

Report to the Cabinet

Report reference: C-122-2007/08.
Date of meeting: 10 March 2008.



Portfolio: Housing.

Subject: Building Maintenance Works Unit and Housing Repairs Review.

Responsible Officer: Paul Pledger (01992-564248).

Democratic Services Officer: Gary Woodhall (01992-564470).

Recommendations/Decisions Required:

- (1) That Option 2 within the report (downsizing the Building Maintenance Works Unit (BMWU) and combine with the Housing Repairs Section, externalising the remaining responsive repairs service through existing and new framework agreements) be agreed with effect from 1 May 2008 when the Building Maintenance Section within the current Works Unit transfers to the Housing Directorate;**
- (2) That an interim management arrangement be put into place for the supervision of the combined Building Maintenance and Repairs Service for up to a three-year period, which will include:**
 - (a) placing an advertisement in the EU Journal seeking expressions of interest from repairs main contractors;**
 - (b) inviting tenders based on experience, performance, quality, continuity of service, management support, employment terms and conditions and cost; and**
 - (c) holding interviews with the individual manager and management team put forward by the main contractor;**
- (3) That the Building Maintenance and Repairs Service operate from the existing combined Epping Depot site until such time as the service can be consolidated into one site (formerly the Dairy Crest Depot) when the rear site can then be vacated to allow any future redevelopment in conjunction with Essex County Council as part of the school redevelopment;**
- (4) That Contract Standing Order C6 (Contracts Exceeding £50,000) be waived for a range of responsive repairs work that will not be undertaken by the BMWU, to the aggregated value of around £750,000 per annum, until such time as new framework agreements can be tendered in accordance with EU legislation, Leasehold Legislation and Contract Standing Orders, since the BMWU are not currently required to tender and enter into contracts for sub-contracted works, as a result of special measures within the Contract Standing Orders, which will expire once the BMWU join the Housing Directorate;**
- (5) That until framework agreements can be tendered, Housing Repairs and the BMWU test value for money for sub-contracted works by continuing to obtain quotes for individual jobs in excess of £1,000, and utilizing the existing schedule of rates that are used by the BMWU as a benchmark; and**

(6) That an annual report be presented to the Cabinet setting out progress in respect of setting up contracts for the responsive repairs works and reporting expenditure with sub-contractors.

Background:

1. 21 November 2007, the Corporate Executive Forum (CEF) considered a report on the restructure of Housing Repairs and the Building Maintenance Works Unit (BMWU). That report set out the issues that would need to be considered based on a range of four options that were available. The options that were considered were as follows:

(i) Option 1 - Combine the Housing Repairs Team and the BMWU retaining the craft workers to undertake day to day ad hoc repairs to the Council's Housing Stock, including those to void properties;

(ii) Option 2 - Combine the Housing Repairs Team and the BMWU, reducing the number of craft workers but retaining a core to undertake a proportion of the day to day ad hoc repairs to the Council's Housing Stock, and/or those to void properties, with the balance of the work being externalised;

(iii) Option 3 – To retain the Housing Repairs Team and externalise all day to day ad hoc repairs to the Council's Housing Stock, including those to void properties; or

(iv) Option 4 - To externalise the management of the responsive repairs service. However this can be considered alongside any of the three options above.

2. This report addresses the restructure of Housing Repairs and the Building Maintenance Works Unit (BMWU), and specifically excludes Fleet Operations, which has been agreed will in future be managed by the new Corporate Support Services Directorate.

Current Position:

3. There are currently 48 craft workers employed by the BMWU, with a further 11 vacant craft worker positions. In addition, there are 11 office-based staff on the Establishment, including the Chief Works Officer, of which there are 3 vacant posts (2 are temporarily filled using agency staff).

4. For many years, the BMWU have struggled to recruit skilled craft workers, despite adopting various recruitment strategies, including reintroducing trainee grade positions. This has meant that Housing Repairs and the BMWU have had to rely on the support of various sub-contractors to undertake works that cannot be undertaken by the in-house BMWU. This, in itself, presents a resource issue, from procuring the work to post inspection and invoicing. Currently, around 48% of all responsive repairs are undertaken by the BMWU with the remainder undertaken by a number of different sub-contractors.

5. Perhaps as a result of recruitment difficulties, the BMWU have also struggled to reach the performance targets set within BVPI's and LPI's associated with the completion of a range of responsive repairs and voids works. Set out below is the current performance data, which is captured locally:

Indicator	EFDC Target	Previous Performance		Current Performance		
				Period	Quarter	Cumulative
Average time to complete urgent repairs	5 wd	05/06	7	June	6	
		06/07	6	Sept	6	
				Dec	6	

Average time to complete non-urgent repairs	56 wd	03/04 04/05 05/06 06/07	43 38 32 28	June Sept Dec	44 46 25	44 45 36
% of urgent repairs completed within target time (5 working days)	95%	03/04 04/05 05/06 06/07	79% 85% 81% 89%	June Sept Dec	88% 92% 84%	88% 90% 88%
% of non-urgent repairs completed within target time (8 weeks)	95%	03/04 04/05 05/06 06/07	78% 82% 86% 90%	June Sept Dec	75% 82% 90%	75% 79% 82%

6. The above statistics show that whilst the average time to complete urgent is within target, the number of jobs completed outside of the target time is far too high. In addition, the target that the Council sets for non-urgent jobs to be completed is too long, far longer in fact than other Housing organisations.

7. The table below provides independent benchmark information recorded in January 2007 by HouseMark relating to a range of responsive repairs functions and how Epping Forest District Council compares to other similar organisations in the East of England and London.

Top Quartile	2nd Quartile	3rd Quartile	Bottom Quartile
Responsive repairs management – cost per property	No of responsive repairs per property	Repairs appointments kept as a % of all appointments made	% of repairs completed on time
Responsive repairs management – No of properties per employee	Average cost of responsive repair		% of urgent repairs completed on time
% of emergency repairs completed on time			% of routine repairs completed on time
Average expenditure per property on responsive repairs			Appointments made as a % of all repairs
% of responsive repairs pre-inspected			% of responsive repairs post inspected.

8. Clearly, there are strengths, but equally, there are weaknesses that need to be addressed as part of the review.

9. Conversely, when the National Housing Federation undertook an independent tenant satisfaction survey on behalf of the Council in January 2007, 85% of tenants said that they were satisfied with the Council's repairs and maintenance service, which was significantly higher than any other landlord in the peer group. In fact:

- (a) 83% rated the time taken for work to start was good;
- (b) 92% said the speed with which the work was completed was good;
- (c) 95% rated the attitude of the workers was good;
- (d) 94% were pleased with the way dirt and mess were kept to a minimum; and

- (e) 88% said the overall quality of the work was good.

Option 1 – To retain the BMWU but combine it with Housing Repairs:

10. The Housing Services Best Value Service Review, undertaken in 2004, identified that efficiency savings could be realised through bringing together the Housing Repairs function with the BMWU. The main efficiency savings that were identified were around shared resources, reduced administration and duplication.

11. Taking into account the long-term recruitment difficulties that the BMWU have had, and the effect this has had on performance, there is no evidence to suggest that in the long term by simply combining the Housing Repairs function and the BMWU in their present form will sufficiently improve the overall performance; therefore it is recommended that this option alone is not pursued any further.

Option 2 - To downsize the BMWU, combine it with Housing Repairs and externalise the remaining responsive repairs service:

12. It should not be overlooked that our tenants are very satisfied with the service the BMWU and Housing Repairs have provided over many years, and retaining a proportion of repairs service is likely to be welcomed by most tenants.

13. This year, the Housing Repairs Fund budget was around £5.376m, of which around £2.6m (48%) was allocated to the BMWU, with an additional £400k capital works for major repairs and voids work undertaken by the BMWU, making around £3m in total. The remainder is allocated to sub-contractors, either as part of the planned maintenance programme through the Housing Assets Section, or directly to specialist sub-contractors through the Housing Repairs Section.

14. Within Contract Standing Orders there are special measures, which allows the BMWU to sub-contract up to 20% of their budget in order to meet peaks in workload and staff shortages. The BMWU rarely sub-contract out that much, however, there is a year on year increase in the use of sub-contractors and this year the amount that the BMWU have sub-contracted directly is currently around £459,000, and likely to be as high as £½m by the end of the financial year.

15. Clearly, the use of sub-contractors will need to increase as the BMWU is downsized. However, there needs to be a structured move towards outsourcing the work, either through one main contractor, or a number of smaller sub-contractors, ideally using existing framework agreements where they exist or new framework agreements (i.e. the Council calls-off its requirements for defined repair works, during the period of the framework, on the basis of the terms agreed when the framework is set up including price). Either option will need to take account of leasehold legislation, EU legislation as well as staff consultation, should TUPE apply. This process could take as long as 3 years, except where existing contracts exist.

16. Identifying the core work that the Council would undertake itself and what is outsourced will dictate any future recruitment policies.

17. There are 10 craft workers and 2 office based staff that will reach retirement age over the next 3 years, therefore, downsizing the BMWU could occur naturally over a 3-year period, which will avoid redundancy and possibly TUPE.

18. This is the preferred option, as it will avoid redundancy costs, be quicker to set up, and provide an opportunity to assess both cost and quality of sub-contractors work if further outsourcing is to be considered in the future.

Option 3 - To externalise the whole of the BMWU:

19. As explained earlier, to externalise the whole of the BMWU will take as much as 3 years to set up, taking account of the exhaustive consultations, specification writing, tendering processes and contract lead-in periods. This option may not need to result in redundancy, but TUPE will certainly apply.

20. Whilst this is a real option, and could lead to improved performance, there is no evidence to prove that it will actually be more cost effective, result in better value for money or provide a good level of tenant satisfaction, bearing in mind the level of tenant satisfaction that the current service provides.

21. This option is not recommended at this time.

Option 4 - To externalise the whole of the BMWU as well as the management of the Housing Repairs function:

22. The same issues apply here as with Option 3, in that this is a lengthy process that could take 3-years or more to put into place, and may not even result in an improved service to our tenants or better value for money, especially as the Council is currently in the top quartile for the number of properties per employee within the repairs management function.

23. Outsourcing the whole of the repairs function will still require an element of in-house supervision to ensure the service provision by any management contract is to the standard expected.

24. As with Options 2 and 3, an interim management structure will need to be established until the service is handed over.

25. This option is not recommended at this time.

Accommodation:

26. It is noted that the current depot site in Epping is earmarked for future development in conjunction with the adjacent school land. However, the Epping Depot site is split into two distinct parcels of land, and following an assessment of the mains services, neither relies on the other to function. Therefore, it is feasible to separate each parcel of land without major works, which would enable the Council to sell off the rear site for development whilst retaining the front site.

27. An assessment of the depot site and its buildings has been undertaken, with a view to accommodating the Housing Repairs staff with the BMWU as per Option 2. In terms of office accommodation, it will not be possible to locate all of the existing repairs and supervisory staff together in the existing office building immediately, although once the size of the combined service has naturally reduced, with a few minor alterations, all office based staff could be accommodated in one building. However, accommodating all the staff on just one part of the site will be difficult and there are a number of challenges that need to be met before this can take place, such as:

- (a) parking for staff and fleet vehicles during the day and overnight;
- (b) reviewing the way in which the materials stores will be managed in the future to free up space and consolidate all material stored on one site;
- (c) developing and extending the existing Working from Home Policy for the majority of craft workers and possibly introducing it for the Repairs Inspectors;
- (d) developing the IT systems so that the "mobile working initiative" can support the Working From Home Policy; and

(e) setting up communication links for tenants that visit the Civic Offices to be able to adequately report their repairs so they do not have to travel on to the remote depot site.

Interim Management:

28. With the Chief Works Officer retiring at the end of April 2008, it is proposed that an interim management structure be put in place, perhaps for the full 3-year period, until the service is operating at its core size. Neither the Senior Works Officer or the temporary part time Housing Repairs Manager are willing to take on this role; therefore three alternative options are available.

(a) Recruitment of a directly employed manager:

29. Whilst this job will need to be job evaluated, it is unlikely that the salary that will be available for this position will attract someone with the kind of experience and calibre that will be needed to see through change on this scale.

30. Should this option be adopted, then it is unlikely that the new manager will be available to start immediately, as staff at this level would normally be expected to give more than 1 months notice with their current employer.

(b) Recruitment of a manager through a specialist agency:

31. This option would be much quicker to implement, as agencies are better placed to source suitable staff that can start much quicker. However, from experience, agency staff are very expensive and have no particular loyalty to the organisation or incentive to implement change to a good standard.

(c) Recruitment of a manager (or management structure) through a main contractor:

32. This option is more innovative. It would involve the Council tendering to large main contractors that provide responsive repairs service, for the service of a manager or management team rather than to take on the whole of the service (including tradesmen) themselves. The tender would be based on a range of issues such as experience, performance, quality, continuity of service, management support as well as terms and conditions and cost.

33. The selection process would include interviews with both the individual that is put forward by the main contractor and a further interview with the main contractor Management Team. There are a number of advantages to this approach, including:

(a) they would have a more commercial background, with good experience of running major repairs services;

(b) they would have the additional back-up of the organisation through which they are employed;

(c) there would be a commercial incentive to perform well, as the organisation through whom they are employed would have an insight into what the Council are trying to achieve and may be able to use that to their advantage in any future procurement options;

(d) vice versa, the Council can monitor the performance of the manager and the contractor and use this when considering any future procurement options; and

(e) the position can be tendered to ensure fairness and transparency.

34. The main disadvantage to this approach is that it falls within EU rules and therefore it

will be necessary to place an advert in the Official Journal of the European Union seeking expressions of interest before tenders can be sought, which will cause a delay, probably beyond the retirement date of the Chief Works Officer.

Contract Standing Orders:

35. Currently, around £500,000 of work is let to sub-contractors by the BMWU per annum. A further £250,000 is let to specialist sub-contractors by the Repairs Section where there is no framework agreement or other formal contract in place. In order to test value for money, where individual jobs exceed £1,000 in value, alternative quotes are obtained or works are benchmarked and let based on the current schedule of rates used by the BMWU.

36. When the BMWU join the Housing Directorate on 1 May 2008, the special measures within Contract Standing Order C2 (Council's Works Unit and Equivalent Organisations) will no longer apply, and since the value of work that will be sub-contracted will exceed £50,000 it will be necessary to have contracts in place.

37. As discussed earlier in the report, this will need to take account of leasehold legislation, EU legislation as well as staff consultation, should TUPE apply. This could take up to 3-years in total. Therefore it is recommended that Contract Standing Order C6 (Contracts exceeding £50,000) be waived until a range of framework agreements and contracts are put in place.

38. In the mean time, it is recommended that value for money tests continue to operate and that an annual report be presented to the Cabinet setting out progress in respect of setting up contracts for the responsive repairs and reporting expenditure with sub-contractors.

Consultation:

39. Formal consultation with staff and trade unions has not yet taken place. However, informal discussions have taken place with all relevant managers and supervisors, all repairs staff and trade reps within the BMWU. All staff that have been informally consulted have indicated their support for Option 2 to downsize the BMWU, combine it with Housing Repairs and externalise the remaining responsive repairs service.

Summary:

40. In summary, it is recommended that, as of 1 May 2008, when the BMWU are incorporated within the Housing Directorate, the Council moves towards downsizing the BMWU to a core size as a natural process through a managed recruitment process, thus avoiding redundancies where possible, and outsourcing the remaining work via existing or new framework agreements tendered in accordance with legislation.

41. Furthermore, an interim management structure for a three-year period be put in place using an external repairs management contractor to oversee changes in procedures to ensure efficiency and value for money, while retaining high levels of tenant satisfaction.

42. Policies will also be developed around mobile working, car parking and materials stores to allow the Repairs staff to relocate to the Epping Depot site so that efficiency savings can be realized through shared resources, reduced administration and duplication. As the natural process of downsizing occurs, plans to locate the service within the front part of the depot site, leaving the rear site vacant ready for future redevelopment can be devised and implemented.

43. Until such time as all repairs work that are not undertaken by the BMWU is let through formal contracts, Contract Standing Order C6 (Contracts Exceeding £50,000) needs to be waived and the Cabinet will receive regular progress reports on expenditure with sub-contractors.

Statement in Support of Recommended Action:

44. This report sets out a range of recommendations, which either enhance existing good practice, or addresses weaknesses that have been identified so far. There is no evidence to prove that external contractors can achieve better value for money, while achieving excellent tenant satisfaction. These recommendations allow for any future wholesale externalization of the repairs service in the future.

Other Options for Action:

45. Various options are set within the various sections of the body of the report. Any of these options are available as an alternative.

Consultation undertaken:

46. No formal consultation. However, all relevant managers and supervisors, all repairs staff and trade reps within the BMWU have been informally consulted and all have indicated their support for option 2 to downsize the BMWU, combine it with Housing Repairs and externalise the remaining responsive repairs service.

Resource implications:

Budget provision: Around £5.5m within the HRA and £6m within the Capital programme for all planned maintenance and responsive repairs to HRA properties.

Personnel: 10.5 fte Repairs staff and 67.58 fte BMWU staff, based on the current establishment.

Land: Epping Deport site to be retained in the short term, but the rear site being made available for redevelopment in the future as the BMWU naturally reduces in size.

Council Plan/BVPP reference: Nil.

Relevant statutory powers: EU legislation, Leasehold legislation, Housing Act 1984, Financial Regulations and Contract Standing Orders.

Background papers: None.

Environmental/Human Rights Act/Crime and Disorder Act Implications: Nil.

Key Decision reference (if required): Key Decision – Review of the Works Unit.