gas service. The contract was awarded in November 2012. For information this is a wholly owned subsidiary model.
- **Client 5 –Registered Provider with 9,227 units (North London) – 10 year contract**  
This is for a repairs and voids service that includes the provision of a call-centre, but has a flexible appointments system (fix now/fix at convenience) and includes all building and electrical work. Costs for the call centre are excluded from the benchmark data used.  
Repairs over £1,500 are excluded from the fixed price. Voids are delivered via the SOR. This contract also includes for the provision of the Planned and Cyclical maintenance works, but these costs have been excluded from the benchmark data. The contract was awarded in January 2014.
- **Client 6 –Registered Provider with 3,879 units (the North) – 10 year contract**  
This is for a repairs and voids service that does not include the provision of a call-centre, but has a flexible appointments system (fix now/fix at convenience) and includes all building and electrical work. Repairs are delivered via the SOR, but there is a PPV for Voids. The contract was awarded in October 2014.

### **Repairs**

The following graph provides a summary of the costs of each of the six comparator models for the total repairs costs per dwelling, exclusive of VAT, which is equivalent to the costs provided by Wiltshire Property.



Following the establishment of an average benchmark cost for the six comparator projects we have compared this against the Wiltshire cost as follows:

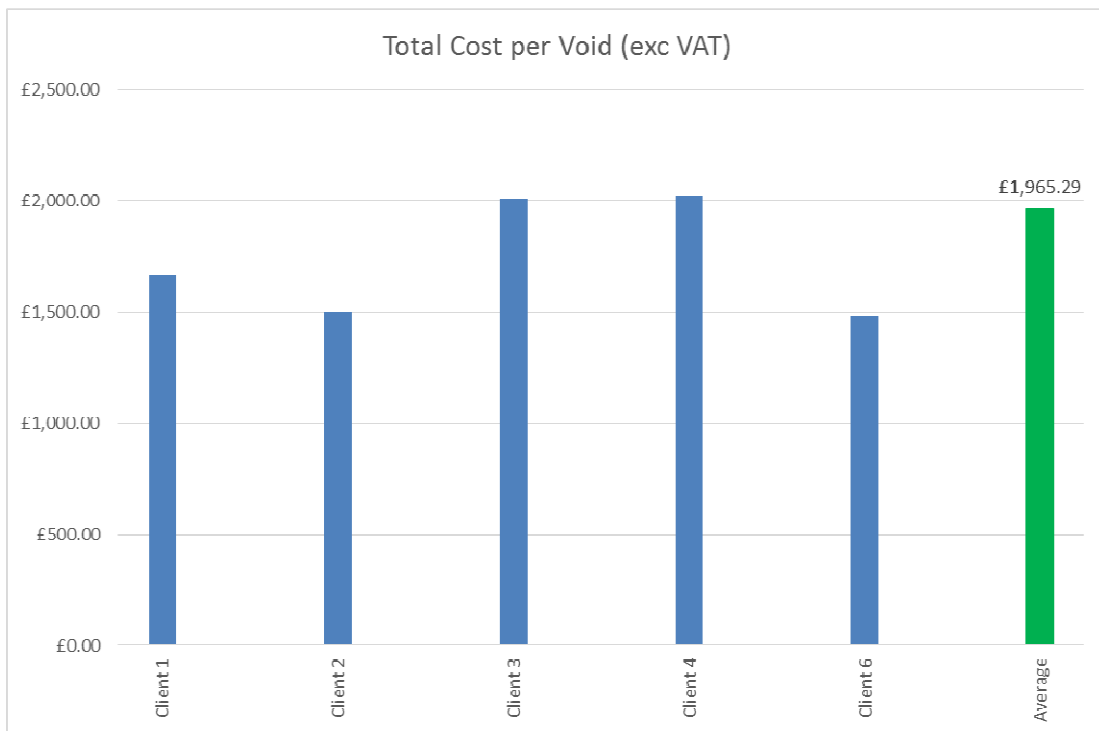
Cost Type	Cost
2013/14 Actual Repairs Cost Per Property	£425.76
Benchmarking Cost	£356.53

The benchmarking has shown that Wiltshire's current repairs spend is significantly higher than our benchmarking data and as such significant improvements should be achievable by increasing efficiencies.

We would note that the level of Central Recharge applied to Wiltshire Property is significant, circa £276k for the 13/14 year, and it is suggested that this may not accurately reflect the actual cost incurred. Removal of this recharge has a significant impact on the repairs cost per property reducing it to £374.95 which although still high is more comparable to the benchmark data.

### **Voids**

Comparison of Wiltshire's cost per void with the comparator group's PPV is illustrated below (all values exclude VAT). The following table provides the benchmark costs.



Note: Data for Client 5 is not available.

The following table provides the reported out-turn average voids costs for the different areas of Wiltshire:

Cost Type	Cost
2013/14 Average Void Cost	£1,357.08
Benchmarking Cost	£1,965.29

The current Wiltshire repairs spend appears favourable when compared to our benchmark data although we would highlight that the data used for Wiltshire excludes component replacements, whereas our benchmark data does include an element of kitchen and or bathroom replacement and the like.

### 3.4.3 Housemark & AMIP Benchmark Conclusions

The report has reviewed Wiltshire performance against the 'HouseMark repairs value for money toolkit 2012' which reported the following data in relation to responsive repairs:

Measure	Lower quartile	Median	Upper quartile
The number of responsive repairs per property	4.59	4.15	3.57
Percentage of all repairs undertaken as Call Out	8.7%	6.4%	5.5%
Percentage of responsive repairs post inspected (quality)	3.6%	7.2%	9.4%
Percentage of responsive repairs passing post inspection	94.3%	98.1%	99.0%
Average calendar days taken to complete response repairs (all priorities)	11.0	8.7	7.3
Average responsive repair order value	£114.79	£99.35	£81.11
Average works cost per property for response repairs	£469.46	£392.87	£353.42
Satisfaction with repairs service (own data)	89%	94%	97%

We have also undertaken a comparison against the AMIP dataset. This is a benchmarking club facilitated by echelon.

Comparison of the data reviewed from Wiltshire to the Housemark and AMIP data provides the following conclusions:

Measure	AMIP Average (Q4 2013)	HouseMark Median (2012)	Wiltshire Performance
Number of Repairs per property	2.80*	4.15	3.14
Average repair order value	£112.90	£99.35	£135.56
Average works cost per property per year (Incl communal repairs)	£346.17	£392.87	£425.76
Satisfaction with repairs	93.7%	94%	90.7%
Void Costs	£2138.00	£1948.99	£1,357.08

### 3.4.4 Conclusions

The conclusions from this are as follows:

- The average works cost per property per year are high when compared to AMIP and also Housemark.
- Average repair cost is also higher than the AMIP and Housemark data

- With regards to the voids costs, Wiltshire seems low when compared to the benchmarks which could be due to a number of factors, namely the exclusion of component replacement, but further investigation should enable more insight into this variance

### **3.4.5 Commercial Commentary**

#### Repairs

- When compared to the six benchmark RP's above, and also the AMIP and Housemark figures, we would highlight that they are significantly higher
- This could be due to a number of reasons such as increased scope of works, inefficiencies in delivery and/or inaccuracies in the Central Recharge

#### Voids

- In general the void costs achieved by Wiltshire are lower than those of all three types of benchmark used and further analysis into the scope of works completed on voids could lead to a greater understanding of this.

## 4.0 Drivers for Service

### 4.1 Drivers

- 4.1.1 The primary driver for Wiltshire Council is to ensure that the Repairs, Voids and related asset management works are delivered in an effective and efficient manner.
- 4.1.2 One of the key objectives is to build a solution around the current in-house team. The complete outsourcing of the contract (although acknowledged as option in this report to demonstrate the key differences) is not an option that Wiltshire Council wish to consider at this stage.
- 4.1.3 In order to evaluate the various options open to Wiltshire Council it is critical that the delivery model aligns to the objectives of the organisation. In addition to the key business drivers identified by Wiltshire Council we have also reviewed Wiltshire Council's corporate documents to understand the objectives identified therein and to ensure the new service is reflective of these. A summary of these findings is provided in **Appendix G – Corporate Objectives Summary**.

### 4.2 Stakeholder Expectations

- 4.2.1 In order to gauge the key drivers for the service we would recommend a multi-stakeholder workshop is held that is facilitated by echelon
- 4.2.2 This workshop will help to identify strengths and weaknesses with the current service delivery model and to identify objectives and aspirations for the future delivery model.

### 4.3 Sector Wide Drivers

- 4.3.1 Echelon has undertaken numerous workshops and surveys of various organisations' customer base to ascertain what their key expectations/aspirations are for service delivery.
- 4.3.2 The table below provides a summary of the top 10 outcomes (ranked by incidents) of such exercises over the last year (details of the Top 25 can be found in **Appendix A – Stakeholder Objectives**):

No.	Description
1	Better communication between Resident/Service Provider

2	Flexible appointments (to include evening / weekend appointments)
3	2 hour appointment timeslots
4	Empowering the Service Provider to make decisions
5	Get the Job Done right 1 <sup>st</sup> time
6	Service provider to be first point of contact for Resident
7	Better training for all Staff and supervision
8	Own workforce (i.e. branded as Client's own)
9	Provide a good, professional, consistent service
10	Different ways to be offered to report a repair



## **5.0 Delivery Models**

### **5.1 Market Conditions**

- 5.1.1 In recent years the most common form of delivery for repairs and voids service has been to outsource the service to an external Service Provider (or multiple providers) and it would be fair to say this is still the most common form of service delivery.
- 5.1.2 More recently, largely as a reaction to the high profile failures of businesses such as Connaught, Rok and Kinetics an increasing number of organisations are exploring and developing alternative delivery models with an emphasis on 'in-house' service delivery.
- 5.1.3 The traditional insource route is to create a Direct Labour Organisation, where all resources engaged in the delivery of the service are employed directly by the Registered Provider (or a Wholly Owned Subsidiary).
- 5.1.4 However, given lack of commercial management and the cost of expanding the DLO and the inherent commercial risk involved an increasing number of organisations are looking at options that provide many of the benefits of having a DLO (control, branding etc.) without the inherent risks and commercial outlay.
- 5.1.5 The two primary options to deliver an 'in-source' model are through the creation of a Joint Venture Company (JV) or a Wholly Owned Subsidiary (WOS).

### **5.2 Shortlisted Options for Wiltshire Council**

- 5.2.1 Initial discussions with Wiltshire Council highlighted the following options be considered as part of the review:
- Expand current DLO
  - Outsourced – traditional, partnering or transformational (short, medium and longer-term)
  - Joint Ventures and Limited Liability Partnerships
  - Wholly owned subsidiaries
  - Managed Service Model
  - Cost Sharing Group model (with Selwood)
- 5.2.2 Following consideration of each option against the objectives identified in Sections 3 to 4 of this report the following recommendations were made in relation to each option:

Option	Considerations	Recommendation
<p>DLO – in house or outsourced</p> <p>(Business as usual option)</p>	<p>Lack of Commercial management of existing DLO is an issue and productivity could also be improved.</p> <p>A large volume of work is also currently being delivered externally (by MD). Delivering these works through the DLO could lead to efficiency savings.</p> <p>Cost of expanding DLO would be highly expensive and carries high level of commercial risk.</p> <p>DLOs tend to work better where high densities of stock.</p>	<p>Retention of existing DLO– potential to ‘buy-in’ management expertise from Contractor(s) or a dedicated high calibre Project Manager (Option A)</p> <p>Whilst the DLO is clearly viable and we see no benefit in wholesale outsourcing there are clear benefits in developing either a WoS or Managed Service model.</p>
<p>Outsourced – traditional, partnering or transformational (short, medium and longer-term)</p>	<p>Outsourcing carries least financial risk but there is no opportunity to make savings through joint employment/etc. on traditional model.</p>	<p>Any outsourcing to be on a Partnering basis and to be upto 10 years to achieve maximum value.</p> <p>Outsourcing was discarded as an option at this stage as the DLO is viable and Housing Board identified internal delivery model as a key driver.</p>
<p>Joint Ventures and Limited Liability Partnerships</p>	<p>The only benefit that a JV has is that it can be used as an external contracting organisation whereas a WOS can only deliver services internally.</p> <p>Wiltshire Council have expressed no desire to develop a service offering to other providers.</p>	<p>Worthy of consideration through dialogue, however, it is recommended that the WOS model is considered ahead of the JV model.</p> <p>JV Option not considered further.</p>
<p>Wholly owned subsidiaries</p>	<p>The WOS model offers the same benefits as the JV with lower level set-up cost and less commercial risk to Wiltshire Council.</p>	<p>Worthy of consideration through dialogue – felt to be a better option than a JV.</p>

	<p>By creating a WoS Wiltshire Council will tie the partner contractor to the commercial performance of the subsidiary.</p> <p>The competitive dialogue process will allow for the exploration of this model based on the quality of the submission either from the inception of the contract or potentially later in the duration.</p>	<p>Minimal impact to operatives as they will, effectively' still be working for Wiltshire Council.</p>
Managed Service Model	<p>The Managed Service model provides Wiltshire Council with the opportunity to 'buy-in' the services of an external contractor to assist in the management of the DLO.</p> <p>This would offer some of the same benefits of the WoS model. The primary difference is that this is an 'arms-length' relationship with the contractor and does not facilitate the same level of contractual and financial block-in to the arrangement than the WoS.</p>	<p>This is a viable option and has been explored further in Section 9</p>
Cost Sharing Group with Selwood	<p>The CSG exemption was introduced by the Finance Act 2012 It applies to where a legally separate organisation is set up to provide similar services to each of the CSG's members</p> <p>The development of a shared services or cost sharing model is, on face value, an attractive one as it bypasses the need for procurement.</p>	<p>It is felt that Selwood's DLO is still in its infancy and there is risk attached.</p> <p>If this option is to be considered Wiltshire Council will need to satisfy themselves of the quality of service and capacity.</p>

	In most occasions where CSGs have been set-up there is a pre-established Relationship between both parties.	
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5.2.3 Following the scoping exercise and taking into account the above consideration 3 options were discarded and the following 3 potential delivery models have been reviewed in more detail:

- Option A – Expand DLO
- Option B – Create WOS
- Option C – Develop Managed Service

5.2.4 Sections 7, 8 and 9 of the Report provide an overview of each option in the context of Wiltshire Council's delivery aspirations.

5.2.5 **Appendix E** provides a summary of the costs of each option and **Appendix F** provides a summary of the risk impacts against each option to assist in reaching the conclusion.

## **6.0 Option A – Expand DLO**

### **6.1 Description of Model**

- 6.1.1 This option is the ‘business as usual option’ where Wiltshire Council retains the DLO in its current format but expands the model to take on all repairs and voids (i.e. no external contractor).
- 6.1.2 This option would involve no direct input from an external service provider but would involve additional investment from Wiltshire Council to deliver the improvements identified.
- 6.1.3 In principle all of the improvements identified within this Report could be delivered by Wiltshire Council without the need for external Service Provider’s engagement as set-out in both Options B and C. However, in order for this to be delivered Wiltshire Council will need to allocate the necessary resources to project manage the improvements and consider ‘buying-in’ external support.
- 6.1.4 The cost and risk of developing and implementing an improved delivery model will be fully borne by Wiltshire Council.

### **6.2 Delivery Impact Analysis**

- 6.2.1 Option A has been reviewed against the following criteria to ascertain suitability:

#### **Operational considerations**

- How will the option impact on Wiltshire Council’s organisational structures?
- How will the option deliver improved customer care?
- How does the option fit with Wiltshire Council’s stated objectives and priorities?
- How does the option affect employees?

#### **6.2.2 Impact on Wiltshire Council’s organisational structures**

Of the three options this will have the least impact on Wiltshire Council’s current organisational structure.

However, our experience of delivering similar improvement programmes within existing DLO organisations is the need for a dedicated resource to project manage the process.

In our view this role would be best filled by someone with a commercial background with experience of delivering similar projects. It is questionable whether this skillset exists within the current structure and as to whether any internal resource would have the necessary time to project manage such a process.

To this end we would suggest Wiltshire Council considers the appointment of an interim Project Manager to deliver the improvements. This role needs to be filled by a high calibre individual and the level of remuneration would need to be suitable to attract such an individual which may conflict with the existing pay structure. We would expect this to be a six figure package.

In addition, there are several improvements that could best be delivered through Wiltshire Council 'buying-in' support to assist in delivering these as follows (including suggested budget for each):

- **Sub-contractor Procurement** – formal procurement of supply chain to drive better value for money and ensure back-to-back performance (£25k)
- **Materials Supply Procurement** – formal procurement of materials supply chain to include more focus on bespoke delivery model for Wiltshire Council as well as ensuring best price for materials (£25k)
- **External ICT Support** – use of a third part IT consultant to provide an overview of the current IT delivery model and assist Wiltshire Council in delivering enhancements (c£25k)

### 6.2.3 Partnering and the development of Egan principles

In this model Wiltshire Council will effectively be contracting with itself.

It is imperative that there is a clear Service Level Agreement (SLA) between Wiltshire Council and Wiltshire Council that clearly sets out the terms on which the service is delivered and the required standards of performance.

This could be delivered through the development of a full set of contract terms (e.g. TPC2005) or a bespoke SLA developed with the input of both parties but built around the aspirations of the improved service model.

There also needs to be an understanding that the drivers for both parties will be different and this needs to be clearly understood and dealt with in the commercial model between the parties.

### 6.2.4 Fit with Wiltshire Council's stated objectives and priorities

This model retains Wiltshire Council complete ownership of the entity delivering the Repairs and Voids service and allows Wiltshire Council to retain control over the leadership, development and delivery of the services.

A full review against Wiltshire Council's objectives is provided in the table in Appendix G.

### **6.2.5 Effect on employees**

Unlike the other two models the terms and conditions of the employees will remain the same and they will still work directly for Wiltshire Council. This would also expand the workforce to take on the entire repairs and voids service.

The **key** to the success of the project will be to ensure that there is full engagement of staff throughout the forthcoming procurement process to ensure there is full buy-in from all stakeholders.

This will include specific training on the new elements of the project, specifically the new cost model and the selected form of contract.

### **6.2.6 IT Implications**

Please refer to the Delivery Model Report for a full synopsis of the ICT requirements. Unlike Options B and C the ICT enhancements will need to be delivered by Wiltshire Council and we would recommend this sits within the brief of the Interim Project Manager.

## **6.3 Cost Benefit Analysis**

6.3.1 Option B has been reviewed against the following criteria to ascertain suitability:

### **Financial considerations**

- What are the likely one off and ongoing costs of the option to Wiltshire Council?
- How does the option manage potentially reducing budgets?

### **6.3.2 Likely one off and ongoing costs of option to Wiltshire Council**

#### **Wiltshire Council Costs**

As identified in section 6.2 our recommendation should this option be considered is the recruitment of a dedicated project manager whose sole responsibility will be the delivery of the improvement plan.

This individual will need to be an experienced commercial manager and our experience that a package of circa £100k (£125k with oncosts) would be required to attract someone with the requisite skills and experience.

In addition in 6.2.2 we have identified a requirement of circa £75k of external support in the next 12 months to provide Wiltshire Council with the necessary support and expertise to deliver several of the identified objectives.

### Potential Savings – Reduce External Contractors

There is the potential that an improved DLO model would drive a higher level on internal delivery in the same way as the WoS model detailed in Section 7. (as an example United Welsh deliver in excess of their services directly through the WoS).

### Summary of Improvement Delivery Costs

A full breakdown of the potential set-up costs (including the Service Provider’s mobilisation costs as one-off cost) are provided at Appendix E.

Item	Potential Cost
One-off set-up costs (Project Manager and Third Party Support) – as detailed in Appendix E)	£200,000
<b>Total Potential Year 1 Cost</b>	<b>£200,000</b>

### Ongoing Costs

- Annual third party audit of DLO (including VE Workshop) - £10k per annum
- Commercial Audit - £10k per annum

Under this model we would recommend an annual third party intervention to ensure value for money is being delivered and this would include a facilitated annual value engineering workshop.

The use of the commercial model will also need ongoing external audit process. For the first year it is recommended that this is undertaken on a quarterly basis with a ‘hard’ audit at the end of the first year.

This is a service that echelon is providing to several clients and an estimated cost for Wiltshire Council is circa £10k per annum. Wiltshire Council may also wish to have an annual review undertaken by their internal auditors.

### 6.3.3 How does the option deal with reducing responsive repairs budgets?

Any reduction in budget is going to be an issue with whichever option is selected. The key to minimising the impact of reducing budgets is to develop a long-term forecast of the budget and working closely with the selected contractor in building a workforce that is reflective of the budget.



## **6.4 Advantages/Disadvantages of Model**

### **6.4.1 Advantages**

- No reliance on third parties – other than the support identified this model retains the highest level of client control
- No procurement costs – unlike options B and C there is no requirement to procure anything (other than the services of a Project Manager)
- Savings – any savings delivered through this model will go directly to Wiltshire Council
- Employment – all operatives and staff will remain directly employed by Wiltshire Council
- Confidence – this option could be seen as a ‘vote of confidence’ in the current staff whereas the other options could be seen as the opposite
- Upskilling – the use of the external project manager and third party support will enable key members of staff to upskill during the implementation period

### **6.4.2 Disadvantages**

- Capacity – the key disadvantage is whether Wiltshire Council have the capacity and/or capability to deliver the necessary level of improvements to deliver all the repairs and voids works currently delivered externally
- Project Manager – other organisations have experienced difficulties sourcing people with the requisite skill and knowledge
- Risk – under this model there is no transfer of risk to a third party
- ICT – unlike the other two options this option will be reliant on Wiltshire Council developing their own ICT solutions whereas the other models could deliver an ‘out of the box’ solution
- Culture – clearly there is a change management process that needs to occur to create the environment for the improvements to bed-in. Unlike the other two models which in themselves will create a new culture there is a danger that this will be seen as a ‘business as usual’ route without the necessary change management processes being developed and driven through the organisation

## **6.5 Example 1 – Homes for Haringey**

6.5.1 Homes for Haringey (HfH) are an arm’s length management organisation (ALMO), which was established in April 2006 to manage properties on behalf of The London Borough of Haringey (LBH).

- 6.5.2 The property portfolio comprises 14,771 tenanted general need properties, 1,365 supported and community good neighbour properties and 4,491 leasehold properties.
- 6.5.3 HfH has a direct labour organisation, Haringey Repairs Service (HRS) that is responsible for the delivery of responsive repairs and voids to the HfH stock.
- 6.5.4 A restructure of the Property Services directorate including HRS took place in May 2011 with the service now located along with the call centre in offices at Broadwater Farm Community Centre. Part of this restructure involved bringing together voids and repair operatives to enable resources to be more effective with the introduction of mobile working for a significant number of repair operatives.
- 6.5.5 HRS is part of the Property Services directorate and includes a responsive repairs team (including the repairs control center); a planned works team (which includes void works) and a finance services team. It carries out approximately 60,000 repairs per year to just over 21,500 homes, which are managed by HfH and employed (prior to the review) 177 operatives.
- 6.5.6 echelon were commissioned by HfH to undertake a health check of HRS with the key outcome being whether HRS was a viable proposition going forward. During the project echelon undertook several meetings with management and supervisors at the depot in addition to holding meetings with staff from the client side. echelon made comparisons on operational and performance information where relevant to the report based on best practice from echelon's own data set.
- 6.5.7 The outputs of the review included a highly detailed 3-year improvement plan that focused on short (0 to 12 month), medium (12 – 18 months) and long-term (18 months to 36 months) improvements to improve HRS. The report recommended that without these improvements HRS was not felt to be viable.
- 6.5.8 The 17 core recommendations of the reports were as follows:
- **Commercial Manager/Director** – appointment of commercial manager/director
  - **Review of Supervisors** – to review the role, capability and number of supervisors
  - **Change Management Programme** – to introduce and manage an effective change management programme to drive improved productivity
  - **Introduction of Price Per Property (PPP) model or average job cost** – move away from the schedule of rates to an alternative cost model
  - **Contractor/Client Split** – to have a more clearly defined relationship between client/contractor
  - **Business Plan** – to develop a detailed 5-year Business Plan

- **Integration of Financial Information** – to evolve the way financial management data is captured and used to drive a more commercial approach
- **Different Delivery Models** – consideration of alternative delivery models for the service
- **Undertaking External Works** – a recommendation that there should be no consideration of actively seeking external contracts until recommendations put in place
- **Supply Chain** – review of relationship with suppliers and subcontractors
- **Management of existing SOR** – immediate instigation of new processes to manage current use of SOR and drive down void costs
- **Review KPIs** – to review the current KPIs being used and introduce a new suite of KPIs
- **Quality Assurance Systems** – strengthening of current QA, focusing on post inspection process
- **Defined Operational Split** – more defined split between responsive, voids and planned works
- **KPI Date and Performance Information** – review of KPI Data collection and reporting

6.5.9 The Report was endorsed by both the HfH and HRS Boards in January 2013 and the entire improvement plan has been implemented with all the short and medium term objectives now delivered.

6.5.10 The key outcome of the delivery of the improvement plan has been a reduction in operating costs from £19.4m to £16.5m per annum (£2.9m saving) whilst improving performance against **ALL** KPIs. Productivity has improved and the number of operatives has also been significantly reduced.

6.5.11 The primary reason for the success of the delivery of the improvement plan was the appointment to the new role of HRS Commercial Director of a highly experienced individual who has taken full ownership for delivering the plan and was appointed within 2 months of the plan being approved

6.5.12 A full Case Study is provided in **Appendix D**.

**7.0 Option B – Create Wholly Owned Subsidiary Model**

**7.1 Description of Model**

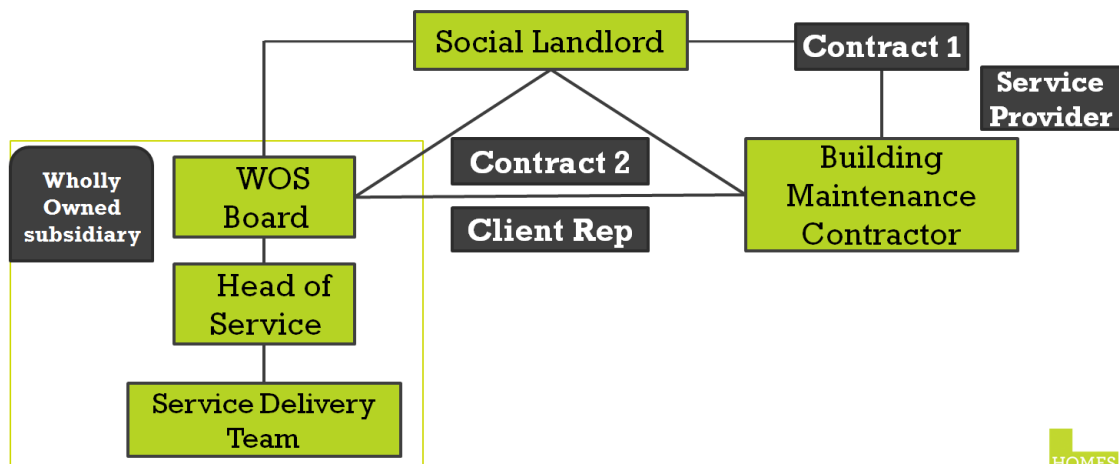
7.1.1 As with the JV model this option would involve Wiltshire Council creating a new entity for the delivery of the Repairs and Voids service.

7.1.2 Unlike the JV there will be no joint ownership of any of the resources utilised as the model is based on the creation of what is, effectively, a labour agency that is wholly owned by Wiltshire Council that directly employs the operatives that will deliver the service.

7.1.3 The Service Provider states the required resource to deliver the service through a fixed price model (as described in the delivery model report) and these resources are engaged directly by the WOS.

7.1.4 The Service Provider is responsible for the management of the WOS under a separate contract and also takes the commercial risk for ensuring the WOS delivers the service within the locked price for the contract and the costs for the WOS and the Service Provider clearly separated within the fixed price (this would be very difficult to achieve in a schedule of rates).

7.1.5 Example WOS Structure:



**Example from United Welsh Model**

## **7.2 Delivery Impact Analysis**

7.2.1 Option A has been reviewed against the following criteria to ascertain suitability:

### **Operational considerations**

- How will the option impact on Wiltshire Council's organisational structures?
- How will the option deliver improved customer care?
- How does the option fit with Wiltshire Council's stated objectives and priorities?
- How does the option affect employees?

### **7.2.2 Impact on Wiltshire Council's organisational structures**

The creation of a WOS to deliver the repairs and voids service will warrant a complete review of how the service is delivered. The key issue that will need to be considered is the client/contractor role and functions.

In the traditional outsource model the client role is primarily built around the management of the Service Provider as much as it is in managing the asset. The creation of a WOS will enable Wiltshire Council to reassess the role of both the client and contractor functions and how they relate to the Service Provider driven by the fact that effectively the surveyor's work for the same entity as the operatives and as such the required level of supervision may change and as such resources could be re-allocated to more quality control focused role.

Wiltshire Council will also need to consider which resources are employed directly by the WOS and which sit within Wiltshire Council and the Service Provider. For example, the front-line surveying staff could TUPE transfer into the WOS to place them closer to the service. It is also recommended that in this model the Contact Centre transfers into the WOS. The Service Provider may also wish to push some of what traditionally would be their overhead (e.g. supervisors, etc.) into the WOS as well. This would be drawn-out through the CD process.

A key aspect of the WOS model is that the Service Provider will be taking the commercial risk for the performance of the WOS although they are not directly employing the staff as such the lines of authority need to be carefully considered (e.g. delegated responsibility to Service Provider to manage disciplinary issues).

### **7.2.3 Partnering and the development of Egan principles**

The creation of a WOS should drive the development of a close working relationship between the Service Provider partner and Wiltshire Council and it is both parties interest to make the WOS work.

However, there also needs to be an understanding that the drivers for both parties will be different and this needs to be clearly understood and dealt with in the commercial model between the parties.

### **7.2.4 Fit with Wiltshire Council's stated objectives and priorities**

The WOS model will give Wiltshire Council complete ownership of the entity delivering the Repairs and Voids service and allows Wiltshire Council to retain control over the leadership, development and delivery of the services.

Unlike the JV model this model also gives an easier exit strategy should the Service Provider fail. As the resource that is delivering the service is directly employed by the WOS there is no break in employment and as such no TUPE implications should the Service Provider fail to manage the WOS effectively Wiltshire Council could re-procure the management service with less impact on the service than failure under the other two options.

The cost of running the WOS will be substantially less than a JV as is in effect a labour agency and as such has no complex trading accounts in the same way as the JV would.

A full review against Wiltshire Council's objectives is provided in the table in Appendix G

### **7.2.5 Effect on employees**

Any staff that could potentially transfer into the WOS will be fully protected under the TUPE Regulations and will be duly consulted throughout the process. Unlike the JV Model it is felt this is a 'softer' option as any staff that transfer will, in effect, still be employed by Wiltshire Council through the WOS.

The review has been undertaken with the input of Wiltshire Council staff and it is envisaged that there will be little adverse effect on and staff engaged on the Client side. However, the procurement process will involve a commitment of time from key staff within Wiltshire Council and a detailed resource schedule will be developed as part of the procurement process.

All key dates within the process will be agreed at an early stage and the necessary resources committed.

Preferably, we would suggest that Wiltshire Council dedicates a Project Manager to the procurement process to provide a key point of contact throughout the process. Their Project Manager will work closely with the selected procurement consultant during the procurement phase of the process.

The **key** to the success of the project will be to ensure that there is full engagement of staff throughout the forthcoming procurement process to ensure there is full buy-in from all stakeholders.

This will include specific training on the new elements of the project, specifically the new cost model and the selected form of contract.

### 7.2.6 IT Implications

Please refer to the Delivery Model Report for a full synopsis of the ICT requirements.

## 7.3 Cost Benefit Analysis

7.3.1 Option B has been reviewed against the following criteria to ascertain suitability:

### Financial considerations

- What are the likely one off and ongoing costs of the option to Wiltshire Council?
- How does the option manage potentially reducing budgets?

### 7.3.2 Likely one off and ongoing costs of option to Wiltshire Council

#### Set-up Cost

As set-out in section 7.1 the WOS model will require initial set up as a stand-alone company but does not have the complexity of the JV as it is, in effect, just a labour agency and the only resource it utilises is the workforce (operatives, admin and arrangement) that deliver the service. Most of the additional costs will be legal fees in the creation of the WOS Contract and defining and registering the WOS as a company. We would recommend that Wiltshire Council seek a formal quotation from a suitable legal adviser for the development of the WOS costs to include the following elements:

- WOS Contract – development of draft contracts (we have utilised a two-tier contract where contract one is between the Council and Contractor and Contract 2 defines the Contractor as the Client Representative to manage the WOS)

- CD Process – engagement with Service Providers during the CD Process to hone and develop WOS model and interpret Service Provider’s requirements
- Finalise Contract – development of final WOS Agreement with selected Service Provider

Experience has demonstrated that the creation of the WOS is a far simpler process than the creation of a JV and in effect involves a simple set of Articles of Agreement and company registration as there is only one entity owning the WOS. A Board would also be created with representatives from Wiltshire Council (the ASG WOS has a Board of 3 people). We would estimate the cost of this service to be between £40,000 and £50,000 as an initial set-up cost for external legal advice.

### Potential Savings – Reduce External Contractors

The creation of a WoS would drive a higher level on internal delivery (as an example United Welsh deliver in excess of their services directly through the WoS).

A target of 85% to 90% of direct delivery is achievable through the WoS model.

### Summary of Set-Up Costs

A full breakdown of the potential set-up costs (including the Service Provider’s mobilisation costs as one-off cost) are provided at Appendix E.

Item	Potential Cost
One-off set-up costs (including procurement and mobilisation – as detailed in Appendix E)	£225,000
<b>Total Potential WoS Set-up Cost</b>	<b>£225,000</b>

### Procurement Savings

It is anticipated that savings will be made in the cost of both the delivery and management of the contract through the proposed WoS Model.

Most of these savings will come through efficiencies driven by the integration of the client and contractor teams and the development of integrated IT systems and reduced administration costs.

The contractors costs will be closely monitored through a fixed price commercial model and the contractor will be incentivised to drive down delivery costs through the protection of their profit by ring-fencing their profit.



The open book cost model is explained in more detail in the separate delivery model report.

Some of the areas where efficiencies will be driven in the proposed model are as follows:

- **Reduction in labour** – reduce the number of operatives through moving to a multi-skilled workforce and increasing productivity through use of bespoke IT products, such as ‘Opti-time’.
- **Integrated supply chain** – enter a single-source supply agreement that will provide both materials cost savings and increase productivity
- **Reduced support/administration costs** – reduction in administrative costs through integration of IT and client/contractor roles removing duplication and paperwork
- **Reduced Project Overheads** – ongoing reduction in contractors project overheads through adopting lean management techniques and working smarter

Given our current knowledge of the sector and recent savings delivered on other procurement the one off cost savings to Wiltshire Council will be minimal when looking at the benchmark data provided as current costs compare favourably to the sector. However, we would anticipate savings through the use of a fixed price commercial model through a WoS model through the reduction in administration.

Based on recent experience of tendering works of this nature the market is felt to be highly competitive. Many organisations are looking to secure long-term maintenance contracts and the length of contract is a key driver for bidders when they select opportunities.

Clearly, the longer the contract period offered the higher the interest will be and the more willing the contractor will be to invest in the contract. Accordingly, echelon have recommended that the minimum contract period is ten years, with options to extend or terminate built in around performance (the period will need to be defined in the OJEU Notice).

### **Ongoing Costs**

The ongoing costs for external advice for managing the WOS are estimated to be as follows:

- Annual audit - £5k per annum
- Preparation of Company Accounts/Tax Return - £10k per annum

The use of the commercial model will also need ongoing external audit process. For the first year it is recommended that this is undertaken on a quarterly basis with a 'hard' audit at the end of the first year. This is a service that echelon is providing to several clients and an estimated cost for Wiltshire Council is circa £10k per annum. Wiltshire Council may also wish to have an annual review undertaken by their internal auditors.

### **7.3.3 How does the option deal with reducing responsive repairs budgets?**

Any reduction in budget is going to be an issue with whichever option is selected. The key to minimising the impact of reducing budgets is to develop a long-term forecast of the budget and working closely with the selected contractor in building a workforce that is reflective of the budget.

## **7.4 Advantages/Disadvantages of Model**

### **7.4.1 Advantages**

- Mobilisation cost to set-up sits with Service Provider – under this model the cost of providing **all** costs associated with the service (other than the labour costs) site with Service Provider (however we have included this within the year 1 costs)
- 100% ownership of workforce – the workforce (which can include frontline management staff as well as operatives) are employed directly by the WoS.
- Cheaper/cleaner than JV – as there is no joint ownership and due to the WoS effectively being a labour agency the contractual structure between Wiltshire Council and the Service Provider is more straightforward.
- Established model – whilst this is the newest of the models being considered there are other clients that have now developed similar models (including United Welsh and Golding Homes)
- Easier to exit than JV – as the Service Provider is only engaged to 'manage' the WoS if there is a Service Provider failure the exit is cleaner as the labour is engaged by the WoS and all other liability sits with Service Provider.
- Commercial risk sits with Service Provider – although the workforce is employed by the WoS the Service Provider takes full commercial responsibility for their performance.

### **7.4.2 Disadvantages**

- Complexities around 'teckal'\* - the WoS model does not lend itself easily to delivering services to others due to the VAT structure.
- Profit goes to Service Provider –if the Service Provider takes all the risk they also recoup any productivity savings/profit.

- Appetite/understanding of market – although it is felt this model will be more attractive than the JV model to the market is still relatively new and as such needs careful explanation during the tender process.
- Complexity of labour management – one of the key issues is that the Service Provider is taking the risk for managing someone else's workforce and as such the management responsibility needs to be carefully structured.
- Legal costs in set-up (but less than JV) – as this model involves the creation of a new entity there will be some legal set-up costs although not on the same scale as the JV model.
- Must have clear risk profile – as the Service Provider is taking the full risk it is imperative that the associated risks in delivering the service are clearly identified and mitigated.
- Only viable on long-term contracts – given the level of investment (both in time and cost) from both the Service Provider and Wiltshire Council it is felt this option is only suited to longer term contracts.

## 7.5 Example 1 – Affinity Sutton

7.5.1 Affinity Sutton Group (ASG) is one of the country's leading providers of affordable housing, with over 56,000 homes in management. The procurement was for a long-term partnering contract for an initial term of 5 years with an option to extend for up to 20 years for the provision of responsive maintenance and void works, provision of a call centre and provision of an IT solution to deliver the service to 21,500 properties within London and the South East.

7.5.2 To facilitate the procurement model ASG engaged Trowers and Hamlins LLP (Trowers) as Legal and Procurement Advisers and echelon Consultancy Limited (echelon) as Cost Consultants.

7.5.3 The key driver for ASG was ownership and control and having a pre-existing subsidiary (CBS) felt that the creation of a second offered the best forward.

7.5.4 The model involved the creation of the first "wholly-owned subsidiary", known as ASLA (Affinity Sutton Labour Agency) a structure to house the Affinity Sutton repairs and maintenance workforce, linked to and supporting a separately procured, fully warranted repairs and maintenance contract delivered by Osborne.

7.5.5 The procurement utilised a "lean" Competitive Dialogue procurement process to ensure that the "wholly-owned subsidiary" option was fully explored with bidders within a timescale that minimised delay/cost for Affinity Sutton, supported by a procurement portal.

- 7.5.6 ASG used the echelon fixed Price Per Property Cost model to minimise administration/risk for Affinity Sutton and to maximise incentivisation for the Contractor, plus incentivised profit linked to service-led key performance indicators.
- 7.5.7 The WOS model involved Affinity Sutton creating and making available a Wholly-Owned Subsidiary (**WOS**), which employs the workforce who will carry out the Programme. The provider warrants the delivery of the Programme to Affinity Sutton under a separate Partnering Contract (TPC2005). The WOS also contracts with ASG to provide the employees to support the delivery of the Programme, managed by the Service Provider acting as the "*Client Representative*".
- 7.5.8 ASG believe that the WOS model enjoys many of the benefits of a joint venture, is an entirely new and "cleaner" structure that can be established with less time and expense than a joint venture. The WOS model also retains the benefit of the Service Provider's warranty and provides for continuity of service delivery as the Service Provider is continuing to manage the Programme, rather than transferring delivery of the Programme to a joint venture entity.
- 7.5.9 Bidders confirmed through Competitive Dialogue their willingness to work with the WOS and to maintain their warranty/responsibility for the Programme. The HR and IT departments of ASG as well as those responsible for operational delivery worked closely with bidders through Competitive Dialogue process to ensure that the WOS model reflected their needs and an appropriate risk profile.
- 7.5.10 The stated benefits to ASG include the following:
- Invoicing – through the PPP model adopted (supported by the IT developed through the process) ASG will only process one invoice and one payment per month
  - Priority Classifications – through the procurement process ASG has moved to a two-classification repairs system based on 'fix now' (i.e. a repair that needs to be attended to as quickly as possible as it causing damage to the property or distress to the Resident) or "fix at my convenience" that allows Service Provider and Resident to agree a mutually acceptable time without adhering to arbitrary targets.
  - Appointments – all repairs will now have a repair offered at first call due to the provision of the call centre by the Service Provider removing the double-handling of calls and reducing the number of repeat calls coming into ASG
  - Single Service Provider – ASG will now only have to manage one external Service Provider for this contract area (the remainder of the ASG stock is managed by the existing WOS – Community Building Services) this will also enable benchmarking between the two WOS's

- Integrated call centre – the provision of a single call centre by the Service Provider for the handling of all repairs related calls will reduce the number of calls received by ASG

7.5.11 The PPP model has enabled ASG to identify tangible cash saving of around £800k in its budget for the first year of operation of the new contract, with expectations for additional savings in subsequent years.

7.5.12 As an incidental benefit of creating the WOS model there is also the potential of a further VAT saving of £1.2m on the labour costs of the WOS.

7.5.13 A full Case Study is provided in **Appendix D**.

## **7.6 Example 2 – United Welsh (Celtic Horizons)**

7.6.1 United Welsh procured a WoS model (named Celtic Horizons) using the same two-contract structure as Affinity Sutton with the contract going live in March 2013. Thus model was also procured using the Competitive Dialogue procurement route.

7.6.2 United Welsh have circa 4,300 properties. Unlike the ASG WoS (which only delivers repairs and voids) Celtic Horizons deliver the following services through the WoS:

- Gas Servicing and Breakdowns
- Estate Services (Grounds Maintenance and Cleaning)
- Cyclical Decorating
- Emergency Lighting and Fire Protection Works
- Facilities Management of UW offices and foyers

7.6.3 Planned works were due to be added from April 2015 but due to the success of the model this was brought forward to April 2014.

7.6.4 In addition the WoS also employs the traditional 'client' functions (surveyors, admin, etc.) to create a single entity that has no traditional client/contractor function.

7.6.5 Some of the successes of the Celtic Horizons WoS are listed below:

- Massive reduction in invoicing with two invoices per month
- Externally collected Customer Satisfaction (Voluntas) of 95.7%
- Repairs end to end times reduced to average 7.4 days
- Void time reduced to 6.9 days
- Client Surveying Function Transferred to WoS
- 30 Minute Call backs - Instant customer feedback and satisfaction monitoring
- Local Supply Chain Involvement

- Complete Property Service (800+ properties completed in first year)
- All improvements delivered whilst at same time reducing overall delivery costs
- Created 47 new jobs through additional workstreams
- Winner of NHMF 2014 Project of the year.

7.6.6 A full Case Study is provided at **Appendix D**.

## **8.0 Option C – Managed Service**

### **8.1 Description of Model**

8.1.1 Within the Managed Service Model Wiltshire Council would procure the services of an external Service Provider to assist in the management of Wiltshire Council's DLO and this would include bringing the entire Repairs and Voids service in-house.

8.1.2 The scope of the Managed Service is scalable but our recommendation should this model be selected is that the following elements would be considered within the Managed Service Agreement:

- Contract Management – provision of a contract manager to manage the contract
- Commercial Management – provision of commercial management to drive performance and productivity
- ICT – consideration of using the Service provider's ICT platform to managing the repairs service
- Supply Chain Management -

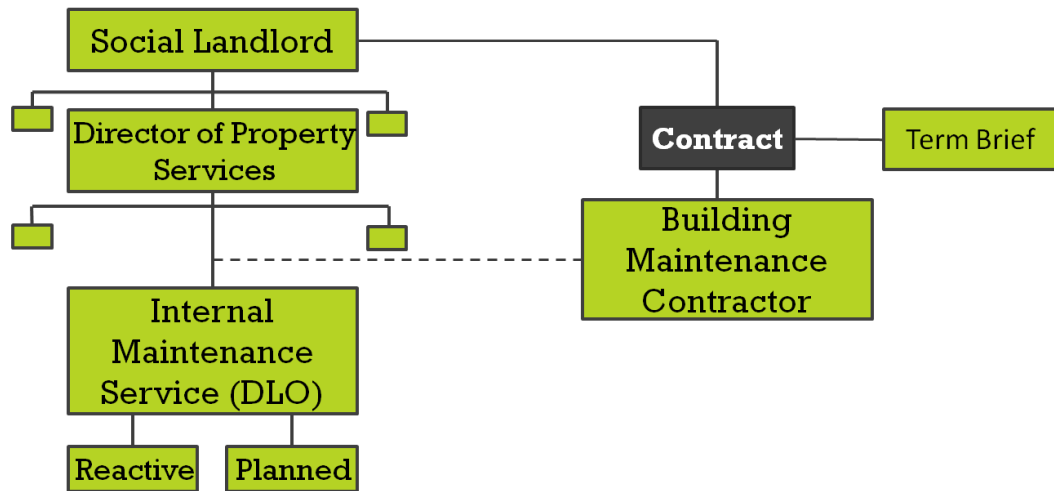
8.1.3 Wiltshire Council would need to develop a clear brief on what their requirements would be under the agreement and, as with the WoS model we would recommend a lean form of competitive dialogue is used to procure the service.

8.1.4 Unlike the WoS the Service Provider would, usually, be paid a fee for the service provided. However, using the CD process there could be merit in linking the fee to the fixed price model.

8.1.5 The Service Provider is responsible for the management of the WOS under a separate contract and also takes the commercial risk for ensuring the WOS delivers the service within the locked fixed price for the contract and the costs for the WOS and the Service Provider clearly separated within the fixed price (this would be very difficult to achieve in a schedule of rates).

8.1.6 In many ways the Managed Service Agreement is similar to the WoS Model in that Wiltshire Council are buying in the expertise and capacity of an external provider to assist in the delivery of the service. The primary difference is that under the Managed Service Model this support is procured almost on a consultancy basis with no contractual or commercial tie-in to the entity delivering the service.

### 8.1.7 Example Managed Service Structure:



*Example from Epping Forest Model*

## 8.2 Delivery Impact Analysis

8.2.1 Option B has been reviewed against the following criteria to ascertain suitability:

### Operational considerations

- How will the option impact on Wiltshire Council's organisational structures?
- How will the option advance the principles of partnering and the development of Egan principles?
- How will the option deliver improved customer care?
- How does the option fit with Wiltshire Council's stated objectives and priorities?
- How does the option affect employees?

### 8.2.2 Impact on Wiltshire Council's organisational structures

The buy-on of both contract and commercial management expertise would need to be considered against Wiltshire Council's current management structure. We have not undertaken a capacity review of the current management structure as part of this review but this would need to be considered as part of the procurement process.

If line management duties are being passed to the Service Provider under the agreement these would also need to be considered as, effectively, some Wiltshire Council staff could be line-managed by an external organisation.



### **8.2.3 Partnering and the development of Egan principles**

The creation of a Managed Service Agreement should drive the development of a close working relationship between the Service Provider partner. However, unlike the WoS the Service Provider is not intrinsically linked to the performance of the entity delivering the service so we believe the WoS option will provide more opportunity than the Managed Service Model.

However, there also needs to be an understanding that the drivers for both parties will be different and this needs to be clearly understood and dealt with in the commercial model between the parties.

### **8.2.4 Fit with Wiltshire Council's stated objectives and priorities**

The Managed Service model will enable Wiltshire Council to utilise the capacity of a large Repairs Provider to drive performance through their organisation.

However, in order for the Managed Service Provider to deliver the objectives that Wiltshire Council will set them they will need to be given a level of autonomy to make the necessary changes in consultation with Wiltshire Council.

The WoS model will drive this cultural change more naturally as it will effectively involve the creation of a new entity with the Service Provider at the helm.

A full review against Wiltshire Council's objectives is provided in the table in Appendix G.

### **8.2.5 Effect on employees**

The only main effect will be the potential line management and changes in working practices the Managed Service Provider may wish to introduce, all of which will be undertaken through consultation with staff.

The review has been undertaken with the input of Wiltshire Council staff and it is envisaged that there will be little adverse effect on and staff engaged on the Client side. However, the procurement process will involve a commitment of time from key staff within Wiltshire Council and a detailed resource schedule will be developed as part of the procurement process.

All key dates within the process will be agreed at an early stage and the necessary resources committed.

Preferably, we would suggest that Wiltshire Council dedicates a Project Manager to the procurement process to provide a key point of contact

throughout the process. Their Project Manager will work closely with the selected procurement consultant during the procurement phase of the process.

The **key** to the success of the project will be to ensure that there is full engagement of staff throughout the forthcoming procurement process to ensure there is full buy-in from all stakeholders.

This will include specific training on the new elements of the project, specifically the new cost model and the selected form of contract.

### **8.2.6 IT Implications**

As per option B.

## **8.3 Cost Benefit Analysis**

8.3.1 Option C has been reviewed against the following criteria to ascertain suitability:

### **Financial considerations**

- What are the likely one off and ongoing costs of the option to Wiltshire Council?
- How does the option manage potentially reducing budgets?

### **8.3.2 Likely one off and ongoing costs of option to Wiltshire Council**

#### **Set-up Cost**

The Managed Service Agreement will need to be externally procured

- MSA Contract – development of draft contract
- CD Process – engagement with Service Providers during the CD Process to hone and develop MSA model and interpret Service Provider's requirements
- Finalise Contract – development of final MSA Agreement with selected Service Provider

The cost of the Managed Service provision will depend on the scope of the contract, but indicative costs are provided in the table below:

#### **Potential savings**

The potential savings will be met in two ways. The first will be the potential savings in Wiltshire Council's management costs through the provision of the Managed Service Agreement. The second will be through the value that the

Managed Service Provider can add to the delivery of the service and these savings targets will be set-out as part of the procurement process and measured.

These will largely be the same as those set out against the WoS in Section 7.3.2 although we believe the delivery of these cost savings would be more difficult to achieve in the MSA model due to the lack of commercial commitment to ensuring they are delivered.

### Summary of Set-Up and Year 1 Costs

A full breakdown of the potential set-up costs (including the Service Provider's mobilisation costs as one-off cost) are provided at Appendix E.

Item	Potential Cost
One-off set-up costs of MSA (including procurement and mobilisation – as detailed in Appendix E)	£85,000
Cost of MSA Service (Year 1)	£500,000 (Year 1)
<b>Total Potential MSA Set-up and Year 1 Cost</b>	<b>£585,000</b>

The MSA model is relatively new to the sector and there are only a few examples of where this model is being utilised (Epping Forest and Hillingdon – both of whom use an MSA to manage a pre-existing DLO being two). As such the model will need to be clearly set-out as will the benefits to potential Service Providers as the actual 'value' of the contract to them will be relatively small.

To make additional savings the agreement will need to target reducing the current repairs and void costs to justify the additional expenditure.

Clearly, the longer the contract period offered the higher the interest will be and the more willing the contractor will be to invest in the contract. Accordingly, echelon have recommended that the minimum contract period is ten years, with options to extend or terminate built in around performance (the period will need to be defined in the OJEU Notice).

### Ongoing Costs

The ongoing costs will effectively be the same as the services provided by the MSA on an annual basis. However, as the MSA beds in the improvements there would be a potential reduction in the MSA fee as the level of management reduces years on year.

Based on the figure of £500k we have suggested for Year 1 this could take the following form:

Year	MSA Provision	Potential Cost
Year 1	2 x Senior Operators ICT Support including implementation Support in supply chain management	c£500,000
Year 2	2 x Senior Operators Reduced ICT Support (managing ICT)	c£420,000
Year 3 onwards	1 x Senior Operators Reduced ICT Support (managing ICT)	c£320,000

### 8.3.3 How does the option deal with reducing responsive repairs budgets?

Any reduction in budget is going to be an issue with whichever option is selected. The key to minimising the impact of reducing budgets is to develop a long-term forecast of the budget and working closely with the selected contractor in building a workforce that is reflective of the budget.

## 8.4 Advantages/Disadvantages of Model

### 8.4.1 Advantages

- **Simplistic Model** – the model is simpler than the WoS to procure as it involves procuring a set of services rather than developing a delivery model
- **100% ownership of workforce** – the workforce (which can include frontline management staff as well as operatives) are employed directly by the Wiltshire Council.
- **Established model** – whilst this is the is a new model other clients have now developed similar models (including Epping Forest and Hillingdon)
- **Easier to exit than WoS** – as the this is effectively a service contract where Wiltshire Council are just buying in the services of a Contractor it is relatively easy to terminate

### 8.4.2 Disadvantages

- **Limited Value** – the limited value of the contract in real terms (i.e. the value to any external contractor is only the cost of the service they provide rather than the value of the delivery contract) may deter bidders

- **Commerciality** – a key disadvantage is that there is a lack of pain/gain built into this model – effectively the contractor gets their fee irrespective of performance. Although this could be incentivised the relatively low value would make it difficult to sell whereas the WoS provides complete commercial tie-in to the performance of the repairs entity
- **Calibre of staff** – the success of this model will be dependent on the caliber of staff the MSA engages and, given the limited value. It may be difficult to ensure Wiltshire Council secure the services of the best team
- **Appetite/understanding of market** – the model will need clear explanation as it is still relatively misunderstood.
- **Complexity of labour management** – one of the key issues is that the Service Provider is taking the risk for managing someone else's workforce and as such the management responsibility needs to be carefully structured.
- **Only viable on long-term contracts** – given the level of investment (both in time and cost) from both the Service Provider and Wiltshire Council it is felt this option is only suited to longer term contracts.

## 8.5 Example – Epping Forest District Council (EFDC)

8.5.1 Epping Forest District Council's DLO was formed in 2008 as a result of Compulsory Competitive Tendering. The DLO was set-up with a separate Trading Account and was managed by its own Head of Service.

8.5.2 In 2009/10 EFDC reviewed the service delivery and identified low levels of performance, low customer expectation, poor IT, insufficient supervision and over-reliance on sub-contractors as key areas for improvement.

8.5.3 EFDC undertook an options appraisal and selected an innovative 'insourcing' model whereby an external contractor would be procured to support the exiting in-house team. Key objectives for the insourcing model were to:

- Reduce the cost and risks associated with delivering a repairs and maintenance service
- Create a climate for greater flexibility and opportunities to innovate
- Offer an alternative lower-risk approach to the commercial partner
- Create more secure jobs and better opportunities for up-skilling and advancement
- Realise the commercial benefits that come from a private sector partner.

- 8.5.4 Following a 'Restricted' procurement process in 2010/11 Mears' insourcing business, Mears Direct, became Epping Forest District Council's (EFDC) Repairs Management Contractor (RMC) looking after the Council's housing repairs service in one of the first contracts of its kind in the country. The contract was awarded in May 2011.
- 8.5.5 The contract is based on the concept of bringing together Local Authority commitment to public service, with management best practice, efficiencies and cost savings of a leading private service provider.
- 8.5.6 The contract was originally let as a three year contract, renewable up to nine years, is for the management of EFDC's:
- Repairs and voids services for its 6,500 properties
  - Repairs call centre
  - Technical and manual workforce
  - The material stores
  - A workforce of sixty employees.
- 8.5.7 Under the model Mears Direct takes responsibility for managing EFDC's repairs and maintenance service including its field and office staff, sub-contractors and the supply chain with the target outcome to deliver a high-performing, motivated, and skilled and customer focused team. Mears Direct manages the team in line with EFDC's HR procedures.
- 8.5.8 The contract also requires Mears Direct's main personnel to be placed in Epping and become part of the team for the duration of the contract. Mears have placed an experienced Director to manage the contract and he reports directly to EFDC's Assistant Director of Housing (Property).
- 8.5.9 The benefits of this insourcing model mean that specialist Mears' personnel and resources are available to support the contract in just the same way as they do for all Mears' outsourced contracts. EFDC and its repairs and maintenance team has access to Mears IT and works order management system as well as specialists in health and safety, environment, procurement, supply chain management, service improvement, training, customer service and contact centre management.
- 8.5.10 Any potential failure of the RMC would be mitigated by the fact that the front-line staff delivering the service would remain as employees of the Council and therefore service delivery to the customer would not be significantly impacted.
- 8.5.11 EFDC also utilise Mears ICT for a fraction of the cost it would have cost us if we had gone another route.
- 8.5.12 Some of the stated benefits at the end of the first year of the contract are as follows. The partnership had five key deliverables to achieve within the first 12 months:

1. Implement an efficient IT system using Mears contract management system
2. Implement mobile working and the introduction of PDAs (hand-helds)
3. Create and deliver a customer focused appointment-based repairs service model
4. Review and develop the supply chain, use of sub-contractors and materials procurement
5. Develop a new job pricing model.

8.5.13 Every deliverable was achieved in the first 10 months of the partnership, which enabled it to accomplish the following outcomes for tenants:

- A customer focused service: emergencies attended to within four hours and all other jobs by appointment (this was seen as a key driver for tenants)
- Number of appointments made at the first point of contact was 300 per cent more than made in 2010/11
- 'No access visits' were down by 70%. Only 1 in 14 appointments were missed by tenants in Epping due in part to text reminders and texting ahead.
- Improvement on average calendar days to complete repairs (all priorities) from bottom to upper quartile performance of 6.93 working days
- Tenant satisfaction at 98.88% (upper quartile)
- 720 hours of tool box talk training delivered to operatives
- Heightened awareness of Health and Safety and roll out of "Tetra working at height" equipment
- Lowest number of accidents reported in 2012 , 40 per cent reduction from 2010
- New Handyperson Scheme created to provide assistance to sheltered housing tenants.

8.5.14 The contract with Mears has been extended for a further 3 years.

8.5.15 A full case study is provided at Appendix D.

**Appendix A – Sector Wide Service Drivers**

**Strengths & Weaknesses – Sector Wide**

To provide an external perspective the following table provides the Top 25 Objectives captured by echelon across all the R&M contracts we have procured:

No.	Description
1	Better communication between Resident/Service Provider
2	Flexible appointments (to include evening / weekend appointments)
3	2 hour appointment timeslots
4	Empowering the Service Provider to make decisions
5	Get the Job Done right 1 <sup>st</sup> time
6	Service provider to be first point of contact for Resident
7	Better training for all Staff and supervision
8	Own workforce (i.e. branded as Client's own)
9	Provide a good, professional, consistent service
10	Different ways to be offered to report a repair
11	Employ people with repairs skills
12	Property Health Checks
13	Co-location – Housing Association and Service Provider working collaboratively
14	Listen to needs Residents and respond / act accordingly
15	Service Providers to ensure they protect property when undertaking repairs (e.g. overshoes)
16	A better and more efficient service
17	Diagnostic tool for Residents
18	Quality Checks to be done



19	Call Handlers to receive training on Resident / Landlord responsibilities
20	Contractor to be 1 <sup>st</sup> point of contact
21	Fix now fix at Residents convenience
22	Business cards to be left by operatives after repair complete
23	Residents to be compensated for missed appointments by Contractor
24	Freephone number for mobiles
25	Categorise repairs

**Appendix B – SWOT Analysis**

**Option A: Expand DLO**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Retains full ownership and management of DLO</li> <li>• Provides additional resource to DLO to deliver improvements</li> <li>• Chance to ‘upskill’ staff through the process</li> <li>• Least impact on employees of the three options</li> <li>• Job safety for employees</li> <li>• Demonstrates commitment to current management staff from Wiltshire Council</li> </ul>	<ul style="list-style-type: none"> <li>• Seen as ‘business as usual’</li> <li>• Capacity/Capability of current management staff to deliver the necessary changes due to other commitments</li> <li>• Reliant on internally delivered ICT solution rather than an ‘out of the box’ solution</li> <li>• Risk that the necessary changes won’t be driven through due to lack of commercial risk</li> </ul>
<b>Opportunities</b>	<b>Threats/Limitations</b>
<ul style="list-style-type: none"> <li>• Any surplus generated retained by Council</li> <li>• Engagement with SMEs/supply chain – supported by third party</li> <li>• Opportunity to add additional services through driving better productivity</li> <li>• Consideration of delivery more capital/planned works via DLO</li> <li>• High level of ‘ownership’ from operatives through change management Programme</li> <li>• Utilise the external support proposed to drive the change required</li> <li>• More focus on ‘commerciality’ of organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity of Wiltshire Council to deliver necessary change</li> <li>• Ability to manage capital works programmes in-house</li> <li>• Difficulties in driving the incentives to operatives highlighted as an objective as</li> <li>• Perception within the rest of the group that this is the easy/safe option</li> </ul>

**Option B: Create WOS**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Works warranted by Service Provider</li> <li>• Focused Service delivery</li> <li>• Efficiency / Cost savings</li> <li>• Reduced journey time</li> <li>• Single point of contact</li> <li>• Service Provider incentivised to drive improvements</li> <li>• Job safety for employees</li> <li>• Less duplication</li> <li>• Single entity / single Service Provider</li> <li>• Limited impact on operatives as effectively still employed by Wiltshire Council</li> </ul>	<ul style="list-style-type: none"> <li>• Perception that this is a covert DLO</li> <li>• Safety of Employment</li> <li>• Incentives could out way savings</li> <li>• Transfer wrong people – no benefit</li> <li>• Time to make it gel</li> <li>• Only works for larger companies</li> </ul>
<b>Opportunities</b>	<b>Threats/Limitations</b>
<ul style="list-style-type: none"> <li>• Engagement with SMEs/supply chain</li> <li>• Delivery of Capital Projects</li> <li>• Break Off</li> <li>• Completely aligned objectives</li> <li>• High level of integration</li> <li>• Staff development</li> </ul>	<ul style="list-style-type: none"> <li>• Service Provider does not have right infrastructure</li> <li>• Unclear on contract of employment</li> <li>• Lack of clarity on dealing with issues on performance</li> <li>• Less attractive for Service Provider when the market picks up</li> <li>• Those within the WoS could become isolated from Wiltshire Council</li> <li>• If staff are employed directly may be on different Terms and Conditions</li> </ul>

**Option C: Managed Service**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Flexibility of level of service required</li> <li>• Minimal impact on operational staff (i.e. employment retained 'as is')</li> <li>• Opportunity to expand service delivery internally through external expertise</li> <li>• Ability to disengage is fairly straightforward (effectively a service contract)</li> <li>• Potential to Buy-in the 'best in class' processes/procedures</li> <li>• Potential to utilise Contractors ICT system</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of buy-in from potential Service Providers</li> <li>• 'Value' of contract against value of out-turn cost will be low</li> <li>• Generally a 'fee-based' model with lack of risk/reward</li> <li>• Case studies of model indicate model generally used for 'poor' performing organisations so questionable interest from sector</li> <li>• Relatively new model – sector awareness low and limited number of potential partners</li> <li>• Less opportunity to drive savings than WoS model</li> <li>• 'Fear Factor' from operatives who may have issues being externally managed</li> </ul>
<b>Opportunities</b>	<b>Threats/Limitations</b>
<ul style="list-style-type: none"> <li>• Potential to utilise MSA to provide additional services</li> <li>• Option to tap in to MSA's training programmes</li> <li>• Utilising MSA's bulk buying power</li> <li>• Potential to utilise ore-existing out of hours call centres MSA may have</li> </ul>	<ul style="list-style-type: none"> <li>• More expensive solution as retained client function as well as bought in services (potential double overheads)</li> <li>• Lack on autonomy to MSA to manage the contract (limited authority)</li> <li>• Service Provider does not have right infrastructure</li> <li>• Lack of clarity on dealing with issues on performance</li> <li>• Less attractive for Service Provider when the market picks up</li> </ul>

**Appendix C: Evaluation Matrix of Options against Objectives**

Objective	Option A Expand DLO	Option B WOS	Option C Managed Service
<b>Strategic Objectives</b>			
<b>Scores</b>			

**Key:**

- 5 ticks – Maximum potential to deliver objectives
- 4 ticks – Good potential to deliver objectives
- 3 ticks – Some potential to deliver objectives
- 2 ticks – Limited potential to deliver objectives
- 1 tick – Little or no potential to deliver objectives

## Appendix D: Case Studies

### Case Study 1 – Homes for Haringey (Expand DLO Service)



The slide features a blue header with the Echelon logo on the left and the Homes for Haringey logo on the right. The main title is 'Homes for Haringey Working with residents to provide quality housing services and decent homes (DLO Review)'. The content is divided into two yellow boxes on the left and text columns on the right. The top yellow box highlights '20,985 council properties in the London Borough of Haringey' and describes HfH as an arms length management organisation (ALMO). The bottom yellow box highlights '142 Operatives' and states 'Following the review HRS employs now:'. The right side contains background information, a description of the property portfolio, details of a 2011 restructure, and information about the responsive repairs team (HRS) and its operations.

**Homes for Haringey (HfH)** is the arms length management organisation (ALMO) company that looks after

**20,985**  
council properties in the London Borough of Haringey.

Following the review HRS employs now:

**142**  
Operatives

**Background:** Homes for Haringey (HfH) are an arm's length management organisation (ALMO), which was established in April 2006 to manage 20,985 properties on behalf of The London Borough of Haringey (LBH).

The property portfolio comprises 14,771 tenanted general need properties, 1,365 supported and community good neighbour properties and 4,491 leasehold properties.

A restructure of the Property Services directorate including HRS took place in May 2011 with the service now located along with the call centre in offices at Broadwater Farm Community Centre.

Part of this restructure involved bringing together voids and repair operatives to enable resources to be more effective with the introduction of mobile working for a significant number of repair operatives.

HRS is part of the Property Services directorate and includes a responsive repairs team (including the repairs control center); a planned works team (which includes void works) and a finance services team .

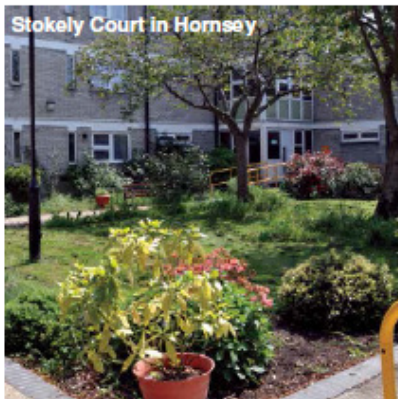
It carries out approximately 60,000 repairs per year to just over 21,500 homes, which are managed by HfH.

HRS now employs 142 operatives, consisting of 12 team leaders and 5 managers, plus a Director, the ratio of operatives to team leaders is circa 12.

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Following the review echelon made:

**17**  
recommendations

There are a small number of operatives who are multi-skilled principally around void works. This was an area that was under developed in comparison with other DLOs and commercial maintenance contractors who have a higher proportion of multi-skilled operatives ranging from 75% - 85% depending upon the stock profile, age and type of repairs undertaken).

**Role:** echelon were commissioned by HfH to undertake a health check of its direct labour organisation, Haringey Repairs Services (HRS). During the project echelon undertook several meetings with management and supervisors at the depot in addition to holding meetings with staff from the client side.

echelon made comparisons on operational and performance information where relevant to the report based on best practice from echelon's own data set.

**Outcomes:** HRS has number of elements that needed bringing together to improve its service, whilst building upon the work that has been started since the restructure. echelon highlighted areas where improvement was considered necessary and made a number of recommendations on what should be done to improve HRS and position itself as a leading DLO in the future.

Following the review of the service echelon made a series core recommendations some of which are detailed below:

1. **Commercial Manager/Director** – appointment of commercial manager/director
2. **Review of Supervisors** – to review the role, capability and number of supervisors
3. **Change Management Programme** – to introduce and manage an effective change management programme
4. **Introduction of Price Per Property (PPP) model or average job cost** – move away from the schedule of rates to an alternative cost model
5. **Contractor/Client Split** – to have a more clearly defined relationship between client/contractor
6. **Business Plan** – to develop a detailed 5-year Business Plan
7. **Integration of Financial Information** – to evolve the way financial management data is captured and used to drive a more commercial approach

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Trulock Court in Northumberland Park



**Cashable Savings:** As a result of the review and the implementation of the recommendations made by echelon HRS have achieved savings in the regions of:

**£2.9m**

**Operating costs reduced from £19.4m:**  
to:

**£16.5m**

8. **Different Delivery Models** – consideration of alternative delivery models for the service
9. **Undertaking External Works** – a recommendation that there should be no consideration of actively seeking external contracts until recommendations put in place
10. **Supply Chain** – review of relationship with suppliers and sub-contracts
11. **Management of existing SOR** – immediate instigation of new processes to manage current use of SOR
12. **Review KPIs** – to review the current KPIs being used and introduce a new suite of KPIs
13. **Quality Assurance Systems** – strengthening of current QA, focusing on post inspection process
14. **Defined Operational Split** – more defined split between responsive, voids and planned works
15. **KPI Date and Performance Information** – review of KPI Data collection and reporting

**Key Outcomes and efficiencies:**

**Cashable Savings:** As a result of the review and the implementation of the recommendations made by echelon HRS have achieved savings in the regions of £1.0million.

**Efficiencies:** in addition to the above, the service is now benefiting from efficiencies as a result of the recommendations implemented.



**Continuous Improvement:** The service continues to develop and adapt to ensure that it is attaining optimum levels of service for residents and Value for Money for stakeholders.

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## Case Study 2 – United Welsh/Celtic Horizons (WoS)



# United Welsh Homes for Wales

**United Welsh owns and manages -**

# 4,300

Residential properties

The properties owned and managed by United Welsh that are applicable to this contract cover

# 11

local authorities areas in South Wales

### Overview

- Procurement process that has delivered all clients' objectives (to time and budget)
- High levels of stakeholder engagement at all stages
- Development of Price per Property model driven through dialogue
- Incentivised KPIs
- Flexibility within procurement model to add scope and services
- Use of TPC2005 Contract for development of wholly owned subsidiary
- Use of 'lean' Competitive Dialogue process to drive service model
- Mobilisation process

### Background

**United Welsh** owns and manages over 4300 residential properties across 11 local authorities in South Wales, with a turnover of circa £20m and employing 157 people.

United Welsh also provide support services for over 1500 vulnerable tenants, older persons and services users, helping them towards more independent lives in their diverse communities.

Following a comprehensive review of United Welsh's Asset Management Services, United Welsh entered into a new partnership with Mears to manage the delivery of its services through a wholly owned subsidiary. The organisation will be called Celtic Horizons.

Its one of the first wholly owned subsidiaries of its kind, delivering a total asset manage solution and spanning over 11 local authority areas in South Wales.

Celtic Horizons went live on the 28th March, 2013 and will result in a the delivery of a more efficient and effective asset management service.

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**Stakeholder Workshops**



## Key Innovations

Key innovations comprise of the following:

- Creation of the one of the first "wholly-owned subsidiaries", a structure to house the United Welsh repairs and maintenance workforce (Celtic Horizons), linked to and supporting a separately procured, fully warranted repairs and maintenance contract;
- Use of a "lean" Competitive Dialogue procurement process to ensure that the "wholly-owned subsidiary" option was fully explored with bidders within a timescale that minimised delay/cost for United Welsh, supported by a procurement portal; Sharepoint
- Creation of a "price per property" cost model to minimise administration/risk for United Welsh and to maximise incentivisation for the appointed service provider, plus incentivised profit linked to service-led key performance indicators;

**The Procurement Team:** To facilitate the procurement model United Welsh engaged:

- echelon Consultancy Limited (echelon) as Procurement and Cost Consultants
- Eversheds as Legal Advisers.

To enable the process to run effectively United Welsh appointed a dedicated internal project manager to oversee the process internally and also formed a specific Project Procurement Group (PPG) for the duration of the project that comprised United Welsh stakeholders (including residents), Eversheds and echelon representatives.

To enable bidders to distinguish their offers and engage in challenging discussions with United Welsh. The Competitive Dialogue added no more than two months to a Restricted Procedure procurement. Bidders to United Welsh participated willingly in the "Lean" CD process and offered a range of solutions linked to the Wholly-Owned Subsidiary and Price Per Property innovations described below. The dialogue process enabled United Welsh to refine and develop its requirements sufficient for bidders to return fully developed proposals in their Best and Final Offers.

**The Procurement Model:** The first piece of work to take place was the review the existing service delivery whilst identifying the needs and aspirations of the stakeholders to the contract going forward.

**The scoping involved the following outputs:**

- **Benchmarking service** – we undertook a detailed analysis of the current levels of service and the cost of delivering this service to United Welsh
- **Resident Engagement** – a series of workshops were held with Residents (as the end users of the service) to identify the strengths and weaknesses with the current service provision and also their aspirations for the service going forward
- **Internal Stakeholder Workshop** – a workshop was held with representatives from all the internal stakeholder groups (asset management, finance, housing, IT, etc.) to identify the strengths and weaknesses with the current service provision and also their aspirations for the service going forward
- **Delivery models** – the various events also reviewed the options open in relation to commercial models (such as Price per property and JV's/subsidiaries) for consideration.

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**Key Outcomes:** On completion of these initial scoping events a detailed improvement action plan was developed that captured all the service improvements identified with a detailed process how they would be delivered through the procurements exercise.

**Efficiencies:** The procurement model will help deliver the following efficiencies:

- **Invoicing** – through the PPP model adopted (supported by the IT developed through the process) United Welsh will only process one invoice and one payment per month
- **Priority Classifications** – United Welsh has moved to a two-classification repairs system based on 'fix now' (i.e. a repair that needs to be attended to as quickly as possible as it causing damage to the property or distress to the Resident) or "fix at my convenience" that allows Service Provider and resident to agree a mutually acceptable time without adhering to arbitrary targets.
- **Appointments** – all repairs will now have a repair offered at first call due to the provision of the call centre by the Service Provider removing the double-handling of calls and reducing the number of repeat calls coming into United Welsh.
- **Call Centre/Single Point of contact** – the Service Provider provides the call centre provision, reducing the cost to United Welsh for call handling as well as providing a single point of contact for all repairs related calls



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## Case Study 3 – Affinity Sutton (WoS)



# Affinity Sutton

Helping People  
Put Down Roots

### Repairs Maintenance, Contracts -

Estimated value of circa

**£500** million

Affinity Sutton Group - provision of responsive maintenance and void works to deliver the service to:

**21,500**

properties within the London & South East

### Background

Affinity Sutton Group (ASG) is one of the country's leading providers of affordable housing, with over 56,000 homes in management. The procurement was for a long-term partnering contract for an initial term of 5 years with an option to extend for up to 20 years for the provision of responsive maintenance and void works, provision of a call centre and provision of an IT solution to deliver the service to 21,500 properties within London and the South East.

**The Procurement Team** - To facilitate the procurement model ASG engaged

- **echelon Consultancy Limited** (echelon) as Cost Consultants and technical advisers
- **Trowers and Hamlins LLP** (Trowers) as Legal and Procurement Advisers and

To enable the process to run effectively ASG appointed a dedicated internal project manager to oversee the process internally and also formed a specific Project Procurement Group (PPG) for the duration of the project that comprised ASG stakeholders (including residents), Trowers and echelon representatives.

To enable bidders to distinguish their offers and engage in challenging discussions with ASG. The Competitive Dialogue added no more than two months to a Restricted Procedure procurement. Bidders to ASG participated willingly in the "Lean" CD process and offered a range of solutions linked to the Wholly-Owned Subsidiary and Price Per Property innovations described below. The dialogue process enabled ASG to refine and develop its requirements sufficient for bidders to return fully developed proposals in their Best and Final Offers.

**Enhancing the service to residents** - The priority for ASG throughout the procurement process was to enhance the service to residents and to ensure that their critical KPI (customer satisfaction) will reflect an improved

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## Key Innovations

Key innovations comprise of the following:

- **Creation of the first "wholly-owned subsidiary"**, a structure to house the Affinity Sutton repairs and maintenance workforce, linked to and supporting a separately procured, fully warranted repairs and maintenance contract;
- **Use of a "lean" Competitive Dialogue procurement process** to ensure that the "wholly-owned subsidiary" option was fully explored with bidders within a timescale that minimised delay/cost for Affinity Sutton, supported by a procurement portal;
- **Creation of a "price per property" cost model to minimise administration/risk** for Affinity Sutton and to maximise incentivisation for the appointed service provider, plus incentivised profit linked to service-led key performance indicators;
- **Use of a full range of employment and skills benchmarks**, including participation as an exemplar in the "reengineering" of employment and skills outputs to improve local opportunities for residents and other members of the communities in which Affinity Sutton Group owns its stock.

service. The detailed proposals submitted by bidders convinced ASG that this approach to procurement will deliver their goals, and the competitive costs quoted by bidders through a transparent and simplified cost model have evidenced that ASG will at the same time obtain improved value.

**Procurement outcomes and efficiencies-** The outcome of the procurement has delivered a contract that commenced in June 2012 and has produced numerous additional benefits to ASG that are not available from its existing contracts but are all within a Price Per Property that delivers tangible savings against the budget as follows:

- **Flexible Appointments slots** - a key driver from Residents was a more flexible appointments system and the procurement model delivers this through the 'fix now' and 'fix at my convenience' system developed with fixed appointment slots for all appointed jobs. This replaces the former emergency, urgent and routine response time categories that did not necessarily reflect residents' own priorities.
- **Text Ahead** – the Service Provider now calls ahead on all appointed jobs (both the day before and also when they are en route) reducing the number of missed appointments
- **Call Centre/Single Point of contact** – the Service Provider provides the call centre provision, reducing the cost to ASG for call handling as well as providing a single point of contact for all repairs related calls
- **Single Key Entry IT Solution** – the provision of an IT solution that will provide ASG with additional benefits such as single key entry for all data, removing duplication
- **Invoicing** – through the PPP model adopted (supported by the IT developed through the process) ASG only process one invoice and one payment per month
- **Component Replacements** – within the PPP the Service Provider is required to undertake a defined number of component replacements (e.g. kitchens, bathrooms, rewires) that would previously have impacted on other budgets
- **WOS model** – the WOS model has delivered significant benefits (as previously identified)
- **Resident Satisfaction** - the incentivisation scheme is generating improved levels of resident satisfaction with the service
- **Employment and Training** - New opportunities for residents to participate in employment and training initiatives offered by the successful Service Provider under its employment and skills plan.

In addition, the Competitive Dialogue process that has been used on the

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project has provided a high level of 'ownership' of the process and the outcomes through the engagement of the key stakeholders within ASG that will ultimately be responsible for delivering the service.

**Savings** - The Price Per Property model has enabled ASG to identify tangible cash saving of around £2m in its budget for the first year of operation of the new contract, with expectations for additional savings in subsequent years.

The cost savings on the delivery of the repairs and voids service will be re-allocated within ASG to enhance its capacity to carry out improvement and regeneration works.

Tangible Savings of Circa:

£2 million  
in year one

Creation of the

1st

"wholly-owned subsidiary" to house  
the Affinity Sutton repairs and  
maintenance workforce

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## Case Study 4 – Epping Forest (Managed Service)

*Epping Forest District Council*

### Why Change?

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*"Why are you changing something that isn't broken"*

a quote from the Chairman of the Tenants and Leaseholders Federation

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*Epping Forest District Council*

### Understanding the Issues

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- Low level of performance
- Low customer expectation
- Poor IT
- Insufficient supervision
- Duplication in work
- Over-reliance on "specialist" Sub-Contractors

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*Epping Forest District Council*

### What are our Options?

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- Carry on as usual
- A few changes here and there
- Outsource

Or...

- Insource

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*Epping Forest District Council*

**Insourcing** (as opposed to Outsourcing)

- No previous examples
- Specialist Procurement Expert
- Bespoke Services Agreement
- CJEU Selection Process
- Small pool of suppliers
- 3-year contract, renewable for up to 9-years

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*Epping Forest District Council*

**Insourcing** (as opposed to Outsourcing)

- Contract based on 3 strands:
  - 1 Services – Day to Day Management
  - 2 Specific tasks – “Key Deliverables”
    - Supply Chain Development
    - An effective IT System
    - Appointment System for all repairs
    - Develop an effective Pricing Model
    - Mobile Working for Operatives
  - 3 Incentives to improve performance

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*Epping Forest District Council*

**Insourcing** (as opposed to Outsourcing)

- Mears appointed in May 2011
- All “Key Deliverables” implemented in 10-months
- New key Deliverables added
  - Out of Hours Call Handling for the Whole of the Council
  - 24-hour repair reporting for tenants
  - Appointments on-line
  - Smartphone App for reporting repairs
  - Electrical Digital Certification
  - Product Warranty Capture and Warning
  - Independent Quality Assessment (IQAN)

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*Epping Forest District Council*

### Outcomes

- Repairs by Appointment
  - 2,850 (out of 16,750 repairs)
  - 11,506 (out of 14,200 repairs)
- Average time to complete a repair
  - 33 days
  - 7.79 days

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*Epping Forest District Council*

### Outcomes

- Average No. of jobs per Operative
  - 1.29 p/p/day
  - 4.8 p/p/day
- Percentage of Emergencies completed
  - 99% within 24 hours
  - 99% within 4 hours

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*Epping Forest District Council*

### Outcomes

- Tenant Satisfaction
  - 98% (prior to 2011)
  - 99% (since 2011)
- Customer Repairs Focus Group Formed

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Epping Forest District Council

### Outcomes

- HRF Budget
  - £2.54m in 2006/7 (Establishment of 49)
  - £1.80m in 2013/14 (Establishment of 30)
    - (£3.612m in 2014/15 assuming no change)
- Expenditure with Sub-Contractors
  - £850k per annum in 2006/7
  - £237k in 2013/14

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Epping Forest District Council

### Advantages & Disadvantages

- Advantages.....
  - 20% savings in VAT (Labour only)
  - Low risk
  - Continuous review and improvement opportunity
  - Back office support (IT, Procurement, H&S, Electrical Supervision)
  - Skills transfer

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Epping Forest District Council

### Advantages & Disadvantages

- Disadvantages...

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## Appendix E: Cost Summary of Options

The following table provides an estimate of the costs of the various options.

	<b>Table 1 – Procurement and mobilisation Costs</b>		
<b>Cost Header</b>	<b>Option A Expand DLO</b>	<b>Option B WOS</b>	<b>Option C Managed Service</b>
Procurement Costs - consultant (Based on echelon proposal)	-	£40,000	£40,000
Additional Procurement Costs – legal (including WoS advice)	-	£35,000	£10,000
Mobilisation Costs – consultant	-	£25,000	£5,000
Mobilisation Costs – legal	-	£25,000	£5,000
Mobilisation Costs – Service Provider(s)	-	£100,000	£25,000
<b>One Off Procurement/Mobilisation Costs Total</b>	<b>£0</b>	<b>£225,000</b>	<b>£85,000</b>

	<b>Table 2 – Potential Year 1 Delivery Costs</b>		
<b>Cost Header</b>	<b>Option A Expand DLO</b>	<b>Option B WOS</b>	<b>Option C Managed Service</b>
Cost of Managed Service (Based on 2 x FTE Staff (Senior), ICT Provision and access to Supply Chain Management)	-	-	£500,000
Cost of WoS is included within the fixed price	-	-	-
Cost of Project Manager and Consultant Support	£200,000	-	-

## Appendix F: Risk Analysis

The review considered the key risks against each option (the number of '✓' indicates the impact of the risk – i.e. the lower the score the better). This is based on the Top 10 risks we believe exist at this stage.

A detailed risk register will be developed as part of the procurement process.

Risk	Option A Expand DLO	Option B WOS	Option C Managed Service
<b>Develop Project Plan at Outset</b>	✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓
This is a generic risk equally applicable to all options. A clear project plan (Option A) or procurement strategy (Options B and C) will need to be developed that include a detailed project plan.			
<b>Lack of Resources to Deliver</b>	✓ ✓ ✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓ ✓
Clearly, Options B and C are built around the ethos of 'buying-in' the requisite resources to assist in managing service delivery. However, given the WoS is all-encompassing it is felt this is less of a risk than the MSA. The other mitigation here is that under the WoS model the external provider states the required resources as part of their commercial bid. Option A is reliant on the quality of the PM.			
<b>Adaptability of ICT Systems</b>	✓ ✓ ✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓ ✓
As with the risk above Options B and C allow the provision of the External Providers ICT platform. However, as the level of investment in the WoS will be higher and as such the level of support provided will be higher it is felt the WoS has slightly less risk attached. In both instances this will be a key factor in the selection criteria. Option A will be reliant on Wiltshire Council's own capability and external support.			
<b>Conflict between Wiltshire Council and this project</b>	✓ ✓	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓
This is a generic risk equally applicable to both options B and C. A clear procurement strategy will need to be developed and presented through the governance structure of the Council to ensure full understanding and buy-in of the model. Option A is seen as a lower risk as it will largely delivered by the PM and will be seen as less of a threat.			
<b>Capacity of Teams to Deliver</b>	✓ ✓	✓ ✓	✓ ✓ ✓
The objective of Options B and C is to buy-in the necessary skills and processes to improve capacity and productivity. Both also provide the opportunity to upskill existing staff. The benefit of the WoS is that the provider will be commercially invested in the performance of the WoS and as such is more likely to invest the necessary resources to ensure its success. Option A will be reliant on the capability			

of the PM			
<b>Don't take Customers with us</b>	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
This is equally applicable to all models. A clear process for customer consultation and engagement will need to be developed. This process has already started and echelon are facilitating 4 workshops with customers to review service delivery. Customers will also be actively engaged in procuring the selected model.			
<b>Lack of Stakeholder Communication</b>	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
This is equally applicable to all models. A clear process for stakeholder consultation and engagement will need to be developed. This process has already started and echelon have facilitated an initial multi-stakeholder workshops. It is critical that the operatives are actively engaged in the process as it is they who will most affected by the outcome,			
<b>Lack of adequate training for Stakeholders</b>	✓ ✓	✓ ✓ ✓	✓ ✓ ✓
This is equally applicable to Options B and C which will involve a relatively complex procurement exercise. A clear process for stakeholder consultation and engagement will need to be developed and this will include a skills gap analysis for those engaged in the procurement process. Option A will require less input.			
<b>Conflicting Priorities</b>	✓ ✓	✓ ✓ ✓	✓ ✓ ✓
It is incumbent on Wiltshire Council to ensure the project is given the necessary level of importance within the organisation. A clear resource schedule will form part of the procurement strategy documents for Options B and C and the Improvement Plan for Option A so there is clear visibility on the level of resource required from Wiltshire Council staff. As there is less involvement on Option A we have scored lower risk.			
<b>Scepticism to change</b>	✓ ✓	✓ ✓ ✓	✓ ✓ ✓ ✓
From our experience the buy-in to the WoS Model achieves high levels of stakeholder buy-in that might be more difficult to establish with the MSA model.			
<b>No Change Culture</b>	✓ ✓ ✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓ ✓
The risks of Option A is that this will be seen as 'business as usual' and will not create an environment to drive change. Option B will deliver change automatically due to the contractual change and engagement of all staff in the process.			
<b>Risk Scores</b>	<b>36</b>	<b>35</b>	<b>41</b>

Against the above risk criteria the WoS model provides the lowest risk to Wiltshire Council.

## **Appendix G – Summary of Corporate Objectives**

### **1.0 Introduction**

1.1 The three overarching objectives that will drive the housing agenda and have been agreed by Wiltshire's strategic housing partnership are:

- To improve the quality and make best use of existing stock across Wiltshire
- To utilise all opportunities to meet existing and future housing need
- To help people to achieve independence and choice and to support local communities across Wiltshire