



Report to Safer and Stronger Communities Scrutiny & Policy Development Committee 26th March 2015

Subject: Call-in of decision on 'Future options for the Housing Repairs and Maintenance Service'

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Type of item:

Reviewing of existing policy	
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Community Assembly request for scrutiny	
Call-in of Cabinet decision	x
Briefing paper for the Scrutiny Committee	
Other	

1. Background

1.1 On the 18th March 2015 Cabinet took the following decision:

- (a) approves the proposal in this paper to insource the Housing Repairs and Maintenance (HR&M) Service from 1st April 2017;
- (b) gives its approval for the insourcing to be done based on the principles and assumptions described in Section 9.4 of this report, and taking into account the risks and mitigations as set out in Section 10, including the potential contracting-out of a small proportion of the service;
- (c) gives its approval for the budget required to cover the one-off implementation and set-up costs, as described in Section 8.3 of this report;
- (d) delegates authority to the Executive Director, Communities to take all the necessary steps to progress and implement the insourcing of the service, in consultation with the Cabinet Member. These steps will include:

- at the appropriate time, commencing formal consultation with Trade Unions regarding the transfer of staff from Kier into the Council (in consultation with the Director of Human Resources as necessary).
 - developing the structure and agreeing the timescales needed to deliver an in-house repairs service (in consultation with the Director of Human Resources as necessary).
 - approving the procurement strategy and contract award, and agreeing contract terms and entering into the contracts, for all necessary goods and services. This will apply to both the development / implementation work required prior to the insourcing, and for in-house delivery of the Service itself (including any elements of the Service which it is agreed will be contracted out by the Council) once it is brought back into the Council (in consultation with the Director of Commercial Services and the Director of Legal and Governance as necessary).
 - undertaking a more detailed assessment of which elements of the Service are more appropriate to be contracted out, rather than directly delivered by the Council, and what the impact of this will be and how that will need to be managed (in consultation with the Director of Commercial Services and the Director of Human Resources as necessary).
 - Ensuring that the statutory leaseholder consultation required by Section 20 of the Landlord and Tenant Act 1985 (as amended by the Commonhold and Leasehold Reform Act 2002) is adhered to.
 - Any other work required for the effective preparation for and implementation of the insourcing of the HR&M Service; and
- (e) requests that a further report is presented to Cabinet if the underlying strategy for the future of the Service cannot be achieved, or if any unforeseen significant risks emerge which may prompt Cabinet to re-consider its decision..

The full report is attached as appendix A.

- 1.2 As per Part 4, section 16 of Sheffield City Council's Constitution, this decision has been called in, preventing implementation of the decision until it has been considered by this Scrutiny Committee.
- 1.3 The Call-In notice is attached at appendix B, stating that the reason for the call-in is "to ensure that any significant decision such as this is made in the best interests of tenants and leaseholders who use the service."

2 The Scrutiny Committee is being asked to:

2.1 As per the Scrutiny Procedure rules, scrutinise the decision and take one of the following courses of action:

- (a) refer the decision back to the decision making body or individual for reconsideration in the light of recommendations from the Committee;
- (b) request that the decision be deferred until the Scrutiny Committee has considered relevant issues and made recommendations to the Executive;
- (c) take no action in relation to the called-in decision but consider whether issues arising from the call-in need to be fed back to the decision maker or added to the work programme of an existing Scrutiny Committee;
- (d) if, but only if (having taken the advice of the Monitoring Officer and/or the Chief Finance Officer), the Committee determines that the decision is wholly or partly outside the Budget and Policy Framework, refer the matter, with any recommendations, to the Council after following the procedures in the Budget and Policy Framework Procedure Rules

(If a Scrutiny Committee decides on (a), (b) or (d) as its course of action, there is a continuing bar on implementing the decision).

2.2 The Scrutiny Procedure rules state that if a decision is referred back, it is referred back to the individual or body that made the decision. In this case the decision maker is the Cabinet.

Category of Report: OPEN (with a closed Appendix Three, Five and Six which contain commercially sensitive and financial information)

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SHEFFIELD CITY COUNCIL

Cabinet Report

Report of: Laraine Manley

Report to: Cabinet

Date: 18th March 2015

Subject: Future Options for the Housing Repairs & Maintenance (HR&M) Service

Author of Report: Janet Sharpe

Key Decision: YES

Reason Key Decision: Expenditure/savings over £500,000
Affects 2 or more wards

Summary:

Following the successful re-integration of the Housing Service into the Council in 2013 tenants, leaseholders and Elected Members have considered which future option for the Repairs and Maintenance Service (R&MS) would deliver a first class service for customers whilst giving the Council much greater flexibility in terms of accountability and making sure the Service can deliver this vision.

The current Housing Repairs and Maintenance Contract with Kier Services Ltd ('Kier') is due to end on 31st March 2017. A decision needs to be made on how the Service will be delivered after this contract ends, the three main options being to:

- extend the current contract with Kier for up to a further two years
- seek a new external contractor to deliver the Service
- bring the Service in-house to be directly delivered by the Council ("insourcing")

The Council has no particular stance on whether services should be provided directly or through an external organisation. It takes a pragmatic approach based on the particular circumstances of each decision it takes. We recognise that there are a range of potential benefits and dis-benefits to different types of arrangement, and have considered these carefully in coming to a view about the best model for the Housing Repairs Service.

There were a number of drivers that led us towards outsourcing at the point the current contract was let – these included providing long term certainty over costs and service levels, and that working with a partner such as Kier would allow us to access funding and economies of scale that would be more difficult for the Council to realise on its own.

However, with the changes in the external environment, both in terms of funding (with changes to the way in which the HRA is managed), and the fact that the housing management function has been brought back directly under Council control, it is the Council's view that an insourced option for housing repairs and maintenance currently represents the pragmatic choice. It will also re-associate the Housing Repairs and Maintenance Service with the Sheffield City Council brand, meaning that we have more control over how a key customer facing service operates, and ensuring that we are able to deliver the best possible service to tenants, in line with the Housing+ Programme principles.

There would be initial one-off implementation costs involved in insourcing the Service. However, in the long-term insourcing is the most cost-effective option - expected to achieve year-on-year sustainable savings for the Housing Revenue Account (HRA).

Insourcing the Service would also integrate it fully with other key Council Services and so strengthen its partnership working with these Services. For example, it will enable the Service to support the new approach to housing management ("Housing+"), and to be an integral part of locally-based neighbourhood management.

Insourcing the Service will involve transferring the current Kier workforce delivering the HR&M Service, and the work they currently undertake, into the Council. There may be a small number of elements of the Service which may continue to be more effectively delivered by an external contractor, and more work will be done to confirm this.

Kier are working closely with the Council to deliver a number of service improvements and initiatives around customer engagement, modernising the workforce through a new pay and reward scheme whilst providing its workforce with the tools and support to provide a first class Repairs Service. Once in-sourced the Council will continue to build on this work.

As with any major change, there are risks associated with insourcing the Service. In particular, there are risks relating to: - a decrease in productivity; greater health-and-safety responsibilities; fluctuating costs of materials; equality of pay; and having the necessary resources to implement the transfer. Strong management of the transfer and robust implementation plans will ensure that these risks are effectively mitigated.

A wide range of Council Officers have been involved in developing the proposals in this report, along with Elected Members, and information has also been sought from other organisations delivering an in-house Repairs Service to help inform the work.

Following approval of the proposals a detailed implementation plan will be designed to prepare for the insourcing of the Service. This work will include working with employees and Trade Unions to ensure a smooth integration into the Council.

Alongside the work to assess the best option for *how* the service should be delivered in the future, work will also be done to design *what* that service should look like. This design work will lead to the development of a new 'Target Operating Model' (TOM) for the Service, and tenants and leaseholders will be closely involved in this work.

Reasons for Recommendations:

- Insourcing the HR&M Service will give the Council more control, flexibility and accountability in managing the Service, enabling the service to be fully integrated into the Council and to work in close partnership with other relevant key Council services. This will help to transform its approach to one which is more holistic, joined-up and outcome-focused and ensure that the Service is delivered in a way which fully supports the Council's corporate objectives.
- Bringing the HR&M Service in-house for direct delivery by the Council will also help to bring about an alignment of culture in the Service to that of the Council, and in its approach to customers. As an integrated function within the Council, the Service will be much better placed to adopt the Council's key principles of 'right first time' and holistic service delivery - and to be more adaptable to varying circumstances and to any changes in corporate priorities.
- Based on all information known to date, and after the initial upfront costs of transferring the Service, the insourced option is expected to generate sustainable year-on-year revenue savings. In addition, once fully integrated into the Council there will be further opportunities to reduce duplication, join-up procurement with other Council Services and increase efficiency within the Service – enabling it to achieve more and improve outcomes within the same level of spending.
- Under this option, there is huge potential for the HR&M Service to help support and strengthen the Housing+ approach, which focuses on tailoring our Services to help achieve better outcomes for our tenants. HR&M staff would be out on estates and in tenants' homes on a daily basis, and so would be ideally placed to identify problems with tenancies or additional support needs. Strong links with the local Neighbourhood Teams (due to be implemented later this year under the Housing+ roll-out) would enable the HR&M Service to refer any such issues to the appropriate Neighbourhood Team staff, enabling these issues to be dealt with earlier.
- Insourcing the Service will also make it easier to structure the Service around the proposed 7 Neighbourhood Areas (currently awaiting the outcomes of the Electoral Ward Boundaries Review before being confirmed). This would enable the Service to be delivered in-line with the new Neighbourhood-based approach (again part of the roll-out of the Housing+ model), with staff potentially based in a particular Neighbourhood. This would increase local knowledge for HR&M staff, and improve their links with the local community.

- It is clear from in-depth consultation with tenants and leaseholders that the Repairs and Maintenance Service is for customers one of the most important elements of housing management. Insourcing the Service will put it in a stronger position in terms of its ability to deliver the customer vision for the Service. The Service will be directly linked into the Council housing governance and engagement framework (as all other key Council Housing Services are), enabling greater transparency and accountability. It would also enable tenants and leaseholders to more easily have direct influence on how the service is shaped and delivered in the future.
 - Potential insourcing was part of the Council's vision for the service in April 2013, and a requirement to prepare the Service for this was incorporated into the current contract with the new provider from April 2014. This preparation work has been taking place over the last few months, and will continue for the duration of the contract. This work should mean that the Service, and its workforce, are fit-for-purpose at the point of transfer - and that the Council will inherit the foundations of a modern and efficient Service on which it can build even further.
 - Insourcing also brings with it the potential to run the Service as an externally-trading Council function in the future – for example undertaking repairs and maintenance work on behalf of other social landlords.
 - Directly delivering the service in-house, with minor elements of it being outsourced to locally-based contractors wherever possible, would help support the concept of the 'Sheffield Brand'. Materials would be purchased from local suppliers wherever possible (subject of course to the usual procurement rules and Council policies), and the workforce would be predominantly local.
 - Sheffield would not be alone in insourcing a key service such as the HR&M Service. Independent research by APSE (the Association for Public Service Excellence) has also identified a number of potential benefits of insourcing services, based on actual case-studies and local authority experiences:
 - Improved performance
 - Stronger links to corporate strategic objectives
 - Greater flexibility, and more responsive to local and national policy changes
 - Efficiency savings
 - Improved customer satisfaction
 - Enhanced local supply chains
 - Better integration and joining-up with other relevant key services
 - New development and employment opportunities for the city
 - There are of course risks associated with the option to insource the Service (as indeed there are with the other two alternative delivery options discussed in this report), and some of these risks are significant. However, measures are and will continue to be in place to mitigate these risks, and if any of these risks significantly escalate, or any significant new risks (including financial ones) emerge, a further report would be brought back to Cabinet before progressing the transfer any further.
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Recommendations:

That Cabinet:

- approves the proposal in this paper to **insource the Housing Repairs and Maintenance (HR&M) Service from 1st April 2017**.
- gives its approval for the insourcing to be done based on the principles and assumptions described in Section 9.4 of this report, and taking into account the risks and mitigations as set out in Section 10, including the potential contracting-out of a small proportion of the service.
- gives its approval for the budget required to cover the one-off implementation and set-up costs, as described in Section 8.3 of this report.
- grants delegated authority to the Executive Director of Communities to take all the necessary steps to progress and implement the insourcing of the service, in consultation with the Cabinet Member. These steps will include:
 - at the appropriate time, commencing formal consultation with Trade Unions regarding the transfer of staff from Kier into the Council (in consultation with the Director of Human Resources as necessary).
 - developing the structure and agreeing the timescales needed to deliver an in-house repairs service (in consultation with the Director of Human Resources as necessary).
 - approving the procurement strategy and contract award, and agreeing contract terms and entering into the contracts, for all necessary goods and services. This will apply to both the development / implementation work required prior to the insourcing, and for in-house delivery of the Service itself (including any elements of the Service which it is agreed will be contracted out by the Council) once it is brought back into the Council (in consultation with the Director of Commercial Services and the Director of Legal and Governance as necessary).
 - undertaking a more detailed assessment of which elements of the Service are more appropriate to be contracted out, rather than directly delivered by the Council, and what the impact of this will be and how that will need to be managed (in consultation with the Director of Commercial Services and the Director of Human Resources as necessary).
 - Ensuring that the statutory leaseholder consultation required by Section 20 of the Landlord and Tenant Act 1985 (as amended by the Commonhold and Leasehold Reform Act 2002) is adhered to.
 - Any other work required for the effective preparation for and implementation of the insourcing of the HR&M Service.
- request that a further report is presented to Cabinet if the underlying strategy for the future of the Service cannot be achieved, or if any unforeseen significant risks emerge which may prompt Cabinet to re-consider its decision.

Background Papers:

- Cabinet Report 10th April 2013: “Construction and Building Services Re-Tender for Social Housing Repairs and Maintenance”
 - Cabinet Report 19th March 2014: “Future of Council Housing: ‘Housing+’ proposals”
 - Association for Public Sector Excellence (APSE) Report January 2009: “Insourcing: A guide to bringing local authority services back in-house”
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Category of Report: **OPEN** (with a closed Appendix Three, Five and Six which contain commercially sensitive and financial information)

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Anna Peysner
Legal Implications
YES Cleared by: Deborah Eaton
Equality of Opportunity Implications
YES Cleared by: Louise Nunn
Tackling Health Inequalities Implications
NO
Human Rights Implications
NO
Environmental and Sustainability implications
NO
Economic Impact
NO
Community Safety Implications
NO
Human Resources Implications
YES Cleared by: Jo Wright-Coe
Property Implications
NO
Area(s) Affected
Citywide
Relevant Cabinet Portfolio Lead
Cllr Harry Harpham
Relevant Scrutiny Committee
Safer and Stronger Communities
Is the item a matter which is reserved for approval by the City Council?
NO
Press Release
YES

1 Summary

1.1 Local authorities over the past twenty years have moved from a uniform direct delivery model for all services, to one where services are undertaken on behalf of the authority by a range of external partners. These can include voluntary sector groups, charitable trusts, private sector organisations, other local authorities, as well as joint ventures and wholly owned companies (such as arms-length management organisations).

Sheffield is no different in this regard. A range of services are delivered directly by the Council, including Parking, Customer Services, Parks and Countryside, Housing, Libraries, Adoptions etc and a range of services are delivered by external organisations. A sample of these is given in the table below:

External Provider Type	Service	Provider
Charitable Trust	Museums and Galleries	Sheffield Museums and Galleries Trust
	Theatres	Sheffield Theatres
	Sports, Events and Leisure Facilities	Sheffield International Venues
Voluntary Sector	Adult Social Care	Various
	Adult Skills	Various
Other Local Authority	Emergency Planning	Rotherham MBC
Private Sector	Housing Repairs	Kier
	ICT, Revenues and Benefits, HR Transactions etc	Capita
	Waste Management and Disposal	Veolia
	Highways Maintenance etc	Amey
	Property and Facilities Management	Kier KAPS

1.2 Sheffield City Council has no particular view about which delivery arrangement is most appropriate – each situation is considered on its own merits that provides quality services for customers and represents value for money for the Council. We therefore tend to adopt a pragmatic approach which is different to other authorities, some of which have very clear views about which model they prefer – this may include almost total in-house provision, or out-sourcing of most direct services. We believe, instead, that there are a range of advantages and disadvantages to each of these types of arrangement, and it makes sense to consider the specific situation in hand.

1.3 The current contract with Kier Services Ltd ('Kier') for the delivery of the Housing Repairs and Maintenance (HR&M) Service to Sheffield's Council housing is due to end on 31st March 2017.

A decision needs to be made on how the service will be delivered after this contract ends, the three main options being to:

- extend the current contract with Kier for up to a further two years
- seek a new external contractor to deliver the Service
- bring the Service in-house to be directly delivered by the Council ("insourcing")

1.4 Tenants, leaseholders and Elected Members have been developing a vision for the future HR&M Service since the Housing Service re-joined the Council in April 2013. Of the three options above, insourcing would give the Council much greater flexibility and accountability in managing the Service and therefore best enable the Council to deliver this vision.

1.5 We recognise that there are a range of potential benefits and dis-benefits to different types of arrangement, and have considered these carefully in coming to a view about the best model for the housing repairs service.

1.6 There were a number of drivers that led us towards outsourcing at the point the current contract was let – these included providing long term certainty over costs and service levels, and that working with a partner such as Kier would allow us to access funding and economies of scale that would be more difficult for the Council to realise on its own.

1.7 However, with the changes in the external environment, both in terms of funding (with changes to the way in which the HRA is managed), and the fact that the housing management function has been brought back directly under Council control, it is the Council's view that an insourced option for housing repairs and maintenance currently represents the pragmatic choice. This will bring a number of advantages including making it easier to integrate and modernise the service, cost-effectiveness, and providing more control in a less stable financial environment. It will also re-associate the Housing Repairs and Maintenance Service with the Sheffield City Council brand, meaning that we have more control over how a key customer facing service operates, and ensuring that we are able to deliver the best possible service to tenants, in line with the Housing+ Programme principles.

1.8 There would be initial one-off implementation costs involved in insourcing the Service and designing an Integrated Housing and Repairs Service. However, in the long-term, insourcing is the most cost-effective option - expected to achieve year-on-year sustainable savings for the Housing Revenue Account (HRA).

1.9 Insourcing the Service would also integrate it fully with other key Council Services and so strengthen its partnership working with these Services. For example, it will enable the Service to support the new approach to housing management ("Housing+"), and to be an integral part of locally-based neighbourhood management.

- 1.10** Insourcing the Service will involve transferring the current Kier workforce delivering the HR&M Service, and the work they currently undertake, into the Council. There are a small number of elements of the Service which may be more effectively delivered by an external contractor, and more work will be done to assess these.
- 1.11** Kier are currently delivering a number of service improvements and initiatives – particularly around customer engagement, training and modernising the workforce - and the Council will continue to build on these if the Service is insourced. Following a period of stabilisation after the transfer, a full review of the Service will be undertaken and transformation work begun to re-shape the future Service.
- 1.12** As with any major change, there are risks associated with insourcing the Service. In particular, there are risks relating to: - a decrease in productivity; greater health-and-safety responsibilities; fluctuating costs of materials; equality of pay; and having the necessary resources to implement the transfer. Strong management of the transfer and robust implementation plans will ensure that these risks are effectively mitigated.
- 1.13** A dedicated Project Team led by the Director of Housing has been in place for the last 12 months who have been involved in developing the proposals in this report. Detailed work has also taken place with customers and through a dedicated Member Reference Group chaired by Cabinet Member for Homes and Neighbourhoods. Information has also been sought from other organisations already delivering successful in-house Repairs Service has been a priority.
- 1.14** Following Cabinet approval work will commence to prepare for the in-sourcing of the Service working closely with Kier and their employees and, customers. This work will include formal Trade Union consultation, procurement of the necessary goods and services, an effective communications strategy for all key stakeholders and the development of a detailed implementation plan. A dedicated implementation team will be established to lead on this work.
- 1.15** Alongside the work to assess the best option for *how* the service should be delivered in the future, work will also be done to design *what* that service should look like. This design work will lead to the development of a 'Target Operating Model' for the service, and tenants and leaseholders will be closely involved in this work.

2 What does this mean for Sheffield People?

- 2.1** Council Housing represents almost a fifth of all Sheffield's housing, with over 80,000 tenants, their families and leaseholders living in around 43,000 homes. Effective management and delivery of the Repairs and Maintenance Service to these properties is a priority for these households in the city.
- 2.2** In its Corporate Plan 'Standing up for Sheffield', the Council commits to supporting communities which are "... desirable places to live with homes appropriate for people at different points in their lives, with attractive and clean buildings" As the biggest single housing provider in the city, high-quality and

efficient repairs and maintenance of our housing stock will support this commitment.

- 2.3** There is also a commitment in the Corporate Plan to "... make the best possible use of our resources to meet the needs of Sheffield and its people..." The Council needs to ensure that the resources delivering the HR&M Service are used in the most effective way and achieving the best possible outcomes for customers.

3 Outcome and sustainability

3.1 Supporting the Council's Strategic Outcomes

A well-managed and efficient Housing Repairs and Maintenance Service will contribute to a number of the outcomes in the Council's corporate plan:

- 3.1.1 Better Health and Well-being:** There are well-evidenced links between safe, well-maintained housing and improved health and mental well-being.
- 3.1.2 A Great Place to Live:** Offering safe well-maintained housing significantly contributes to making our neighbourhoods more attractive, and to giving local communities an environment to be proud of and to look after.
- 3.1.3 A Strong and Competitive Economy:** The option to bring the repairs service in-house, with certain elements contracted out to local businesses where possible, should have a positive impact in terms of economic growth and encouraging jobs – delivering the service through the 'Sheffield Brand'.

3.2 A sustainable 30-year Housing Revenue Account (HRA) Business Plan

- 3.2.1** Through the Decent Homes Programme the Council has invested approximately £670m in its housing stock over the last 10 years, in line with the Government's and Sheffield's Standard for Council Housing. It is important that the Council protects this investment through ongoing effective maintenance and repair of its properties, and this in turn will help to protect the long-term viability of the HRA and so contribute ultimately to sustainable estates and communities.

3.3 Achieving positive outcomes for the wider Council

- 3.3.1** Any contractual arrangement for the delivery of services on behalf of the Council, including the current arrangement for the HR&M Service, involves a degree of inflexibility in how that service is delivered. Bringing the HR&M Service in-house for direct delivery will enable the Council to use these resources collectively - exploring opportunities for joint benefits and better integration, thereby achieving efficiency savings for other Council Services.

3.3.2 The Council as a whole has a vision for how it wants all of its services to be shaped and developed, and these are set down in the Council's Organisational Design Principles. These need to be factored into any decision on the future delivery and development of the HR&M Service. The Principles particularly relevant to the HR&M Service are:

- ✓ **Demonstrate improvement of outcomes:** Delivering more and achieving better outcomes for customers within the existing budget will be a key focus for the Service going forward. Insourcing the Repairs and Maintenance Service for direct delivery by the Council will enable much stronger links to be forged between the Service and other key Council Services, support a more holistic approach to service delivery and so ultimately achieve better outcomes for our tenants.
- ✓ **Affordable, cost effective services:** The Service will need to drive efficiency, minimising costs and ensuring a good return on its spending. By bringing the Repairs Service into the Council, opportunities for streamlining and reducing duplication can be maximised.
- ✓ **The right people, skills and behaviours:** Bringing the repairs and maintenance workforce into the Council will help create a cultural alignment to the Council, moving it towards a more modern and flexible way of working.
- ✓ **Flexible and responsive services:** Bringing the Repairs and Maintenance Service into the Council will enable the service to be more flexible and responsive to future changes, listening to customers and engaging them in development of the service.

4 Background

4.1 Current Housing Repairs and Maintenance (HR&M) contract with Kier Services Ltd

4.2 In 2003, the Council established a 'limited liability partnership' with the Kier Group – this partnership was named Kier Sheffield LLP. The Council's Construction and Building Services (CBS) contract was awarded to the LLP in 2003, and this contract covered the repairs, maintenance and other construction work to all Council-owned buildings – a significant element of which was the Council's social housing stock.

4.3 The CBS contract expired in March 2014 – this had included a 1-year extension to the original contract to align the timescales for the procurement of a new contract with those of the Future of Council Housing Programme.

4.4 In readiness for the CBS contract coming to an end, Cabinet made the decision in April 2013 to separate out the social-housing element of this contract and put it out to tender on the open market. This procurement would source a contractor to provide the Repairs and Maintenance Service to Council housing stock from 1st April 2014. Continuing with an outsourced Service at this point in time was a

pragmatic decision, as it would provide stability for the Service and at a clear and stable level of cost for the Council, at a time when there was significant change to the delivery of the housing management function.

4.5 Following this Cabinet decision, procurement of a new contractor was carried out, in adherence with European Union Procurement Rules and the Council's Standing Orders. Kier Services Ltd was successful in their bid for the contract and were awarded a 3-year contract, from 1st April 2014 to 31st March 2017. This contract includes an option for a contract-extension for up to two more years (ie to 31st March 2019), should both the Council and Kier agree to this.

4.6 Built into the contract with Kier are a number of requirements aimed at modernising the Service and achieving efficiencies for the HRA. Kier are working closely with the Housing Service and making excellent progress in delivering these improvements.

These include:

- Providing greater flexibility to respond to changing circumstances
- Enhancing customer engagement
- Better tailoring of the service to suit local needs
- Providing employment and training opportunities for young people
- Maximising a Sheffield-based supply chain
- Modernising the workforce
- Moving from a bonus-based pay structure to a salaried system, with performance management based on successful outcomes for customers

4.7 The current contract covers a wide range of repairs and maintenance functions, including:

- Responsive repairs
- Repairs to vacant properties
- Maintenance of the District Heating system
- Gas servicing and repairs
- Lift and stair-lift servicing
- Electrical work
- Communal painting
- Domestic heating renewals
- Communal footpaths, car-parks and un-adopted highways

4.8 A full list of the elements covered by the current contract is given in Appendix 1.

4.9 As explained above in Section 4.5, the current contract with Kier Services Ltd is due to expire on 31st March 2017. A decision therefore needs to be made now on how the Service will be delivered after that date. The 3 options considered by the Council are:

- **“Insourcing”**: An integrated service delivered in-house by the Council (possibly with a small element of the service contracted out to be delivered by specialist contractors)

- **“Full external procurement”**: Seeking an external contractor to deliver the whole of the Housing Repairs and Maintenance Service on the Council’s behalf.
- **“Extension of the current Kier contract”**: Extending the current contract with Kier Services Ltd for up to 2 more years (ie to March 2019).

4.10 This report explains the work which has taken place to assess these three options, and makes a proposal for the preferred option.

4.11 The wider context

4.12 In considering the best option for delivering the HR&M Service going forward, it is important to take into account the wider context and environment in which the Service will operate. This is significantly different to the environment when the HR&M Service was first outsourced through the Kier LLP arrangement in 2003, particularly the more benign funding environment and the different arrangements that were in place for management of the Council’s housing stock.

4.13 The Council has faced significant budget cuts in recent years, under Government austerity measures – and this is likely to continue for the foreseeable future. In light of this it is more important than ever that all Council Services are efficient and represent value-for-money, achieving better outcomes for customers with limited resources.

4.14 The HR&M Service is and will continue to be funded by the Housing Revenue Account (HRA), which is a ring-fenced account and as such is not directly impacted on by the cuts in the Council’s General Fund. However, it is still crucial that the HR&M Service is seen to be efficient, well-managed and achieving excellent value for tenants’ rent money and leaseholders’ service charges.

4.15 Two key Council initiatives currently being progressed are the Housing+ Project and the proposed restructure of the Housing and Neighbourhoods Service. The first of these - Housing+ - is a new approach to housing management, with officers having a responsibility for a geographical ‘patch’ of households and providing those households with a range of support and advice, tailored to individual needs.

4.16 The proposed restructure of the Housing and Neighbourhoods Service is aimed at achieving a new structure for the Service, with new teams and job roles designed to provide a strong framework to deliver local neighbourhood services.

4.17 Both of these initiatives are aimed at increasing efficiency, reducing duplication and improving joined-up working between Council Housing teams, services in the wider Council and external service partners. The new HR&M Service will need to integrate well into this culture of more holistic, better co-ordinated and more streamlined service delivery

5 Customer and other stakeholder involvement in shaping the service

5.1 Customers, Members and staff have been involved from the beginning in establishing a vision for the Repairs and Maintenance Service in the future. This close involvement will continue throughout this Project, regardless of who is chosen to deliver the service after March 2017.

5.2 Customers

5.3 Following the March 2012 Cabinet decision to re-integrate Council Housing management back into the Council, in-depth consultation with tenants and leaseholders was undertaken. A number of tenant-led Service Design Project Groups were established to look at the parts of the Service which tenants had said were most important to them. These Groups worked together to develop a vision for how these aspects of the Service should be delivered in the future.

5.4 As part of this work, the 'Well Maintained Homes and Neighbourhoods' project group considered and agreed their ambitions for the Repairs and Maintenance Service. Their complete Vision Statement (which was shared with Cabinet as part of the Future of Council Housing Cabinet Report in March 2014) is attached as Appendix 2. The key repairs and maintenance related elements of that vision are as follows:

- ✓ There will be a good quality, modern responsive repairs service which has high standards of customer care and health and safety, and which provides value for money.
- ✓ The repairs call-centre will be effective and efficient, and workmen will carry the right tools and materials.
- ✓ The Council will help to tackle fuel poverty by ensuring that homes are energy efficient and have modern and well-maintained heating systems.
- ✓ We will improve all of our communal areas and ensure they are well-maintained in the future.

5.5 Following this initial visioning work, the tenant- and leaseholder-led Investment and Repairs Partnership Group (IRPG) has established a sub-group of some of its members to work with officers over the coming months on designing a '**Target Operating Model**' for the new HR&M Service. This Model will describe what the Service needs to do and how it needs to do it. To achieve this, work first needs to be done to capture the way the service currently works and identify the reasons and opportunities for change. Some basic principles have already been agreed by those involved:

- ✓ The way the Service works will need to focus on what matters most to tenants and leaseholders
- ✓ Processes need to be as simple as possible, with minimal duplication of work

- ✓ Front-line staff need to be involved in decisions about what will work best for our customers
 - ✓ Decisions need to be based on reliable evidence
 - ✓ Staff need to be trusted and equipped to achieve the best outcomes for our customers
 - ✓ Tenants and leaseholders must be at the heart of any service development or key changes to the service
 - ✓ There must be positive and constructive relationships with suppliers
 - ✓ There needs to be effective performance management of the Service
- 5.6** The requirements of the Service going forward will be the same regardless of *who* delivers the Service, whether that is the Council, an external contractor or Kier for up to a further 2 years. Work on developing the Target Operating Model will continue over the coming months.
- 5.7** On a much wider basis, all tenants and leaseholders are being and will continue to be kept up-to-date via regular articles in the customer magazine 'InTouch' and other established communication channels – such as Citywide Forum, Local Area Housing Forums and the implementation will be overseen by the Housing and Neighbourhoods Advisory Panel (HANAP).

5.8 Cabinet Vision

- 5.9** In March 2012, as part of their decision on the future management of Sheffield's Council Housing, Cabinet set their vision for the city's Council Housing Service as a whole:
- ✓ An excellent quality housing management service
 - ✓ Making best use of the Council's role as landlord to help people achieve their full potential – with all Council Services using this role as a platform for achieving this.
 - ✓ Being an active landlord and delivering services to tenants which are part of a joined-up neighbourhood management approach, helping neighbourhoods to flourish.
 - ✓ A "one stop shop" approach giving easy access to housing and other Council Services.
 - ✓ Efficient management ensuring value-for-money and allowing more rent to be spent on frontline services and homes.
 - ✓ A bigger say for tenants – about their homes; their neighbourhoods; and the city.

- 5.10** Following the March 2012 Cabinet decision, and as referenced above in Section 4.4, Cabinet took the decision in April 2013 to re-tender the Housing Repairs and Maintenance Service. As part of this decision, an explicit objective was to prepare the Service for potential insourcing at the end of the new contract, to fully integrate it with Council Housing Services and with other relevant Council teams. The new contractor would be required to support this future vision as part of winning the contract - and this commitment is incorporated into the current contract with Kier Services Ltd.
- 5.11** To ensure effective ongoing Member involvement in the Project, a Member Reference Group was established in February 2014 to look in detail at the options for the Repairs and Maintenance Service. This Group meets monthly, and has helped to shape the proposals in this paper.
- 5.12 Council and Kier Employees**
- 5.13** Council Officers from relevant teams were involved in the initial service design work described above. Key Council Officers are also involved in the work to develop a Target Operating Model described in Section 5.5 above. This involvement will continue throughout the project.
- 5.14** A new Communications Plan will be agreed with Kier management and trade unions so that employees are fully involved to inform the new Service. The Director of Housing and Kier's Operations Director will jointly deliver the outcome of the Cabinet meeting to the workforce.
- 5.15** Staff in both the Council and Kier who are likely to be impacted on by the outcomes of this report, along with their Trade Unions, will be provided with regular updates through a number of arrangements including team briefings, staff newsletters and intranet updates.

6 How the proposals in this report have been developed

- 6.1** A wide range of key people have been involved in the work which underpins this report. A Project Team was established - led by the Director of Housing and consisting of lead officers from across the Council representing all key service areas involved in this project. These include:
- Transport and Facilities Management
 - Business Change and Information Solutions (BCIS)
 - Commercial Services
 - Future of Council Housing Programme
 - Corporate Finance
 - Legal Services
 - Human Resources (HR)
 - Corporate Risk and Insurance
 - Corporate Contact Centre

- 6.2** Representatives from the above Teams have taken responsibility for providing the relevant costs and information for their individual service area, and this has informed the financial modelling work described in Section 6.10 below.
- 6.3** A comprehensive options appraisal was carried out to determine the most appropriate way of delivering the Repairs and Maintenance Service after March 2017. This review considered three main options described in Section 4.9 above.
- 6.4** The options appraisal involved detailed work to evaluate each option, including:
- Financial modelling for each option, based on agreed assumptions and future service requirements (see Sections 6.10 - 6.15 below for further information).
 - Identifying the risks associated with each option, for example in relation to human resources / staffing and commercial issues.
 - Assessing the potential benefits associated with each option.
- 6.5** Members of the Project Team have also visited other local authorities which deliver their Housing Repairs and Maintenance Service directly, in order to gain a greater understanding of the costs, benefits and risks associated with the insourcing option.
- 6.6** The Project Team are also working closely with other high-performing in-house repairs and maintenance providers, via Efficiency North - a consortium of social housing providers working collaboratively in the construction and maintenance industry. This group includes Local Authorities, Stock Transfer organisations and Arms' Length Management Organisations - including those in Leeds, Doncaster, Wakefield and Hull.
- 6.7** The aim of Efficiency North is to drive value for money through effective shared best practice, networking and by developing greater efficiencies in procurement. Being an active member of this group helps to give external reassurance and validation to the work being done on this project.
- 6.8** Robust governance arrangements have been in place throughout this work. A Project Board has overseen the work of the Project Team above, chaired by the Executive Director of Communities (who is also the Project Sponsor).
- 6.9** Members have also had close involvement with the work. A Members Reference Group was established in February 2014 and have helped to shape the proposals in this paper, and will continue to be involved in the design of the service going forward.
- 6.10 Financial Modelling**
- 6.11** For each option, financial information was collated by the relevant professionals, taking into account how the Service will need to operate at day one (ie 1st April 2017). The costs included in this financial modelling are:

6.12 For the **insourcing** option:

- Staffing costs for the workforce which it is assumed would be transferred into the Council from Kier
- A small senior management team to run the insourced service
- Appropriate accommodation and vehicles
- The cost of the small plant and materials
- The Information Technology costs of integrating the Service, and of the ongoing running of the systems required
- The insurance costs and costs for uninsured claims.
- The impact on the Council's corporate services of transferring in a large service and associated workforce (eg HR, Finance, etc)
- Customer Services / Call-Centre costs
- The cost of transferring the Service from Kier and of the work needed in preparation for the Service being insourced (eg the cost of a project team, any necessary procurement work, etc)
- 'Dual' operating costs, to cover the 'handover' period between Kier and the Council
- Estimated costs for the elements of the Service which the Council would contract out, rather than deliver directly itself

6.13 For the **full external procurement** option:

- Expected costs of an externally procured (outsourced) service, using information held within the Council
- The cost of undertaking the procurement for such a large contract
- Customer Services / Call-Centre costs
- Any further costs associated with working with a new supplier

6.14 Market intelligence information has also been gathered to help inform the estimated costs for this option.

6.15 For the option to **extend the Kier contract** the current cost of the Service was agreed in 2014 and this has been used as the basis for estimating the cost of this option. However, under the terms of the contract, Kier do have the right to re-negotiate an increased price for any extension beyond March 2017. In addition to the amount paid to Kier to deliver the Service, the costs for this option also include:

- Customer Services / Call-Centre costs
- SCC staff costs - for contract monitoring, performance management, etc
- Subcontractor costs for the elements which Kier don't directly deliver

7 Evaluating the options for future service delivery

7.1 Since the Council's partnership with Kier was first established in 2003, a lot has changed both locally, on a national level and the local government 'landscape', and that for social housing, looks very different. To ensure we continue to deliver the best possible service to our tenants we need to rethink how the HR&M Service is delivered and consider the options available to us.

7.2 As explained in Section 4.9 above, there are three main options for the future delivery of the HR&M Service:

- **“Insourcing”**: An integrated Service delivered in-house by the Council (possibly with a small element of the service contracted out to be delivered by specialist contractors)
- **“Full external procurement”**: Seeking an external contractor to deliver the whole of the Housing Repairs and Maintenance Service on the Council’s behalf.
- **“Extension of the current Kier contract”**: Extending the current contract with Kier Services Ltd for up to 2 more years (ie to March 2019).

The key potential benefits and risks for each are described below:

7.3 Insourcing

7.4 Under this option, the Housing Repairs and Maintenance Service would transfer into the Council, as would the Kier workforce currently undertaking this work, and the Council would **directly deliver** the vast majority of repairs and maintenance work to Council Housing stock.

7.5 The main potential **benefits** of this option are:

7.5.1 More control, flexibility and accountability for the Council in managing the Service, enabling the service to be fully integrated into the Council and to work in close partnership with other relevant key Council Services.

7.5.2 This option is expected to generate sustainable year-on-year revenue savings, and longer-term there will be further opportunities to reduce duplication, join-up procurement with other Council services and increase efficiency within the Service.

7.5.3 It would enable the HR&M Service to help support the Council’s approach to integrated neighbourhood management. HR&M staff would be out on estates and in tenants’ homes on a daily basis, and so would be ideally placed to identify problems with tenancies or additional support needs and refer these to the appropriate Neighbourhood Team for action.

7.5.4 It would also make it easier to structure the Service around the proposed 7 Neighbourhood Areas, with staff potentially based in a particular Neighbourhood. This would increase local knowledge for HR&M staff, and improve their links with the local community.

7.5.5 The Service would be directly linked into the Council housing governance and engagement framework, enabling customers to more easily have direct influence on how the Service is shaped and delivered in the future.

- 7.5.6 Insourcing also brings with it the potential to run the Service as an externally-trading Council function in the future – for example undertaking repairs and maintenance work on behalf of other social landlords.
- 7.5.7 Directly delivering the service in-house, with minor elements of it being outsourced to locally-based contractors wherever possible, would help support the concept of the ‘Sheffield Brand’. Materials would be purchased from local suppliers wherever possible (subject of course to the usual procurement rules and Council policies), and the workforce would be predominantly local.
- 7.6** The main potential **risks** of this option are:
- 7.6.1 There may be potential Equal Pay claims from existing Council staff.
- 7.6.2 Moving the current Kier workforce into the Council may impact on staff motivation and so lead to reduced productivity and reduced customer satisfaction.
- 7.6.3 If at the point of transfer staff resource levels do not match service demand there could be significant budget implications for the Council in terms of potential redundancy costs.
- 7.6.4 The time and resources allocated to managing the transfer are not sufficient, resulting in delays and increased costs.
- 7.6.5 A greater exposure for the Council to potential health and safety issues.
- 7.6.6 There may be insufficient experience and knowledge within the Council to manage such a large-scale Repairs and Maintenance Service.
- 7.6.7 More vulnerability to the impact of market forces, meaning increased uncertainty regarding the cost materials, fuel, etc. and potential increased the costs of elements of the Service which are contracted out.
- 7.7** The risks associated with insourcing– and how they would be mitigated – are explained in more detail in Section 10 below.
- 7.8 Full external procurement**
- 7.9** Under this option, the whole of the HR&M Service would be put out to competitive tender to procure a new external contractor to deliver the Service. For a service of this size, this would involve a full procurement exercise undertaken in compliance with European Procurement rules and the Council’s Standing Orders.
- 7.10** The main potential **benefits** of this option are:
- 7.10.1 It would enable the Council to test the market not just for price but also for innovation, potentially resulting in a more creative and / or technologically advanced service.

- 7.10.2 A competitive procurement exercise could *potentially* achieve savings - this would depend on the market conditions at the time.
- 7.10.3 The majority of the health-and-safety risks associated with the delivery of a large scale Repairs and Maintenance Service would be the responsibility of the contractor, not the Council.
- 7.10.4 Costs would be fixed for the period of the contract, making medium-term budget planning easier.
- 7.10.5 No Equal Pay risk to the Council

7.11 The main potential **disadvantages** of this option are:

- 7.11.1 A service that is culturally disconnected from the housing management service and its outcomes.
- 7.11.2 Reduced flexibility, as changes would be more difficult to implement than with the insourced option and costs more difficult to control.
- 7.11.3 Procurement of a new contractor could potentially lead to a Service which is less productive and more costly than the current one.
- 7.11.4 Less control over the Service, and more distant links to corporate objectives.
- 7.11.5 Fewer / reduced opportunities for integration with other Council Services, and for a more joined-up approach.
- 7.11.6 Reduced opportunity for transparency and a less direct route for tenants to engage with the Service.
- 7.11.7 There would be a cost associated with procuring and setting up a new contractor, and with putting robust contract monitoring / performance management frameworks in place.
- 7.11.8 The time taken for the new contractor to become familiar with the Council, the Housing Service and our tenants could mean a reduction in performance in the interim period.
- 7.11.9 The price of this option could be higher than expected due to changes in the ever-changing construction market.

7.12 Extension of the current contract with Kier (for up to 2 years)

- 7.13 Under the terms of the current contract with Kier, there is an option to extend the contract by up to two more years, if both the Council and Kier are agreeable to this. This would mean the Service continuing to be delivered in much the same way as it is now, and would give the Council more time to consider the longer-term future of the service.

7.14 The main potential **benefits** of this option are:

- 7.14.1 The costs of this option are known already (subject to any re-negotiation by Kier for the additional period of the contract).
- 7.14.2 There would be no, or very little, additional cost in terms of procurement or implementation.
- 7.14.3 There would be complete service continuity, and the experience which Kier have of working with the Council and with our tenants would be retained. This would mitigate the risks involved in major operational change.
- 7.14.4 The Council would carry less risk in terms of health and safety issues (as compared to insourcing the service).
- 7.14.5 No Equal Pay risk to the Council

7.15 The main potential **disadvantages** of this option are:

- 7.15.1 Under this option it would be more difficult to generate any revenue savings.
- 7.15.2 It could potentially lead to an increase in costs as Kier are likely to re-negotiate the contract price for any extension beyond March 2017, as both sides would need to agree to any extension.
- 7.15.3 This option also carries the same risk regarding productivity linked to the change in pay arrangements, as described in section 10.
- 7.15.4 Being tied into the contract gives limited opportunity to improve the service, and less flexibility.
- 7.15.5 Less control over the Service, and much more distant links to corporate objectives.
- 7.15.6 Fewer / reduced opportunities for integration with other Council Services, and for a more joined-up approach.
- 7.15.7 Reduced opportunity for transparency and a less direct route for tenants to engage with the Service.
- 7.15.8 Kier may not be agreeable to this option.

8 Financial implications

8.1 There are three principal options open to the Council:

1. Extend the Kier contract;
2. Retender in full; or
3. In-source the Repairs and Maintenance Service.

8.2 All three options contain risk and reward.

8.2.1 Risk and its mitigation is a particularly important issue in this project given the scale of the service and its importance. In this project, risk principally falls under the following categories:

- **Service delivery and continuity** through our ability to provide by way of contract or directly an effective and efficient R&M service;
- **Financial**, through our ability to provide a cost-effective service; and,
- **Reputational**, given that this is a customer facing service.

8.2.2 The following table briefly explains the key financial and delivery risks and opportunities across each option:

		Kier Extension	Full Retender	In-source
Risk	Financial	- Contract price on extension of contract could be higher than current budget if market conditions for the sector are unfavourable.	- Contract price on re-competition could be higher than current budget and Kier contract projections	- SCC may not be able to provide as cost effective service as a private sector partner which will mean displacement of other HRA priorities - Failing to deliver revenue surpluses will mean up-front change management costs represent an un-resourced drain on the HRA - Material Equal Pay claim exposure would fall principally on the General Fund
	Delivery	- On-going service quality issues with current Kier contract	- New relationship may not be as productive as existing - Productivity may fall in interim during change period	- Major change for SCC following divestment of skills and resource as part of last outsource - Many practical hurdles around recruitment/retention, technology, and contracting - Benchmarking suggests material productivity loss is a possibility
Opportunity	Financial	- Perceived limited scope to reduce current contract price due to short nature of arrangement and the modernisation programme	- Potential to drive down price in market tender and unlock improved efficiency and innovation through long term partnership	- No profit requirement for SCC, so scope to be cheaper if service can be run as efficiently - Potential for efficiencies in SCC as processes realigned to reflect new delivery model
	Delivery	- Limited scope given current contract performance issues, remaining contract term, and focus on modernisation	- Potential to find a more effective partner	- Direct control offers a service more responsive to SCC needs

8.2.3. The table below illustrates the quantifiable on-going service delivery risks and efficiencies identified by the Council that could accrue under each option should the Council fail to mitigate risk, and should the Council be able to deliver on efficiencies:

	Kier Extension	Full Retender	In-source
	£'m	£'m	£'m
Quantifiable Risks	1.3	0	4.7
Efficiency Savings Estimate	0	0	-0.4

8.2.4 This table serves to highlight that in-sourcing the R&M Service delivers material risk and some opportunity. Of the three options it has the highest level of risk of additional costs at £4.7m, but also the possibility of higher efficiencies – albeit marginal at £400k.

8.2.5 The bulk of risk on in-sourcing falls around our ability to maintain workforce productivity without recourse to the remuneration flexibilities available to private sector providers. This issue is exacerbated by the comparative lack of experience the Council has in this area following the divestment of skills and resource after the initial R&M outsourcing.

8.2.6 Mutual agreement to extend The Social Housing Repairs and Maintenance contract is required so this presents an opportunity for both parties to consider their respective commercial positions in the prevailing market conditions as to whether extending arrangement is an appropriate strategy.

8.2.7 This situation encourages us to consider best and worst case scenarios alongside our base case cost estimates, and how they would impact on the HRA revenue budget.

8.2.8 Our worst case scenario occurs when all risks come to fruition, whereas our best case occurs where we successfully mitigate all quantified risk, and deliver additional identified efficiencies:

Per annum variance to current budget	Kier Extension	Full Retender	In-source
	£'m	£'m	£'m
Base case estimate	0	1.8	-1.3
Best case estimate	0	1.8	-1.7
Worst case estimate	1.4	1.8	3.8

8.2.9 This table again serves to highlight that though the change associated with the in-sourcing option delivers the potential for ongoing sustainable savings, it also exposes the HRA to significant on-going financial risk. In simple terms – the risk and opportunities mean that there is a much wider range of possible financial outcomes on the in source option: the range is around £5.1m between best and worst cases. However, it provides the

most advantageous base case position; so much of this decision rests on our appetite for risk.

8.2.10 The final principal financial consideration for the HRA is the costs associated with delivering any of the options that move the Council away from the Kier contract. These costs are one-off change management costs, and should be viewed within the context of both the on-going service delivery they facilitate, and the shorter term requirement to resource those costs.

8.3 The following table shows that the in-sourcing option that involves the most change inevitably incurs the most change management costs:

HRA Change costs	Kier Extension	Full Retender	In-source
	£'m	£'m	£'m
One-off costs change management	0	0.5	4.4

8.4 It is important to note that there is no current HRA budget for these costs which are likely to be incurred between financial years 2015/16 and 2016/17. To resource these costs the HRA would need to consider use of reserves, forecast underspends, or divert funding from other priorities. However, it is equally important to recognise the on-going benefit that this investment could potentially deliver.

8.5 In consideration of these risks the Project Team has sought to identify the most probable and prudent scenario. On the balance of judgement, the Project Team believes that where there is a change in delivery model from the current Kier contract, there is likely to be a period of upheaval where productivity will fall before being corrected by management action. This will inevitably result in a cost to the HRA in order to maintain service standards.

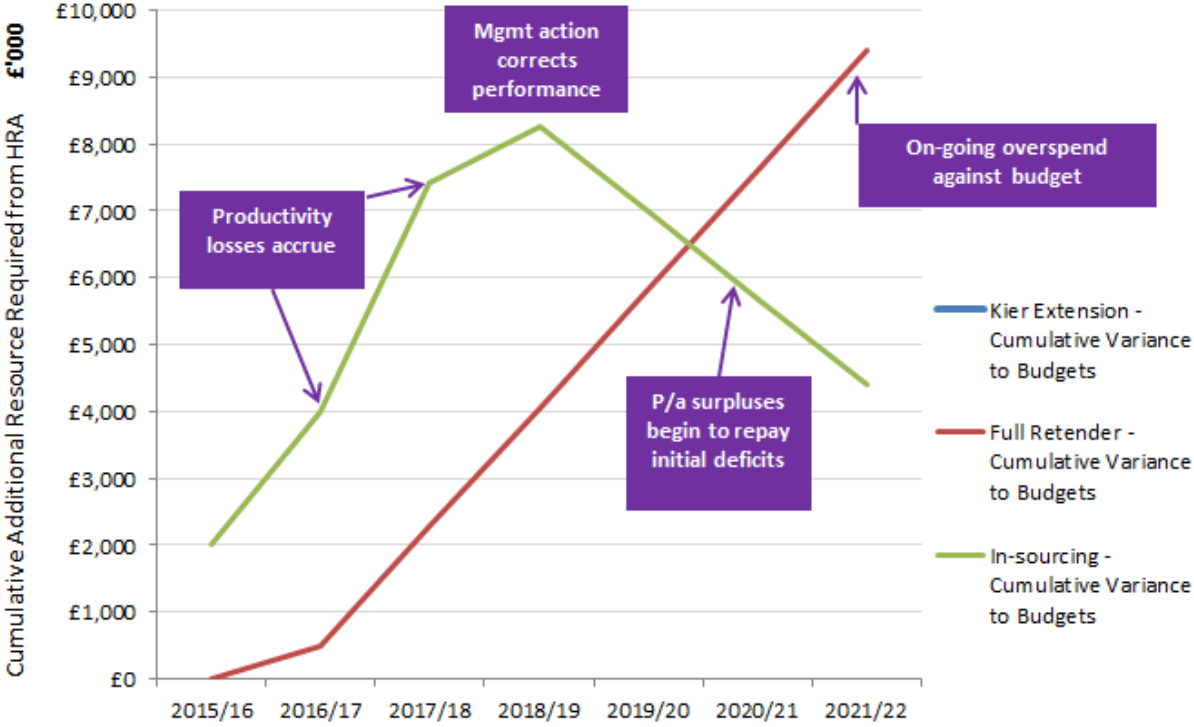
8.6 The following table shows the annual variance to budget for each option under our view of the most probable scenario:

	Pre Decision		Decision Period				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m	£m	£m
Kier Cost Estimate	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Full Retender Cost Estimate	0.0	0.5	1.8	1.8	1.8	1.8	1.8
In-sourcing Cost Estimate	2.0	2.0	3.4	0.9	-1.3	-1.3	-1.3

8.7 The table illustrates the extension to the Social Housing Repairs and Maintenance Contract agreed at current prices which would mitigate price risk. The full-retender option sustains losses over the life of the retendered contract. The in-sourcing option suffers cost deficits initially due to the up-front investment required, and then the loss of productivity. This situation is addressed before surpluses are returned.

8.8 The following graph attempts to build on this to explain our estimate of how variances against the proposed budget will accrue. The graph shows that the re-tender option sustains cost overruns over the life of the arrangement consistent with a fixed price contract.

8.9 The graph also reflects our view that there will likely be cost overruns in the early years of in-sourcing which are then corrected, returning the service to base case cost estimates of an annual surplus, with the deficit accrued being recovered by year nine of the arrangement.



8.10 The graph further serves to illustrate the disparate cost profile of each option. This issue is exacerbated by the need to judge proposals over a similar timeframe, whilst also noting that an in-sourcing option could realistically be judged over a much longer period than shorter-term contract based alternatives.

8.11 Consideration should be given to both the Council’s ability to successfully mitigate risks through active management, and the HRA’s limited capacity to manage the financial impact of the identified risks should they come to fruition. One-off, or ongoing, adverse variances against budget will represent a drain on HRA resource, and inevitably displace other HRA and member priorities such as stock investment.

8.12 This paper details the proposals of the Council to mitigate risk, and support delivery of the potential efficiencies. However with fully mitigated risks this will be delivered within the Housing repairs and maintenance budget provision

8.13 Financial Implications: General Fund

8.14 In addition, there are also cost risks associated with the insourcing option that would fall outside the HRA. The key issue is that a decision on the HRA for the benefit of Council tenants could have an impact on all across the city.

- 8.14.1 As Kier staff currently receive bonuses as part of their remuneration, in-sourcing staff on such packages exposes the wider Council to Equal Pay claims. With the majority of the Council's workforce employed via the General Fund, the majority of the financial exposure will fall there too:
- 8.14.2 The equal pay exposure is a contingent risk. This means that the risk will only come to fruition in the event of Kier not implementing their pay and conditions changes that will see staff taken off bonuses. Though Kier have committed to implement the necessary changes, there is a residual risk that they do not honour the contract. This limits the ability of the Council to mitigate the risk prior to an in-sourcing.
- 8.14.3 The General Fund's capacity to manage a claim of this magnitude is minimal, and it should be noted that previous claims were managed through Secretary of State granted capitalisations that may not be forthcoming for this matter.
- 8.14.5 Without such a capitalisation the General Fund would be required to bear the costs in full in the year in which the claims were upheld. Such charges would inevitably displace other General Fund member priorities through additional cuts to service, or increased taxation and/or charges. The paper will proceed to detail the relative cost base of each option. Comparing cost bases is somewhat difficult given the lack of transparency around the current contract, and potential re-tendered contracts. However, general themes are evident such as relative costs around staffing, and the requirement for contractor profit in the out-sourced options.
- 8.15 Though this Section necessarily concentrates on the financial implications of decisions, the issues should not be considered in isolation from qualitative issues around service standards. This is particularly relevant when considering the cost effectiveness of the current contract, and whether the price we pay is commensurate to the service quality delivered. In this respect, the cost of the Service is only one consideration in determining an effective and efficient delivery model.

9 Proposal to Insource the Repairs and Maintenance Service

- 9.1 Taking into account all the information given in this report so far – the vision for the future Service, the benefits and potential risks of each option, the financial implications, etc - the proposal in this report is to insource the service for direct delivery by the Council (with a small element of the service possibly contracted out by the Council to external providers). This is considered to be a pragmatic approach given the particular circumstances in which the HR&M Service operates. Inevitably there are benefits and disadvantages to all three options considered. However, on balance, the insourcing option provided a higher level of benefit to the Council than the other two options. It will allow better integration with the new Housing+ Service, it will return a key customer facing service to

direct SCC management and control, and will enable us to change and transform the service more easily than if it had continued to be outsourced.

9.2 This proposal is made on the basis that the insourcing option overall offers the most potential benefits for customers and for the Council. Whilst there are significant risks associated with this option, with effective management and a robust implementation plan these risks would be mitigated (see Section 10 below for more information on this).

9.3 This option will deliver the Service within the current budget limit. There are implementation costs associated with this option, but these would be paid back within 4 years by the efficiency savings which this option would generate.

9.4 Key principles and assumptions for the insourcing of the Service

9.5 Under these proposals, the Housing Repairs and Maintenance Service would transfer into the Council as an integrated Housing and Repairs Service, and the Council would **directly deliver** the vast majority of repairs and maintenance work to Council housing stock. This work would include:

- Responsive repairs
- Repairs to vacant properties
- Gas servicing and repairs
- District heating
- Domestic heating
- Electrical testing
- Lift and stair-lift servicing and repairs

9.6 Under this option, the service currently delivered by Kier, and the Kier workforce currently undertaking this work, would **be transferred into the Council** from 1st April 2017. Kier's workforce are vastly experienced in delivering the Repairs and Maintenance Service to the Council's housing stock, and so transferring the existing workforce into the Council will ensure retention of this experience, knowledge and expertise.

9.7 A Senior Manager post within the Council to head-up the Service would be recruited to, ensuring that there is an appropriate level of experience and expertise at a senior level to successfully lead the insourced Service and ensure that performance is maintained. This would be done as part of the implementation phase to help ensure that the preparatory and implementation work described in Section 11 is effectively managed.

9.8 There are a small number of elements of the Service which the Council needs to consider further in terms of whether they would be best delivered directly by the Council, or if being **contracted out by the Council** to an external contractor would be more beneficial. For example, if:

- It is more economically viable to do so
- The service requires little or no interaction with customers

- Where the demand for the service is 'ad hoc', rather than continuous and consistent
 - The risk carried by the Council in directly delivering a specific element is considered too great
- 9.9** The elements of the service to which one or more of the above is likely to apply and therefore which may be contracted include those listed below (the full list of such elements is given in Appendix One). It is important to note that these equate to less than 10% of the current contract value, and of the current Kier workforce:
- Legionella Repairs
 - Communal painting
 - Communal door-entry repairs
 - Laundry equipment
 - Lightning protection tests and repairs
 - Dry Risers
 - Fire Alarm service, repairs and renewals
- 9.10** If Cabinet approve the recommendation in this report to insource the HR&M Service, more detailed work will be done to further assess these elements of the service to determine if contracting out is the most appropriate way of delivering them. Kier staff currently involved in delivering these areas of work, and officers in the Maintenance Partnership Unit will be fully involved in this assessment.
- 9.11** Wherever possible, and subject to the Council's Standing Orders and any relevant procurement legislation, the above elements of the Service would be contracted out to **locally-based contractors**.
- 9.12** For any contracting out of certain elements of the Service, opportunities would be explored for joint-procurement with other Council services. This could potentially achieve efficiencies for both the HRA and general-funded services.
- 9.13** For any elements for which it is decided that contracting out would be the best way of delivering, further work will need to be done to assess the best way to do this. A key consideration will be whether to insource the staff involved into the Council, and then transfer these staff to the new contractor, or if to move the staff involved directly from Kier to the new contractor. Consultation with the relevant staff would be undertaken before any decision is made.
- 9.14 Building on the service improvements currently being delivered by Kier**
- 9.15** As described in Section 4.6 above, a number of key commitments are incorporated into the current contract with Kier aimed at achieving greater efficiency and improving the Service. Kier are delivering on these commitments, and are supporting the Council in making these service improvements. It is important to note that these initiatives would not end if the Service were to be insourced - the Council would build on the foundations laid by Kier and develop these areas further. In particular, there would be a focus on:

- Further increasing flexibility to enable the Service to respond to the changing needs of local communities, working closely in partnership with the new Neighbourhood Teams which will be introduced as part of the implementation of Housing+.
- Increasing customer engagement in the Service, and improved transparency in its governance.
- Making close links between the Service and the proposed Housing Employability Scheme, helping to improve the training and employment prospects for young people in the city.
- Using locally-based companies wherever possible for any contracted-out elements of the service, thereby supporting the local economy.
- Continuing with the changes to the culture of the workforce to become more outcome-focused and holistic in its approach to service delivery.

9.16 Preparing the Service for potential insourcing

9.17 As explained in Section 5.10 above, at the time of Cabinet's decision in April 2013, a longer-term objective was to potentially insource the Service if and when this became a realistic and affordable option. A requirement to support this objective was therefore built into the current contract with Kier, and a number of service improvements and organisational changes have taken place since the contract began in April 2014 aimed at achieving this:

- **Efficiency savings:** A target has been agreed for savings of £665,000 on the contract with Kier over the 3-year contract period. The Service is currently on track to achieve this.
- **Reorganisation of the Service to link more closely with Council Housing Areas:** Locally-based operatives are now providing elements of the Service, based around the Council's six housing areas. This reduces travel time, increases local knowledge and enables faster delivery of materials.
- **Empowering Kier frontline staff to deliver a 'right first time' approach:** Kier staff now have more autonomy to make more decisions in tenants' homes on the first visit. Many are now equipped with modern Information Technology (in the form of Tablets) which enable them to access a wide range of estate and tenancy information, as well as repairs diagnostics applications. More staff will be similarly equipped over the coming months.
- **Modernising the Workforce:** Kier are currently taking all staff who work on the repairs and maintenance contract through a cultural transformation programme. The programme covers cultural change, increased focus on customers and a review of their remuneration.
- **Expanding the Handyperson Service:** This popular scheme began in just two areas of the city (East and South West), providing assistance to vulnerable customers by completing small repairs and maintenance jobs in their homes which they would be unable to do themselves (eg decorating,

hanging curtains, fitting shelves, etc). This service has now been extended to cover all 6 housing areas.

- **Better joint-working between Kier and the Council:** Building on the partnership working which developed through the Kier Sheffield LLP arrangement, there is now increased joint-working in key areas such as performance monitoring, budget management and tenant and leaseholder involvement.

9.18 Transformation of the Service after the transfer

9.19 The transfer of the Service from Kier into the Council would initially be a 'lift and shift', with as little change and disruption to services and staff and possible. It would become a discrete Service within the Housing and Neighbourhoods Service, and a period of stabilisation would follow, to enable the Service to become fully integrated into the Council.

9.20 Once transfer of the Service is complete, a full service review would then be undertaken and transformation work begun to re-shape the future Service. Insourcing the Service offers a huge opportunity to transform and re-brand the Service – and this would enable the Service to become an externally trading function and so generating its own income.

10 Potential risks and disadvantages of insourcing the service

10.1 As with any large-scale change, there are risks associated with the insourcing of the Repairs and Maintenance Service. The key risks are described below, along with the appropriate mitigating actions to be taken to effectively address and manage those risks.

10.2 One of the most significant risks of insourcing the Service is in relation to potential Equal Pay claims - this is described in more detail in Section 13.

10.3 Moving the current Kier workforce into the Council, and the transition onto salary-based pay, may both impact on staff motivation and so lead to reduced productivity and reduced customer satisfaction. The potential financial impact of this is illustrated in Section 8 above. To help mitigate this, Kier have an experienced Change Manager working to help deliver a successful transition to the new pay structure, and to help prepare the workforce for a transfer into the Council. Kier also already have a track record in performance management and this is expected to continue. A small dedicated team of senior managers would be recruited within the Council to lead the Service and to ensure effective performance management.

10.4 There is a risk that the performance of the Service when assessed against contractual requirements is shown to be failing - which would in turn mean that the Council inherits a failing Service. To mitigate this, the current contract framework allows for performance management, early warning of failure, escalation as necessary and requirements for performance improvement plans

to be implemented. Additionally, the Council is experienced in delivering service improvement and working with Kier and others to mitigate the risk of service failure.

- 10.5** As another part of their commitment to modernising their workforce, Kier are currently undertaking a “right sizing” exercise within the workforce to ensure that staff resource levels match service demand. If this is delayed in any way there could be significant budget implications for the Council in terms of potential redundancy costs. Although Kier have made good progress on this, they are monitoring progress on a regular basis and feeding back to the Council when issues arise. A dedicated workstream will also be established, led by the Director of Housing and Neighbourhoods, to work with Kier on successfully modernising the service.
- 10.6** Due to the nature of the work involved, there is a greater exposure to potential health and safety issues (eg exposure to asbestos leading to long-term health conditions) and serious accidents. There would therefore be a potentially higher reputational and financial risk should the Council not successfully manage the risks resulting from compensation claims, corporate manslaughter charges and higher Employer and Public Liability Insurance payments. To mitigate this, thorough and robust health and safety practices will need to be in place, ensuring compliance with all relevant legislation and guidelines. Senior Health and Safety officials from within the Council would be closely involved in implementing the new service to ensure that this happens.
- 10.7** The HR&M Service is a £30million per year construction function, currently employing over 500 staff, and it is more than 10 years since the Council directly managed a similar service. There is a risk, therefore, that there is insufficient experience and knowledge within the Council to manage such a large-scale Repairs and Maintenance Service. To mitigate this, an experienced management team would be recruited – externally if necessary – to ensure effective management and leadership of the Service.
- 10.8** Insourcing such a large-scale Service also increases the level of uncertainty regarding the cost of delivering the service. Unlike with an external contract, for which the costs would largely be fixed for the period of the contract, an insourced service would be more vulnerable to market forces in the cost of materials, pay awards, fuel price increases, etc. As for all Council services, this would need to be managed through effective budget management, robust procurement processes and high levels of flexibility. Close working with Efficiency North (see Section 10.10 below for more detail), and making best use of e-procurement and Government Framework Agreements (see Section 10.11 below for more detail), will also help mitigate this risk.
- 10.9** It is estimated that contracting out the elements of the Service identified in Section 9.9 above could increase the cost of these elements by approximately 3%. This cost is in relation to potential increases in the price of materials. Again, this would be mitigated by robust procurement, effective contract management, close working with Efficiency North (see Section 10.10 below for more detail), and making best use of e-procurement.

- 10.10** Sheffield City Council created a regional social housing consortium eight years ago called Efficiency North, which now has membership covering two-thirds of all social housing stock within Yorkshire and the Humber. This organisation collaborates regionally on labour frameworks, and with other similar regional housing consortia nationally on materials. This approach gives substantial market leverage and buying power in ensuring costs are effectively managed.
- 10.11** External costs can be controlled by using Government Framework Agreements. The relevant Agreements available for the Council's Transport Services include the Vehicle Tyre, Vehicle Parts and Fuel Purchase Agreements. These external Agreements have been used to monitor, control and mitigate risk over the last 5 years whilst achieving significant discounts.
- 10.12** The current contractor provides Information and Communication Technology (ICT) to operate the Service including systems that schedule and record work to operatives. Some of this equipment interfaces with the Council system thus providing a record of work carried out by the contractor. The Council will need to source equivalent systems to operate an insourced service and ensure these have the correct linkages to other Housing and Council systems thus providing better access to information and an effective service. Without this there is a risk that the customer pathway will not be as effective as possible and that operative productivity may reduce due to ineffective scheduling. To mitigate this risk the service design for an insource model will include the options and risks for the provision of ICT solutions. Estimated costs have been based on known comparable provision, with some contingency, but need to be checked against current and future requirements. It has been assumed that there will be sufficient time to assess, design, test and implement such systems.
- 10.13** The current contractor utilises mobile devices to manage the efficiency of the workforce. A comparable ICT provision (devices, back-end systems to support job-allocation and in-field updating, and support for these) would be needed both to operate the Service and to mitigate some of the productivity risks described above. The costs for these have been estimated on the basis of known similar provision.

11 Next steps

- 11.1** It is critical that the preparatory and implementation period begins immediately after any Cabinet agreement. The work to be carried out during this period will be crucial in ensuring a smooth transfer to the Council and consistency of service. It is expected that this work will take 2 years, from April 2015 to March 2017. The right level of resources must be in place and allocated to the project.
- 11.2** If Cabinet approve the recommendation in this report to insource the HR&M Service, an internal Project Team and Project Board with an appropriate governance structure will be established to implement this decision. The project will be led by the Executive Director of Communities and will include representatives from all relevant services across the Council. Further work will also take place with Elected Members and customers to shape tenant governance model.

11.3 The key objective of this Project Team and Project Board will be to ensure that all the necessary preparatory work is completed in readiness for the transfer of the Service into the Council. This work will include:

- Formal consultation with both Kier and Council staff and their Trade Union representatives regarding the TUPE transfer of the Kier workforce into the Council – as well as additional communications and briefings.
- A detailed assessment of how existing Council staff – particularly those in the Housing and Neighbourhoods Service – will be impacted on by the move, and plans for how this will be managed (including a clear and robust communications strategy).
- Consideration of whether running the HR&M Service as an externally trading function within the Council is a feasible and desirable option for the future, generating income by undertaking work on properties other than the Council's own social housing stock.
- Allocation of sufficient and suitable resources for project delivery.
- Procurement of all necessary goods, services and materials (eg. transport, equipment, accommodation, IT systems and software, etc).
- Effective communication, engagement and consultation with tenants, leaseholders, Members and other key stakeholders.
- Completion of a detailed Target Operating Model for the Service.
- Development and agreement of an organisational structure for the Service, including where and how it will be best integrated with housing and wider Council services.
- Development of a detailed implementation plan for the transfer.
- The management of the risks identified in this report and identification and management of emerging risks.

11.4 Some of this work will be undertaken via a 'Business Infrastructure Workstream' which will be tasked with managing the infrastructure elements of the transfer (eg. IT, health and safety aspects, HR, etc).

11.5 Robust governance arrangements will be put in place to ensure that the timeframe, cost and outputs of the transfer are tightly controlled. Risks, issues and dependencies will be effectively managed through good project management, and the links with wider organisational change will be incorporated into the implementation plan. Business Change best practice will be followed throughout.

12 Legal Implications

12.1 The Council has the power under the Housing Act 1985 to provide housing and to alter, enlarge, repair or improve its housing stock. It also has a number of

statutory and contractual obligations to its tenants and leaseholders to ensure that the structure of their homes and the communal areas are kept in repair and that in its tenants' homes the various installations for utilities, including water, gas, electricity and heating are repaired and kept in proper working order.

12.2 Duty to consult

12.3 The general power of management of its housing is vested in the Council by Section 21 of the 1985 Act. There is wide discretion as to how the Council may exercise that power, but there is a duty under Section 105 of the Act to consult its secure tenants when they are likely to be substantially affected by certain matters of housing management which involve a change to practice or policy, including arrangements for the management, maintenance, improvement or demolition of its housing stock, or the provision of services or amenities.

12.4 The duty therefore applies to the decision of how the HR&M Service will be delivered after the end of the current contract with Kier. There is no prescribed form of consultation but it must include arrangements for tenants to be informed of the Council's proposals and to make their views known and the Council must consider any representations made.

12.5 The duty will be complied with by keeping tenants up-to-date with progress of the project via a number of established communication channels – eg by publishing articles in tenants' magazine 'InTouch', providing updates at Local Area Housing Forums and involving the Investment and Repairs (Tenants') Partnership Group in the project going forward. These communications will give details of the new model and the timetable for its implementation and will inform tenants how to make their views known. Responses to the consultation will be considered before the change is implemented.

12.6 Statutory Leaseholder Consultation

12.7 Statutory leaseholder consultation is required by Section 20 of the Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002; the procedure is set out in the Service Charges (Consultation Requirements) (England) Regulations 2003.

12.8 There are two strands to Section 20 consultation:

- Entering into a qualifying long-term agreement under which the service charge to any leaseholder may exceed £100 in any year;
- Carrying out qualifying works which may result in any leaseholder being charged more than £250.

12.9 Thus if qualifying works are to be carried out under a qualifying long-term agreement, two consultations are required (one for the agreement, one for the works).

12.10 Statutory consultation requirements would apply to any elements of the service which the Council decides to contract out to an external provider rather than directly deliver itself. If the appropriate consultation requirements are not complied with then the maximum that any affected leaseholder may be charged

is the limit for that consultation, so a failure to carry out agreement consultation means a maximum service charge of £100 even if the subsequent works consultation is done properly.

- 12.11** Any procurement required in order to deliver both the development / implementation work required prior to the insourcing, and for in-house delivery of the service itself, including any elements of the service which it is agreed will be contracted out by the Council, must be procured following the Council's standing orders and all relevant EU procurement directives. The procurement process will therefore have to be open, transparent, fair and non-discriminatory. The contract awarded to the successful tenderer/s must ensure compliance with all applicable legislative requirements and provide for effective service delivery, value for money and ensure the delivery of the project outcomes.
- 12.12** The same considerations will apply should Cabinet decide upon the full external procurement route.

13 Human Resources (HR) Implications

- 13.1** At this stage, it is not possible to provide a complete assessment on all HR implications that could result from the proposals in this paper. However, the immediate apparent implications include TUPE and Equal Pay.
- 13.2** TUPE could apply if staff, that currently work on the repairs and maintenance contract for the Council, were transferred to the Council's employment. The majority of staff to be transferred would be operatives, with a smaller number of support staff and operational managers. These staff may include ex-Council employees who transferred to Kier Sheffield LLP on its formation.
- 13.3** Although TUPE could apply, the proper assessment of whether TUPE will apply and if so to who requires employee information that the Council does not have access to at this stage. If TUPE does apply, the Council will need to have sufficient time in the implementation period to undertake proper consultations on the transfer with affected staff and their representatives.
- 13.4** Operatives within Kier are currently remunerated on a scheme that also pays bonus. It is understood that Kier has started a programme of removing this scheme by adopting a staged approach that should conclude prior to the transfer of their staff to the Council, at which point this staff group should be on an evaluated salary.

14 Equal Opportunities Implications

- 14.1** There will be staffing implications as a result of the TUPE transfer of Kier Services Ltd. staff into the Council. However, there is not expected to be any disproportionate impact on staff with a particular protected characteristic.
- 14.2** The Council has a wide range of policies and procedures already in place to support employees reduce potential inequalities in the workplace. Access to

these policies and procedures will be available to all transferred staff to support their integration into the Council.

- 14.3** There is a small risk that some transferring staff may not be fully included in the consultation process due to their characteristics - in particular those staff on pregnancy/maternity/paternity leave or those absent from work due to illness or disability. This risk is covered in the action plan and managers will be expected to ensure that these staff are involved wherever possible in consultation arrangements in a manner appropriate to their needs.
- 14.4** It is important to ensure that staff transferring into the Council are given an appropriate induction to the Council so that they are aware of the support offered to staff with protected characteristics. This is also captured in the action plan attached to this EIA.
- 14.5** The workforce profile currently within Kier shows an underrepresentation of BME, disabled and female staff within the service. This imbalance is something that the Council will seek to address through involvement of existing staff groups in identifying barriers to potential new entrants to the service and promoting positive employment policies to encourage interest in any vacancies from all staff and Sections of the community.
- 14.6** There is not expected to be any negative impact on customers as a result of these proposals and the intention is that the service will deliver positive service changes over the longer-term. The service will initially carry on delivering the same service to customers as it does at the moment. Proposals to change this service will be developed in partnership with customers and will take account of the diverse needs of Council housing tenants within the city. The aim of bringing the repairs service back into the Council is to improve the overall service to customers and co-design an integrated housing and repairs service.

15 Other options considered

- 15.1** The alternatives considered are as described in Section 7 of this report.

16 Reasons for recommendations

- 16.1** Insourcing the HR&M Service will give the Council more control, flexibility and accountability in managing the Service, enabling the service to be fully integrated into the Council and to work in close partnership with other relevant key Council services. This will help to transform its approach to one which is more holistic, joined-up and outcome-focused and ensure that the Service is delivered in a way which fully supports the Council's corporate objectives.
- 16.2** Bringing the HR&M Service in-house for direct delivery by the Council will also help to bring about an alignment of culture in the Service to that of the Council, and in its approach to customers. As an integrated function within the Council, the Service will be much better placed to adopt the Council's key principles of 'right first time' and holistic service delivery - and to be more adaptable to varying circumstances and to any changes in corporate priorities.

- 16.3** Based on all information known to date, and after the initial upfront costs of transferring the service, the insourced option is expected to generate sustainable year-on-year revenue savings. In addition, once fully integrated into the Council there will be further opportunities to reduce duplication, join-up procurement with other Council services and increase efficiency within the Service – enabling it to achieve more and improve outcomes within the same level of spending.
- 16.4** Under this option, there is huge potential for the HR&M Service to help support and strengthen the Housing+ approach, which focuses on tailoring our services to help achieve better outcomes for our tenants. HR&M staff would be out on estates and in tenants' homes on a daily basis, and so would be ideally placed to identify problems with tenancies or additional support needs. Strong links with the local Neighbourhood Teams (due to be implemented later this year under the Housing+ roll-out and the proposed restructure of the Housing and Neighbourhoods Service) would enable the HR&M to refer any such issues to the appropriate Neighbourhood Team staff, enabling these issues to be dealt with earlier.
- 16.5** Insourcing the Service will also make it easier to structure the Service around the proposed 7 Neighbourhood Areas (currently awaiting the outcomes of the Electoral Ward Boundaries Review before being confirmed). This would enable the Service to be delivered in-line with the new Neighbourhood-based approach (again part of the roll-out of the Housing+ model), with staff potentially based in a particular Neighbourhood. This would increase local knowledge for HR&M staff, and improve their links with the local community.
- 16.6** It is clear from in-depth consultation with tenants and leaseholders that the Repairs and Maintenance Service is for customers one of the most important elements of housing management. Insourcing the Service will put it in a stronger position in terms of its ability to deliver the customer vision for the service. The Service will be directly linked into the Council housing governance and engagement framework (as all other key Council housing services are), enabling greater transparency and accountability. It would also enable tenants and leaseholders to more easily have direct influence on how the service is shaped and delivered in the future.
- 16.7** Potential insourcing was part of Council's vision for the service in April 2013, and asked that a requirement to prepare the service for this was incorporated into the current contract with the new provider from April 2014. This preparation work has been taking place over the last few months, and will continue for the duration of the contract. This work should mean that the Service, and its workforce, are fit-for-purpose at the point of transfer - and that the Council will inherit the foundations of a modern and efficient service on which it can build even further.
- 16.8** Insourcing also brings with it the potential to run the service as an externally-trading Council function in the future – for example undertaking repairs and maintenance work on behalf of other social landlords.
- 16.9** Directly delivering the service in-house, with minor elements of it being outsourced to locally-based contractors wherever possible, would help support the concept of the 'Sheffield Brand'. Materials would be purchased from local

suppliers wherever possible (subject of course to the usual procurement rules and Council policies), and the workforce would be predominantly local.

16.10 Sheffield would not be alone in insourcing a key service such as the HR&M Service. Independent research by APSE (the Association for Public Service Excellence) has also identified a number of potential benefits of insourcing services, based on actual case-studies and local authority experiences:

- Improved performance
- Stronger links to corporate strategic objectives
- Greater flexibility, and more responsive to local and national policy changes
- Efficiency savings
- Improved customer satisfaction
- Enhanced local supply chains
- Better integration and joining-up with other relevant key services
- New development and employment opportunities for the workforce transferred in

16.11 There are of course risks associated with the option to insource the service (as indeed there are with the other two alternative delivery options discussed in this report), and some of these risks are significant. However, measures are and will continue to be in place to mitigate these risks, and if any of these risks significantly escalate, or any significant new risks (including financial ones) emerge, a further report would be brought back to Cabinet before progressing the transfer any further.

17 Recommendations

17.1 That Cabinet:

17.2 Approves the proposal in this paper to **insource the Housing Repairs and Maintenance (HR&M) Service from 1st April 2017.**

17.3 Gives its approval for the insourcing to be done based on the principles and assumptions described in Section 9.4 of this report, and taking into account the risks and mitigations as set out in Section 10, including the potential contracting-out of a small proportion of the service.

17.4 Gives its approval for the budget required to cover the one-off implementation and set-up costs, as described in Section 8.3 of this report.

17.5 Grants delegated authority to the Executive Director of Communities to take the necessary steps to progress and implement the insourcing of the service, in consultation with the Cabinet Member. These steps will include:

- at the appropriate time, commencing formal consultation with Trade Unions regarding the transfer of staff from Kier into the Council (in consultation with the Director of Human Resources as necessary).

- developing the structure and agreeing the timescales needed to deliver an in-house repairs service (in consultation with the Director of Human Resources as necessary).
 - undertaking a more detailed assessment of which elements of the service are more appropriate to be contracted out, rather than directly delivered by the Council, and what the impact of this will be and how that will need to be managed (in consultation with the Director of Commercial Services and the Director of Human Resources as necessary).
 - Approving the procurement strategy and contract award, and agreeing contract terms and entering into the contracts, for all necessary goods and services. This will apply to both the development / implementation work required prior to the insourcing, and for in-house delivery of the service itself (including any elements of the service which it is agreed will be contracted out by the Council) once it is brought back into the Council (in consultation with the Director of Commercial Services and the Director of Legal and Governance as necessary).
 - Ensuring that the statutory leaseholder consultation required by Section 20 of the Landlord and Tenant Act 1985 (as amended by the Commonhold and Leasehold Reform Act 2002) is adhered to.
 - Any other work required for the effective preparation for and implementation of the insourcing of the HR&M Service.
- 17.6** Request that a further report is presented to Cabinet if the underlying strategy for the future of the Service cannot be achieved or if any unforeseen significant risks emerge which may prompt Cabinet to re-consider its decision.

Appendix 1

List of functions / elements covered by the current Housing Repairs and Maintenance contact with Kier Services Ltd

The current contract covers the following:

- Responsive repairs
- Repairs to vacant properties
- Maintenance of the District Heating system
- Gas servicing and repairs
- Lift and stair-lift servicing and repairs
- Electrical work
- Communal painting*
- Domestic heating renewals
- Communal footpaths, car-parks and un-adopted highways
- Security of Vacant Properties*
- Non Domestic Properties Servicing and Repairs*
- Electrical Testing to Dwellings
- Landlords Supply Fixed Wire Testing*
- Legionella Management*
- Fire Alarm Servicing and Repairs
- Emergency Lighting Servicing and Repairs*
- Laundry Equipment Servicing and Repairs*
- Solid Fuel Servicing and Repairs*
- Potable Water*
- Dry/Wet Riser Equipment*
- Lightening Protection tests and repairs*
- Communal Door Entry Repairs*
- PVCu Maintenance*
- Electrical rewiring/upgrades*
- Fire Alarm service, repairs and renewals*
- Emergency Lighting servicing and repairs*
- Emergency Lighting renewals*
- Lift Refurbishments*
- Metalwork Repairs/Fabrication*
- External Block Lighting*
- Handy Person Service*

* These elements would be considered further for possible contracting out rather than direct delivery by the Council if this is deemed to be more effective. (These elements represent only a small proportion of the whole service).

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Appendix Two

Well-Maintained Homes and Neighbourhoods Service Design

Project Group: Vision Statement



- Investment and tenancy management services will be joined-up in a way which supports our tenants and leaseholders – particularly the most vulnerable.
- Tenants and leaseholders will play an integral part in shaping and designing investment standards in the future.
- The Council will help to tackle fuel poverty by ensuring that homes are energy efficient and have a modern and well-maintained heating system.
- Homes and neighbourhoods will be safe and secure. They will also be disability-friendly wherever possible.
- We will improve all of our communal areas and ensure they are well-maintained in the future.
- We will ensure that our neighbourhoods are safe, attractive and well-designed to promote long-term sustainability.
- There will be a good quality, modern responsive repairs service which has high standards of customer care and health and safety, and which provides value-for-money. The repairs call centre will be effective and efficient, and workmen will carry the right tools and materials.
- Some simple repair jobs will be dealt with where appropriate by staff in the Council Housing Service. We will provide advice, permission and support to any tenant wanting to make minor repairs and improvements to their home.
- The Handy-Person's Service will be extended to all elderly and vulnerable tenants in the city.
- There will be effective stock management, which considers all the relevant information to help inform sound investment decisions. We will work closely with our partners to plan and sequence work.
- Vacant properties will be brought up to a lettable standard quickly, including the gardens. We will advise new tenants when any missed Decent Homes work will be completed to their homes.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Appendix Four

Equalities Impact Assessment

Name of policy/project/decision: Housing Repairs & Maintenance Service - Delivery Options Post-March 2017 - Cabinet Report

Status of policy/project/decision: New

Name of person(s) writing EIA: Peter Brown

Date: Jan 2015

Service: Future of Council Housing Team /

Portfolio: Communities

What are the brief aims of the policy/project/decision?

In 2003, the Council established a 'limited liability partnership' with the Kier Group – this partnership was named Kier Sheffield LLP. The Council's Construction and Building Services (CBS) contract was awarded to the LLP in 2003, and this contract covered the repairs, maintenance and other construction work to all Council-owned buildings – a significant element of which was the Council's social housing stock.

The CBS contract expired in March 2014 and procurement of a new contractor for housing repairs and maintenance was carried out. Kier Services Ltd were successful in their bid for the contract and were awarded a 3-year contract, from 1st April 2014 to 31st March 2017. This contract includes an option for a contract-extension for up to two more years (ie. to 31st March 2019), should both the Council and Kier Services Ltd agree to this.

The main elements / functions which it covers are as follows:

- Responsive repairs
- Repairs to vacant properties
- Maintenance of the District Heating system
- Gas servicing and repairs
- Lift and stair-lift servicing
- Electrical work
- Communal painting
- Domestic heating renewals
- Communal footpaths, car-parks and un-adopted highways

The recommendation to Cabinet is that the service is 'insourced' once the current contract expires in 2017. This will result in an integrated service delivered in-house directly by the Council. There are no plans at this stage to change any aspect of the service delivered to customers. Therefore the focus for this EIA is on the changes to the existing staff of Kier Services Ltd.

Are there any potential Council staffing implications, include workforce diversity? All of Kier Services Ltd. staff working on the Sheffield contract will be transferred under Transfer of Undertakings (Protection of Employment) Regulations

("TUPE") into Sheffield City Council. Staff transferring into the Council from Kier Services Ltd. will initially be located in the Housing and Neighbourhoods Service. The transfer from Kier into the Council would initially be a 'lift and shift', with as little change and disruption to services and staff as possible. A period of stabilisation would follow, to enable the Service to become fully integrated into the Council. Once integration of the service is complete, a full service review would then be undertaken and transformation work begun to re-shape the service going forward. This could potentially impact on both former Kier Services Ltd. staff and existing Council staff. Due to the large number of staff involved, it is not expected that the impact will be less or more for any particular staff groups. However, until it is known exactly which staff are affected, and in what way, we cannot be sure how workforce diversity will be impacted on

There are also potential implications for the Council's workforce diversity profile. The table below shows the Kier workforce profile compared to that of the Housing and Neighbourhoods Service.

	Housing & Neighbourhoods Service	Kier
Average Age	46 years old	44 years old
Ethnicity	8%	3.5%
Disability	12%	5%
Gender (Male : Female)	56:44	92:8

The table shows that there is a similarity in terms of the average age of the workforce that would transfer. However in terms of ethnicity, disability and gender the profile is distinctly different. The Kier workforce is much less diverse with lower levels of BME, disabled and female staff - distinctly different from the profile of the communities that Kier staff work within.

This will also have an impact on the overall profile of the Housing and Neighbourhoods service.

Under the [Public Sector Equality Duty](#), we have to pay due regard to: "Eliminate discrimination, harassment and victimisation, advance equality of opportunity and foster good relations." [More information is available on the Council website](#)

Areas of possible impact	Impact	Impact level	Explanation and evidence (Details of data, reports, feedback or consultations. This should be proportionate to the impact.)
Age	Neutral	Medium	The whole workforce of Kier Services Ltd. currently delivering the Sheffield contract will

Areas of possible impact	Impact	Impact level	Explanation and evidence (Details of data, reports, feedback or consultations. This should be proportionate to the impact.)
			<p>be affected by the TUPE process. The TUPE process should not result in any negative impact on individual members of staff as a result of their equality profile. Any changes identified as a part of the TUPE process will be subject to full consultation as described in the report. Some of the changes may result in a positive impact where the SCC 'offer' as part of the transfer provides additional benefits. All staff transferring into the service will be covered by the Council's 'Dignity and Respect at Work' policy providing support for the resolution of any equality issues.</p> <p>These changes may cause concerns for staff, both in the Council and Kier, regarding places of work and line management. Full consultation and communication with staff is paramount requiring managers and supervisors to remain open and honest with the staff. The idea of the change to SCC may be seen as negative by some staff. This impact will need to be managed.</p> <p>The impact on employees who are away from work on sickness absence may be negative and again needs to be managed..</p>
Disability	Neutral	Medium	<p>As above. The Council will also consider any reasonable adjustments for disabled staff during and after the transfer. As well as Kier, the Council is a member of the 'Two Ticks' scheme providing support and development opportunities for disabled people. There is currently under representation of disabled staff in the current Kier workforce and this would need to be considered further once staff transfer</p>
Pregnancy/mat ernity	Negative	Medium	<p>There will be employees on maternity leave who will not be receiving face to face consultation. This may have a negative impact on their ability to engage in the transfer process. However, anyone on maternity/paternity leave will be fully consulted with on a regular basis using other communication methods and kept up to date with changes that will be made to their working environment.</p>
Race	Neutral	Medium	<p>As for Age. There is currently an under representation of BME staff in the Kier</p>

Areas of possible impact	Impact	Impact level	Explanation and evidence (Details of data, reports, feedback or consultations. This should be proportionate to the impact.)
			workforce and this would need to be considered further once staff transfer.
Religion/belief	Neutral	Medium	As for Age
Sex	Neutral	Medium	As for Age. There is currently an under representation of female staff in the Kier workforce and this would need to be considered further once staff transfer.
Sexual orientation	Neutral	Medium	As for Age
Transgender	Neutral	Medium	As for Age
Carers	Neutral	Medium	As for Age. The Council are committed to supporting all employees with a caring role. The Council's Carers' Charter gives more information about the definition of a Carer and the Council's commitment to Carers. A range of flexible working policies are in place to support employees.
Voluntary, community & faith sector	Neutral	Medium	As for Age
Financial inclusion, poverty, social justice:	Positive	Low	The Council offer protection for the lowest paid employees by paying a minimum living wage rate, currently £7.65 per hour. This will be extended, if appropriate to staff transferring in.
Cohesion:	Positive	Low	The Communities Staff Equality and Inclusion Network (SEIN) is open to all staff within the Communities Portfolio who are interested in equality, diversity and inclusion. Kier staff transferring into the Portfolio will have access to support from this inclusive forum and be able to raise equality issues.
Other/additional: Workforce Profiling.	Neutral	High/Medium	There is a noticeable difference in the workforce profile between the two organisations. There will need to be action in place to tackle the below average number of BME and disabled employees in Kier as well as a concerning difference in the gender profile. There are explanations for this due to the work that is involved and the type of work that is carried out. Support from the equalities team within the Communities Portfolio will be required and discussions from existing staff groups within the Housing Service on how to make opportunities available for people from under-represented backgrounds will be needed to ensure that any resultant opportunities in the service are

Areas of possible impact	Impact	Impact level	Explanation and evidence (Details of data, reports, feedback or consultations. This should be proportionate to the impact.)
			open to all Sections of the community.

Overall summary of possible impact (to be used on EMT, cabinet reports etc):

There will be significant staffing implications as a result of the TUPE transfer of Kier Services Ltd. staff into the Council. There is not expected to be any disproportionate impact on staff with a particular protected characteristic however The Council has a wide range of policies and procedures already in place to support employees reduce potential inequalities in the workplace. Access to these policies and procedures will be available to all transferred staff to support their integration into the Council. There is a small risk that some transferring staff may not be fully included in the consultation process due to their characteristics - in particular those staff on pregnancy/maternity/paternity leave or those absent from work due to illness or disability. This risk is covered in the action plan and managers will be expected to ensure that these staff are involved wherever possible in consultation arrangements in a manner appropriate to their needs. It is important to ensure that staff transferring into the Council are given an appropriate induction to the Council so that they are aware of the support offered to staff with protected characteristics. This is also captured in the action plan attached to this EIA. The workforce profile currently within Kier shows an underrepresentation of BME, disabled and female staff within the service. This imbalance is something that the Council will seek to address through involvement of existing staff groups in identifying barriers to potential new entrants to the service and promoting positive employment policies to encourage interest in any vacancies from all staff and Sections of the community. There is not expected to be any negative impact on customers as a result of these proposals and the intention is that the service will deliver positive service changes over the longer-term. The service will initially carry on delivering the same service to customers as it does at the moment. Proposals to change this service will be developed in partnership with customers and will take account of the diverse needs of Council housing tenants within the city. The aim of bringing the repairs service back into the Council is to improve the overall service to customers and co-design an integrated housing and repairs service.

If you have identified significant change, med or high negative outcomes or for example the impact is on specialist provision relating to the groups above, or there is cumulative impact you **must** complete the action plan.

Review date: **Q Tier Ref** **Reference number:**
Entered on Qtier: -Select- **Action plan needed:** Yes
Approved (Lead Manager): **Date:**
Approved (EIA Lead person for Portfolio): **Date:**
Does the proposal/ decision impact on or relate to specialist provision: -Select-

Risk rating: Low

Action plan

Area of impact	Action and mitigation	Lead, timescale and how it will be monitored/reviewed
Workforce	Ensure that there is a full consultation/communication plan in place and that all employees are reached with regular feedback and updates regarding the process.	
Workforce	Promote the positive aspects of change to staff and involve them in all aspects of the transfer. Key actions include regular intranet and face to face communication, involvement in planning for the transfer and clarity of induction.	
Workforce	Ensure that all staff who are not at work (through pregnancy, maternity, sickness or other reason) are provided with opportunities to be involved with the consultation on TUPE transfer	
Workforce	All staff to be given a full induction, ensuring that they are familiar with the relevant Council processes, policies, etc	
Workforce	All staff to be made aware of the key Council commitments to equality and dignity within the workforce including: <ul style="list-style-type: none"> •Wide range of flexible working options. •Maternity, paternity and adoption benefits and child care vouchers. •Dignity and Respect at Work policy •Access to Staff Equality and Inclusion Networks •Employment policies and support mechanisms to promote health and wellbeing. 	

Area of impact	Action and mitigation	Lead, timescale and how it will be monitored/reviewed
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		

Approved (Lead Manager):

Date:

Approved (EIA Lead Officer for Portfolio): Louise Nunn **Date:** 02/02/2015

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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of the Local Government Act 1972.

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SHEFFIELD CITY COUNCIL

CALL-IN PROCESS FOR EXECUTIVE DECISIONS

I MR STEVE AYRIS (Name of Member in Block Capitals)

under the provision of Standing Order A35, wish to call-in Item No. 17

relating to FUTURE OPTIONS FOR THE HOUSING REPAIRS & MAINTENANCE (HR&M) SERVICE

of the meeting of CABINET (meeting title)

on 18 MARCH 2015 (date) for consideration by the

SAFER & STRONGER COMMUNITIES Scrutiny Committee.

The relevant Scrutiny Committee will be indicated on the Checklist within the report relating to this matter.

Reason for Call-In

TO ENSURE THAT ANY SIGNIFICANT DECISION SUCH AS THIS IS MADE IN THE BEST INTERESTS OF TENANTS AND LEASEHOLDERS WHO USE THE SERVICE

Signed [Signature] Date 24/3/2015

I have obtained the following signatures of the other Members who wish to call-in this item:-

Name (in Block Capitals)	Signature
1. <u>RICHARD SHAW</u>	<u>[Signature]</u>
2. <u>SIMON CLEMENT-JONES</u>	<u>[Signature]</u>
3. <u>BENJY BAKER</u>	<u>Benelope A. Baker</u>
4. <u>COLIN ROSS</u>	<u>[Signature]</u>

(NOTE: Standing Order A35(1) requires five Members, including two from the appropriate Scrutiny Committee to 'call-in' an Executive decision for scrutiny. This can be done up to 4 working days after the decision publication.

The five signatures required for the call-in process must be submitted by the deadline date, but need not all be on one form.

COMPLETED FORMS TO BE RETURNED TO THE HEAD OF DEMOCRATIC SERVICES (ROOM G12, TOWN HALL), BY THE DEADLINE REFERRED TO ABOVE. THE REQUEST WILL BE LOGGED AND FORWARDED TO THE HEAD OF SCRUTINY ACTION.

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