



Vale of Glamorgan Council

# Service delivery study of Building Services

Final report

27 June 2008

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# Executive summary

The Council's trading functions operate on a 'break even' basis, but Building and Vehicle Services has suffered deficits in some years as well as surpluses in others. Building Services is also exposed to increasing customer expectations and a challenging national housing agenda. KPMG has been appointed to examine the future role of the DSO and consider options available for future delivery in order to deliver improved service quality, productivity, financial performance and customer satisfaction.

## *Performance*

Our first task was to look at the financial and service performance of Building Services and where possible make comparisons with other authorities and social housing providers.

Our conclusion was that the financial performance of the DSO has improved from making significant losses around 5 years ago to a broadly break even position over the last 18 months. However, in relation to housing, where comparisons are readily available, costs appear higher than average. This remains the case for voids as well as for responsive work, despite recent improvements.

The picture on service performance is similarly mixed. On the main KPIs on responsiveness, the Council appears below average, though not significantly so, and the APSE benchmarking paints a similar picture of good and less good performance against a detailed range of indicators.

## *Customers*

The views of the main customer departments are that Building Services could improve in terms of communication and performance management, although Property were impressed by their recent KPMG performance in delivering the contact centre contract.

## *Options*

Overall, we recognise that the Building Services have made progress in the last 6-9 months and that the direction of travel is positive. However, the targets in the business plan are extremely challenging because of the scale of improvement which is required in a relatively short space of time and the squeeze which is going to be put upon the available budgets, particularly for housing revenue work.

We believe that there are significant risks which are attached to the delivery of the business plan so the Council needs to decide whether to:

1. Continue with the business plan in its current form for the foreseeable future
2. Monitor progress against the plan on a quarterly basis and seek to instigate an alternative if performance against plan targets is slipping
3. Make a decision that the risks outweigh the benefits and that an alternative delivery method should be sought now.

If the Council were to decide to seek an alternative method of delivery, then we believe that the single large scale public private partnership offers the greatest scope for delivering both performance and cost improvement.

# Background

The Council's trading functions operate on a 'break even' basis, but Building and Vehicle Services, along with a number of other trading accounts has experienced a number of pressures and was for a time operating in deficit. Like a number of Council services there continue to be substantial financial pressures, as well as increasing customer expectations and challenging national agendas, particularly in relation to housing.

In 2005/6 Tribal were engaged to undertake a review of the Building Services DSO and this identified a number of productivity issues. Partly as a result of this the Council commissioned a review to examine the future role of the DSO and consider options available for future delivery, including alternative options such as partnering and outsourcing, in order to deliver improved service quality, productivity, financial performance and customer satisfaction.

Following consultation with the Council KPMG's work has been based around the Building Maintenance Business Plan which the service submitted to the Cabinet in June 2007. This plan sought to identify the changes needed to ensure that the service could meet the needs and aspirations of customers and other stakeholders by driving efficiency gains, reductions in support and management costs and other service improvements.

Our work has sought to:

## 1. Summarise current performance

- Bringing together service and financial performance, including comparisons with other councils where this is available
- Identify the key issues facing the service
- Provide a high level commentary on the existing business plan.

## 2. Summarise the potential options

- Use our knowledge of the DSO and of other authorities and their building maintenance operations to identify those options which are likely to be most appropriate in the Council's specific circumstances
- Carry out a high level analysis of each of the options highlighting the potential advantages, disadvantages and particular considerations associated with each option.

# Our approach

Our work has been undertaken in two stages. The first stage was in the summer of 2007 which involved a document review and a series of interviews and focus groups with key stakeholders. This ended with the presentation of some informal emerging findings. The second stage was delayed by logistical difficulties and did not take place until February 2008. This second stage sought to assess the progress made by the service and re-visited a number of the interviews with key service personnel as well as updating performance information and progress in the implementation of new policies and procedures.

While this delay in the second phase was not initially planned, it has had the advantage of enabling us to review the service over a period of time during which Building Services has had the opportunity to introduce new ways of working.

We have also undertaken some benchmarking and reviewed the Council's own benchmarking material.

The interviews/ focus groups we conducted were with:

- B&VS managers
- Maintenance officers
- A focus group of front-line operatives
- Union representatives
- Finance staff
- Housing – senior management, voids, customer liaison
- Other client departments – Property, Leisure, Education.

Property, Leisure and Housing were all re-interviewed in February in order to capture changes in service performance from mid 2007 to early 2008.

## Financial performance – surplus/deficit

The Building Services DSO has experienced considerable difficulty in the past in meeting its requirement to break even. However, there has been a positive trend since 2002 with a deficit of nearly £300,000 in 2002/03 gradually reducing and a reported surplus in 2006-07.

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Expenditure	6,730,348	5,567,895	4,968,498	4,767,689	5,658,914	6,042,551	5,450,495	6194682	7,093,951	5,919,570
Income	(5,936,360)	(4,839,841)	(5,018,860)	(4,887,451)	(5,844,867)	(5,748,570)	(5,282,864)	(6,030,896)	(6,960,682)	(5,966,739)
(Surplus) / deficit	793,988	728,054	(50,362)	(119,762)	(185,953)	293,981	167,631	163,786	133,269	(47,169)

There was a surplus reported for 2006/07, and reported productivity on some measures seems to have improved, but we believe that the overall picture is more likely one of at best a 'break even' position given that:

- the service caught up on the back log of billing which brought a one-off benefit
- there was a one-off benefit in changes to the way central charges were allocated
- there was some benefit from the late Schedule of Rates uplift.

Similarly the picture for the 2007/08 year to date is of a broadly 'break even' position, although this does depend on the level of work in progress and ICCs (recharges from other parts of the Council) reducing as assumed.

# Financial performance – price comparisons

Building Services has already undertaken benchmarking exercises on price through the Tribal report and PSNet. We are not sure of the comparator set that Tribal used (it is not sourced in their report), but it appears to be very similar to the Checkmate Benchmarking Club.

## Overall spend comparisons

We used Checkmate Club data to consider the overall spend per property. This shows that Vale of Glamorgan spend to be above the upper quartile.

	<b>Responsive repairs</b>
<b>Checkmate Benchmark</b>	<p><b>Per unit</b></p> <p>Lowest quartile: £260</p> <p>Average: £312</p> <p>Highest quartile: £366</p>
<b>Vale of Glamorgan</b>	<p><b>Spend in 06-07</b></p> <ul style="list-style-type: none"> <li>▪ £1,373,729 responsives</li> <li>▪ £251,442 M&amp;E</li> </ul> <p>Stock: 4,000</p> <p><b>Cost per unit: £406</b></p>

## Basket of jobs comparisons

Whilst the comparisons of spend levels are revealing, we have also considered comparisons of prices charged for repair and maintenance work. This is done by comparing schedule of rates prices with other organisations.

## Checkmate Benchmarking

Checkmate is a comprehensive benchmarking tool, which allows social housing landlords to compare their performance on housing maintenance. It has a membership of over 100 councils and RSLs and allows for the comparison of prices of a basket of typical repairs weighted to reflect the Council's own repairs profile.

What we have done is to use the data supplied to Tribal, made a few adjustments where we think there are errors (all of which entailed reducing the price), and compared it with Checkmate. This suggests that Vale of Glamorgan's prices are about 15% above the NHF Schedule of Rates (which is 13% above average, compared with the 3.5% that Tribal reported).

A further consideration is that, at the time that Tribal undertook their comparisons (using 2003/4 prices), Vale of Glamorgan's rates were calculated using a labour rate which has since increased significantly in excess of current inflation (shown below). We would therefore conclude that Vale of Glamorgan's prices have increased further above average than we initially calculated.

Hourly rate used for 2003/4	£18.64
Estimated inflation @4%pa to get to 2007/8 prices	£21.81
Hourly rate used in 2007/8	£24.30
Real terms increase	11%

The Head of Building Services has advised that the real-terms increase was as a result of increased central recharges and pension costs.

# Financial performance – price comparisons cont.

## **PSNet Benchmarking**

Building Services also participate in the PSnet price benchmarking exercise. This shows VoG as generally having costs that are either the lowest or one of the lowest in the comparator group.

## **Conclusion of benchmarking**

Firstly, it is clear that Vale of Glamorgan's overall spend levels on housing work, both responsive repairs and voids, is comparatively high. This is confirmed by the Housing Business plan, which recognises high spend levels and requires a substantial reduction.

On the price benchmarking we have two different findings; Checkmate suggests that prices are well above average, whereas PSNet suggests that prices are very low. We are unable to reconcile these two findings, so we need to consider which is the more likely. On balance we believe that the Checkmate survey is likely to give a more accurate picture.

Our rationale for this is that:

- We know that the Council's overall expenditure per housing unit is higher than average
- For the PSNet conclusion to be correct it would need the Council to be undertaking significantly more work compared with other authorities (high spend at low prices = very large volumes)
- There does appear to be some level of over-provision. The overall annual number of jobs per property (nearly five) is high in comparison to other providers, but some of this is likely to be accounted for by duplication of job tickets and previous failings in the accurate tracking and closure of jobs.
- Vale of Glamorgan has fairly traditional stock and there is no evidence that that it is currently maintained to a significantly higher standard than other authorities.

Although we will refer to this separately when considering the risks around Building Services' Business Plan, the impact of achieving the Plan would be broadly to hold prices steady, thus achieving a real terms decrease. This will start to reduce the extent to which Building Services' prices are higher than average.

# Service performance

One of the key measures of service performance is the speed of response i.e. the percentage of repairs completed within target times.

On this measure, the Council performs at a level which is below the average for the Checkmate benchmark group, and for urgent and routine repairs below the lower quartile. This performance is perhaps not at such a poor level that it would cause a major concern but it does identify a significant area for improvement.

In terms of the figures for 'average days taken' for urgent and routine repairs, the Council is also within the broad range of other organisations at 2 and 20 days respectively.

One slight note of concern is that reported performance in 2007/08 is slightly worse than that in 2006/07 (by around one percentage point.)

	<b>Vale of Glamorgan performance Current year</b>	<b>Benchmark performance from the Checkmate study</b>
<b>Emergencies</b>	<b>95%</b>	Lower quartile 95% Median 97% Upper quartile 98%
<b>Urgent</b>	<b>83%</b>	Lower quartile 91% Median 94% Upper quartile 96%
<b>Routine</b>	<b>86%</b>	Lower quartile 91% Median 93% Upper quartile 95%

# Service performance

The APSE benchmarking is the biggest benchmarking exercise in the detail of service performance, providing a range of comparisons across different aspects of Building Services' operations. This shows Vale of Glamorgan's reported performance in comparison to a small 'family group' of similar authorities. We have summarised in the table across the page those areas where Vale of Glamorgan's performance seems significantly better or worse than the comparators provide by APSE.

In addition to those reported in the tables, there are some other issues where Vale of Glamorgan seems significantly different from 'the norm', but it is difficult to determine whether this is good or bad. These are:

- The Council has a relatively high level of subcontracting
- The number of lines held in stores is relatively high
- The value of stock held in stores is highest in the group

Average wage per operational employee was not reported by APSE, because Vale of Glamorgan's figure was below what APSE considered to be the feasible range.

Overall, on the totality of the information provided by APSE, we would consider that elements of poor performance outweigh those of good performance.

Better than average	Worse than average
<ul style="list-style-type: none"> <li>• Percentage of appointments kept</li> <li>• Percentage of voids completed on time</li> <li>• Average re-let times for local authority dwellings</li> <li>• Average cost of vehicles</li> <li>• Average number of days absence for operational staff</li> <li>• Emergency jobs as a % of day to day jobs</li> <li>• HR and people management score</li> </ul>	<ul style="list-style-type: none"> <li>• Proportion of jobs where appointments were made</li> <li>• Productive labour costs as a percentage of total labour costs</li> <li>• Average time to complete a routine repair</li> <li>• Proportion of gas properties serviced within 365 days</li> <li>• Customer satisfaction levels</li> <li>• Number of day to day housing jobs completed per FTE operational employee</li> <li>• Average training days per FTE employee</li> <li>• Percentage of work undertaken under call out</li> <li>• Percentage of post-inspections carried out</li> <li>• Percentage of post-inspections to required standard</li> <li>• Central establishment charges as a percentage of total expenditure</li> <li>• QA and consultation score</li> </ul>

# Voids

Performance on voids is significant because it has clearly been an issue in the past and until recently it was seen as a service needing a radical re-think, with consideration given to a partnering contract. However, there has been a concerted effort to improve performance in this area and turnaround times have stabilised at around 20-25 days which is 'better than average' performance.

The table below shows that reductions have been made in the cost of a void, but the figure is still above the upper quartile in the Checkmate study. Given that in the current year there have only been two long term (£5k plus) voids, there is clearly scope to reduce the average cost of void work further. The figures show two different calculations of the void cost: the first just takes the expenditure on voids and divides it by the overall stock level and the second uses the actual number of voids as the denominator.

	Voids		
	2006-07		2007-08
<b>Checkmate Benchmark</b>	<i>Per unit</i>	<i>Per void</i>	
	Lowest quartile: £103	Lowest quartile: £898	
	Average: £127	Average: £1359	
	Highest quartile: £172	Highest quartile: £1845	
<b>Vale of Glamorgan</b>	Spend 06-07 <ul style="list-style-type: none"> <li>▪ £1,239,116</li> <li>▪ £226,803 M&amp;E</li> </ul> Total £1,465,919  <b>Cost per unit: £366</b>	Number of voids: approx 350  <b>Cost per void 06-07: £4,188</b>	Cost per void currently running at about £2,500

# Customer views

## Housing

Housing's view is that while Building Services (BS) have improved in the last 12 months it still has some way to go before offering a '21<sup>st</sup> century service.' They feel that there have been faults on both sides in terms of monitoring the performance of Building Services – performance information has not been readily forthcoming from BS, but then Housing have not been a proactive client either. At the same time there is a need for better information to tenants, about the progress of work both responsive and planned.

At an operational level there have been improvements in communication between middle managers and in particular an improvement in performance in relation to voids. These are now being turned around more quickly and at a lower cost – albeit still a high cost in comparison to others.

Housing's major worry is that Building Services find it hard to demonstrate that it offers value for money and that it will find it very hard to offer a comprehensive repairs service once the budget for responsive repairs is reduced in 2009 in line with the Housing Business Plan. Housing clearly expressed a preference for exploring the partnering route further.

## Property

Property gave Building Services credit for delivering the contact centre contract on time on budget and to a reasonable quality. They understand that there is a confusion amongst other client departments about the roles of Property and Building Services and the suspicion that they are paying twice for the same service. However, Property say that they have worked hard with BS to ensure that this does not happen and that there are clear lines of delineation between their roles.

They also recognise that other departments perceive BS to be expensive although their own perception is of a service which is mid-range in terms of price and one which has been able to tender successfully for the recent call centre contract and deliver successfully.

However, like other Departments, Property say that Building Services has some way to go in terms of providing accurate, up-to-date project monitoring reports.

## Leisure and Education

The major concern from other client departments was that BM is not customer focused enough. Information to client departments around pricing and progress of work has improved to some extent but still needs to get better. There is still an impression that work is done at a time and pace to suit BM rather than the client.

On the other hand there were reports that individual tradesmen provide a very good service and that Building Services are responsive and helpful in emergency situations.

# The Business Plan

The key features of the business plan that was reported to Cabinet in June 2007 are that:

- The pay of operatives will increase in order to make them more comparable to local and national labour rates but that the overall existing level of direct wage costs will not increase above annual inflation.
- Revenue repair budgets will fall year-on-year for the next 3 years. The Housing Business Plan assumes that the revenue budget for repairs will fall by £0.8m (12%) from 2009 and a further £0.45m (6%) from 2015. There will, however, be increased capital budgets for schools, corporate property and housing investment.
- There will be a significant rise in productivity – around 20% in 2008/9 and a further 7% in 2009/10). This will be underpinned by
  - improved morale as a result of the increased pay rates
  - the introduction of hand held technology costing £150k capital and an additional annual £40k revenue expenditure to cover extra maintenance costs
  - improved data collection and performance management.
- Management and support costs will be reduced by £250k.
- Cost efficiencies will be achieved in transport, plant and materials of £75k initially and then a 2% year on year reduction.
- In order to maintain employee numbers while increasing productivity, there will be a significant decrease in the use of sub-contractors for both responsive and on capital work by approximately £500k per year
- At the same time BS will need to win more capital work to make up for reduced manpower that will be the result of the efficiency gains. The Plan targets approximately £3m Capital/MRA schemes to be awarded and/or won in competition.
- Redundancy and EVR payments estimated as £120k for 08/09 and £65k for the following 4 years.
- In the original plan there was also an assumption that a partnering arrangement will be reached for maintenance of void properties to the value of £850k, work currently done by a mixture of in-house staff and subcontractors. We understand that this proposal has since been shelved and the business plan needs to be continuously updated to ensure it reflects all current plans.

Overall the plan forecasts that the trading account will reach break-even over the period of 2009/10 and 2010/11 although in first year there is an estimated deficit of £150k due to the level of start up costs.

# Business Plan – progress to date

In the six months following the adoption of the business plan, there has been steady progress on a number of the key features:

- The new pay structure has been agreed and should be implemented in April 2008
- The new management/support structure which involves a reduction of twelve posts in management and administration has been agreed and will be implemented early in the new financial year
- The successful completion of the contact centre on time and on budget has demonstrated Building Service's ability to win work and deliver
- There has been an increase in the programmed work e.g. in prior to paint schemes
- Voids performance has maintained improvement and costs have been reduced
- The closure of jobs has been improved
- The introduction of hand held technology is progressing and should start to be implemented from the autumn.

On the other hand, there are some elements of the business plan which we see as being potentially problematic. We think it is important that the plan:

- should reflect a strategic decision by the Council to be in that particular business and deliver the best possible service rather than start from the premise that the key objective is to maintain a particular level of staffing
- is a living document that changes as circumstances change and thereby keeps its forecasts and projections up to date while maintaining its fundamental objectives
- contains a clear analysis of the main customer groups – their needs/expectations and how BM will organise itself to meet those needs and maintain close relationships and good intelligence
- should be underpinned by a robust performance management framework which can demonstrate Building Service's success in delivering against customers' key priorities

On the following three pages we look at the risks that we believe to be inherent within the plan, their likelihood and impact, and the key things that we believe Building Services needs to do in order to optimise performance against the plan.

# An assessment of the key risks

	Risk	Likelihood	Impact	Comments
1	Lack of expertise in change management	Low/ Medium	High	Initially we (and other Council departments) felt that Building Service's track record in implementing change was potentially a problem, but the progress made in the last six months demonstrates that there is some capability.
2	Unable to reach agreement on new pay structure for operatives	Low	High	Our understanding is that this decision now been taken and that implementation should not be a problem.
3	Inability to reach the required gain in productivity	High	High	<p>There are some potential reasons why the required productivity gains might be at risk:</p> <ul style="list-style-type: none"> <li>• Staff morale may not be lifted as expected because the wage uplift is only to an average level and for some it will be clawed back in benefit reductions – note that APSE reported Council pay to be below the 'feasible range.'</li> <li>• The time lag between the introduction of new IT, pay etc and its impact on productivity</li> <li>• IT implementation itself is always something of a risk</li> <li>• Baseline information on productivity is patchy and not monitored regularly so the 'starting position' is not as clear as it might be</li> <li>• The scale of improvement required is significant</li> <li>• The changes need to be underpinned by a well programmed and resourced training effort</li> <li>• The productivity drive could possibly lead to other problems e.g. a rise in sickness rates</li> </ul>
4	Inability to reduce quantity of work done by 12% from 2009 and a further 6% from 2015	High	High	Responsive repairs is a demand-led service. If the capital improvement work does not lead to a reduction in responsive work it is not clear how rationing decisions will be taken on how to get the optimum service from a limited budget. This will need intensive negotiation with Housing (and tenants).
5	Inability to reduce use of subcontractors on revenue work	Medium	Medium	This may be possible to some extent but some of this work will be of a specialist nature where there is no in-house expertise and it is due to happen at the same time as reducing the amount of work done by direct staff.

## An assessment of the key risks cont.

	Risk	Likelihood	Impact	Comments
5	Inability to reduce use of subcontractors on capital work	High	Low	Experience this year so far suggests that more may need to be spent on 'outside' workers in order to "pull through" work for Council direct staff (for example over 80% of the work on the contact centre was delivered by agency staff.)
6	Unable to reduce overheads	Low	Low	The overall reduction in overhead cost is only around 10% and BS already have approval to implement the new structure.
7	Materials costs increase faster than anticipated	Low	Low	The Plan allows for a significant (32%) increase in materials to reflect the shift in balance of work
8	Building Services is unsuccessful in attracting/winning sufficient capital work	Medium	High	Building Services has a mixed track record with its key customers and while Property have complimented them on the contact centre work, other clients still have concerns which may impact on the ability to win work in a competitive environment. Communication with client departments needs to improve and there needs to be a more thorough market analysis to identify the likely scale of opportunities, the likely competitors etc
9	Lack of expertise in performance management	Medium	High	Building Services does not have a track record of using timely performance management information at an operational level to run the business on a day-to-day and week-to-week basis. This will need to be developed if the productivity and customer communication targets are to be met.

# Implementing the Business Plan

The Tribal report suggested the Council undertake a major programme of improvement activity and while some of this has been addressed, there is still more to do. Other than their proposal for increased post-inspection, which we believe should be addressed through increased call-backs to customers shortly after repairs rather than inspector visits, the Tribal report offers a useful agenda for the Council to follow. (Our preference for call backs is based on the fact that they are hugely more cost effective, are much easier to arrange, are usually more timely and when scripted correctly give clear and comparable data on levels of customer satisfaction.)

In order to give the business plan the best chance of delivery we believe that Building Services needs to:

- Significantly reduce the level of pre-inspections
- Work with Housing and the contact centre to increase the number of calls which are able to be given direct appointments
- Review the operation of the stores to ensure they have the required materials and that operatives have the optimal imprest stock on their vehicles
- Continue the drive towards multi-skilling
- Continue to reduce the number of items on the Schedule of Rates
- Analyse the data from jobs to build a more complete picture of real Standard Minute Values and travel times in order to improve future work allocation
- Reduce the number of jobs done as emergencies and 'out of hours.'
- Improve the information given to tenants and client departments and have mechanisms in place to monitor the effectiveness of communication
- Undertake a more systematic analysis of the market (i.e. customer departments) and their current and future requirements
- Understand competitors
- Continue to work closely with Property to ensure there is no duplication of activity and that collective skills are shared
- Keep updating the business plan as opportunities arise and performance cost information is made available.

# Other options

Given that there is some risk attached to the business plan, it would be sensible for the council to be aware of other options for the delivery of the service which it could instigate if it feels that the implementation of the business plan is exposing the Council to too great a risk of financial or performance failure.

These options could include arrangements which:

- Involve the reorganisation of the service within the Council in order to change its management arrangements and restructure its relationship with key internal stakeholders such as Property and Housing.
- Look to form a public-public partnership with another authority or RSL in the area in order to share good practice and achieve economies of scale
- Engage with the private sector through some form of partnering, outsourcing or joint venture arrangement.

Below we look at each option and on the following pages we consider the most likely options in more detail.

Option	Commentary
Reorganisation of the service within the Council	There are clearly options for the Council which reduce the possibility of duplication of work between Property and Building Services and bring together key design and project management skills in a single unit. On the other hand there is value in considering the option of bringing BS within the aegis of its key customer, Housing. In effect this would recognise that the demise of compulsory competitive tendering means there is no need to have a pseudo-commercial structure and creates an in-house service for Housing. We believe that this is the internal option most worth considering. Any changes being considered would need to be carefully planned to avoid the danger of introducing diseconomies. In particular, it would seem sensible to keep Building Services together, wherever it is placed in the Council's organisation structure.
Public-public partnership	While there have been some interesting examples of inter-authority co-operation in other service areas, we have found very few cases of successful public-public partnerships in building maintenance. Such arrangements can take a great deal of time to establish and can often fail at the last hurdle despite good intentions and significant background work. We do not believe this option should be given further consideration at the moment.
Engaging the private sector	This is the most usual channel for alternative delivery – most usually nowadays in either partnering or joint venture arrangements. We believe that there are two options worth considering: <ul style="list-style-type: none"> <li>• Partnering with small to medium sized firms in particular or specialist service areas e.g. voids or M&amp;E</li> <li>• A large scale partnering or joint venture arrangement for the whole of Building Service's business.</li> </ul>

# The market for building maintenance

Before we consider the options available, it is necessary to build some understanding of the market in which building maintenance operates. The Council already engages significantly with the commercial construction sector for example in employing SMEs to undertake medium scale work let by Property, often using the same SMEs in work subcontracted by Building Maintenance and using larger firms to undertake housing capital works and other major projects such as the schools refurbishment programme.

The construction market is large and diverse but the one area in which it has traditionally been relatively weak is for responsive repairs which has been seen as the major competency of in-house local authority and RSL providers. However, this picture has changed over the last 5-10 years with medium sized local firms being joined by regional players such as Mono, Jacksons and Gleesons and large national firms such as Connaught Partnerships, Bramalls, Wates, Inspace, Kier and Enterprise.

Some of the interesting features of the larger deals that have been struck recently are:

- the use of non-traditional vehicles such as partnering contracts, joint venture companies and limited liability partnerships
- the move away from Schedule of Rates based contracts to arrangements which give more weight to performance outcomes and a fixed price per property
- the length of the contracts – often 5-10 years
- the willingness of the contractors to work with Councils on their wider agendas e.g. in relation to job creation, training, apprenticeships, community capacity building etc
- the willingness of the private sector partner to invest in the service
- bringing specific expertise in performance management, the use of technology, work allocation, call centre management, efficient procurement of materials, tenant engagement etc
- the willingness and ability of the commercial partner to develop a supply chain that uses local SMEs to undertake part of the delivery
- help in the planning as well as the delivery of the capital programme.

# Option appraisal – internal re-arrangement

For us the most logical internal re-arrangement within the Council would be to put the entire building maintenance business within Housing, where a good deal of its current and future business lies. Together the responsive repairs, voids, planned programmes and whatever Building Maintenance can win under the capital programme make up the vast bulk of Building Maintenance's order book and will continue to do so even though the proportions may change.

In our view the advantages and disadvantages of this are:

<b>Advantages</b>	<b>Disadvantages</b>
<p>Could provide:</p> <ul style="list-style-type: none"><li>• additional impetus to the delivery of key aspects of the Housing Business Plan</li><li>• greater focus on Housing's customers and more opportunities for their involvement in decision-making around repairs</li><li>• better management information particularly around asset management</li><li>• streamlined processes at the interface between housing and building maintenance</li></ul>	<p>But it would:</p> <ul style="list-style-type: none"><li>• provide no new expertise at a technical or managerial level</li><li>• create some difficulties in separating out some of the more commercial aspects of activity, particularly in relation to work for other departments</li><li>• require significant officer time in untangling the relationship with other DSOs</li><li>• not resolve in itself the potential duplication of work or diminution of skills with Property</li></ul>

# Option appraisal – small scale partnering

This option would see the replacement of current short term specified contracts with longer term arrangements based more on outcomes. The Council has considered this option for the delivery of void work and it could be applied to specific specialisms or indeed a particular geographical area of the county.

<b>Advantages</b>	<b>Disadvantages</b>
<p>Could provide:</p> <ul style="list-style-type: none"><li>• a greater focus on longer term improvements</li><li>• more certainty in future delivery</li><li>• a reduction in procurement activity</li><li>• specialist skills where these are not available in-house</li><li>• some new expertise</li></ul>	<p>But it would:</p> <ul style="list-style-type: none"><li>• be unlikely to attract partners who can offer significant innovation across the full range of functions</li><li>• need to be procured via OJEU processes</li><li>• require robust client side management</li><li>• need to ensure that the various elements of the service were co-ordinated</li><li>• be unlikely to contribute significantly to the Council's skills and employment agenda</li><li>• be unlikely to engage other SMEs</li></ul>

# Option appraisal – partnering/JV with a single private sector partner

The alternative to multiple partnering agreements is the opportunity to wrap up all of the current building maintenance work given to Building Services as of right and offer this to a single commercial partner. The vehicle for delivery would be likely to be either creating a local subsidiary of the company under a partnering contract or for the company and the council to establish a joint venture company or a limited liability partnership. Current employees would TUPE across to the new company on their current terms and conditions as a minimum.

This company could then also bid for other work offered by Property, capital work under the MRA and, once established, any other appropriate construction work in the area.

<b>Advantages</b>	<b>Disadvantages</b>
<p>Could provide:</p> <ul style="list-style-type: none"> <li>• Investment in the service</li> <li>• The possibility of sharing 'profits' from any growth in the business outside the core housing maintenance function</li> <li>• A performance based contract</li> <li>• Additional local jobs through growing the business</li> <li>• Help to establish apprenticeships, industry training schemes etc</li> <li>• Experience and innovation in tenant consultation</li> <li>• Experience in running new technology, work allocation and data analysis</li> <li>• Robust performance and project management</li> <li>• Established relationships with suppliers to optimise procurement of materials</li> <li>• Experience in using and developing local SMEs to undertake part of the delivery</li> <li>• Help in the planning as well as the delivery of the capital programme.</li> </ul>	<p>But it would:</p> <ul style="list-style-type: none"> <li>• Restrict the range of likely bidders to around 10-12 firms large and experienced enough to meet the full range of the Council's requirements</li> <li>• Need to be procured via OJEU processes</li> <li>• Take in the region of 15 months to procure</li> <li>• Involve significant officer time and legal costs in the procurement process</li> <li>• ...and it could encounter some internal resistance.</li> </ul>

# Options – summary

We recognise that the Building Services have made progress in the last 6-9 months and that the direction of travel is positive. However, the targets in the business plan are extremely challenging given the scale of improvement which is required in a relatively short space of time and the squeeze which is going to be put upon the available budgets in housing for responsive work.

We believe that there are significant risks which are attached to the delivery of the business plan and we have outlined the key ones. The Council is in a good position to assess these and decide whether to:

1. Continue with the business plan in its current form for the foreseeable future
2. Monitor progress against the plan on a regular, say quarterly, basis and seek to instigate an alternative delivery method if performance against plan targets is slipping
3. Make a decision that risks outweigh the benefits and that the alternative delivery method should be sought now.

If the Council decides to proceed with the business plan, we feel it is important that its progress is closely monitored because it is clearly challenging and the risks we have outlined mean its achievement is not assured.

If, on the other hand, the Council were to decide to seek an alternative method of delivery, we believe that the single large scale public private partnership offers the greatest scope for delivering both performance improvement and value. While such a procurement would be time-consuming and more complex it would be likely to attract the most successful and innovative firms in the sector and offers the potential for:

- Reduced costs
- Better training for operatives
- A significant improvement in performance
- Better programme, project and performance management
- Better management of the supply chain
- Job creation through growth in the business
- The development of local SMEs.