



South Cambridgeshire District Council

Responsive Repair Service Procurement & Delivery Review

November 2005

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1.0 Executive Summary

- 1.01 The Report provides a review of the four options highlighted in a previous document presented to the Council (January 2005) for the future delivery of Responsive Repairs by SCDC in light of the operating deficit of the DLO:
- Maintain an in house DLO and build its business base
 - Establish a long term public private partnership
 - Transfer DLO operations to City Services
 - Undertake a new tendering exercise
- 1.02 Each option has been reviewed in detail against the criteria set by SCDC in the brief with a focus on affordability and effectiveness. The cost implications of each option have been reviewed in detail.
- 1.03 Responsive repairs are currently delivered through three area based contracts which were awarded in September 2004 to the Council's Direct Labour Organisation (DLO) (East and West areas) and City Services (South area) During 2004/05 14,130 responsive repairs were ordered at a total cost of £2,523,370.67, with the average cost of an order being £178.58.
- 1.04 The contents of the Report have been developed by a Core Group of key stakeholders that have worked with echelon consultancy to mutually develop the recommendations contained within this report.

The Core Group comprised the following members:

- Mathew Baxter – echelon consultancy
- Steve Hampson – Director SCDC
- Cllr Mrs. Liz Heazell - Councillor (portfolio holder) SCDC
- Cllr Mrs. Daphne Spink – Councillor SCDC
- Graham Smith – Management Accountant SCDC
- Clive Rumbelow – DLO Operative SCDC
- Gareth Minns – BGS Electrical
- Stuart Harwood-Clark – DSO Manager SCDC
- Martin Williams – Technician SCDC
- Mr. & Mrs. Buxton – Tenants
- Steve Annetts – Asset Manager SCDC

- 1.05 As part of the review the Report considers the internal and external drivers for the service with particular reference to the Audit Commissions Key Lines of Enquiry for Repairs (KLOE 3) and the recommendations within this report are provided to ensure that SCDC develops a service that achieves an '*excellent*' rating from the Audit Commission.
- 1.06 The Report recommends that SCDC retains its DLO with a focus on building the business base and also applying a series of recommendations that will make the organisation more cost effective whilst improving the level of service provided.

In summary, the rationale for this recommendation is as follows:

Option 1: Retain DLO and Build Business Base

- Cost of retaining the DLO is the most cost effective solution due to additional costs incurred with other options
- DLO capable of moving to positive trading position if recommendations are implemented
- Customer Satisfaction levels are currently high (94%)
- DLO uplift rates are highly competitive and as such tendering for work externally to generate additional income is viable
- Existing Recovery Plan is delivering its targets and DLO is improving its trading position

Option 2: Public Private Partnership.

- Not felt to be viable option to the low volume/value of work and substantial lead-in time

Option 3: Transfer DLO to City Services

- There will be a significant increase in costs on existing Schedule of Rates (SOR) estimated to be between £219k and £574k.

Option 4: Retender

- Market appraisal indicated substantially higher rates against SOR if re-tendered with additional cost to SCDC estimated at 40% higher than current rates

This recommendation is endorsed by the Core Group engaged during the review process.

1.07 In addition, during the course of the review it became clear that there are many issues that are adversely affecting the current delivery of the service and particularly affecting the DLOs capability to deliver an optimum service.

1.08 Consequently, this Report makes **22** key recommendations in how the service can be improved with an Action Plan provided for each:

1. Review Repairs Ordering Process
2. Externalise Stores
3. Develop Key Performance Indicators (KPIs)
4. Develop Multi-skilled workforce
5. Develop Partnering Culture
6. Develop Appointment System
7. Increase Resident Input
8. Develop Business Base
9. Review Schedule of Rates
10. Develop 'Right First Time' Approach
11. Develop use of 'Hand-held' computers
12. Review Payment Process
13. Integrated IT System
14. Incentivisation
15. Training
16. Improve morale
17. Inspection Process
18. Workflow
19. Review Support Costs
20. Empowerment/ 'Attend Defect'
21. City Services Average Order Values
22. Produce DLO Business Plan

1.09 It is recommended that the Core Group convened for the delivery of this review is tasked in the delivery of the Service Improvements. A detailed implementation plan for the delivery of the Service Improvement Plan will be developed with the Core Group.

2.0 Introduction

2.01 The brief provided by SCDC was to undertake an appraisal of the four options identified by the Council in a previous review undertaken of the service earlier this year to deliver a Responsive Service for the Council.

2.02 These four options were as follows:

- Maintain an in house DLO and build its business base
- Establish a long term public private partnership
- Transfer DLO operations to City Services
- Undertake a new tendering exercise

2.03 In November 2004 it became apparent that the DLO's income was failing to cover its costs and an operating deficit of £580,000 was projected for the full 2004/05 year. The Director of Housing & Environmental Services (DHES) undertook a review of the DLO and a DLO recovery team was established to take urgent turnaround measures.

2.04 The review concluded that the DLO's costs could be reduced, income increased and efficiency improved, but reducing responsive repairs budgets mean that its operating deficit cannot be eliminated in the next four years. Financial modeling undertaken as part of the review was validated by RSM Robson Rhodes. The operating deficit for 2004/05 was £435,000.

2.05 Following the report to Cabinet in January 2005 set out a recovery plan, which was updated in a progress report to Cabinet in April of this year.

2.06 The restructuring of Housing and Environmental services has led to some staffing changes. The DLO recovery will be the responsibility of the repairs manager and this post is the subject of an external recruitment. Meanwhile, an interim DLO manager has been appointed to provide overall direction to the DLO and lead the DLO recovery.

2.07 The DLO Recovery Group has progressed well and a detailed report will be provided by the interim DLO Manager on progress to date:

- Introduction of revised Schedule of Rates Codes
- Under recovery issues dealt with
- Strengthened approach to administration to free up supervisors
- Temporary stores person appointed
- Non-productive time being reduced and reduction in operatives
- Long-term sickness issues dealt with
- Deficit for 2005/6 year end estimated at £187k

3.0 Requirements

3.01 The Council procured a full assessment of the future options for the procurement of responsive repairs services including specifically those noted above.

3.02 The assessment is based around the criteria prescribed by SCDC:

3.1 Operational considerations

- How will the options impact on the Council's organisational structures?
- How will the options advance the principles of partnering and the development of Egan principles?
- How will the options deliver service performance improvement?
- How will the options deliver improved customer care?
- How do the options fit with the Council's stated objectives and priorities?
- How do the options effect Council employees?
- How are the options effected by possible future housing stock transfer?

3.2 Legal considerations

- How do the options fit with current contractual commitments?
- How do the options fit with the existing area responsive repairs contract with City Services?
- How do the options fit with the Council's financial regulations and contract standing orders?

3.3 Financial considerations

- What are the likely one off and ongoing costs of each option to the Council?
- How do the options deal with reducing responsive repairs budgets?

3.4 Principal contacts

- Director of Housing & Environmental Services
- Director of Finance & Resources
- Head of Shire Homes
- Principal Project Managers
- Principal Accountant
- Management Accountant

3.5 Background information provided by SCDC

- 2004 responsive repairs contract documentation
- DLO interim and final review
- External validation of DLO review
- Contract Standing Orders and Financial regulations

4.0 Echelon Approach

4.1 Hearts and Minds Workshop

4.1.1 The review commenced on the process commenced on 17 August 2005 with a 'Hearts and Minds' Workshop attended by 21 stakeholders to the Responsive Repairs service including SCDC Customers, Councillors, Staff, DLO, Contractors and facilitated by echelon staff.

4.1.2 The purpose of the workshop was to act as a catalyst for the review and had the following key objectives:

4.1.3 The aims of the workshop were to engage the Stakeholders of the SCDC Responsive Repairs service in:

- Review current service – what works/doesn't work
- Review current good practice and internal and external drivers
- Identification and consideration of value improvements to the service
- Consideration of barriers to change
- Overview of echelon review process
- Agree Core Group Membership and review of key dates

4.1.4 The workshop was successful and highlighted **42** potential value improvements that were identified for development by the delivery Core Group, the membership of which was agreed at the workshop. In addition, **24** potential issues that could restrict the process were identified and these were also considered further by the Core Group.

4.1.5 The Core Group for the review was agreed at the Workshop and comprised the following members:

- Mathew Baxter – echelon consultancy
- Steve Hampson – Director SCDC
- Liz Heazell - Councillor (portfolio holder) SCDC
- Daphne Spink – Councillor SCDC
- Graham Smith – Management Accountant SCDC
- Clive Rumbelow – DLO Operative SCDC
- Gareth Minns – BGS Electrical
- Stuart Harwood-Clark – DSO Manager SCDC
- Martin Williams – Technician SCDC
- Janice Curtis - Tenant

4.1.6 Following the workshop Janice Curtis withdrew and was replaced by two other Tenants, Mr. & Mrs. Buxton. Steve Annetts was also included in the Core Group.

4.1.7 The Workshop Report generated from this Workshop is provided in **Appendix 1**.

4.2 Core Group

4.2.1 The Core Group worked to the following Terms of Reference:

- Define what 'value for money' and 'excellent housing property management services' actually mean in SCDC for your responsive repairs service Appraise examples of best practice from elsewhere to support decision making
- Define how to get best value from restricted resources and the diminishing budgets indicated in the brief
- Ensure that links between responsive repairs and planned maintenance are explored and maximised
- Consider how service providers can be incentivised to deliver optimum performance
- Ensure that SCDC's DLO is fully incorporated within the procurement review process
- Ensure compliance with current European legislation through the Official Journal of the European Union (OJEU)
- Establish options – not restricting ourselves to the four potential options highlighted
- Define a suitable means of measuring and assessing options
- Make a recommendation for the chosen option by September
- Delivering an open and fully auditable procurement review
- Undertake an appraisal of the operational, legal and financial considerations listed in the brief

4.2.2 The Group held 7 Meetings and also undertook a visit to both the DLO depot at Landbeach and also City Services Depot at Mill Road, Cambridge. In addition, members of the group undertook a visit to Wrekin Housing Trust to appraise their approach to supply chain integration and use of IT.

4.2.3 The key output of the Core Group was the development of the Action Plan given in Section 14.0 of this report and validation of the optional appraisal.

4.3 Information Gathering

4.3.1 Echelon has undertaken a review of the documentation provided by SCDC as part of the brief as follows:

- 2004 responsive repairs contract documentation
- DLO interim and final review
- External validation of DLO review
- Contract Standing Orders and Financial regulations
- Housing options appraisal final report

4.3.2 The information provided within these various sources of information has helped to inform the recommendations within this Report and has supported the extensive consultation that has taken place with the Core Group and other stakeholders to the project.

4.3.3 Various Reports and Minutes from the various events that the Core Group has been involved in have been produced and these are available on request.

4.3.4 The authors of this report acknowledge the input of the members of the Core Group and their invaluable input into both undertaking the review and the preparation of this Report.

4.4 Engaging the DLO

4.4.1 The DLO have been engaged through a series of weekly updates, comprising an informal discussion once a week backed by a formal written update on progress with the review.

4.4.2 There have also been two facilitated workshops with all DLO operatives in attendance. The main purpose of these workshops was to engage the DLO in the process and gain an understanding of the main issues affecting them in delivering the service and to invite their suggestions in how the service can be improved.

4.4.3 A Summary Report of the outputs from the two DLO Workshops is provided in **Appendix 2** and many of the issues raised are addressed within the Service Improvement Recommendations in section 14.

4.4.4 The DLO Recovery Plan is well underway and throughout this process tangible improvements within the performance of the DLO were noted including dealing with long-term sickness issues, materials procurement, asbestos surveying and several other initiatives that demonstrated a willingness to change.

5.0 Current Service

5.01 Three area based responsive repairs contracts were awarded in September 2004 to the Council's Direct labour organisation (DLO) (East and West areas) and City Services (South area)

5.02 For 2004/05 14,130 responsive repairs were ordered at a total cost of £2,523,370.67, with the average cost of an order being £178.58. The area breakdown was as follows:

- East 4,588 orders £681,384.55
- West 4,814 orders £805,695.41
- South 4,728 orders £1,036,290.71

5.03 Responsive repair budgets for 2005/06 are £2.1m.

The properties are divided by Area:

- East 2,180
- West 1,863
- South 2,138

5.04 The contract was procured using the Councils bespoke Schedule of Rates where the DLO and City Services tendered against the pre-priced schedule.

5.05 The tendered rates for the current contract are as follows:

- SCDC DLO East Area: -22.65%
- SCDC DLO West Area: - 20.65%
- Cambridge City Council City Services DLO South Area: -10%

5.06 There is lack of available performance management data (other than cost and customer satisfaction) to enable detailed analysis of the existing service and this is one of the key issues addressed in the improvement plan (Section 14.0)

6.0 Internal Drivers

6.1 Corporate Objectives

The Council's corporate objective's are:

- To provide a high quality, accessible, value for money service.
- Quality Village Life
- A sustainable future for South Cambridgeshire
- A better future through Partnerships

The housing repairs and maintenance service aims to provide excellent housing property management services to the Council's tenants.

7.0 External Drivers

7.1 Audit Commission

7.1.1 The Audit Commission has prescribed very clear guidelines of the Governments expectations of asset management and particularly Responsive Repairs in Key Line of Enquiry (KLOE) 3: Stock Investment and Asset Management.

7.1.2 The target is to develop an excellent service for the Customers of SCDC and the service that is delivered will have to take account of the guidelines within the KLOE. The points within the KLOE have been studied by the Core Group and the following are the key elements that are felt to be most relevant:

7.1.3 Access to Service

- Focus on skills of front-line delivery staff
- Efficient and effective access for reporting repairs – focus on IT
- Confirm appointment at point of reporting
- Flexible appointments built around customers needs
- Robust approach to missed calls and appointments
- Customer focus and involvement

7.1.4 Diversity

- Understands and responds to local Community
- Demonstrates knowledge of ethnicity, vulnerability and disability of customers
- Demonstrates a non-discriminatory approach

7.1.5 Response Repairs

- Can get the necessary work done quickly and efficiently
- Completes repairs to a high standard within its target timescales, generally at the first visit
- Uses an innovative mix of caretaker, handyperson and multi-trade working to complete repair works
- Regularly inspects communal areas, jointly with residents' representatives, ensuring target timescales are met

7.1.6 Value For Money

- Demonstrates good practice in procurement through Partnering approach
- Utilises other initiatives such as supply chain partnering, purchasing consortia
- Able to demonstrates benchmarking of costs/service levels with others
- Has robust Key Performance Indicators that drive the service
- Optimum balance between responsive/planned repairs
- Robust audit and inspection process in place

7.1.7 A full copy of KLOE 3 is provided in **Appendix 3**.

8.0 Procurement Options Appraisal

8.1 Introduction

8.1.1 The four options that were considered were:

- Option 1: Maintain an in house DLO and build its business base
- Option 2: Establish a long term public private partnership
- Option 3: Transfer DLO operations to City Services
- Option 4: Undertake a new tendering exercise

8.1.2 Each option was considered under the criteria provided by SCDC listed in Item 3.0.

9.0 Option 1: Maintain an in house DLO and build its business base

9.1 Operational Considerations

9.1.1 Impact on the Council's organisational structures

This option will result in no changes in the organisational structure.

9.1.2 Partnering and the development of Egan principles

At present there is no evidence that the project is currently being delivered in a Partnering environment. This option provides a good opportunity to further develop the existing relationships into a contract that is truly reflective of the principles set out in the Egan Report.

Recommendations for undertaking this process are given in Section 14.0.

9.1.3 Service performance improvement

There is a fundamental lack of performance measurement at the present time. Continuing with the DLO provides an opportunity to develop a robust set of Key Performance Indicators in a relatively short period of time, particularly as there is an existing IT link between SCDC and the DLO.

It is anticipated that if the recommendations made within Section 14.0 of this Report are implemented there will be a significant, measurable, improvement in performance, particularly on the key areas of performance where current data is vague: resident satisfaction, appointments, recalls, cost and time predictability.

9.1.4 Improved customer care

The review has demonstrated that, generally, customers are satisfied with the service provided by the DLO, although this is difficult to support quantitatively due to the lack of performance data.

The last published level of tenant satisfaction was 94% against a target of 90% (for the last six months of 2004/05) although this was against a relatively low return rate.

9.1.5 Fit with the Council's stated objectives and priorities

There is a potential that the DLO can turn its existing trading position into a situation where a surplus is being made. The lack of available performance data makes it difficult to demonstrate value for money.

However, it is worth noting that the DLO are operating at over 10% less than City Services on the Schedule of Rates.

9.1.6 Effect on Council employees

The retention of the DLO is a positive action, particularly in the current climate of Capping and the effect this has had on SCDC.

9.1.7 Effect of possible future housing stock transfer

The DLO has a formal contract with the Council and as such this would novate to the successor body. There are numerous Local Authorities that have been through a stock transfer and retained their DLO to great success (e.g. Wrekin Housing Trust, Ridgehill Housing Association (Community Building Services Ltd.)).

Often, the change in governance from a Council to a Registered Social Landlord has allowed more flexibility within DLO organisations and many DLOs have built their business base extensively through open tendering as they are inclined to be less risk adverse.

If the stock is transferred there is also the potential to convert the DLO to a limited company (that would be wholly owned by the Registered Social Landlord).

9.2 Legal Considerations

9.2.1 Fit with current contractual commitments

The existing contracts were let on a 4+1 basis (4 years with a 1-year extension option) in September 2004 and as such there is no impact on the current contractual commitments through retaining the DLO.

9.2.2 Impact on existing area responsive repairs contract with City Services

There is no impact on the contract with City Services.

9.2.3 Fit with the Council's financial regulations and contract standing orders

There is no impact on the Council's financial regulations and contract standing orders.

9.3 Financial Considerations

9.3.1 Likely one off and ongoing costs of each option to the Council

The anticipated cost of the DLO operation for 2004/05 is £1,735,530, of which the most significant elements are:

- £694,610 Salary Costs
- £458,000 Materials and Sub-Contractor Costs
- £340,000 central, departmental and support services costs
- £216,920 vehicle costs

This is based on the DLO employing 35 operatives and 4.5 office based staff. During the process of the review several opportunities have been identified that will reduce these operating costs. These are identified in more detail in Section 14, but can be summarised as follows:

- **Reduction in labour** – reduce the number of operatives through moving to a multi-skilled workforce and increasing productivity. This process is all ready underway and the current resource level stands at 30, 5 less than previously.
- **Integrated supply chain** – enter a single-source supply agreement that will provide both materials cost savings and increase productivity
- **Review support costs** – the contribution to central office appears high at 20% and this needs reviewing – it may be possible that buying in or outsourcing some of these services in will provide substantial savings
- **Vehicle costs** – number of vehicles will reduce accordingly with the reduction in labour as will traveling costs

The ongoing DLO Recovery Plan has all ready started to reduce the operating deficit and when this Plan is integrated with the recommendations within this report the DLO should be able to move towards delivering a surplus by the time the two-year extension is due in September 2007.

There will be initial costs involved in delivering some of the improvements within the DLO but these will be funded from within the operating savings made through introducing the changes. These are identified in more detail in Section 14.0.

9.3.2 How does the option deal with reducing responsive repairs budgets?

The reduction in the budgets 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 building a workforce that is reflective of the budget.

It is recommended that the DLO workforce is developed into an operating core that is based around the baseline budget and that sub-contractors are used as buffers to deal with peaks and troughs within the workflow.

9.4 Conclusion

The DLO clearly has ongoing issues that need resolving in order to move to a positive trading position. However, given the inherent issues relating to the other options and the fact that the DLO is all ready in a process of recovery this is the option that is recommended by the authors of this report and is supported by the Core Group.

It is also worth noting that retention provides the Council with closer control over the service provider than any of the other options identified. This has the advantage of providing a more flexible service to the Customers of SCDC and provides more direct access to resources by the Council as recently demonstrated in several emergency flood situations where resources were easily diverted to deal with the emergency.

10.0 Option 2: Establish a long term Public Private Partnership

10.1 Operational Considerations

10.1.1 Impact on the Council's organisational structures

The formation of a Public Private Partnership (PPP) for the delivery of the responsive service and would involve the transfer (under Transfer of Undertakings (Protection of Employment Regulations (TUPE) conditions) of the existing workforce. This approach would effectively involve the full transfer of the responsive repairs service to the PPP.

The three cases that echelon has used as reference points for this report are Enterprise Liverpool, Kier Sheffield LLP and Colchester Homes. In all cases, joint venture companies have been set up, with Liverpool and Sheffield being set-up as Limited Liability Companies with the Councils having minority shareholdings in the LLP.

10.1.2 Partnering and the development of Egan principles

The PPP would meet the objectives of the Egan Report and would be set up a true collaboration between SCDC and the selected Partner. The three reference projects have both demonstrated that the principles have been fully adopted.

10.1.3 Service performance improvement

The PPPs reviewed have demonstrated significant improvements in service delivery. However, they have yet to demonstrate significant cost savings in delivering the responsive service.

10.1.4 Improved customer care

One key advantage of the PPP would be the potential to develop an in-house repairs call centre, with all repairs being delivered by one provider. This has the potential to deliver significant improvements in customer care, particularly in the drive to make appointments at initial point of contact, Sheffield quoting 92% of appointments being made and kept.

10.1.5 Fit with the Council's stated objectives and priorities

The formation of a PPP would have no negative impact on the Councils objectives and aspirations and would potentially be the option most aligned with the objective to develop Partnership approaches to delivering services.

10.1.6 Effect on Council employees

The development of a PPP would have a huge impact on all staff currently involved in the project with a wholesale transfer of personnel to the new Joint venture organisation. Effectively, the staff transferred would be working for a new company and there is an interesting dichotomy between working for an organisation part owned by a commercial organisation and a Council that would need to be well managed to prevent leakage of staff. However, the Colchester model is unique in as much as the DLO operatives are still employed by the Council and managed by the Contractor, Inspace, on behalf of the Colchester Arms length Management Organisation.

10.1.7 Effect of possible future housing stock transfer

The PPP would be partly 'owned' by the Council and as such novation clauses would need to be developed to ensure that any successor body on transfer of the stock would takeover the Client function within the PPP.

10.2 Legal Considerations

10.2.1 Fit with current contractual commitments

The whole ethos of the formation of a PPP would be to channel as much work as possible through the Joint Venture organisation to gain the economies of scale that will gain maximum value.

Therefore, if this option were selected all existing contracts would need to either be determined or novated to the PPP.

10.2.2 Effect on the existing area responsive repairs contract with City Services

In order to accommodate the PPP there would need to be an exclusivity agreement for the Joint Venture Company, as demonstrated on the case studies. The existing contract would detract from the potential value of the PPP/JVC and as such would not be viable in parallel.

10.2.3 Fit with the Council's financial regulations and contract standing orders

The Councils Standing Orders have no direct provision of the development of a PPP and would need to be revised to incorporate such an approach.

The Standing Orders do make reference to Consortium Framework Contracts (6.8 Page J-5) and there is an allowable exception for consortium/collaborative approaches 6.5 Page J-5) and this is the closest reference to a PPP Bid.

10.3 Financial Considerations

10.3.1 Likely one off and ongoing costs of each option to the Council

One off costs will be high and are difficult to quantify as the models investigated by echelon were on a much larger scale. However, there will be substantial legal costs in the setting up of any LLP and in the examples reviewed the procurement period was around 18 months and as a consequence the procurement costs will be substantial.

The ongoing costs are again difficult to quantify and in the cases reviewed the Joint Venture Company was guaranteed substantial minimum income, with the Council underwriting any shortfall.

10.3.2 How does the option deal with reducing responsive repairs budgets?

As stated, the joint venture companies on the case studies had a guaranteed fixed income for the duration of their contracts. Given the set-up costs involved for the commercial organisations within the PPPs it is unlikely that they would be interested in entering a project with diminishing returns.

10.4 Conclusion

The development of a Public Private Partnership is clearly an innovative approach to the delivery of a responsive repairs service and has demonstrated many benefits on three projects studied for the purpose of this report.

The Audit Commission is quoted as saying '*In-sourcing arrangements in themselves do not ensure improvements in value for money and quality of service. It is how they are applied which determines if they are successful in achieving these aims*' and it must be acknowledged that this approach will not necessarily deliver any improvements in the service.

The key to the success of the projects reviewed as part of this exercise has been the ability to attract commercial organisations to invest in the project and this is due in no small part to the volume of the projects (55,000 houses and municipal buildings in Sheffield with a guaranteed turnover of £50million per annum for 10 years and £14m per annum in Colchester).

In the Sheffield case the DLO element of the service was also generating an operating profit and as such the commercial organisations were not placed at an initial risk of transferring a non-performing organisation.

In the Liverpool case the transfer of the Repairs service took place after the selection transfer and development of street cleansing.

The Colchester model is an in-sourcing arrangement with the private contractor working with existing CBH staff. The partner was procured through a competitive procurement process with tenant involvement in the evaluation and selection process. There were initially 36 expressions of interest. The contract runs initially for 10 years at an approximate value of £140 million.

The value of the repairs service makes it unlikely that SCDC could find a suitable commercial partner to enter a PPP with and such it is not felt that this option is viable for SCDC.

11.0 Option 3: Transfer DLO operations to City Services

11.1 Operational Considerations

11.1.1 Impact on the Council's organisational structures

The client function within the Council would effectively remain the same with the only potential tangible benefit being that there would only be one Contract/Contractor to manage.

The DLO function would cease to exist as it would be wholly transferred to City Services. This would mean that the current £340k contribution that the DLO makes to central office overheads would also cease.

11.1.2 Partnering and the development of Egan principles

There is a rational argument that a contract can never truly be perceived as Partnering where a Schedule of Rates Contract is involved as the financial risk of delivering the service is not equitable.

It is not felt that the current contract fully achieves the principles of Partnering although it is a major step in the right direction.

If the DLO is transferred to City Services there is an opportunity to determine the existing contracts and re-let the contract on a contract that is fully aligned with the Egan principles.

City Services have extensive experience of Partnering and have an existing Partnering agreement in place for the provision of Responsive Repairs and Decent Homes with Cambridge City Council.

11.1.3 Service performance improvement

Although there is lack of performance data available it has been evidenced that as well as being on a lower uplift on the Schedule of Rates the DLO is currently delivering a better quality service than City Services for substantially less contract cost.

If the service is transferred to City Services clear targets would need to be set and monitored, both on cost and quality.

11.1.4 Improved customer care

The DLO currently has higher levels of customer satisfaction than City Services and there would need to be robust target set for City Services to improve their approach to Customer Care, with the potential to incentivise performance in this area.

11.1.5 Fit with the Council's stated objectives and priorities

The wholesale transfer of a service that is currently 'owned' by the Council to a third party may contradict some of the objectives that the Council has set, particularly in relation to value for money and sustainability.

11.1.6 Effect on Council employees

As with the other options there are huge TUPE implications related to re-tendering. All the staff currently engaged by both SCDC and City Services would be covered under TUPE legislation given that they work exclusively on the Contract.

Therefore, the primary effect on Council Employees is that all those currently employed by the DLO would have the right to transfer to City Services for the duration of the Contract.

The TUPE legislation protects the staff terms and conditions. However, TUPE implications are deterring many organisations from tendering for Responsive Repairs particularly as current legislation would involve City Services taking full financial risk.

11.1.7 Affect of possible future housing stock transfer

This issue would need to be dealt with in the terms of the Contract Form selected for the project.

The exact relationships would be dependant on which transfer route was selected (Arms Length Management Agreement or Large Scale Voluntary Transfer) but in all likelihood the Contract would novate to the successor body from the Council at point of transfer.

11.2 Legal Considerations

11.2.1 Fit with current contractual commitments

The existing contracts were let on a 4+1 basis (4 years with a 1-year extension option) in September 2004. Legally, the contract could be novated to City Services for the remainder of the term.

The issue of TUPE would need to be considered in detail as the risk of fulfilling pension requirements for SCDC operatives that transfer under TUPE Regulations will become the responsibility of City Services.

11.2.2 Effect on existing area responsive repairs contract with City Services

The Council should be able to negotiate a preferential rate against the Schedule of Rates if all three areas are given to City Services, although this should not be assumed as there is a potential that City Services may actually seek an increase in the rate to cover the cost of the TUPE risk.

11.2.3 Fit with the Council's financial regulations and contract standing orders

There is no specific item within the Councils Standing Orders that recognises the transfer of the service to a third party and as such the Standing Orders would need to be reviewed and amended accordingly.

11.3 Financial Considerations

11.3.1 Likely one off and ongoing costs of each option to the Council

The breakdown of the cost of the contracts for 2004/5 was as follows:

- East 4,588 orders £681,384.55 (SCDC)
- West 4,814 orders £805,695.41 (SCDC)
- South 4,728 orders £1,036,290.71 (City Services)

This demonstrates that the average order cost for each area is as follows:

- East – £148.51
- West – £167.37
- South - £219.18

This demonstrates that the average order cost for City Services is significantly higher than that of SCDC. Using the average order value as a measure and applying that average order cost to the two DLO areas the costs for 04/05 would have been £1005597.80 (c£324k additional cost) for the east and £1055132.50 (c£250k additional cost) for the west. Using this equation demonstrates that the cost of City Services could potentially be £574k more than the DLO.

The other exercise undertaken was to apply the City Services SOR to the DLO costs by stripping out the DLO uplift (-22.65% east and -20.65% west) and then applying the City Services uplift (-10%).

This provides the following indicative costs:

- East – c £792819.77 (+£111k)
- West – c £913832.20 (+£108k)

Using this methodology if City Services carried out exactly the same orders as the DLO there would be an additional cost of at least £219k.

11.3.2 How does the option deal with reducing responsive repairs budgets?

The reduction in the budgets 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 building a workforce that is reflective of the budget.

The contract can be written in such away that the diminishing budget is clearly identified to City Services and they will have to absorb the problems this creates within their rates. Hence, the risk would effectively transfer to City Services.

11.4 Conclusion

At first glance, the transfer of the DLO Service looks like an easy option to take. However, there will be an additional cost of between £219k and £574k dependant on which method of analysis of historic costs used.

This does not allow for any additional costs that City Services may seek to cover their risk on costs associated with TUPE.

Given the recommendations within this report the transfer to City Services could provide a short-term solution on the current projected deficits within the DLO as the risk of under-recovery would transfer to City Services.

However, if the DLO incorporates the recommendations within the Report and all ready underway through the Recovery Plan they will provide a more cost effective solution than City Services within the life of the existing contract against a backdrop of providing a better quality service.

12.0 Option 4: Undertake a new tendering exercise

12.1 Operational Considerations

12.1.1 Impact on the Council's organisational structures

This will be largely dependant on the outcome of the exercise which is effectively an unknown quantity. The market is volatile at the moment and the size of the contract would restrict interest from the contractors market as demonstrated during the last tender exercise.

12.1.2 Partnering and the development of Egan principles

There is a rational argument that a contract can never truly be perceived as Partnering where a Schedule of Rates Contract is involved as the financial risk of delivering the service is not equitable.

It is not felt that the current contract fully achieves the principles of Partnering although it is a major step in the right direction.

If the contract is to be re-tendered it is recommended that it is procured in such a way that it fully meets the Egan principles, which would primarily mean a move away from a traditional Schedule of Rates approach to an 'Open Book' Cost Model where the contractor is reimbursed for their actual recorded costs.

12.1.3 Service performance improvement

There is no guarantee that re-tendering and appointing new service providers will improve the level of service being delivered. However, there is the potential to build a financial incentive into the Contract to focus on service delivery.

12.1.4 Improved customer care

As above, this option has no guarantee of providing improvements in Customer Care. Given the DLOs current relatively high levels of Customer Satisfaction there is a probability the levels of customer care will diminish, particularly if a new service provider is appointed as they will have to go through the learning curve of developing and delivering the service from a standing start where as the DLO are all ready in situ.

If the contract were to be re-tendered it is recommended that a complete review of the service is undertaken with the full input of your customers to ensure that the service that is tendered is reflective of Customers needs.

12.1.5 Fit with the Council's stated objectives and priorities

The Council's objectives would form part of the tender document and, as with the previous tendering exercise, a large element of the scoring of the tenders will be qualitative.

One of the key aspects of the qualitative selection process will be to ensure that the selected Contractors are able to demonstrate a commitment to delivering SCDC's objectives through provision of evidence of delivering similar services elsewhere.

12.1.6 Effect on Council employees

As with the other options there are huge TUPE implications related to re-tendering. All the staff currently engaged by both SCDC and City Services would be covered under TUPE legislation given that they work exclusively on the Contract.

Therefore, the primary effect on Council Employees is that all those currently employed by the DLO would have the right to transfer to the new service provider for the duration of the Contract.

The TUPE legislation protects the staff terms and conditions. However, TUPE implications are deterring many organisations from tendering for Responsive Repairs particularly as current legislation involves the Contractor taking full financial risk

12.1.7 Effects of possible future housing stock transfer

This issue would need to be dealt with in the terms of the Contract Form selected for the project.

The exact relationships would be dependant on which transfer route was selected (Arms Length Management Agreement or Large Scale Voluntary Transfer) but in all likelihood the Contract would novate to the successor body from the Council at point of transfer.

12.2 Legal Considerations

12.2.1 Fit with current contractual commitments

If the tendering exercise is undertaken prior to the end date of the existing contracts (September 2008) all three contracts would need to be terminated using the break clause.

This could have an adverse effect on the delivery of the existing service due to the DLO and City Services working out the notice period in an environment when personnel will be seeking alternative employment.

12.2.2 Effect on existing area responsive repairs contract with City Services

City Services area would have to be re-tendered with the two DLO areas and they would be at risk of not winning any areas through the tendering process.

12.2.3 Fit with the Council's financial regulations and contract standing orders

The Council's Standing Orders allow the letting of the contract to individual contractors or consortia (Sections 3.0 and 6.8 respectively) and as such there is no conflict with the existing regulations.

12.3 Financial Considerations

12.3.1 Likely one off and ongoing costs of each option to the Council

There are costs associated with re-tendering and these would include the cost of advertising, preparation of tender documents and the human resources within SCDC to procure the three contracts.

The ongoing costs are difficult to predict. It is highly unlikely that any other Contractor will be able to offer the rates currently being delivered by the DLO and City Services.

It is difficult to take a direct comparison to demonstrate this due to SCDC's use of a bespoke Schedule of Rates, However, echelon have undertaken a comparison exercise against the most widely used Schedule of Rates within the Housing sector, The National Housing Federation Schedule of Rates, Version 5. This Schedule is used by over 330 organisations covering in excess of 2 million properties.

A sample comparison of several commonly used codes indicate that the base cost of the two schedules demonstrate that the NHF schedule is around 10% higher than the net SCDC SOR.

The average uplift on contracts recently let within the south east average at around +15%. This would indicate an overall cost increase in the region of +25% in direct comparison with the net SCDC Schedule of Rates.

As previously stated the DLO is currently operating at a discounted rate of -22.65% on the east contract and -20.65% on the west contract. This highlights that there is a potential risk that re-tendering in the current market could increase costs by over 40%.

12.3.2 How does the option deal with reducing responsive repairs budgets?

The risk for diminishing budgets will sit with the selected Contractors. The tender documents would profile the budget for the duration of the project and the Contractors will price the document accordingly.

12.4 Conclusion

The re-tendering of the Contracts is of high risk and could result in SCDC paying far greater prices for the service than currently incurred.

Current tendered rates are significantly higher than are being paid by SCDC at present and there is also the additional costs involved in the procurement process as well as the resource level needed to implement the project following procurement.

There is also a risk that Contractors will not be attracted to the project due to the value and the geographic location. This was evidenced during last years tendering exercise where no other competitive tenders were received in comparison to City Services and SCDC tenders (averaged across the three areas) as follows:

- Contractor 1: +70%
- Contractor 2: -10.8% (City Services)
- Contractor 3: +50%
- Contractor 4: -17.3% (SCDC)
- Contractor 5: -8.7%

As can be seen the only tender that was comparable to the DLO and City Services was Contractor 5 and the organisation that provided the tender was not felt to be of a suitable size/experience to deliver the project.

13.0 Option Recommendation

The Report recommends that SCDC retains its DLO with a focus on building the business base and also applying a series of recommendations that will make the organisation more cost effective whilst improving the level of service provided.

In summary, the rationale for this recommendation is as follows:

Option 1: Retain DLO and Build Business Base

- Cost of retaining the DLO is the most cost effective solution due to additional costs incurred with other options
- DLO capable of moving to positive trading position if recommendations are implemented
- Customer Satisfaction levels are currently high (94%)
- DLO uplift rates are highly competitive and as such tendering for work externally to generate additional income is viable
- Existing Recovery Plan is delivering its targets and DLO is improving its trading position

Option 2: Public Private Partnership.

- Not felt to be viable option to the volume/value of work

Option 3: Transfer DLO to City Services

- There will be a significant increase in costs on existing SOR Rates.

Option 4: Retender

- Market appraisal indicated substantially higher rates against SOR if re-tendered.

This recommendation is endorsed by the Core Group of the Review.

The following section provides a detailed Service Improvement Plan, based around the key findings during the review process. It is strongly recommended that SCDC implements this plan.

14.0 Service Improvement Recommendations

14.1 Introduction

The following table provides a detailed list of suggested improvements in the delivery of the repairs service using the preferred Option (retention of DLO).

The suggested improvements are based around current good practice and make particular reference to delivering a service that delivers 'excellence' against the criteria set out by the Audit Commission in Key Line of Enquiry 3 – Asset Management and 32 – Effectiveness and Efficiency.

14.2 Improvement Plan

Plans have been developed for the following recommended Actions and are in no particular order of priority as all are necessary to improve the service:

1. Review Repair Ordering Process
2. Externalise Stores
3. Develop KPIs
4. Develop Multi-skilled workforce
5. Develop Partnering Culture
6. Develop Appointment System
7. Increase Resident Input
8. Develop Business Base
9. Review Schedule of Rates
10. Develop 'Right First Time' Approach
11. Develop use of 'Hand-held' computers
12. Review Payment Process
13. Integrated IT System
14. Incentivisation
15. Training
16. Improve morale
17. Inspection Process
18. Workflow
19. Review Support Costs
20. Empowerment/ 'Attend Defect'
21. City Services Average Order Values
22. Produce DLO Business Plan

It is recommended that the existing stakeholder Core Group (formed specifically to assist in the review), or a derivative thereof, be tasked with managing the delivery of the improvements detailed in this section.

14.3 Action Points

Action Point 1	Review Repairs Ordering Process
Issue	Accuracy of Contact Centre in diagnosing repairs
Key points	Both City Services and DLO report high proportion of orders being mis-coded by Contact Centre Operatives dissatisfied with level of information being provided on orders Inability to physically demonstrate how big problem is through fundamental lack of performance measurement
Options to Mitigate	Development of specific KPI to measure number of orders mis-coded Technical training for call centre staff Consideration of Repairs Locator software to improve coding of orders
Preferred Option and Action	All of the above
Benefits	Increase in productivity of both DLO and City Services Higher levels of satisfaction with potential to achieve more completions on first visit
Cost Implications	Cost savings through additional productivity of workforce

Action Point 2	Externalise Stores
Issue	Multiple suppliers currently used
Key points	Lack of storage space at Landbeach depot Lost productivity in workforce traveling to and from Builders Merchants No formal 'Buyer' in post at DLO – effects ability to ensure best value being achieved High volume of low value orders currently being processed by SCDC
Options to Mitigate	Develop a Partnering Agreement with a single supplier Bulk purchasing agreement with discounted costs Externalise stores function to selected merchant Merchant to provide deliveries to site rather than multiple visits to yard Ability to order materials as they are needed – 'just in time' deliveries <i>Note: As part of the review process a group from SCDC visited Wrekin Housing Trust to review their approach to achieving this objective</i>
Preferred Option and Action	Select and develop Partnering Agreement with Builders Merchant for single source volume supply agreement
Benefits	Significant cost savings through single source supply agreement Standardisation of materials across SCDC stock Reduction in administrative costs through development of bulk invoicing Increase in productivity of DLO through reduction in van trips to merchant Higher levels of satisfaction with potential to achieve more completions on first visit
Cost Implications	Cost savings through reduction in capital cost and increased productivity The Councils Contract Standing Orders will need to be reviewed as the value of the materials used on the contract indicate that a full tendering process will need to be undertaken where it may be more practical to appoint as a nominated supplier to the main contract

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Action Point 3	Develop Key Performance Indicators
Issue	Fundamental lack of performance management data
Key points	Lack of KPIs in use on responsive repairs project Inability to provide evidence on value for money Inability to demonstrate any Auditability of service Risk of failing any external audit due to lack of data Unable to benchmark performance meaningfully
Options to Mitigate	Develop robust KPIs and performance management process for project KPIs suggested by Core Group: <ul style="list-style-type: none"> - SCDC Satisfaction with DLO/City Services - Resident Satisfaction - No. appointments made and kept - No. jobs complete on first visit - No. of recalls - No. orders completed within timescale - Cost predictability (no. variations) - Average Order Cost - Productivity - Order description accuracy - Accidents 3 of these KPIs are all ready been collected and the existing process needs to be developed to capture the above and make the existing more robust
Preferred Option and Action	Mutually develop KPIs between SCDC Client and DLO and City Services teams and agree targets for KPIs
Benefits	Use of KPIs to demonstrate levels of performance Drive continuous improvement Ability to benchmark performance with other organisations
Cost Implications	No additional cost

Action Point 4	Develop Multi-skilled Workforce
Issue	Under recovery of DLO costs through poor productivity and balance of workforce
Key points	Multi-skilled operatives will increase productivity – one operative per job Increase in number of orders completed on first visit Higher retention of operatives through training and skill building
Options to Mitigate	Define what attributes 'multi-skilled' operatives need Undertake detailed review/profile of work-type volume by trade and optimise workforce accordingly Increase ability to recruit and retain operatives through developing operatives skills
Preferred Option and Action	Mutually develop KPIs between SCDC Client and DLO team and agree targets for KPIs.
Benefits	Use of KPIs to demonstrate levels of performance Drive continuous improvement Ability to benchmark performance with other organisations
Cost Implications	Training and potential increase salary costs off-set by significant Cost savings through decreasing overhead cost whilst increasing productivity Moving to a multi-skilled workforce will allow reduction in workforce numbers over time. There is currently no training budget for the DLO. It is recommended that a budget of £500 per operative be allocated. This would incur an annual cost £15000

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Action Point 5	Develop Partnering Culture
Issue	Lack of partnering ethos demonstrated n project
Key points	Lack of mutual objectives for project No integrated Core Group for delivery of project Lack of KPIs (see Action Point 3) Lack of integration between client/contractor roles Poor definition of client/contractor roles and responsibilities within contract Low morale within DLO delivery team through lack of communication
Options to Mitigate	Facilitated Partnering workshop with full stakeholder representation (including City Services) to re-define Partnership principles Develop Partnering Charter (measurable mutual objectives for project) Introduce KPIs for project (Action Point 3) Develop detailed communication protocol for project Monthly client/contractor team progress meetings
Preferred Option and Action	All of the above
Benefits	Will instill better working relationship between client/contractor Will deal with issues of morale
Cost Implications	No additional cost implications, other than cost of workshop Potential to significantly improve productivity

Action Point 6	Develop Appointment System
Issue	Audit Commission expectation that appointments are made at first point of contact
Key points	<p>At present time Contact Centre unable to make appointments on first call from tenant Orders are passed to DLO and City Services and appointments made Appointments system functionality sits within the IT system being used by DLO but is not currently being used. Current performance is good (96% jobs where appointments made and kept – performance last six months 2004/05)</p>
Options to Mitigate	<p>Explore functionality within existing IT system to ensure that it enables appointments to be made Convene a meeting with the Contact Centre to establish methodology for making appointments for DLO (and City Services) on initial call</p>
Preferred Option and Action	All of the above
Benefits	<p>Introduction of appointments at first call fully meets Audit Commission expectations Increase in customer satisfaction with the service Reduction in the number of missed appointments Reduction in the amount of time DLO administration team spend on contacting tenants will increase productivity</p>
Cost Implications	<p>Software is all ready in place so no IT costs anticipated May be some cost implication within Contact Centre for undertaking extra work in making appointments although the impact will be minimal and any physical cost is negligible and will be off-set against increased productivity</p>

Action Point 7	Increase Resident Input
Issue	Lack of direct involvement of tenants and residents in the delivery of the repairs service
Key points	<p>No direct engagement with tenants in the management and provision of the responsive repairs service</p> <p>DLO undertaking some repairs that may be the responsibility of the tenant</p>
Options to Mitigate	<p>Convene a tenants 'Repairs Focus Group' Handbook – ensure tenants fully aware of their responsibility and response times</p> <p>Potential to increase amount of repairs tenants responsible for</p> <p>Charge tenants for repairs to generate income (fixed cost)</p> <p>Introduce charge for missed appointments to Tenants to reduce amount of missed appointments</p> <p>Agree extension to priority times for non-urgent works to deal with any peaks and troughs</p>
Preferred Option and Action	Development of a tenants 'Repairs Focus Group' to assist in implementation of improvement plan and to act as a representative group in the ongoing delivery of the repairs service. The group can work with SCDC in the development of the other actions highlighted above
Benefits	A key element of the Audit Commissions expectations for the service is active involvement of tenants at present this is missing from the delivery of the service Involving tenants directly in developing the service will ensure buy-in of any changes made, particularly if any of the suggested re-charging elements are introduced (For example, at Brent Housing Partnership the introduction of a charge for missed appointments by tenants has been driven by the Repairs Group)
Cost Implications	No cost implications

Action Point 8	Develop Business Base
Issue	Identify and secure additional sources of income for the DLO to replace diminishing income for responsive repairs service, to tenders externally for responsive maintenance contracts
Key points	<p>There are 3 elements to identifying additional income:</p> <ol style="list-style-type: none"> 1. Increase volume of planned work from SCDC – the current approach to providing work other than responsive repairs to the DLO appears to be on an ad hoc basis and the development of a long-term commitment to the value and volume of work provided to the DLO should identify additional income for the DLO 2. Provide a list of repairs that the DLO will provide to tenants for a fixed charge, based against the Schedule of Rates – will generate additional income and could include repairs that are currently being undertaken by SCDC that are actually tenants responsibility 3. Secure external contracts – to bid and secure external responsive repairs contracts and planned works from other Social Housing clients
Options to Mitigate	<p>Option 1 needs to be investigated and acted upon immediately as the current ad hoc approach is not satisfactory</p> <p>Option 2 needs to be developed with the input of Housing Management and the Repairs Focus Group (see Action Point 7)</p> <p>Option 3 is not viable at the present time. Despite the clear cost effectiveness of the DLO, until such time as the DLO has a robust set of performance data in place and implements the changes within this report the DLO would not pass a qualitative selection process. If this service plan is put into place the DLO will have the ability to secure external maintenance contracts by April 2006</p>
Preferred Option and Action	All of the above
Benefits	Any additional income will be set against the existing overhead and as such will make the DLO more cost effective, particularly against the backdrop of a reducing responsive repairs budget
Cost Implications	Any work undertaken by the DLO on the current Schedule of Rates will provide a very cost effective approach and will lead to direct cost savings for SCDC

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Action Point 9	Review Schedule of Rates
Issue	Need to ensure that the bespoke SCDC Schedule of Rates is providing maximum value
Key points	<p>Develop a Sub-group for review of SOR made up of SCDC/DLO & Contractor Representatives – brief of group will be to review existing SOR, Review other SOR options (bespoke or ‘off the shelf’), is SOR way forward</p> <p>Many orders have multiple codes for repetitive work Varying quality of products being installed by DLO and City Services indicate that specification needs to be reviewed and enforced</p>
Options to Mitigate	<p>Instigate working group to undertake a review the SOR drawn from existing stakeholders to the project</p> <p>Development of more composite codes</p>
Preferred Option and Action	As above
Benefits	<p>Will increase understanding of the Schedule of Rates between SCDC and its service providers</p> <p>Increased use of composite codes and ‘attend defects’ will reduce number of codes and also reduce number of variations</p>
Cost Implications	No cost implications – review will lead to increased productivity

Action Point 10	Develop 'Right First Time' approach to Repairs
Issue	A key objective of the Audit Commission is the delivery of a 'right first time' approach to delivering Responsive Repairs
Key points	<p>The definition of 'right first time' is the ability to attend to the repair in one visit and completing it to a high standard</p> <p>Whilst the quality of the work produced is generally good, the DLO is currently restricted in its ability to provide a 'right first time' approach due to lack of a multi-skilled work</p> <p>Perception that there are 'two vans at every job' - identified at workshop as a perception of the service</p> <p>No current performance measure of how many jobs are completed on first visit</p>
Options to Mitigate	<p>Upgrade current levels of self-certification of variations</p> <p>Integration of supply chain to provide materials to site (see Action Point 2)</p> <p>Development of multi-skilled workforce (see Action Point 4)</p> <p>Potential use of 'attend defect' approach, with more empowerment to operatives (see Action Point 20)</p> <p>Introduction of KPI for number of jobs completed on first visit (see Action Point 3)</p>
Preferred Option and Action	The implementation of several of the Action Points within this Report will result in the development of a 'right first time' approach
Benefits	Will meet the Audit Commissions standard for delivering an excellent service and will increase tenant satisfaction and reduce the number of appointments for repeat visits
Cost Implications	The delivery of a 'first fix' approach by a single multi-skilled operative will increase productivity

Action Point 11	Develop use of Hand-held computers
Issue	Reduction in volume of paperwork will increase productivity
Key points	The current process used by the DLO is paper-based and is labour intensive – operative’s daily worksheets are prepared manually and operatives have to attend depot every morning to collect their work/appointments for the day. System could also provide GPS tracking capability
Options to Mitigate	<p>Introduce hand-held PDA or XDA technology for the delivery of the responsive repairs service</p> <p>Note: as part of this review process representatives of the Core Group and representatives from SCDC IT department undertook a visit to Wrekin HT, who have recently introduced such a system successfully</p>
Preferred Option and Action	Explore available options and implement hand-held technology. This will also link to the collection of KPI data (Action Point 3) and the externalisation of the Stores (Action Point 2)
Benefits	Reduction in paperwork will increase productivity. Removal of necessity for operatives coming into depot every morning will enable operatives to attend site straight from home (saving up to one hour, per operative, per day) this will also reduce the cost of fuel and reduce the pressure on the depot in the mornings when all the vehicles arrive and depart simultaneously
Cost Implications	<p>SCDC IT staff are currently in direct communication with Wrekin to ascertain the costs associated with developing the technology highlighted above</p> <p>As an indication another organisation that echelon has recently undertaken a project with recently paid approximately £14k for development of the software and approximately £300 each for the handhelds indicating a set-up cost in the region of £25k</p> <p>Although there will be a significant set-up cost for the implementation of hand-held technology the pay-back in increased productivity will be instant. For example, just through enabling staff to travel direct from home to their first job will add up to 30 hours of productivity a day</p>

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Action Point 12	Review Payment Process
Issue	High volume of low value orders
Key points	Too much time spent processing invoices Many invoices are of low value (many under £5) Data double entered – manual invoices entered onto SCDC system
Options to Mitigate	Detailed process mapping of payment process Develop IT system to enable more bulk invoicing Encourage all suppliers/sub-contractors to bulk invoice Explore direct IT links to main sub-contractors/suppliers
Preferred Option and Action	All of above
Benefits	Increased productivity Improved cash-flow Reduce backlog of invoicing
Cost Implications	Potentially significant savings in reduction in overhead of processing invoices

Action Point 13	Develop Integrated IT System
Issue	Whilst there is some integration of IT systems there needs to be more direct linkage between systems
Key points	IT not fully being utilised on project and the process is still based around paper systems DLO has some direct linkage with Orchard and this needs to be rolled out to sub-contractors Double-entry of data due to lack of integration of systems (e.g. DLO raise order to sub-contractor that could go direct if systems integrated)
Options to Mitigate	Discuss potential improvements with IT database provider (Orchard) Identify other organisations that have fully integrated their IT systems between client and service provider and Development of IT sub-group to develop Open access to system by sub-contractors to enable instant access to orders and electronic invoicing
Preferred Option and Action	Development of IT sub-group with representatives from SCDC IT team, DLO and sub-contractors to explore options listed
Benefits	Direct access to system by sub-contractors will free up administrative team who are currently faxing/phoning orders through
Cost Implications	There may be an additional cost attached to further enhancing the Orchard system. This will need to be explored by the IT sub-group and quantified

Action Point 14	Incentivisation
Issue	At present there is no financial incentive or bonus paid to operatives
Key points	<p>Inability to incentivise good performance</p> <p>Flat salary system in place through move to 'Single Status' makes it difficult to introduce incentive scheme</p> <p>Peer pressure from other organisations that pay operatives bonuses</p> <p>Operatives have suggested the introduction of an incentive scheme built around performance</p> <p>Introduction of incentive schemes acknowledged as good practice in achieving a good service</p> <p>A key driver of Partnering is 'sharing any gains' and as such this objective will assist in the move to make the project more aligned with Partnering principles</p>
Options to Mitigate	Development of an incentive scheme built around performance against the new KPIs (Action Point 3)
Preferred Option and Action	Consideration of an incentive scheme built around the holistic performance of the DLO, linked to the KPIs and developed with the full input of the DLO operatives
Benefits	<p>Increase in performance and productivity and potential to reduce capital costs</p> <p>Greater ownership of the performance of the DLO by the operatives through a focus on performance management</p> <p>Retention of staff through incentivisation</p>
Cost Implications	<p>Any financial incentive scheme will have a cost attached to it. However, if the incentives are built around performance (particularly productivity) the costs should be recovered through increased profitability</p> <p>There are also opportunities to implement schemes with no direct additional cost. For example, at Wrekin operatives are able to take a day off a fortnight if they build enough hours and deliver their targets against the KPIs (overtime is not paid) – this approach was well received by the SCDC DLO representative that attended the visit.</p> <p>Note: any proposed incentive scheme will need to be developed with the full input of the Unions and be mutually developed with the workforce to ensure full buy-in</p>

Action Point 15	Training
Issue	There is no training budget in place for the DLO and level of training is poor
Key points	<p>SCDC has a statutory obligation to provide Health and Safety training to all operatives</p> <p>Operatives have had no training on key issues such as customer care, equality and diversity (in contradiction of the SCDC Policy that states that all staff will have training), lone worker training and Partnering</p> <p>DLO operatives have identified lack of training as a cause of the current low levels of morale</p>
Options to Mitigate	<p>Development of 'Training Matrix' for each operative to ascertain their current level of training and to identify their training needs. This will then inform a training strategy for the DLO</p> <p>Provision of a training budget for the DLO that will be delegated to the DLO Manager</p>
Preferred Option and Action	Development of detailed training strategy for DLO and implementation of training budget for 2006/7
Benefits	<p>SCDC will meet its statutory obligations</p> <p>Workforce will have increased knowledge and ability</p> <p>Increase in workforce satisfaction/retention (this area was identified as a key weakness at the DLO workshops held during the review process)</p> <p>DLO Manager to explore opportunities for receiving external funding from training bodies such as the Construction Industry Training Board)</p>
Cost Implications	The suggested training budget for the DLO, taking into account a level of 'catch-up' in basic training over the next financial year should be in the region of £500 per operative (see Action Point 4)

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Action Point 16	Improve Morale
Issue	Low morale within DLO
Key points	Lack of certainty over future has affected morale within workforce Bad publicity from local press over previous problems within DLO Historical lack of communication between SCDC Management team and DLO staff Management changes within DLO Issues relating to terms and conditions and lack of definition on 'multi-skilled' operatives Lack of leadership within DLO
Options to Mitigate	Fully engage workforce in service improvement process Regular open meetings/workshops with DLO workforce Increase awareness of DLO function within SCDC Ensure DLO operatives represented on Core Group for Service Improvement delivery Continue with regular informal briefing sessions with DLO to keep them informed Provide greater access to SCDC information (Intranet etc.) Provide regular performance management data to operatives through use of monthly performance against targets on the new KPIs (See Action Point 3)
Preferred Option and Action	All of the above
Benefits	There is a direct correlation between productivity and morale and as such there will be increased output Higher morale will lead to retention and recruitment of staff Note: Morale has tangibly improved through the engagement process adopted by echelon with the DLO through the review and this process and this momentum should not be lost
Cost Implications	No cost implications – deliver from existing resource levels

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Action Point 17	Pre and Post Inspection Process
Issue	Insufficient number of pre and post inspection process
Key points	SCDC not undertaking required volume of formal pre or post inspections DLO supervisors not undertaking post inspections
Options to Mitigate	Introduce Pre and Post Inspection processes Minimum of 10% of orders to be pre-inspected by SCDC prior to order being raised Minimum of 10% of all orders to be randomly supervised by both SCDC and DLO – develop standard post inspection form All orders with a value of over £500 to be post inspected by SCDC
Preferred Option and Action	All of the above
Benefits	Auditability of project. Will highlight any weaknesses in the service and provide performance data.
Cost Implications	No cost implication as can be delivered from existing resource levels – adoption of other improvements in plan will free up time for supervisors

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Action Point 18	Workflow
Issue	Productivity being affected through spread of work (lost productivity on extensive traveling between jobs) and erratic flow of planned work from SCDC
Key points	Large amount of time being wasted by operatives traveling between jobs that are geographically wide apart
Options to Mitigate	<p>Stockpile works by geographic area to minimise non-productive traveling time</p> <p>SCDC to increase amount of project work to DLO to optimise output from existing resource</p> <p>Provide more long-term commitment of planned maintenance work to DLO to allow better forward planning</p> <p>Use sub-contractors as buffer for peak and troughs in workload built around core delivery team within DLO that is as productive as possible</p>
Preferred Option and Action	All of the above
Benefits	<p>Reduction in traveling times</p> <p>Focus on core turnover targets</p> <p>Improved forward planning of planned works will maximise output by DLO</p>
Cost Implications	Cost savings in increased productivity and reduction in traveling time

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Action Point 19	Support Costs
Issue	Support costs high at 20% of contract value (£340,000)
Key points	The overhead cost paid by the DLO to SCDC is proportionately high in comparison to similar organisations undertaking responsive repairs where we would expect head office and project overheads to be in the region of 12-15%
Options to Mitigate	Detailed breakdown of the £340k paid by the DLO to SCDC Undertake 'Value For Money' exercise against costs identified Potential to outsource support costs
Preferred Option and Action	Identify breakdown of costs and undertake 'Value For Money' review
Benefits	Cost savings and potential improvement in services offered
Cost Implications	The income stream currently being costed through SCDC could be lost to an external source. Potential savings to the DLO of £85k (based on a 15% overhead)

Action Point 20	Operative Empowerment/ 'Attend Defect'
Issue	Misdiagnosis of repairs and volume of variations
Key points	<p>On visit to City Service on 20 September the Core Group was made aware of City Services approach to delivering the responsive repairs service to Cambridge City Council</p> <p>This has involved the introduction of an 'Attend Defects' approach</p> <p>All orders that are issued to the DLO utilise one of only five standard 'Attend Defects' code – attend plumbing defect, attend electrical defect etc. and then relies on the operative diagnosing and undertaking the repair. All other codes are added retrospectively on completion of the works</p> <p>Operatives are empowered to undertake repairs up-to the value of £300 without seeking authorisation</p> <p>City Services state that the average order value under the 'Attend Defects' coding system has reduced to £75</p> <p>SCDC have all ready moved someway towards this approach with the recently introduced 'LE' and 'LN' Codes that allow operatives to diagnose repairs but they still have to seek authorisation for undertaking repairs over £70</p>
Options to Mitigate	Undertake a more detailed appraisal of the City Service approach and consider implementation if tangible benefits are demonstrated
Preferred Option and Action	All above
Benefits	Deals with issues around misdiagnosis of orders
Cost Implications	City Services claim that approach has reduced average order cost

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Action Point 21	City Services – Reduce Average Order Value
Issue	City Services average order value is higher than SCDC DLO
Key points	<p>For the year 2004/5 the average order values were as follows:</p> <p>SCDC - East – £148.51 SCDC - West – £167.37 City Services - South - £219.18</p> <p>This issue was noted by SCDC and initial work has been undertaken to look into this apparent anomaly</p> <p>Current levels (for the first six months of 2005/6) are:</p> <p>SCDC - East – £120.91 SCDC - West – £127.04 City Services - South - £138.73</p>
Options to Mitigate	<p>Undertake analysis of orders to gain understanding of why order value is higher</p> <p>Convene meeting with City Services to discuss issues relating to order values</p> <p>Undertake an external benchmarking exercise with other responsive repairs service providers</p> <p>Set target for City Services to reduce the average order cost with exceptions reporting where average order value exceeded</p>
Preferred Option and Action	All of the above
Benefits	The internal benchmarking of order costs between the two DLOs is a vital element of demonstrating that SCDC are achieving value for money
Cost Implications	Any reduction in average order cost will have a positive affect on the budget

Action Point 22	Produce 5-year Business Plan for DLO
Issue	DLO currently only operating on a year-to-year basis with no medium or long-term business planning
Key points	<p>The DLO has been managed on a purely budget based basis with no long-term</p> <p>There is little ownership of the direction of the DLO by the operatives and implementation of a Business Plan backed by a delivery strategy will provide operatives the opportunity to become involved in the development of the DLO</p> <p>Research by echelon has demonstrated that the better performing DLOs, particularly those that are winning work commercial, have Business Plans in place and SCDC should draw off this good practice</p>
Options to Mitigate	Develop detailed 5-year business plan with input from Core Group and signed-off by DLO and portfolio holder
Preferred Option and Action	As above
Benefits	The introduction of a focused Business Plan will support the DLO in the delivery of this Action Plan and also the Recovery as well as providing the catalyst to move to a more commercial standing
Cost Implications	The cost of developing the Business Plan, supported by echelon, is estimated to be in the region of £3000.