

<b>Item No.</b> 13.	<b>Classification:</b> Open	<b>Date:</b> 13 March 2018	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Progress report – in-house repairs service	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing	

#### **FOREWORD – COUNCILLOR STEPHANIE CRYAN, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING**

In December 2017 Cabinet agreed a Gateway 0 report to consider bringing responsive repairs works in house through a Direct Labour Organisation and for Southwark Building Services (SBS) to undertake repairs work across the whole of the borough. This report provides an update on the progress that has been made so far and highlights the ongoing work that needs to be done to make sure we are ready for 1 October 2018 when the Council's current contract with Mears comes to an end.

Responsive repairs are a key service for the Council, affecting all council tenants, supporting the Council's commitment to providing quality housing and vital to delivering on our Fairer Future promises. Good service needs to be consistent as it can directly affect the quality of our residents' lives and the key performance indicators for the in-house repairs service needs to put our residents at the heart of its service.

Past experience in Southwark of service delivery by large external contractors has been variable and the contractors have consistently struggled to meet the Council's performance targets. A directly delivered service will allow the Council to reduce administration, stop duplication of effort and provide the opportunity to review the current client/contractor split we have worked under in previous contracts allowing us to move to a truly "One Council" service that puts residents at the heart of the way services are delivered.

The in-house service will also allow the Council to grow its own workforce, build on our successful apprentice programme by investing in further apprenticeship opportunities and will focus on new partnerships with local suppliers to help boost the local economy.

Whilst there is still work to be done between now and October good progress is being made and a further report will be brought back to cabinet later this year providing a further update on that progress.

#### **RECOMMENDATIONS**

That the Cabinet:

1. Notes the progress made to date to ensure a fit for purpose borough-wide repairs service is in place on 2 October 2018 at the end of the Mears contract.
2. Reaffirms its commitment to repairs being brought back in house as set out in the Gateway 0 report of 12 December 2017 and that this report acts as the

Gateway One necessary to approve the insourcing of the work, including the TUPE transfer of staff.

3. Instructs officers to continue the work preparing for this as set out in this report.
4. Notes that a further report around progress will be brought back to Cabinet later in 2018.
  
5. That the Leader of the Council:
  - Delegates to the appropriate Chief Officer the decisions confirming the reorganisation of Southwark Building Services arising from Cabinet's agreement to the recommendations above; and
  - Delegates to the appropriate Chief Officer the decision to approve major terms and conditions of employment outside the national and provincial schemes. Please see section 22 below for more detail.

## **BACKGROUND INFORMATION**

6. Cabinet agreed a Gateway 0 report on 12 December 2017 that set out a strategic options assessment for responsive repairs and maintenance works to the council's housing stock. That Gateway 0 had the following recommendations and this report provides an update in line with those recommendations:
  - Instruct officers to develop detailed plans that would allow all repairs and associated works to be undertaken by the council's in-house trading service for housing repairs, Southwark Building Services (SBS) for an initial period of 12 months with effect from 2 October 2018.
  - Requests a progress report to Cabinet in March 2018 setting out a proposed new service delivery model, project plans, full risk assessments and a full business case in support of the delivery of the service by SBS.
  - This report deals with the plans to undertake responsive repairs and maintenance inside tenanted properties across the whole borough. Communal repairs that are chargeable to leaseholders are being procured via a number of competitive tenders to ensure the council can demonstrate value for money and meet its legal obligations to leaseholders. The Southwark procurement gateway process will be followed for the letting of these contracts.

## **KEY ISSUES FOR CONSIDERATION**

7. As set out in the Gateway 0 report, the recommendation to bring these services in house was based on market research carried out by Asset Management within the Housing and Modernisation Department. Past experience in Southwark of service delivery by large external companies has been variable, and the contractors have consistently struggled to meet the council performance targets.
8. The insourcing of internal repairs will allow the Council to test new delivery and pricing models without being tied to formal contractual specifications that would require variations in order to test new ideas.
9. A directly delivered service will allow the Council to reduce administration, stop duplication of effort and provide the opportunity to review the current hard Client/Contractor split, moving to a truly "One Council" service, putting the

residents at the heart of the way the service is delivered. The Gateway 0 set out a list of criteria for judging the success of the new service which officers have been working to in the planning and delivery to date.

10. The in-sourcing of repairs and maintenance gives the council greater control of day to day HRA spending in areas which impact directly on the quality of life of our tenants. Direct in-house delivery of services allows us to respond to and adjust our offer to meet residents' needs.
11. It also allows the council to grow its own workforce and invest in further apprenticeships and new partnerships with local suppliers to help boost the local economy.
12. The new pricing model will allow certainty over repairs and maintenance budgets, reduce administration and should increase the percentage of jobs that are completed on the first visit.
13. The task of preparing for SBS to take on the works currently being delivered by Mears while developing a new service delivery model in order to ensure that the service is not just maintained but improved for residents is a large, complex and challenging one, involving input not only from officers on the client and contractors side but also from Human Resources, Organisation Transformation, finance and legal. This is being coordinated with project management structures and support, closely overseen by a strategic board consisting of the Strategic Directors of Finance & Governance, Housing and Modernisation and Environment & Social Regeneration. This report sets out more detail on the project and progress to date.
14. Despite the challenges, the board is confident that progress is being made across the work streams to enable successful delivery of the service in house from 2 October 2018. The board also considers that it will be prudent to keep open the option of staging the improvements planned to the service through new service delivery models and associated changes past the start date.

### **Governance and project management**

15. The strategy board mentioned, above, meets on a fortnightly basis to receive and review updates on progress and discuss any challenges or hurdles encountered. A detailed project plan has been produced to ensure all the tasks that need to be undertaken are captured and assigned to individuals within the project delivery team. The board will control the progress of the project by regular reports from the project delivery team.
16. The board reports both into Cabinet and, where there is an interface with accommodation more generally, into the council's office accommodation board. The project has been divided into a number of work streams and each has an assigned lead officer. Appendix One shows these work streams and a detailed update on progress to date and planned next steps is set out later in this report.
17. Gateway reporting for the remaining contracts, not part of this new service delivery arrangement, which are being competitively tendered will follow Contract Standing Orders.

18. Risks have been analysed and are reviewed regularly as part of the strategy board overview. The following top risks have been identified:

<b>Risk</b>	<b>Mitigation</b>
Reduction in quality or failure of service delivery by existing contractor before the term expires.	Contract management of current contract and contingency arrangements in place.
Delays to implementation of new arrangements.	Project planning and oversight by board members with ability to resource project as necessary. Contingency arrangements. Maintaining ability to transfer service "as is" with improvements to follow later.
Concern or lack of information about the new arrangements.	Engagement with residents and staff through engagement and communications plans.

### **Business case**

19. In order to assess the financial impact of this project a detailed business case is being prepared that will enable the total costs of the new service to be established.
20. The business case seeks to quantify the impact of the expansion of the SBS service with effect from October 2018. That will include costs being transferred from the previous external contract and the ongoing costs of the existing SBS service. It will also include any specific one off costs arising from transition from the previous arrangements to the new and any initial investment required to support the new service. These costs will form the basis of charges to be made to the housing revenue account (HRA) for the housing repairs service. Due to the nature of service being provided there will be a requirement to fully recover the services from the HRA. The means of charging are subject to review as part of the In-house Service work stream, which may involve the movement from charges per job to charges per property. This position is still being clarified but will become clear in the period leading up to October 2018.
21. Given the complexity of the project and the short implementation timescales for the new arrangements it has not been possible to incorporate the precise cost of the new service within council Housing Revenue Account and General Fund budgets for 2018/19, however because of the nature of the service there will be no net impact on the General Fund budgets as the full cost will be chargeable to the Housing Revenue Account as Landlord Services. It is targeted at this time to maintain housing revenue costs within current budget provision. The business case will also be assessing the full year costs of the repairs service being provided by SBS for both 2019/20 and 2020/21. It is anticipated that this period will enable further transition and enhancement of the service including efficiencies as the new management arrangements take effect. SBS are developing their own financial model that can be used to estimate the impact of different level of demand on the requirements for specialist skills or trades to support the service. In order to continually develop the SBS operation in the future this model will need to be actively maintained and updated in support of

those managing the service. As these updates take place there will be a need to continually reconcile service levels with council's approved budgets and to make variations as necessary.

22. For each of the years the business case will be establishing both the direct and indirect costs of the services including staffing, materials, vehicles, plant, equipment and facilities. In addition there will be a need to re-baseline departmental and corporate overheads fairly attributable to the service as it expands. The business case is cross referencing each of the 15 individual work streams involved in the project. Accordingly, the business case will be refreshed as new and improved information becomes available. Any necessary budget adjustment will be reported through monitoring reports to cabinet throughout 2018/19, any budget variations required in 2019/20 and beyond will be captured as part of the annual update to the policy and resourcing strategy.
23. Moving beyond October 2018, the transition costs involved regarding the movement of resources, particularly the movement of staff will be monitored closely to ensure that the intricacies involved follow the legislative requirements. Additionally, a budget for organisation development will be utilised to ensure any identified potential skills gap will be continually improved.

#### **Human resources – terms and conditions (ts&cs) and re-organisation**

24. There are 2 distinct areas of work. One is the TUPE process, with the Mears staff transferring across to SBS in October 2018. This work stream is undertaking the necessary preparation work to manage the smooth transition of Mears staff, together with the management of their physical transfer to Southwark.
25. An indicative 'in scope' list of staff likely to transfer from Mears to Southwark in October has been received and is under review to prepare for the formal TUPE consultation process. Southwark managers are liaising with Mears to arrange informal meet and greet sessions with Mears staff. While being conscious that specific staff will be identified and consulted through the TUPE process, it is helpful to start to build relationships and demonstrate our commitment and values to our future workforce.
26. The other area of work is the shaping of the Traded Services organisation and the design and agreement of an appropriate structure and terms and conditions to deliver the new service. Benchmarking has been done to gather details of London-wide pay rates for a variety of job roles to help shape the new terms and conditions to be discussed with existing SBS staff. Informal consultation with the unions is underway. It is noted that under the Council's Constitution part 3C a full cabinet decision is required to consider and agree (4) decisions regarding the strategic management of the council including decisions on major reorganisations and major reallocations of functions between departments or chief officers and (6) approval of major terms and conditions of employment outside the national and provincial schemes. Due to the tight timescales for the delivery of this aspect of the project the Leader is requested to consider exercising his delegation powers to Chief Officers on these two specific decisions.

## **Workplace**

27. The new modernised depot planned to incorporate all the Council's craft workers will not be available for the start of this new service and is being managed under its own separate programme. However, space has been identified at existing depots based on the initial staffing numbers, and the plans for this are being worked on, including improving facilities at existing depots to support the existing and additional workforce.
28. Next steps are:
  - Plans to be developed to design changes to the two depots to accommodate the additional staff required.
  - Physical moves to be undertaken in time for the 2 October 2018 contract commencement.

## **Information technology**

29. The board has agreed that introduction of a new IT solution in time for the new service launch in October, would pose a risk to the initial success of the new arrangements and to mitigate this risk, existing IT solutions will be used at this stage in the programme.
30. The work stream will plan for the provision of the required IT equipment that will be needed by Mears staff, together with ensuring IT systems are configured to deliver the new service in time for the October start date.
31. Early planning will be undertaken during the period to scope out the system requirements for a new IT solution. In addition, process mapping of existing systems will be carried out so that more efficient working processes can be identified and adapted.
32. Next steps are:
  - Migration of historical data from Mears to the Council needed to ensure a full picture of the stock condition is known.
  - IT systems will need to be reconfigured to facilitate the new service delivery model.
  - Officers responsible for managing the Northgate system are building the upload of new work programmes and schedules of rates into their work programmes. This will ensure that the council manages its asset registers, records data for legal challenges and provides auditability of works done.

## **Organisation development/new service design**

33. The introduction of a new service delivery model will bring culture and behaviour changes to the business. The OD Work stream will help in providing support to staff and managers through this change process.

34. The Council wide staff survey run in 2017 had low levels of returns from front line staff in the Environment and Social Regeneration Department, so a re-run has taken place targeting the Traded Services and Cleansing workforce to understand current levels of satisfaction and areas of concern. The results are currently being analysed and will inform the work stream activity.

35. Next steps are:

- Work will be undertaken to review existing processes and design the new service delivery model and establish the key aims of the new service.
- When the new service delivery model is designed, a detailed culture and behaviour change programme will be put in place to ensure staff are ready at the implementation of the new service. This is likely to include clear and consistent expectations of managers with development programmes for them; development plans for staff across the service and a pilot of modern ways of working with appropriate technology solutions as well as an induction for the new staffing group.

### **New in-house service**

36. Options for a new delivery models have been considered, with a recommendation for a 'Price per Property' (PPP) and 'Price per Void' (PPV). The work stream has engaged an external contract specialist to assist with the drafting of a new Service Level Agreement (SLA) that will ensure robust performance management arrangements are in place for the new service.

37. Next steps are:

- Officers are drafting a new SLA, with external legal expertise (Sharpe Pritchard LLP). Once finalised, it will be shared with appropriate Cabinet Members for sign off. It will consist of a brief performance specification setting out key performance indicators (KPIs), budgets, obligations and a detailed supplement containing a full SLA as a minimum. A resident focus group will be established to help shape the new service and any changes impacting on residents will be subject to an Equalities Impact Assessment.
- The new SLA will differ from previous contractual arrangements. The new service will be entirely structured around the best possible service to residents meaning contract management, how the Council handles contact with residents, how it pays staff will no longer be the main issues addressed in the SLA
- New Key Performance Indicators (KPI's) to be agreed acknowledging that the resident experience will be at the heart of the new service.
- The new service model, service structure and new ways of working will be subject to consultation as per the Council's Re-organisation, Redundancy and Redeployment Procedure. The staff terms and conditions will also

require consultation and renegotiation to meet the needs of this new service delivery model.

- Client structure to remain in place until final service level agreement is agreed and then will be subject to review and restructure.
- Review existing Contact Centre engagement with residents to explore ways of streamlining job processing to reduce contact points between the resident and the craft worker actually undertaking the work.
- Appendix 2 outlines the agreed business rules for the new service.

### **Implementation and transition**

38. The focus of this work stream will be to ensure that all our activities align to ensure a smooth transition at the time of Mears TUPE and without disruption to the residents.
39. For the purposes of detailed oversight of the project, this work stream has been broken into component parts. These are set out as follows with a brief summary of progress to date:

### **Contracts and Procurement**

- Contract and procurements will be managed under a dedicated work stream to oversee any tendering process.

### **Material, Equipment & Stores**

- The work stream has been formed to oversee the material and equipment requirements that the new service will need, reviewing current usage and the predicted increase. Any additional material storage requirements will be reviewed by the work stream as well as the new equipment needs required from the Mears TUPE process.

### **Vehicles**

- The potential increase to the vehicle fleet as a result of the Mears TUPE will be managed and overseen by the vehicles work stream.
- As the final numbers of TUPE transferees won't be known until the end of August 2018, a conservative number of long term vehicle leases will be procured with the short-fall in vehicles made up with short term rentals to avoid the possibility of the Council leasing too many vehicles



## **Contact Centre**

- Preparing the Contact Centre for the new service, together with ensuring that the customer experience is maintained. The Contact Centre work stream will therefore prepare and support the Contact Centre ready for the implementation on 2 October 2018.

## **Communications**

40. A communication plan has been compiled ensuring impacted staff are kept updated and informed, with regular briefings in place. Councillors will be kept apprised of the progress being made. This work stream links with the resident engagement work stream.

## **Resident engagement**

41. Residents will be informed of the new service proposals, with early engagement having been made at the Future Steering Board on 6 February 2018. Articles will be placed in Southern Group of Tenants Organisation and the Southwark Housing Life newsletters in the early summer period.

42. Next steps are:

- Residents will be informed and engaged around the new service proposals.
- Tenant Council and Area Forums will be informed of the progress once Cabinet agree the proposals set out in this report
- External communications around the new service and expected benefits in September 2018.
- An internal communication plan will be developed to dovetail with HR and OD workstreams.

## **Community impact statement**

43. These services affect all council tenants and leaseholders, support the council's commitment to providing affordable quality housing, and deliver its Fairer Futures objectives. The repairs and maintenance contract is designed to deliver both timely and responsive repairs for council tenants. Maintaining and surpassing the already improving performance indicators in customer satisfaction and right first time repairs will have a continued positive effect on the service users.

44. A full equality analysis will inform the developing service models. The implementation of due regard to the PSED (Public Sector Equality Duty) is closely linked to the Council's Fairer Future principles. For example, putting residents at the core of everything we do through hearing diverse views and understanding diverse needs when reviewing and developing services. It is a

positive duty to help us promote equality in all that we do. Equality considerations will be integrated throughout all the procurement stages, consultation, engagement and communications undertaken.

45. Equality considerations and analysis into existing and new processes will be built into the review and development of the new service models, including understanding equality issues around the service users or equally and issues that emerge from analysis of complaints about the housing repairs service will be considered as part of the service redesign, including communications, digital inclusion and access to the repairs service. Equality monitoring will also be built into implementation of the new service models to ensure that the repairs service is improved for all. Particular consideration will be given to equality implications where users are vulnerable (for example, those with mental health and other disabilities, young people, older people, women who have experienced domestic abuse and their children).
46. Proposals for the new services will also allow the council to grow its own workforce and invest in further apprenticeships and new partnerships with local suppliers to help boost the local economy.

### **Social value considerations**

47. With the in-sourcing of repairs and maintenance, services can be tailored to reach vulnerable residents.
48. The proposed service delivery arrangements will allow SBS to add social value across a number of its activities. Social value activities may include work placements for unemployed residents, work experience opportunities for a selection of the borough's schools, and multiple opportunities for the borough's school children to benefit from employer engagement through career fairs and school events.
49. For each £1m of turnover SBS commit to employing a minimum of 1 apprentice. There will never be less than 15 in our cohort at any one time and wherever possible these will be Southwark residents.
50. Whilst committing to undertake work by directly employed staff, there will still be occasions when sub-contractors are needed to help address times of high demand. Where sub-contractors are used we commit to engaging with local businesses providing local services and to encourage contractors/suppliers to engage with borough-wide employment programmes such as Southwark Works to support unemployed residents access to training, skills and sustainable employment.

### **Human resource implications**

51. The progress report sets out recommendations for an In-house repairs service to undertake repairs and maintenance inside individual properties across the borough. There are a number of Human Resource implications arising from this project.

52. There will be a restructure of Traded Services, which will involve the consultation on and re-negotiation of existing terms and conditions, seeking to reach agreement through collective bargaining and review of job roles to align with the proposed delivery model and new service structure. The reorganisation will be undertaken in line with the Council's Reorganisation, Redeployment and Redundancy Procedure including the production of an equality impact analysis. All staff and Trades Union will be fully consulted on proposed changes.
53. The current repairs service provision in the South of the borough is undertaken by Mears. This contract is due to end on 2 October 2018 and it is likely that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply. The Council will ensure that actions and consultation will fully comply with legal obligations and requirements in line with TUPE regulations, working closely with Mears HR responding to the requirements of both the transferring organisation (Mears) and the receiving organisation (LB Southwark).
54. Both the restructure of traded services and the Mears TUPE projects will be planned taking into account the potential interdependencies between the two pieces of work when preparing for establishing the new service.
55. Following the creation of the new service HR and Organisation Development will ensure the service has an ongoing development plan to help embed the new ways of working, new structures, skills and behaviours fit for the new service.
56. Post TUPE transfer, formal consultation will take place with affected staff and Trades Union (including former Mears employees) within Traded Services on the structure required to support the full implementation of the new borough wide service delivery model.
57. The HR service has a dedicated change management consultancy team who will lead on the HR elements of this project, supported by operational HR teams. We will bring in additional temporary resources if required ensure the smooth running of this project.

#### **TUPE/pensions implications**

58. The TUPE implications of the termination of the Mears contract are set out in paragraphs 49 to 51 above. The outcome of the procurement exercise for the chargeable communal repairs contracts may also have TUPE implications.
59. Due diligence is being undertaken with the current providers to obtain a clearer picture of the TUPE implications and further legal advice will be sought in light of the result of that due diligence.

60. Any employees who transfer to the council under TUPE will be entitled to membership of the LGPS.

### **Financial implications**

61. There are no financial implications arising from this report. The business case will continue to be developed in order to establish the full costs of the service in 2018/19, which will be recovered in full from existing HRA budget provision. For 2019/20 and beyond, the business case will also establish future budgets that will be contained within future Policy and Resource Strategies and within the HRA budget.

### **Consultation**

62. Facilitating the right service design through the transition from the Mears contract for both tenants and leaseholders is essential and will therefore require extensive engagement. A Consultation work stream has been established, and consultation will be undertaken with key stakeholders, from residents, leaseholders, tenants and residents associations. This will give local residents the opportunity to influence the service design and to address any concerns they may have.
63. The proposals outlined in this report have been shared with the Future Steering Board and received a positive response.

### **BACKGROUND DOCUMENTS**

<b>Background Documents</b>	<b>Held At</b>	<b>Contact</b>
None.		

### **APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix 1	Project work streams
Appendix 2	Business Rules

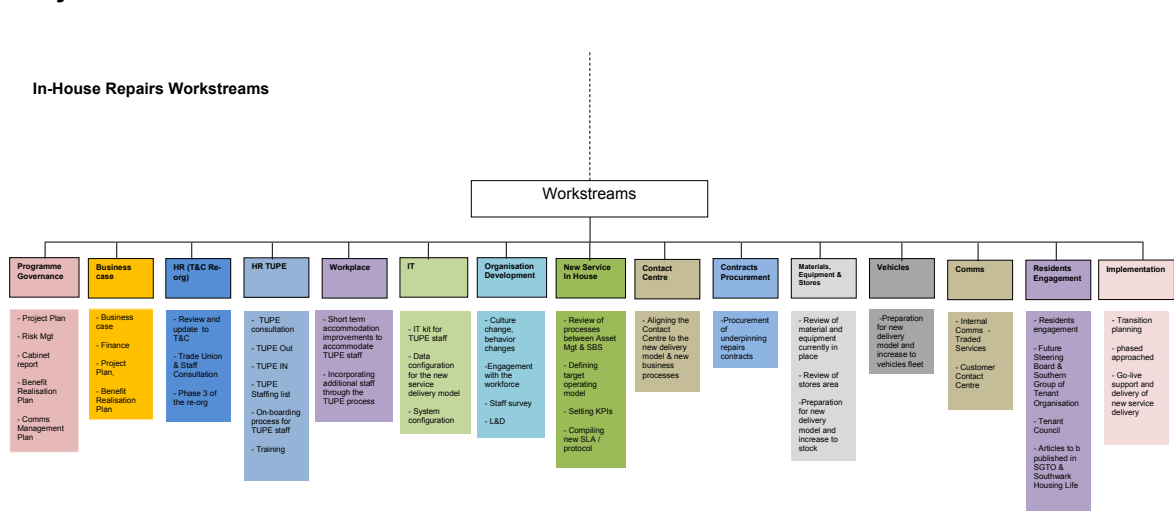
## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing	
<b>Lead Officer</b>	Deborah Collins, Strategic Director of Environment and Social Regeneration	
<b>Report Author</b>	Ian Smith, Director of Environment	
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<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Finance and Governance	No	No
Head of Procurement	No	No
Director of Law and Democracy	No	No
Director of Exchequer	No	No
<b>Contract Review Boards</b>		
Departmental Contract Review Board	No	No
Corporate Contract Review Board	No	No
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		2 March 2018

# APPENDIX 1

## Project work streams

### In-House Repairs Workstreams



## APPENDIX 2

### Asset Management List of Business Rules

There are a number of business rules that need to be incorporated in any new SLA and agreed by SBS. These are detailed below:

1. Priority shall be to eliminate the trading deficit and achieve financial breakeven on an annual basis as a minimum and aspire to deliver a positive rate of return (historically 5% RoR required under old DLO legislation).
2. As sole/primary client for the DLO, any deficit is effectively underwritten by HRA and will continue to be so.
3. Cost of move to rate per property and new contractual arrangements must be contained within existing base budget provision as a minimum and subject to annual budgetary savings targets.
4. Permanent staff in leading roles.
5. KPIs:
  - a. Customer satisfaction – measured by residents survey.
  - b. Right first time - measured by residents survey.
  - c. Appointments kept - measured by residents survey.
  - d. Orders completed on time as specified by the client
  - e. Average time to complete orders
  - f. No more than 10% non-specialist work to be sub-contracted.
  - g. Response to complaints and enquires within stipulated timescales.
  - h. Post inspections of all work streams for quality, health & safety etc.
  - i. Defaults – no more than 10 defaults issued per month.
  - j. minimise avoidable contact
  - k. minimise complaints upheld
  - l. response to enquiries and complaints
  - m. follow on appointments raised in a timely manner from site at convenience of the customer
6. Apprenticeships – maximise meaningful opportunities.
7. Responsive repairs fully reported using NatFed SOR's to ensure asset registers are updated and evidence available for legal and complaint enquiries.
8. Flexible response to change
9. Specialist experience for dealing with aids and adaptations.
10. London Living Wage as a minimum incorporated in supply chain contracts
11. Trades union recognition by subcontractors and no use of companies involved in blacklisting.