

 Finance & Audit Scrutiny Committee 8th April 2015		Agenda Item No. 4
Title:	Housing & Void Property Repairs Contract Outturns for 2012-13 & 2013-14	
For further information about this report please contact	Andy Thompson	
Service Area	Housing and Property Services	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Housing Revenue Account (HRA) Business Plan Performance Management Report (Finance & Audit Scrutiny Committee January 13 th , 2015)	
Background Papers	None	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Head of Housing & Property Services	March 24 th 2015	Andy Thompson
Head of Finance	March 24 th , 2015	Mike Snow
Portfolio Holder for Housing and Property Services	March 23 rd , 2105	Councillor Norman Vincett
Consultation Undertaken		
None		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1 SUMMARY

- 1.1 The purpose of this report is to present to Finance and Audit Scrutiny Committee an update on the Housing Repairs and Maintenance financial outturns for 2012-13 and 2013-14.

2 RECOMMENDATION

That Finance and Audit Scrutiny Committee notes:

- 2.1 The Housing and Void Property Repairs Contract financial outturns for 2012-13 and 2013-14.
- 2.2 That a full review of the current repairs and maintenance arrangements will be undertaken in the first two quarters of 2015-2016 to determine the most cost effective way to deliver this service in the future.

3 REASONS FOR THE RECOMMENDATION – CURRENT PERFORMANCE

- 3.1 In January 13th 2015, the Finance and Audit Scrutiny Committee received the Housing Revenue Account (HRA) Business Plan Performance Management Report, setting out the current and predicted financial status of the Council's landlord service.
- 3.2 Members of the Committee asked for further information about the Housing and Void Property Repairs Contract with particular regard to the comparative financial outturns in 2012-2013 and 2013-2014. In 2012-2013, the Council operated a Schedule of Rates (SoR) based contract moving to Open Book Accounting (OBA) for 2013-2014.
- 3.3 The table below summarizes the outturns for the two years.

Order Type	2012/13			2013/14		
	Order Qty	SOR Cost	Average Cost	Order Qty	SOR Cost	Average Cost
Call Outs (OOH)	7	515	74	645	47,609	74
Dwelling Repairs	10,665	1,666,403	156	10,966	1,451,413	132
Garage Repairs	134	47,039	351	305	54,014	177
Voids	370	993,292	2,685	357	1,033,815	2,896
Garage Voids	172	11,986	70	186	21,277	114
	11,348	2,719,235	240	12,459	2,608,128	209

- 3.4 To allow for as true a comparison as possible, a number of variable items have been accounted for in computing the figures above. These include:
- Using the SoR rates for the works in both years to allow for a directly comparable cost assessment to be made
 - Exceptional repairs in each year have been removed (an example of an exceptional repair would be works to re-build a wall of a house following significant vehicular impact damage, works of an exceptionally high value that are not expected to be repeated in future years).

- A 2.6% uplift has been applied to the 2012/13 costs in line with published indices for the term, to ensure that inflation does not distort the comparison.
- 3.5 In 2012/13 under the SoR contract, 11,384 orders were completed for a total cost of £2,719,235 at an average cost of £240 per order.
 - 3.6 In 2013/14 under the OBA contract, 12,459 orders were completed (1,111 more than in 2012/13) at a total cost of £2,608,128 at an average cost of £209 per order. This represents a headline cost efficiency of £31 per order and £111,107 overall, a reduction of 4.1% for 2013-2014 over 2012-2013.
 - 3.7 There are a number of additional factors that need to be taken into account before drawing a final conclusion on whether or not OBA or SoR provides the best value Housing and Void Property Repairs for the Council.
 - 3.8 The nature of the responsive repairs contract is such that the quantity and characteristics of the work needed and completed in a financial year can vary significantly as such, irrespective of contract terms and cost model particulars. Comparisons based upon the headline financial outturn cannot be a completely like-for-like comparison and so are of limited in their ability to indicate overall value.
 - 3.9 The cost of external expertise to manage the audit and reconciliation of OBA has been circa £50,000. These costs were not incurred whilst operating the SoR contract.
 - 3.10 The nature of OBA contracting is that cost reductions are most easily secured in the early stages of the contract, when the two sides to the contract are identifying and refining their knowledge of the costs of undertaking works. Opportunities to realise similar savings in future years can be reduced as the opportunities to identify cost reductions through, for example encouraging the provider to source less. However, with data received on the first nine months of the 2014-2015 period, the Council does expect to be able to secure further savings on the Housing and Void Property Repairs Contract, for example through reductions in the Target Price per Repair.
 - 3.11 The experience of managing OBA has identified a number of cost risks to the Council, including the need to take greater control over the specifying and ordering of works. This is to be addressed in 2015-2016 by the introduction of pre- and post-inspection of the majority of repairs which will allow the Council to have greater control over the works ordered.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 During the first two quarters of 2015-2016, the Asset Management Team will be undertaking a full review of the most effective way to deliver Housing and Void Property Repairs. This is because the savings secured from OBA have been less than were assumed while the resources needed to successfully manage OBA are higher than for SoR.
- 4.2 OBA with the appropriate levels of expertise and resources in place does create potential opportunities to work with contractors to more readily understand and take advantage of possible cost reductions, for example reduced material, labour, overhead and vehicle costs. As part of the review, the Council will be

considering the extent to which it can realistically secure such efficiencies now and in the future through OBA.

- 4.3 While SoR does not offer this opportunity to share in such savings, it does help provide safeguards for the Council against increases in costs and offers certainty over price for the duration of the contract. SoR by providing for greater pricing certainty than OBA at the time of an order being placed allows more easily for ongoing management of actual costs, reducing the risks of budget variations.
- 4.4 The Housing and Void Property Repairs Review, which will be completed by October 2015, will therefore consider the overall value for money of the two approaches, taking into account:
- The ability of the Council to maintain control over its costs and works
 - An assessment of how most effectively to manage the opportunities and risks that may arise from future price changes in overheads, materials and labour
 - The impact on the capacity of the Asset Management Team to undertake other work, for example preparing and managing planned and preventative works
 - The ability to maintain the viability of the HRA Business Plan by better understanding future costs
 - The ability of the Council to share ongoing cost efficiencies and reduce its exposure to cost increases.
- 4.5 The current contract allows for either OBA or SoR to be used so there will be no need to re-procure the Housing and Void Property Repairs contract should a recommendation be made at the end of the review to move from OBA to SoR or to remain with OBA.

5 BUDGETARY FRAMEWORK

- 5.1 The effective monitoring and control of expenditure and income is a fundamental part of the proper financial management for the Council, enshrined within the Code of Financial Practice and monthly Budget Review process
- 5.2 Because the savings assumed to be gained by OBA have been lower than planned, such savings were removed from the HRA Business Plan when it was reviewed for the 2015-2016, as reported to this Committee January 13th 2015. When the Business Plan is reviewed for 2016-2017, revised assumptions will be included taking account of the outcome of the Housing and Void Property Repairs Review.

6 POLICY FRAMEWORK

- 6.1 The recommendations of this report are in keeping with the Council's approved HRA Business Plan.