

EAST AYRSHIRE COUNCIL

CABINET - 22 APRIL 2009

PROGRESS REPORT – CROSS CUTTING BEST VALUE SERVICE REVIEW OF PROPERTY MAINTENANCE SERVICES

Report by Executive Director of Neighbourhood Services

1. PURPOSE OF REPORT

- 1.1 To inform Cabinet of the progress being made to implement the recommendations previously agreed in July 2008 to make changes to the Council's property maintenance arrangements, following the Cross Cutting Best Value Service Review and to highlight that a full Service Plan will be submitted for consideration in June 2009.

2. BACKGROUND

- 2.1 At the Cabinet Meeting held on the 2 July 2008, elected members considered a report submitted by the Executive Director of Neighbourhood Services on the results of the Cross Cutting Best Value Service Review of the Council's property maintenance arrangements.
- 2.2 The review confirmed the need for radical change to the existing service arrangements to address issues of poor performance and customer dissatisfaction, and made a series of recommendations designed to deliver better performance and efficiency.
- 2.3 These recommendations included:
- The comprehensive adoption of the Vanguard Lean System approach for Housing and Property maintenance repairs in East Ayrshire.
 - The further development of a mixed economy for Housing and Property maintenance incorporating service reconfiguration and more effective use of external contractors.
 - The merger of Housing and Building and Works Services to create a new Single Business Unit for Housing Repairs and Improvement works.
 - The adoption of an efficiency savings framework based on changes to historical operating practices including recharge systems and the current bonus scheme for craft operatives and manual workers in Building and Works.
- 2.4 These recommendations were agreed by Cabinet for full implementation by October 2009. A Project Board at officer level was established to take matters forward. The Board comprises of the Heads of Service for Housing, Building and Works, Finance and Asset Management and Human Resources. The Board is supported by the Council's Business Change Manager and

meets on a regular basis to monitor progress in delivering their agreed Project Plan.

3. PROGRESS

3.1 Project Plan

3.1.1 A project plan is being maintained to give clarity and focus to the full range of actions, including a number of business change priorities, needed to secure successful implementation of the recommendations arising from the Cross Cutting Best Value Service Review agreed by Cabinet in July 2008. Progress is monitored at the regular Project Board meetings and any changes required to the plan must be agreed by the Board in the first instance. The timetable for change presently remains as agreed by Cabinet with introduction of the new arrangements by October 2009. The project plan runs beyond this date however to ensure the new arrangements are fully implemented and adopted throughout the new Single Business Unit.

3.2 Vanguard Approach

3.2.1 The review highlighted that the introduction of new business processes, which focus on simple measures such as doing the right job at the first visit and at the right price, delivered greater productivity, faster response times and significantly greater levels of customer satisfaction. The arrangements put in place for the Council's new housing and property repairs system arising from work with the Vanguard project have now been established as best practice and will be further developed and taken forward by the new Single Business Unit. Examples of this approach include the successful introduction of repairs by appointment, the ongoing work to establish a common IT-based platform for managing housing repairs by April 2009, and the recent introduction of innovative operating practices such as the pilot wireless job scheduling (Optitime) project, which have all been designed to increase performance, cost-effectiveness and efficiency.

3.2.2 Results in key measures remain very positive.

- 92% of 24 hour appointments are being kept.
- 93% of 3 day appointments are being kept.
- End to end times for jobs are 3.4 days (Housing) and 5.8 (Non Housing)
- First time fix rates for jobs is 94% (Housing) and 88% (Non Housing)
- No accesses reduced to below 4%.
- Average customer satisfaction levels were 4.6 (Housing) and 4.4 (Non Housing) from a maximum score of 5.

The table below shows a comparison of the lean system approach with previous arrangements where applicable.

	October 2007	March 2009
	Prior to the new repairs arrangements	Current Position
End to End Time	6.2 days	3.4 days
First Time Fix	47%	94%
No Access	5.0%	3.9%
Customer Satisfaction Average Score	3.6 out of 5	4.6 out of 5

3.3 Single Business Unit

3.3.1 Following the Cross Cutting Best Value Service Review of Property Maintenance arrangements within the Council, Cabinet agreed that Building & Works employees, together with a number of staff from Housing and Asset Improvement Services, be merged to form a new Single Business Unit, as part of Housing Services within the Department of Neighbourhood Services. The new Single Business Unit will have a primary focus on housing repairs and improvement works although it will also provide an immediate out of hours emergency response for the Council's public building portfolio.

3.3.2 The Cross Cutting Review findings, in terms of workforce planning, recommended reductions in the establishment of Building and Works and in Housing, all in line with the efficiency gains accruing from the lean systems operating procedures in housing and property repairs. The Single Business Unit will bring together a number of staff from Housing, Building and Works and Asset Improvement Services to be responsible for the effective provision of the following functions:

- Gas and General Repairs by Appointment
- Comprehensive House Improvement
- Gas Maintenance
- Planned Works
- Scheme of Assistance and Private Sector Housing Grant
- Fuel Poverty Reduction/Income Maximisation
- Void Property Repair
- House Attributes and Central Records
- Quality and Value
- Computer Systems Development and Management

3.3.3 As part of this work, current operating arrangements in Building and Works are being reviewed to consider the numbers and managerial structures for Local Government Employees, craft operatives and manual workers needed to take forward the new Single Business Unit. in conjunction with information on existing arrangements in Housing.

- 3.3.4 The Cross Cutting Best Value Service Review identified significant potential efficiency savings in respect of managerial, administrative and support staff by the adoption of the tried and tested lean systems approach. These efficiencies will be realised by the establishment of a Single Business Unit within the Housing Revenue Account and the dismantling of much of the previous bureaucracy around the former CCT regime. The existing staffing arrangements total 113 local government employee posts and 246 craft operative posts across Building and Works and Housing. Significant progress has been made towards detailing the staffing establishment and functions required to deliver the new Single Business Unit as above in respect of arrangements and operational practices in Building & Works and Housing, and now moving to incorporate the relevant aspects of Asset Improvement Services into the new Unit.
- 3.3.5 The Service Plan to be submitted to Cabinet in June 2009 will incorporate a full detailed staffing structure. The new Single Business Unit structure will reflect the reductions in workforce levels as recommended in the July 2008 Cabinet report.
- 3.3.6 The overall objective is to introduce a culture of change within the unit whereby administrative processes and structures will remain under continuous review to ensure best value and respond to changing business needs including affordability. Management will seek to exploit opportunities for minimising the impact of these changes on individuals through the use of current vacancies, the use of the Council's redeployment arrangements, or by considering voluntary severance in the interests of the efficiency of the service and by reviewing temporary contracts and scheduled retirements.

3.4 Workforce Implications of Externalisation of Non-housing Property

- 3.4.1 The Cabinet decision to externalise the non-housing property work from October 2009 requires adherence to a strict procurement timetable and tender documents are scheduled to be issued in late April 2009. As the outcomes arising from the Cross Cutting Best Value Service Review envisaged that an element of the existing workforce would TUPE to the new private sector service provider when these contracts were awarded, it is now necessary to confirm this position.
- 3.4.2 In preparing the business plan from first principles an initial analysis of current productive work indicates that in 2008/09, 16.2% of productive hours worked were on non-housing properties. As this work is being subjected to external tender, based on a craft and manual workforce of 238, potentially 38 members of the craft and manual workforce would transfer to the new contractor.
- 3.4.3 A recent management review has identified further surpluses in the workforce for painters and labourers based on current and likely future demand for these trades within the existing housing work.

- 3.4.4 Following consideration of the workforce implications of the creation of the Single Business Unit and the transfer of non-housing work to an external contractor, further thought has been given to the work planned around the Council's Housing Improvement Programme (£15.6M in 2009/10). The current programme has the capacity to support higher levels of in-house work within the new Single Business Unit beyond the levels currently being undertaken by Building and Works. Specifically it is envisaged that additional numbers of kitchens, bathrooms and central heating installations under the Scottish Housing Quality Standard 'Improving Facilities and Services' and 'Efficient Heating' programmes could be installed by craft operatives based within the new Single Business Unit. This would provide adequate work for employees in all trades excluding commercial heating engineers, painters and labourers.
- 3.4.5 Similarly, consideration has been given to Housing repair work which is funded from the HRA Revenue budget which amounts to £10.9M in 2009/10. Having reviewed this work, there is no opportunity to utilise commercial heating engineers or the excess capacity in painters or labourers.
- 3.4.6 Thought has been given to identifying new work streams which would enhance the level of service provided to improve neighbourhoods and increase levels of residents' satisfaction. This could be achieved by setting up arrangements to allow painter and labourer resources to work closely with the new neighbourhood housing teams and community wardens at a local level to respond to low level issues including, for example, graffiti removal and minor environmental repairs and improvements. The cost of this however would require to be diverted from a number of existing budget lines.
- 3.4.7 By increasing the amount of work to be undertaken by the new Single Business Unit as outlined above, it would be possible to provide sufficient work for the majority of the current craft operative workforce to remain with the Council following the award of the property contract to a private contractor. However the additional work that may be available would be unable to absorb those painters who are currently engaged on the non-housing works and commercial heating engineers who would potentially transfer to the external provider.
- 3.4.8 This is equivalent to 5 full time painters and 6 commercial heating engineers. However there is the potential to offer the 6 commercial heating engineers redeployment as domestic gas plumbers, with retraining as required and at revised terms and conditions appropriate to domestic gas plumbers as an alternative to TUPE. No such alternatives have been identified for the 5 painters and the current workforce profile indicates that normal workforce management practices and staff turnover is unlikely to resolve this issue in the foreseeable future. Therefore the 5 painters identified above would if

they choose to remain with the Council be subject to the Council's agreed policy on redeployment.

3.5 Modernisation Agreement

3.5.1 The review highlighted the need to bring forward proposals for changing the existing pay and conditions of craft operatives within the service, specifically to address the issue of current pay arrangements as they apply to bonus payments. At an early stage, the Project Board approached other authorities to establish their approach to and experience of the modernisation processes. The Board also carried out an analysis of payments to craft operatives in 2007/8 to provide a baseline for future planning. This analysis showed that average basic plus bonus payments were broadly consistent however there were significant deviations between the minimum and maximum amounts received by individuals in each trade. This suggests that moving towards an annual salary scheme represents a significant challenge. Nevertheless, the Board recognises that continuation of the present bonus scheme is unsustainable in terms of equal pay legislation.

3.5.2 An important consideration for the Board is that any modernisation agreement will require to be supported with robust productivity/performance arrangements. The analysis noted that, presently, a high proportion of earnings are paid as bonus and that significant numbers of EAC craft operatives (40%) are paid either fixed or average trade bonuses or at previous individual average rates in the case of operatives working within the Vanguard team.

3.5.3 The Head of Human Resources is planning to submit a report on the principles of the proposed modernisation agreement to Cabinet in May 2009

3.6 Depot Provision

3.6.1 The planned closure of the Lugar depot was identified within the specified potential efficiency savings arising from the review. The Council has now agreed its 10 year capital investment programme, which includes funding for a series of depot improvements, including Cathcartson, and the proposed establishment of a new depot to be located in the Kilmarnock area with work due to commence on site during 2011/2012. The new depot, including workshops, will be the home of the Single Business Unit and a range of other Council services. A report on this matter is due for submission to Cabinet in June 2009.

3.7 Procurement

- 3.7.4 A contract for Site Investigation works is presently out to tender on a 3 year +1 +1 basis with a planned contract start date of June 2009. A new Framework Agreement for Scaffolding Services, for use by the new Single Business Unit with between 3 and 5 Service Providers on the Framework Agreement and following existing arrangements, will be tendered shortly. Future contractual arrangements for a Water Testing Service are under consideration by Asset Management Services.
- 3.7.5 Several other B&W procured “contracts” for Non-Housing Properties reach the end of their term on 30th June 2009. Whilst a new Ranked Framework Agreement is in place for Metal Balustrade & Fencing Service to Non-Housing Properties, there will be no formal “stand alone” contract arrangements in place for such trades as Floor Coverings, Glazing Repairs, Bitumen Felt Roof Repairs etc. It is proposed to fill this temporary gap in provision between July and October 2009, either by using the Minor Works & Building Maintenance Term Contract in place with MITIE until 20th October 2009 or by seeking Quotations/Tenders using the Approved List of Contractors in the usual way, where this is deemed appropriate.
- 3.7.6 In terms of the agreed procurement strategy to support the establishment of the new Single Business Unit, the elements of the Capital Programme that are surplus to the in-house capacity to deliver will shortly be subjected to a formal tendering exercise. The purpose of this is to establish a formal ranked Framework Agreement with up to three Contractors who would carry out the Capital Programme on an annually agreed programme. The best ranked contractor being offered a tranche of work and phases; the second best contractor would be offered the next choice of work and phases etc. until the year’s capital programme is divided between the Contractors incorporated into the Framework. Although the volume of work may vary from previous levels following any decisions to increase any work allocated to the in-house unit as referred to earlier in this report, the new Framework Agreement is due to commence on 1st April 2010 and will be for a period of 5+1+1 years. As Framework terms are limited to usually four years, a justification for a longer-term is required to be stated in the OJEU Notice. The justification will be argued on the need to secure continuity in service delivery to address the Council’s five year plan to upgrade its housing stock up to the National Standards. The works to be included in this Framework would be as follows, although this list is not exclusive:

- Kitchen Upgrades
- Toilet Upgrades
- Heating Upgrades
- Electrical Upgrades
- Door & Window Upgrades
- Roofing Upgrades
- Roughcasting Upgrades

- 3.7.7 Discussions are ongoing between the Council and the suppliers to resolve issues around boiler failures. Subject to a successful outcome to these discussions, and provided that the supply contracts continue to deliver best value, it is proposed to extend the existing 3 long-term supply contracts for major housing components until November 2012 and January 2013 as appropriate. Work will also be undertaken shortly, to extend the scope of the Long-Term Supply Contractual arrangements to include the Supply of Kitchen Units for both the Housing Capital Programme and Maintenance by way of a formal tender to establish a term contract of 5 +1+1 years, commencing 1st April 2010. Rates will be sought for both rigid and flat-pack options.
- 3.7.8 Arrangements are being put in place to re-tender the Supply/Supply & Installation of uPVC Windows for both housing and non-housing properties and to establish a term contract with a single supplier/contractor for a period of 2+1+1 years.
- 3.7.9 Finally, benchmarking by the Council's procurement team has established that the current Trades Supply Framework provides better value than the Scotland Excel Trades Framework. Consequently, it is proposed that the current EAC Framework be extended until the end of its term (30th September 2009+1+1).

4. FINANCIAL IMPLICATIONS

- 4.1 Implementation of the recommendations made in the cross-cutting Best Value Service Review report will deliver improved levels of performance and customer satisfaction across the new Single Business Unit.
- 4.2 The previous assumption was that the transfer of non-housing work to the private sector would result in a reduction in the number of employees within the Single Business Unit. The proposals set out in paragraph 3 of this report would expand the capacity of the unit to carry out additional housing work in-house retaining existing funding, which previously was spent with private contractors, to support the workforce and contribute to overheads.
- 4.3 It is essential that these resources are utilised effectively in expanding the capacity of the unit to maximise the future volume of work which can be carried out on the housing stock to achieve the Scottish Housing Quality Standard by 2015 within available resources. This will be further detailed in the Service Plan being presented to Cabinet in June 2009.
- 4.4 The Council's overall strategy to improve the condition of the Council's housing stock whilst retaining ownership remains unchanged. The current Housing Improvement Programme is partly funded by capital receipts from the sale of houses and this income in 2008-09 is projected at £3.8M below budget. The impact of this reduction in income is to increase borrowing requirements, and ongoing debt charges to maintain progress. It is therefore essential that any further efficiencies arising from the creation of the Single

Business Unit are re-invested in council housing repairs and improvements to help offset the forecast reduction in available financial resources and the pressure on future rent increases.

- 4.5 To ensure continued affordability and best value, the new Single Business Unit - including productivity, administrative processes and both Local Government Employees and craft operative structures - will remain under continuous review to ensure best value and respond to changing business needs including affordability.

5. HUMAN RESOURCE IMPLICATIONS

- 5.1 The Council's relevant HR Employment Policies and Procedures will apply to any employees impacted by any of the recommendations within this report.

- 5.2 The proposals contained in this report will be discussed with the Trade Unions.

6. POLICY, LEGAL AND COMMUNITY PLAN IMPLICATIONS

- 6.1 Implementation of the recommendations arising from the Cross Cutting Best Value Service Review of the Council's Property Maintenance arrangements, as agreed by Cabinet in July 2008, meets the Council's responsibilities to secure Best Value in accordance with the Local Government (Scotland) Act 2003.

- 6.2 Implementation of the proposals outlined in this report, which builds on the recommendations agreed by Cabinet in July 2008, will help the Council deliver the necessary improvements in housing repairs, strengthen capacity to respond to the issues of challenge and review, and demonstrate Best Value. The proposals are consistent with the recommendations made by SKG Associates Limited and agreed by Housing Committee on 21 March 2007.

- 6.3 The actions set out in the report support Community Planning objectives in respect of Delivering Community Regeneration.

7. RISK MANAGEMENT IMPLICATIONS

- 7.1 Failure to implement the changes agreed by Cabinet will threaten the sustainability of the in-house provider, limit the efficiency savings required, and risk the improved performance achieved to date.

8. RECOMMENDATIONS

- 8.1 It is recommended that the Members:

- i) Consider the progress made to date in implementing the Cabinet decisions from July 2008.

- ii) Note that a detailed Service Plan will be submitted to Cabinet in June 2009.
- iii) Agree the principle outlined to increase the capacity of the in-house Single Business Unit provider to carry out housing improvements and repairs as outlined in paragraph 3.4.4.
- iv) Agree to new arrangements utilising painter and labourer resources to work closely with the new neighbourhood housing teams and community wardens at a local level to respond to low level issues as outlined in paragraph 3.4.6.
- v) Agree that Commercial Heating Engineers be offered redeployment as domestic gas plumbers at revised terms and conditions appropriate to that trade activity as an alternative to TUPE as outlined in paragraph 3.4.8.
- vi) Note that no alternative options have been identified for the 5 painters who if they choose to remain with the council would be subject to the councils agreed policy on redeployment as outlined in paragraph 3.4.8.
- vii) Note that management will seek to exploit opportunities for minimising the impact of the introduction of the Single Business Unit on individuals as outlined in paragraph 3.3.6.
- viii) Note that the Head of Human Resources is planning to submit a report on the principles of the proposed modernisation agreement to Cabinet in May 2009.
- ix) Note that a report on new depot facilities will be submitted to Cabinet in June 2009.
- x) Note progress in procuring new external work and supply arrangements as detailed in paragraph 3.7.
- xi) Otherwise note the contents of the report.

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CMCA/LA

9 April 2009

LIST OF BACKGROUND PAPERS

“Cross Cutting Best Value Service Review of East Ayrshire Council’s Property Maintenance Arrangements” Report to Cabinet 2 July 2008.

IMPLEMENTATION OFFICER

Anyone wishing further information should contact: Chris McAleavey, Head of Housing. Telephone 01563 554876, e-mail: chris-mcaleavey@east-ayrshire.gov.uk.