

Fast Track Scrutiny Service Review	
Service Area	Hackney Homes Maintenance Costs
To	DMT/HMT/Scrutiny Task Group
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Cost Centre (s)	
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1.0 Executive Summary - (Please give an overview of the Service Reviews based on the 4 deal breaker questions – see Appendix 1).

1. Is the cost of the service clear and justified?

Yes. The Council is the landlord and freeholder to some 30,000 properties and Hackney Homes is responsible for the maintenance of those properties on the Council's behalf. Failure to provide the service could result in action being taken against the Council and or Hackney Homes. The vast majority of the repairs which Hackney Homes carries out on behalf of the Council are those for which the Council has a statutory responsibility as a landlord or a repairing obligation under the lease. Works over and above these requirements include, for example, modest additional works for the most vulnerable.

2. To what extent is value for money driving the development of the service?

VFM has been driving the development of the repairs service, especially over the last two years. The service has implemented a VFM strategy that has focussed on four key themes:

- optimising the productivity of staff within the in house service.
- Every element of the cost of a repair has been analysed and action taken. For example, the labour cost has been addressed by reviewing the fair pay bonus scheme and multiskilling staff; the materials cost has been reduced by joining the national procurement for housing framework; and the fleet management process is more rigorous using trackers, and improving drivers quality and procurement of a modern fleet
- ensuring that value for money is obtained when outsourcing work to external contractors.
- restructuring the organisation and removing two tiers of management (7 posts saving £500k).

3. Are existing savings proposals appropriate?

It is clear from the answers to Q1-2 that a considerable amount of work has been undertaken to improve the efficiency of the service and that this is proving successful, and the benefits of this are being seen and will continue to be in the next few years.

Historically, the actual budget requirement (built on activity information via zero based budgeting) has been greater than the cash limit. For example, the 2011/12 budget requirement is £28m, £2m greater than the cash limit. For the past few years, HH has managed to contain the overall HRA R&M budgets, though this has only been possible by reducing planned works where possible and

maximizing capital spend, but with limited capital resources in the future this will not be an option.

Therefore, the plan for 2012/13 is to increase the HRA R&M baseline budget by £2m which in turn means that savings will be required elsewhere in the HRA. Additional savings have been identified by Hackney Homes as part of the 2012/13 budget process to allow a further £2m to be invested in the repairs budget.

The other potential saving which was raised during the course of the review but which has not yet been addressed is that of the location of the service. At present it is spread across a number of sites, with depots/offices at Florfield, Broadway, North Base and Robert House. It's the view of the Head of Property Services that there is significant potential for savings if a single site (around 1.5 acres) could be found.

4. What alternative models of service delivery should be considered?

There are a number of possible alternatives discussed in section 4 below, however at this stage none of them are being recommended.

5. Do options for change assure required quality?

2.0 Context:

2.1 Service Justification - *Why do we provide this service? Is it statutory or discretionary? What is the scale, nature and evidence for need? Does it clearly serve a greater public good through prevention etc.? Is it aligned to top local priorities?*

The Council is the landlord and freeholder to some 30,000 properties. Hackney Homes is responsible for the maintenance of those properties on the Council's behalf.

It is a statutory service:

- For tenants the Council has responsibilities under the landlord and tenants act, gas safety regulations and the tenancy agreement.
- For leaseholders there is a similar statutory responsibility and contractual responsibilities under the lease as freeholder.

Failure to provide the service could result in action being taken against the Council and or Hackney Homes.

Hackney Homes offers a slightly enhanced level of service to vulnerable tenants as a result of recommendations made by the Audit Commission, as set out in our vulnerable repairs policy.

Hackney Homes has a diverse customer base and provides services in ways to meet the needs of that diverse customer base. For example:

- The workforce is representative of the community
- Appointment slots are available that avoid the school run
- Cultural sensitivities are addressed by using female operatives
- A range of languages are spoken by staff at the contact centre and by operatives themselves
- A disabled adaptations service is provided

2.2 Related Services, Agencies and Agendas - *What are the key national and local policy drivers? Are there opportunities for joining-up services, and what are the dependencies and consequences of that? What are the key national and local policy drivers?*

There are number of significant policy changes such as welfare reform and different tenures and rent levels affecting housing, however, with minor exceptions such as the tenant cashback scheme the changes do not impact the repairs service.

Alongside financial considerations close attention is paid to minimising the impact on the environment. For example we use water based paint, recycle materials as much as possible and limit vehicle movements by using Optitime and vehicle trackers.

The Contact Centre takes the majority of repair requests. The out of hours service, which is currently outsourced, provides the service when the call centre is not operating.

Some of the ten TMOs have the responsibility for the repairs service on their own estates, and can choose their own contractors.

The housing management service is a key link in terms of ensuring communal and estate repairs are raised and also in assisting with securing access to properties for example to allow gas servicing to take place.

There is close liaison with Community Services around the disabled adaptation service

The Fire Brigade takes a close interest to make sure that Hackney Homes meets its requirements under the Regulatory Reform Order.

Hackney Homes also work closely with the police on aspects such as safety and security.

2.3 Current cost and VFM management strategy - *What is the current cost and Value for Money management strategy for the service? If there is no VFM management strategy please indicate? Is the VFM clear and working?*

The current cost of the repairs service is some £28m. A full breakdown of budgeted and actual costs since 2009/10 can be found in Appendix 1.

The VFM strategy has taken two themes, one for the in house maintenance service and the other for services provided by external contractors.

For the in house service HH has been focussing on optimising the productivity of staff in a variety of ways including:

- Improving the diagnosis of responsive repairs in the contact centre.
- Using the Optitime workforce scheduling tool
- Multiskilling throughout the organisation, thereby enabling one visit repairs.
- Imprest stock in all vehicles
- Vehicle Tracking devices in all HH vehicles.
- Getting repairs right first time
- Making individual operative responsible for any call backs that may be necessary.
- Optimising the cost and usage of material by using Procurement for Housing and upgrading the stores system.

For external contractors:

- The services that are provided are competitively tendered.
- HH makes sure that any volume discounts due are secured.
- The Hackney Allowance framework has put HH's buying power into large contracts. Where this has generated savings HH are migrating individual contracts.
- HH have also been able to negotiate savings with contractors.

Overarching these themes has been the major reorganisation of the Property Services Directorate to reduce tiers of management and establish formal client and contractor arrangements.[The Scrutiny presentation highlights the major restructure of the organisation, with two tiers of management (7 x £50,000 managers) removed. Is this a third theme?]

HH measure VFM via a range of indicators including: (a) the cost of a reactive repair, (b) customer satisfaction and (c) benchmarking costs via Housemark. These are detailed in Appendix 2.

2.4 Learning and Experience - *How has the service been provided previously? What learning and experience should not be forgotten?*

The service has a degree of history.

Going back five years when Hackney Homes was established, all the repairs work was raised to the DLO, at the schedule of rate prices. The DLO undertook the works directly or decided to subcontract, often at a significant discount in excess of 20%.

There were concerns raised about the transparency of the procurement of those sub contractors and the potential for the subcontracting to cross subsidise the in house service.

Some specialist work was outsourced, but the gas servicing was brought in house some years ago.

3.0 Detail Mapping and Analysis:

3.1 Service Delivery - *How is the service provided? What is the service delivery model and plan? What are the staff structures, partnership arrangements, supplies and services including key third party contracts?*

To address the concerns outlined above the current arrangement is that repairs are raised to the DLO up to its capacity at any point in time.

The peaks of demand are met by raising orders to one of three back up contractors on their tendered schedule of rates. These costs do not go through the DLO trading account.

Specialist work such as entryphone, CCTV, disabled adaptations, and lightning conductors are tendered to specialist companies.

The use of an inhouse DLO has allowed service improvements such as 5 appointment slots a day to be implemented. There are other benefits from having a DLO; these include greater control of resources in times of emergencies and a significant contribution to central overheads which would not be made with other delivery models.

Customer satisfaction has improved along with the improved culture change and positive attitude to work.

3.2 Cost of Service - *What does the service cost to provide? What cost pressures and opportunities for cost reduction (including income generation) are there? Please include the gross budget and % of total spend, staffing and operational costs, unit costs, benchmarking data and likely future demand.*

As stated above (and set out in full detail in Appendix 1), the cost of the service is some £28m.

Analysis of Appendix 1 shows that the main areas of pressure have been on reactive repairs and void works. Reactive repairs are demand led and therefore notoriously difficult to keep within existing resources. Void works have also caused consistent pressures, particularly where they have required major works to make them lettable.

It is also important to note that the budget overall has been limited by a similar base line cash limit each year. The budget setting process undertaken by Hackney Homes each year is a method of Zero Based Budgeting, with budget requirements being built up based on activity information. The Zero Based Budget consistently shows that the budget requirement is greater than the cash limit. In 2011/12, the ZBB showed an initial budget requirement of £28m, which is considered to be minimum need on R&M. There are also further considerations or budget needs on top of this (e.g. painting which we limit to £2m per year due to budget constraints but the asset management strategy recommends a programme of £8m per year)

Hackney Homes has managed these pressures via a combination of prioritization at budget setting and limiting activities where possible, close in year budget monitoring and utilizing other budgets where possible (such as reviewing all expenditure coded to R&M and ensuring that any items capital in nature are recoded to appropriate capital budgets). For the past few years, Hackney Homes has managed to contain the overall HRA R&M budgets, though this has only been possible by reducing planned works where possible and maximizing capital spend, but with limited capital resources in the future this will not be an option.

Therefore, the plan for 2012/13 is to increase the HRA R&M baseline budget by £2m which in turn means that savings will be required elsewhere in the HRA. Additional savings have been identified by Hackney Homes as part of the 2012/13 budget process to allow a further £2m to be invested in the repairs budget.

Costs have been reduced in line with stock numbers, but there is little evidence in Hackney or elsewhere that Decent Homes investment has a significant impact on the demand for repairs.

The cost of reservicing empty properties continues to be significant. This will increase if there is a higher level of turnover arising from “forced downsizing” as a result of various welfare reforms.

As stated in section 2.3, cost reduction opportunities arise from improvements to productivity of the in-house team and significant reductions in management tiers and costs (this forms the basis of the current VFM strategy). The reorganisation that is currently underway will complete this process.

As productivity improves, Hackney Homes will be able to reduce the level of work that is contracted out and increase the contribution to overheads as a result. The last two years have seen turnover increase by £1m via minor voids work being undertaken by the existing workforce (this work ordinarily would have been passed to partner contractors). The service has also made a contribution of £2m to Hackney Homes and Council overheads.

Income generation options have not been vigorously pursued at this stage as HH have focussed on productivity improvements for the existing service.

The other potential cost reduction opportunity which was raised during the course of the review but which has not yet been addressed is that of the location of the service. At present it is spread across a number of sites, with depots/offices at Florfield, Broadway, North Base and Robert House. It's the view of the Head of Property services that there is significant potential for savings if a suitable size site could be found for the service. This would reduce costs and would have the considerable side benefit of allowing the Council to make full use of the value of the Town Hall campus and realise asset sales.

3.3 Service Expectations - *What are the expectations for a) scope and scale of the service, and b) quality, standards, performance and equalities benefits? What could change? What are the implications/impact of a reduction?*

As this is a largely statutory service the scope is unlikely to change significantly in the next few years. The only changes will be commensurate with the changes in stock numbers.

HH will continue to seek to improve quality and standards and continue to deliver more services directly.

The HRA reform will change the environment somewhat. It will allow better long term planning to be undertaken by the Council, but at the cost of having to fund all the investment requirements - both revenue and capital - from existing resources.

4.0 Options and Recommendations:

4.1 Future Service Design and Delivery - *What are the key guiding principals for the future design and delivery of the service? What will change and what will stay the same in terms of structure, market position and operations?*

The key guiding principles moving forward will be to optimise the benefits of having a directly employed workforce by maximising productivity within the DLO such that all the operatives are fully employed. Key indicators of productivity such as the average cost per job and the number of jobs completed per operative will be benchmarked to ensure that the gains made to date are consolidated and built upon. At the same time any work being undertaken by external contractors will be competitively market tested

We recognise that there is still work to be done to improve the quality of interface with tenants and leaseholders in the contact centre. We will continue to review the work processes in the contact centre. We have implemented a new diagnostic system to improve the first time fixes. We will also introduce phone number recognition to identify customers. In addition all calls are recorded for training purposes.

We will continue to ensure sustainability is considered as part of service development. For example installing photovoltaic panels and having insulation programmes targeted to blocks where pipes were frozen the previous winter.

4.2 Options and Recommendations - *What are the associated options for future delivery? How do options compare for cost, value and risk taking into account national requirements and local priorities? Which option and changes are recommended? (see appendix 1)*

There are four types of model that could be applied to the future delivery of the repairs service: To make improvements to the service using the existing mixed economy model; expanding the DLO to do all the repairs work; outsourcing in full or in part; and more radical options

The recommended option is to continue with the current arrangements and increase the efficiency of the DLO by taking on more non specialist work as the productivity of the workforce increases.

4.3 Service Capacity to Implement the Review –

The capacity to implement the recommendations already exists within HH.

Recommendation Matrix

4 Deal Breaker Questions: 1. Is the cost of the service clear and justified? Yes 2. To what extent is value for money driving the development of the service? Service improvement and improved productivity are key to the future viability of the repairs service 3. Are existing savings proposals appropriate? – Yes, the approach builds on savings already made 4. What alternative models of service delivery should be considered? Alternative models are not proposed, instead the preferred option is to improve the existing model 5. Do options for change assure required quality? What are the dis-benefits?	Scope of Recommendations	
	Route	Benefits/Dis-benefits
	<ul style="list-style-type: none"> - Build on existing models to maximise productivity and customer satisfaction. - Optimise the use of external contractors to cope with peak demand 	<ul style="list-style-type: none"> - Cashable savings. - Improved customer experience, and outcomes. - Improved long term sustainability.
	Lower Risk Recommendations	Higher Risk Recommendations
	Building on existing processes is low risk.	Considering sub contracting is higher risk and not recommended at this stage.
Recommendations for 12/13 (fully specified)	<ul style="list-style-type: none"> - Build on existing improvements to performance and vfm - 	<ul style="list-style-type: none"> - -
Recommendations for further assessment and planning.	<ul style="list-style-type: none"> - - 	<ul style="list-style-type: none"> - Consider whether the DLO or the client side should take on the main contractor role for externally sourced work. -

APPENDIX 1: BUDGETED/ACTUAL COSTS, 2009/10-2011/12

Code	Description	2009/10			2010/11			2011/12
		Adjusted budget	Final outturn CedAr	Capitalised amount	BUDGET	Actual out turn R&M CedAr	Capitalised amount	Budget
Planned Works								
200025	Gas Servicing	2,573,339	2,827,691	5,876	3,065,120	2,763,657	10,633	2,958,456
200030	Lift Servicing	1,118,928	1,277,261	1,635	1,240,443	1,116,745	2,243	1,053,109
200035	Play Equipment Surveys	53,241	23,959	0	25,920	24,001		24,885
200040	Water Tanks Planned	888,822	1,013,795	0	984,423	1,136,278		820,000
200044	Planned-Communal Ventilation	57,146	47,686	1,102	62,496	63,074		58,000
200045	DPA Electrical Testing	438,532	260,913	0	215,539	179,707		200,000
200049	Fire Alarm Servicing	22,894	18,109	0	27,090	20,107		24,765
200050	Communal Heating Services	279,873	298,328	0	331,199	348,337		331,200
200055	External Painting	1,774,717	1,814,250	0	2,000,000	1,889,326		2,000,000
200060	OAP Decorations	226,276	257,375	0	200,000	192,148		200,000
200065	Lightning Protection	38,245	8,827	16,227	39,939	30,074		39,939
200085	EIB	434,451	251,131	109,394	480,684	285,240		480,684
200091	Reactive-Abestos Removals	320,123	260,173	20,441	299,696	194,420	1,122	260,000
200095	Estate Lighting Planned	151,827	178,391	6,634	290,514	134,754	15,458	290,515
200104	Planned-Roads/Paths	443,679	36,442	242,479				450,000
200106	Drainage Planned	350,063	217,948	15,850	314,225	376,651		252,400
200120	R&M - CCTV	177,472	170,009	5,949	200,000	160,054		198,400
200135	184 planned communal works	1,242,302	261,446	474,544	1,400,000	1,511,402		1,400,000
	Planned works Total	10,591,930	9,223,734	900,131	11,177,288	10,425,975	29,455	11,042,354
Reactive works								
200026	Reactive-Gas Breakdown	44,368	27,758	0	40,000	52,334	4,146	60,000
200031	Reactive-Lifts repairs Servi	354,943	430,173	52,777	559,909	451,939	50,686	541,160
200036	Play Equipment repairs	21,297	60,280	3,360	64,800	61,041	4,030	61,155
200041	Water Tanks Reactive	62,736	62,578	0	72,800	84,189		50,000
200046	Electrical Mains Supply Repairs	94,237	36,594	2,507	70,849	22,982	8,140	50,000
200047	Door Entry System Repairs	265,675	282,743	17,314	291,091	212,382	16,339	270,000

Code	Description	2009/10			2010/11			2011/12
		Adjusted budget	Final outturn CedAr	Capitalised amount	BUDGET	Actual out turn R&M CedAr	Capitalised amount	Budget
200048	Electric Heating Breakdowns	17,747	23,827	0	20,000	38,055	1,636	26,036
200051	Communal Heating Repairs	249,081	189,518	59,922	294,713	251,034	41,981	294,713
200066	Reactive-TV Aerial Repairs	28,484	32,271	0	40,837	-5,167	20,655	40,837
200070	Estate Safety works	53,241	1,109	21,011	60,000	39,993	32,183	60,000
200090	Environmental Health/Pest Control	443,679	568,287	0	488,910	648,567		487,500
200096	Reactive-Lighting Roads/Paths	282,624	376,123	0	354,902	256,365	45,390	354,902
200105	Reactive Roads & Paths	106,589	225,938	2,466	169,304	338,184		169,304
200107	Reactive-Drain Blockages	544,661	799,072	6,077	719,706	713,263	10,166	625,000
200121	Reactive-CCTV	211,191	70,851	171,772	60,000	43,295	47,390	60,000
200136 & 150	Reactive Maintenance Communal	2,142,260	2,250,104	181,402	1,927,775	1,743,067	240,492	1,550,043
200145 & 151	Reactive Maintenance - In dwellings	4,673,006	5,311,372	169,858	4,115,710	5,579,877	401,047	4,785,589
200155	Reactive Maintenance - Voids	2,262,764	1,603,339	1,998,000	2,500,000	2,894,218	326,932	2,500,000
	Reactive works Total	11,858,585	12,351,935	2,686,465	11,851,306	13,425,617	1,251,211	11,986,240
200125	R&M - Client Fees	2,849,485	3,265,653		2,916,090	2,535,596		2,916,090
	Grand Total	25,300,000	24,841,322	3,586,596	25,944,684	26,387,187	1,280,666	25,944,684

APPENDIX 2

(a) Cost of reactive repairs (LKPI 141)

Period	Cost per Repair (£)	Source
01/04/2010 – 31.03.2011	101.98	Annual report from Performance Team
01/04/2011 – 04/08/2011	100.43	Universal Housing

NB: Housemark upper quartile benchmark is £105.00 per reactive ticket

(b) Satisfaction

LKPI 89: % of repairs completed on first visit (based on tenant satisfaction).

2010/11 = 77.73% (target 85%)

LKPI 11: resident satisfaction with quality of work

2010/11 = 87.45% (target 90%)

Description of Option	Advantages	Disadvantages
<p><u>Expand the DLO to take on all repairs</u></p> <p>This is not recommended</p>	<ul style="list-style-type: none"> • Productive committed local workforce. • Able to cope with emergencies • No competing priorities • Ongoing contribution to overheads 	<ul style="list-style-type: none"> • Repairs are cyclical in nature and there are always peaks in demand. Staffing to meet those peaks would have the effect of being overstaffed in less busy times. • There would be insufficient volume of work in some of the smaller specialist areas such that it would not be possible to establish a viable team with the necessary skills to meet fluctuating levels of demand. For example lift maintenance.
<p><u>Make incremental improvements to the current delivery model</u></p> <p>This is the recommended option</p>	<ul style="list-style-type: none"> • Productive committed local workforce. • Able to cope with emergencies • No competing priorities • Ongoing contribution to overheads • Improve efficiency by taking on more of the non specialist work which is currently undertaken by the external contractors. Initially this expansion could be by way of improved productivity but we are not ruling out expanding the number of direct employees in the future. • The apprenticeship scheme will ensure a steady flow of well trained skilled staff to replace those nearing retirement. • Shared purpose of the repairs service and the whole organisation in terms of budgetary control and sustainability and equalities policies 	<ul style="list-style-type: none"> • Need to restrict the overall size to the troughs in demand to ensure optimum utilisation of resources.

Description of Option	Advantages	Disadvantages
<p><u>Outsource</u></p> <p>Where services are not provided in house by other providers the models used are for a single supplier to cover the entire borough or for the borough to be divided into lots</p>	<ul style="list-style-type: none"> • Reduction in the staffing headcount. • Fluctuating demand is managed by the contractor, no risk of unproductive time. 	<ul style="list-style-type: none"> • Loss of control • Loss of ability to cope with emergencies • Would require a long term contract to ensure best vfm. • Profit motive could conflict with customer care equalities and sustainability objectives • Costs of clienting the arrangements • Benchmarking suggests that there are not significant savings to be made. • Costs of any transition and impact on performance. • Competing demands from other customers • Lower contributions to central overheads
<p><u>Radical Options</u></p> <p>These options would include ideas such as A trade sale of the DLO Management Buy out Management Buy out with Partner</p> <p>These are not recommended</p>	<ul style="list-style-type: none"> • Potential to realise a one off receipt 	<ul style="list-style-type: none"> • As for the outsourcing model • Could over bid such that the new organisation is not viable • Could underbid and take surplus out of the HRA. • Would require extremely long contracts.