Cambridge City Council **Item 7**

To:	Cllr Catherine Smart
Report by:	Bob Hadfield
Relevant scrutiny committee:	Housing Management Board 28.09.10
Wards affected:	All

Soft Market Testing of the Housing Repairs Service
Non key decision

1. Executive summary

1.1 This paper summarises the findings of the soft market testing exercise for the Housing response repairs service. Recommendations are made for service improvement with timescales.

2. Recommendations

The Executive Councillor is recommended:

2.1 To adopt a robust Improvement plan for the housing repairs service whereby, demonstrable progress may be exhibited against key desired outcomes. The period of the improvement plan to be limited to two years, following which, a further review is to be undertaken and the result of this reported back to this Committee for further consideration.

2.2 That a Scrutiny or Project panel be established, incorporating a range of officers. The panel to monitor progress against the improvement plan and ultimately contribute to the review referred to above in two years time.

2.3 That the following issues be specifically addressed in any Improvement plan.

- That productivity levels be monitored and aligned to an output of £75,000 per operative for response repairs and voids at current values.
- The Introduction and application of hand held repair ordering and scheduling technology with associated appointments.

- Raising of Customer Satisfaction levels in relative and absolute terms
- The number of cancelled works orders to be tracked and reduced significantly.
- Work completion within target times to be improved in relative and absolute terms
- The establishment of a base line responsive repairs budget at level consistent with other local authority housing providers as evidenced by the annual House mark benchmarking exercise.

3. Key Findings

Examples of key findings/observations arising from the exercise are set out below in summary. A fuller description of findings and associated observations may be found in the appendices together with the results of a gap analysis comparing current service provision with that found elsewhere.

3.1.1 An overwhelming impression gained when visiting various sites was a positive one, whereby every member of staff talked to, demonstrated a flexible and can do approach with an emphasis on customer care, the latter being very self evident in all instances.

3.1.2 It was interesting to see how customer care considerations were considered to be important factors as part of the business decision making process, particularly so when relating to defective work or abortive time which in turn affects customer satisfaction and perceptions of the quality of service received.

3.1.3 Almost every company provided examples of providing their customers/clients with added value, for example in terms of community engagement, funding community projects and in offering training or additional related services to residents.

3.1.4 Most companies invested in their staff and actively sought accreditation for good practices – One company's approach to resident liaison resulting in a member of staff receiving a national award.

3.1.5 Continuous improvement /future planning and strategies – comprehensively planned and allied to clear communication to staff as to where the organisation needs to move to and how it will get there.

3.2.1 In at least one case the service offering had been extended to 12 hours a day and on Saturday morning

3.4.1 In all cases hand held technology was employed with operatives in the field with orders being transmitted electronically in real time. Performance statistics in all cases were generated electronically. Location of staff resources was tracked in all cases allowing the efficient allocation of works and minimisation of waiting and travelling time.

3.4.2 In the majority of cases (not all) inventory was managed externally by building materials suppliers. There seemed to be a clear distinction here between local authority and housing associations however sample size is small.

3.4.3 In most cases (but not all) IT integration had been achieved at reasonable cost e.g. Northgate systems talking to Orchard. Costs were carefully controlled by using middle ware costing a few thousand pounds in one case whereas others have direct connections in place due to developed internal IT Capability.

3.4.4 Operating patterns were geared to the needs of the service. In one instance, a tenant representative when asked what the biggest single improvement that had been made stated ‘seeing the Council’s vans after 3 o clock in the afternoon.

3.4.5 In all cases, comprehensive management information was methodically collected and published as a matter of course with examples being provided to the Cambridge Team. Some of the information provided was particularly impressive.

4. Conclusions

- Firms understand their markets, their customers requirements and the importance of their business models
- Direct labour organisations require investment in order to deliver best practice
- There is a need to update current working practices in Cambridge
- There is a need to enhance customer support capacity
- Performance productivity levels require more transparency, regular monitoring and improvement
- Vehicle fleet costs are high compared to others
- The average cost of repairs is high in Cambridge and rising rapidly resulting in a need to understand why this is occurring - overheads are also high
- More flexibility in working practices is required
- May need to consider different contractual models if externally applied savings requirements demand more radical change.

- A robust plan and scrutiny is required to provide a good basis for improvement
- There is a need to eliminate process duplication as a result of eliminating client contractor split and therefore reduce costs.
- The project team did not really find any improvements that couldn't be realised here given a flexible approach to operational service delivery.
- Tenants trust DLO operatives
- Our own service should not be complacent there are very good practices being undertaken elsewhere.
- Use and application of technology crucial to success of business planning
- The project team found that asset management is usually retained within the 'Client' function within those contractual arrangements visited. Give careful consider the role asset management within any new proposals arising from the change agenda.

5. Background papers

These background papers were used in the preparation of this report:

Audit Commission inspection of the housing service January 2009

6. Appendices

Appendix 1: Methodology
Appendix 2: Gap Analysis
Appendix 3: All Findings
Appendix 4: Comparators

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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Methodology **Appendix 1**

Subsequent to advertising nationally, a workshop was held at Madingley Hall on 8th December 2009 where the aims and the objectives of the exercise were set out and an invitation made to attendees to participate in assisting the Council assess the current market offering in a non threatening way, and for the council to feed back its findings to participants in due course.

The workshop was well attended by national companies who are successfully delivering similar services across the country. Opportunities for joined up working with neighbouring LAs and RSLs was explored and invitations duly made to South Cambridgeshire District Council who initially indicated that they would be attending, but subsequently did not do so. The Eastern Procurement Group (an East Anglian housing association procurement organisation) also attended together with a representative from Anglia Ruskin University.

Following the workshop, five major contractors agreed to engage with the Council in order to undertake the exercise. The contractors involved are

- The Mears Group
- Morrisons PLC
- Lovell
- Mitie
- The Kier Group

The Council entered non-disclosure agreements with all of the above companies in order to protect commercially confidential information.

The process involved:

- Informal preliminary interviews with each of the companies agreeing to take part
- The completion of a simple questionnaire examining basic costs and qualitative information about working practices.
- Site visits to ascertain contracts, systems and processes in place and to engage with staff in post

The Project team undertaking a gap analysis with the existing service in the light of the foregoing and subsequently drafting recommendations for Members having completed the exercise.

Appendix 2

Gap Analysis

The project team met and undertook a gap analysis with the existing service using the data provided and impressions gleaned during the exercise. Areas of good practice were highlighted. Attributes relating to the current in house service were set out comparison made resulting in either a 'tending to good' or a 'tending to poor' assessment being made as demonstrated in the tables below. The Gap analysis considered the following:

Where are we now?

- 2 star housing service with excellent prospects for improvement
- City Services know the City and the Customer
- Building Cleaning 2nd Quartile (Housemark)
- Grounds Maintenance 3rd Quartile (Housemark)
- Audit Commission inspection:
- Completion performance weak
- Customer satisfaction levels low
- VFM cant be demonstrated
- Repairs and voids overspend every year
- Day to day repairs are becoming expensive
- We spend less per house than most other organisations (Housemark)
- We have fewer repairs per property than most others – (Housemark and soft market testing).
- Perceived barriers to change e.g. routing of repairs/productivity

Where do we want to be?

- Accurate and timely invoicing
- Being able to forecast out turn costs accurately
- Need to introduce Optitime or similar and have capacity to schedule repairs.
- Introduce hand held technology for operatives
- Staffing levels reflecting £75k per operative
- Remove duplication of activities by eliminating client and contractor split
- Higher percentage of customer satisfaction returns

- Higher percentage of customer satisfaction
- Higher percentage of appointments made and kept
- No cancellations and leave order open until compete
- Self-regulation for quality
- Structure response to customer satisfaction levels and trends
- Trust and transparency
- Efficient supply chain/inventory management
- Accountability operatives and managers
- IT systems that work/integration
- Hours to suit customers
- Good quality management information
- First time fix/rapid response to making good defects
- Empowerment of operatives – report and deal with
- Monitoring of sub contractor quality
- Name operative communicated to customer
- Adequate staffing
- Added value activities if possible
- Tenant training
- Tenants ability to purchase from stores
- College partnerships/apprenticeships
- Workshops – decoration etc
- Community engagement/events

What have we found elsewhere that is good?

- Repairs spend per property is very similar to that of external contractors
- Provision of dedicated technical support personnel in customer service centres
- Huge investment in customer care both in terms of financial and HR resources
- Universal Use of Optitime or similar electronic work scheduling and appointment systems
- Performance management – most managers had real time performance information at their fingertips
- Supply chain management/stores management number of models and approaches
- Joint ventures and new emerging partnering models growth/income
- Long term relationships that allow inward investment by contracting partner/joint venture. Investment

- Major operational savings claimed
- All had retained asset management teams usually with 'client'
- Dedicated resources for performance management monitoring, business drivers - resource allocation
- Shared efficiency savings and risk sharing
- Vehicle location and tracking in real time (for job allocation and to minimise waiting times/mileage
- Geographic information systems fairly universal

What have we found elsewhere that is not so good?

- All contactors had dedicated repairs call centres this does not fit with the Council model
- Danger of Commercial puff (everything is perfect so no negatives) – clients didn't think so
- Higher levels of staffing than Cambridge per property managed in most cases (surprised at this)
- Only one contractor providing a full facilities management approach currently so unable to capture sufficient information on building cleaning or grounds maintenance
- Informal references where followed up contained the usual caveats.
- Overheads in some cases quite high but comparable to ours. There were however at the upper end of the range. Commercial companies able to expand with option of growing business.

What information have we not been able to glean?

- Some overhead recovery information was not forthcoming and had to be gleaned from accounts
- Direct contact with customers was unavailable
- Telephone response rates not always readily available
- Grounds maintenance
- Building cleaning

Analysis

How does the current service compare with current market offering in the following areas? The tables below are deliberately designed to eliminate neutral assessment.

Financial/Value for Money			
Tendency to poor		**Tendency to good**	
2	**1**	**1**	**2**
	✓		

Until recently repair costs were very competitive now becoming less so. In one case the average cost of repairs was less than £70.

Performance management/productivity			
Tendency to poor		**Tendency to good**	
2	**1**	**1**	**2**
✓			

All contractors expect productivity of £75,000 min per operative. Productivity is not currently tracked or demonstrated for repairs service in house.

Information Technology/Information systems			
Tendency to poor		**Tendency to good**	
2	**1**	**1**	**2**
✓			

On face value all contractors were using integrated systems. We do not have integrated systems. All contractors were employing hand held technology and electronic appointment scheduling.

Customer Care			
Tendency to poor		**Tendency to good**	
2	**1**	**1**	**2**
	✓		

All contractors have dedicated resources for customer liaison field based activity. Cambridge has none for repairs.

Culture			
Tendency to poor		**Tendency to good**	
2	**1**	**1**	**2**
✓			

All contractors exhibited flexibility in meeting their client's needs and required operating hours e.g. reflecting call centre operating hours and invoicing requirements. Cambridge perceived as currently less flexible.

Overall			
Tendency to poor		**Tendency to good**	
2	**1**	**1**	**2**
	✓		

These results indicate an overall 'tendency to poor' in making comparison with current service provision and the current market offering, thereby reflecting the Audit Commission suggestions. Areas highlighted for improvement are readily identifiable. It is really important to note that all of the contract examples demonstrated to the council had been the beneficiaries of significant private sector investment. It is commonly held that direct labour organisations tend to reside at the end of the investment food chain.

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Appendix 3

KEY FINDINGS

Culture

An overwhelming impression gained when visiting various sites was a positive one where every member of staff talked to, demonstrated a flexible and can do approach with an emphasis on customer care, the latter being very self evident in all instances.

Commercial considerations were taken into account when making decisions and it was interesting to see how customer care considerations were considered to be important factors as part of the business decision making process, particularly so when relating to defective work or abortive time which in turn affects customer satisfaction and perceptions of the quality of service received.

Almost every company provided examples of providing their customers/clients with added value, for example in terms of community engagement, funding community projects and in offering training or additional related services to residents.

Most companies invested in their staff and actively sought accreditation for good practices – One company's approach to resident liaison resulting in a member of staff receiving a national award.

Continuous improvement /future planning and strategies – comprehensive allied to clear communication to staff as to where the organisation needs to move to and how it will get there.

Service offering

In at least one case the service offering had been extended to 12 hours a day and on Saturday morning

Planned v responsive repairs

In all cases the firms involved were undertaking planned and reactive maintenance for their clients. Historically planned activity has been managed separately within the Cambridge Context. Should these two activities be brought together at some future point in time a period of adjustment and realignment will be required.

Technology and systems

In all cases hand held technology was employed with operatives in the field with orders being transmitted electronically in real time. Performance statistics in all cases were generated electronically. Location of staff resources was tracked in all cases allowing the efficient allocation of works and minimisation of waiting and travelling time.

In the majority of cases (not all) inventory was managed externally by building materials suppliers. There seemed to be a clear distinction here between local authority and housing associations however sample size is small.

In most cases (but not all) IT integration had been achieved at reasonable cost e.g. Northgate systems talking to Orchard. Achieved by using middle ware costing a few thousand pounds whereas others have direct connections in place due to internal IT Capability.

Process mapping and Process engineering

BPR analysis is commonly employed particularly in commissioning phases of new contracts and when planning IT systems and staffing levels.

Resourcing

Staffing levels came as a bit of surprise. In most cases there appeared to be more staff employed per unit than currently engaged by Cambridge. However terms and conditions may not be similar. In most cases asset management teams had been retained by the client, in addition to the resources employed by the contracting partner. Customer liaison officers were a common theme with in one case 23 of these being employed within a large long term contract.

Customer Care

High emphasis particular with provision of liaison staff and embedded culture within front line staff groups. Careful tracking of complaints and actions arising and associated trends together with any impact on critical business costs arising.

Major energy and investment expended on communication literature and associated documentation in order that customers informed as to choices processes, programmes, and complaints procedures. Tenant liaison usually separated from operational delivery.

Inspections

Once confidence levels have been established very low numbers of inspections are carried out. Although these varied some were as low as 5% for repairs although for most organisations post completion voids inspections remain high.

Flexibility

Following the completion of a Decent Homes programme at least one contractor was downsizing its staffing levels to meet new forecast levels of activity.

Work patterns

Operating patterns were geared to the needs of the service and in all cases differed from that of this Council. In one instance a tenant representative when asked what the biggest single improvement that had been made within a new contract was 'seeing the Council's vans after 3 o clock in the afternoon.

Management information and systems

In all cases comprehensive management information was methodically collected and published as a matter of course with examples being provided to the Cambridge Team. Some of the information provided was particularly impressive.

TUPE Restrictions

It was noted that the application of TUPE places some restrictions on working hours where TUPE has been applied. This can cause some difficulties when expanding service offering. This can lead to two work patterns for staff. E.g. Private sector operative employed on 42.5 hour week, whereas ex public sector operative via TUPE continues to work 37 hours.

Supply chain management

Important areas for all organisations although approach varied widely. Within RSL contracts often out sourced although others Analyse down to job level and procure nationally within their own resources however, team sizes are small.

Out of hours services

All organisations provided comprehensive out of hours services either directly or via pre determined contractors.

Other Findings

The firms concerned put considerable energy and time into working with the Council officers for which we are very grateful. The seriousness with which contractors viewed the exercise was evidenced by the attendance of senior managers of all contractors in meetings and site visits with Council officers.

It was interesting to note that one contractor took value for money so seriously that it had employed the person who drafted national guidance on the subject.

Mixed picture as to balance of direct labour and sub contractors ranging from 100% sub let to 80% DLO with manning levels being set at a level which allows for work volume fluctuation.

In one location and where a customer expressed any dissatisfaction (captured electronically) a customer liaison team had a target of 15 minutes in which to contact the dissatisfied customer, so as to explore the reason for the dissatisfaction and determine how it may be addressed. The customer then received daily updates until their concerns had been fully addressed.

At least one company managed the voids letting process for its RSL client including choice based lettings and sign up. This allows a consistent approach across the geographic area concerned and the use of common platforms and lettable standard.

One contractor was actively engaged in training youngsters from difficult backgrounds in partnership with a major college in the midlands. This arrangement has just produced its first graduate. The recession however has meant a reduction in numbers attending the college this year and last.

In one case 85% of heating systems have been replaced in recent years with only 2 types of boilers.

A mixed picture as most client organisations have retained an asset management capability. Some contractors undertook assessments on their client's behalf but Client retained software and ability to issue certificates.

Some contractors commented that demand for early evening calls was of low volume.

Most firms were also able to collate learning and procurement intelligence nationally and apply these lessons learned at a local level to the benefit of both parties.

Mixed picture regarding access to client stock condition surveys, databases and housing management systems. Some contractors have direct access to client systems others do not. Clients tended to updated their stock condition surveys themselves from information provided by their contractor, rather than auto updating via contracting partner

Most organisations appeared to employ the familiar regime of operational and core partnering meetings already employed within the Cambridge context albeit that a client and contractor split was normally maintained.

Basically the longer the better some joint venture contracts £200m 10 year relationships but others 5 years plus.

Investment

All of the site visits were made to locations where a long-term contractual relationship was in place, which allowed significant investment to be made by the contracting partner. Digital graphical performance and customer care data were apparent at all locations via large plasma or other displays in the majority of cases displaying performance and job allocation in real time linked to hand held technology deployed within the work force.

Long term relationships allows significant investment

Professional and dedicated call centres in majority of cases, elsewhere integrated with existing call centre arrangements. Staffing structures adequate for the task. In one case a subsidiary call centre was linked to main call center. In most cases work scheduling for operatives was undertaken within call centre.

In some cases overheads are paid one month ahead in equal tranches.

Annual savings are achieved until recently 3% in common with a requirement for most clients' efficiency plans.

Fault diagnosis

Mixed picture – some organisations employ sophisticated fault diagnostic software within call centres on the basis that this reduces abortive calls others were less enthusiastic. In one instance the National Housing Federations Schedule of Rates was used to identify repairs only (i.e. not for pricing purposes.)

	Comparators	Category	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F	Comments
1	Direct overheads	ALL	9.00%	Cash figure provided but need expressed in % terms	6%	N/a	5%	12.30%	One firm commented don't make pensions the basis of competition. Another overhead will vary according to local needs and priorities so make sure comparing like with like.
2	Indirect overheads	ALL	12%	Cash figure provided but need expressed in % terms	10%	N/a	10%	8.20%	
3	Profit margin	ALL	4%	4.25-5%	3-4%	3%	3%	1.50%	Some data taken from financial accounts.
4	Out of hours service available Y/N Help Desk	ALL	Y	Y centralised call centre	Y	Y	Yes	Yes 24Hr/365	some firms use Clients call centre
5	Avg cost of void	Repairs & maintenance	£2,667	£2,100	£960	£2,100	£2,500	£1,907	
6	Avg works turnaround time voids (days)	Repairs & maintenance	12	8.63	11	18	10	9.5 days	
7	% Appointments offered on average and % made and kept	Repairs & maintenance	95%	98%	98%	98%	99.31%	95%	
8	Avg no of repairs per property	Repairs & maintenance	5	2.66	2.81		3.25	2.4	
9	Avg spend per property response repairs	Repairs & maintenance	£417	£227	£187	£250	£198	£283	
9a	Average cost of repairs from last (indicative only)		£83	£85	£61	£70	£60.92	£110.99	
10	Customer satisfation levels boken down by social/ethnic group	ALL	96%	98%	97%	96%		92%	
11	First time fix rate	Repairs & maintenance	Not measured	93%	89.10%	88.40%	86%	99%	
12	Repair categories response times		Emerg 4 hrs,Urg 24 hrs,Essential 3 days, Routine 20 day	Mix depending on client otherwise, emerg 4hrs/24 hrs,Urgent 5 days, Routine 28 days	E = 98% U=99% R=99%	E = 99% U= 99% R= 98%	Out of hours 100%, emergencies 99.81%, Urgent 96.27% Routine 96.89%	Emerg 99%, Urgent 89% Routine 95%	
13	Annual spend cyc decs	Repairs & maintenance	£800,000	Varies by client	N/a	N/a	N/a	£1,070,000	Question too ambiguous
14	% of calls answered within x rings/seconds/complaint handling	ALL	N/a	N/a	N/a	N/a	N/a	98% answered, 82% In 12 secs,5% escalated	
15	Use of technology	ALL	PDAs in place	In house IT, Full mobile working, Full appointments system, Full Interface to client system (various)	PDAs Optitime and graphical fault diagnosis has own contract management system	PDAs and repairs scheduling inc location	Integrated real time mobile solution (impact response)	Proprietary MIS system.	Hand held technology universally applied

	Comparators	Category	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F	Comments
16	Physical location of service	ALL	Depot	Co-location client and materials supplier	Depot with co location industrial estate	Offices JV adjacent to estates	Prefer local location close to communities being served 75% of stock within five mile radius	Depot	
17	Making good defects	ALL		1%			1.92%	1%	
18	% of work undertaken by sub contractors	Repairs & maintenance	18%	<5%	N/a	N/a	21-26%	5%	
19	Health and safety management including dafe disposal and asbestos management	ALL	AIR=418	Managed by us. Some clients retain responsibility			H and S officer in branch. Asbestos managed via specialist sub contractor	Corp H and S team	Note One company had 15% of turnover managed by local BME managed company
20	Preferred contract durations	Repairs & maintenance	10Years+ min 5 years	Max permissible TPC/PPC	5-10 years	4 +1+1	Minimum 3 ideally five plus based on annual review#	5 years plus	All firms would like security of tenure for up front investment particularly in systems and inculcating customer focus and commercial culture. Major investment up front possible where contractual circumstances allow.
21	Cost per unit for cleaning services	Cleaning	£14.15 hour	TBA	N/a	N/a	N/a	£1.13 - £36.10 Standard, £18.05-£343.64 Sheltered	
22	Cost per unit for grounds maintenance services	grounds maintenance	£12.57 hour	£1.90	N/a	N/a	N/a	£17.05	
23	Cost per sq meter for grass cutting (combined cutters)	grounds maintenance	£0.11	£0.02	N/a	N/a	N/a	£0.53	
24	Cost of cutting a linear meter of shrubbery	grounds maintenance	£4.69	£0.45	N/a	N/a	N/a	£1.04	
25	Cost of hedge trimming per linear meter	grounds maintenance	£2.78	£1.80	N/a	N/a	N/a	£0	
26	Cost per item of removing fly tip	grounds maintenance	£39	£450/load	N/a	N/a	N/a	£0.29-£0.42	
27	Target time to remove fly tipping	grounds maintenance	4 day target achieving 1.6 days	24 Hrs	N/a	N/a	N/a	Within 24 hours from contractor receipt of request	
28	Target time to remove graffiti	grounds maintenance	Not measured. Performance measured against % removed on time target 97% actual 97.7%	24 Hrs	N/a	N/a	N/a	Offensive 24 hrs, non offensive within 5 days Mon-Sun, both from contractor receipt of request	
									Note one comment suggested private sector materials suppliers not keen in TUPE of staff!