

Workshop 2a

M3NHF Schedule of Rates: maximising the benefits and avoiding the pitfalls

Speakers: David Miller & Dominic Higgins (Rand Associates)

Chaired by: Steve Downing

Room: Arden room



National Housing
Maintenance Forum

NHMF
Maintenance
Conference
2019

Speakers

- ▶ David Miller, Director – Rand Associates & author of the M3NHF Schedule of Rates
- ▶ Dominic Higgins, Director – Rand Associates' North West Office

Schedule of Rates - Benefits

▶ **Management controls**

- ▶ Control of expenditure
- ▶ Quality control
- ▶ Monitoring performance
- ▶ Benchmarking of costs
- ▶ Recording works undertaken and Identifying trends
- ▶ Calculation of Recharges (Leaseholders, Service Charges etc.,)

▶ **NHF Schedules have a full suite of documentation**

- ▶ Invitation to Tender and Model Evaluation Procedures
- ▶ Form of contract and Service Specification/Preliminaries
- ▶ Technical Specification
- ▶ Schedule of Rates, Preambles and Measurement Rules
- ▶ Data files for IT systems (Repairs Ordering and Diagnostic)

▶ **Ordering works**

- ▶ Simplified descriptions for non-technical staff
- ▶ Fully inclusive rates

Traditional Schedules of Rates

PROS

- ▶ Provides cost certainty with no disproportionate allocation of risk.
- ▶ Tried and Tested
- ▶ Costs can be easily benchmarked to show value for money,
- ▶ Provides accurate data base of repairs carried out.
- ▶ Costs can be easily established for tenant recharges and leaseholder costs

CONS

- ▶ High variation levels if repairs ordering not managed properly.
- ▶ Administration costs for variations, invoices etc - mindset of users in looking for variations rather than “swings and roundabouts” approach..
- ▶ Auditing required by Client to ensure SOR items claimed are correct - contractors can code build and cherry pick to cover extra costs.

Record Works Undertaken

Record of Works Undertaken

- ▶ Assists post inspection on Quality
- ▶ Updates stock condition database
- ▶ Informs future planned maintenance programme
- ▶ Identifies failure of components
- ▶ Identifies tenant abuse
- ▶ Identifies failure of workmanship
- ▶ Checks accuracy of repairs diagnosis
- ▶ Component Accounting

USE of SOR with other Payment Mechanism Options

- ▶ Fixed Price per Property = PPP
- ▶ Fixed Price per Void = PPV
- ▶ Average Order Value
- ▶ Open Book



Schedule of Rates and PPP/PPV Review

- ▶ Monitors annual expenditure for Value For Money
- ▶ Examines effects/benefits of “shared services”
- ▶ Evaluates changes in procedures and policies on both Client and Contractor.
- ▶ Client will never pay more for PPP/PPV than they would have under a SOR Contract.

Fixed Rates (PPP and PPV)

PROS

- ▶ SOR used for works excluded from fixed rates.
- ▶ Capped Value for PPP and PPV based on SOR after adjustment

CONS

- ▶ Administration of SOR required for works outside of fixed rates
- ▶ Capped Value based on SOR after adjustment

Use of SOR with.....

PPP

- ▶ Leaseholders
- ▶ Tenant Recharges
- ▶ High value works above cap
- ▶ Communal facilities eg related assets, garage blocks
- ▶ External structure and common parts of flats

PPV

- ▶ Mutual Exchanges
- ▶ High Value Works above cap
- ▶ High Value Tenant recharges

Benefits of SOR with PPP/PPV

Client

- ▶ Assists post inspection on Quality
- ▶ Updates stock condition database
- ▶ Informs future planned maintenance programme
- ▶ Identifies failure of components
- ▶ Identifies tenant abuse
- ▶ Identifies failure of workmanship
- ▶ Checks accuracy of repairs diagnosis
- ▶ Component Accounting

Contractor

- ▶ Job planning
- ▶ Time and resource allocation
- ▶ Subcontractor control
- ▶ Monitor tenant abuse/reasons for recalls
- ▶ Measurement/Evaluation of proposed changes in methodology - preventative maintenance rather than reactive, use of handymen teams etc

USE of SOR with Average Order Value

Pros

- ▶ Easy to calculate interim valuations for cash-flow.
- ▶ Reduces need to agree variations below any capped value

Cons

- ▶ Initial calculation will require analysis of previous period workload
- ▶ Works above capped value still require payment via SOR.
- ▶ Quarterly Auditing required by Client to compare SOR expenditure with Ave Order Expenditure - overpayment/underpayment calculation
- ▶ Calculation of Quarterly Average Order Value will always be in arrears.

Open Book

Pros

- ▶ Contractor gets paid his costs, overheads and profit often regardless of performance

Cons

- ▶ No Cost certainty
- ▶ Paying for Recalls and Poor Workmanship
- ▶ Limited cost control for Client - hidden costs via recharges from Contractor
- ▶ No incentive for Contractor to innovate or market test to get best deal.
- ▶ No record of works undertaken

Client VFM Analysis.

Same Jobs but under SOR Contract?

Contractor	Trade	Total Invoice Value	Total Sor Base Rate Value	Saving	Average % Saving
Contractor 1	Building Repairs	£7,227.00	£5,424.52	£1,802.48	25%
Contractor 2	Electric	£1,040.52	£926.66	£113.86	11%
Contractor 3	Heating and Plumbing	£800.36	£752.63	£47.73	6%
Contractor 4	Heating and Plumbing	£593.17	£315.27	£277.90	47%
Contractor 5	Heating and Plumbing	£1,250.00	£1,481.92	-£231.92	-19%
Contractor 6	Flooring	£3,383.17	£3,191.59	£191.58	6%
Contractor 7	Building Repairs	£3,437.51	£3,393.36	£44.15	1%
Contractor 8	Rubbish Removals	£3,470.49	£3,739.53	-£269.04	-8%
Contractor 9	Electric	£619.65	£540.20	£79.45	13%
Contractor 10	Building Repairs	£6,778.00	£5,926.08	£851.92	13%
Total		£19,632.83	£16,808.46	£2,824.37	14%

What is Included in the Rates



Would Means of Access be reimbursable for any of the properties on the following photograph??



SOR Criticisms.....

Fair or Unfair.....?

What are we actually talking about here?

Paying what the contract says is due but that amount is not value for money

=

Poor procurement

Paying more than the contract says is due

=

Poor contract management

Implications of cost vs price

- ▶ What does this mean?
 - price means the client does not know (or care) what it costs
 - price means contractor takes more financial risk
 - cost means less certainty of final financial outturn cost
- ▶ What factors govern the choice?
 - uncertainty/risk - innovation, ground conditions, “volume”
 - partnering/traditional approach & Client’s level of “control” over work
 - leaseholders/tenants paying variable service charges - need for cost certainty



Are you over-paying ?.... or being over paid?

- ▶ How do you know if you are paying the correct value of Works undertaken to your Service Provider or as a Service Provider to your sub-contractors.
- ▶ How often do you as an organisation check what you get invoiced?
- ▶ Client Data

Version 6

Region	Responsive	Void
East	-4	-3
East Anglia	-6	-6
East Midlands	-13	-15
London	-3	-5
Merseyside	-23	-25
Northern Ireland	6	2
Scotland	2	-4
South East	3	-5
South West	-1	-1
Wales	-5	0
Yorkshire & Humberside	0	-25

Version 7

Region	Responsive	Void
East	8	8
East Anglia	-22	-19
East Midlands	0	0
London	-16	-15
Merseyside	-20	-20
Northern Ireland	-27	-27
Scotland	-4	-5
South East	0	0
South West	14	14
Wales	-17	-17
Yorkshire & Humberside	0	-5

Where does it go wrong?

- ▶ Lack of knowledge of Client's staff in validating Invoices/Applications
- ▶ Lack of time to check every Invoice/Application received.
- ▶ Assumption that if Invoice/Application matches Order Value it is correct, what if wrong or excessive codes originally ordered by Client
- ▶ Failure to disseminate information down the Service Provider hierarchy
- ▶ Greater use of PDA's in lieu of hard copy documentation restricts level of information available to operatives and subcontractors.
- ▶ Assumption that if one Client pays for something he is not obliged to pay for, that all Clients should pay for the same error.
- ▶ Assumption that what could be claimed in earlier versions of SOR still applies to later versions. e.g. Locate fault and rectify



Key Definitions and Statements:

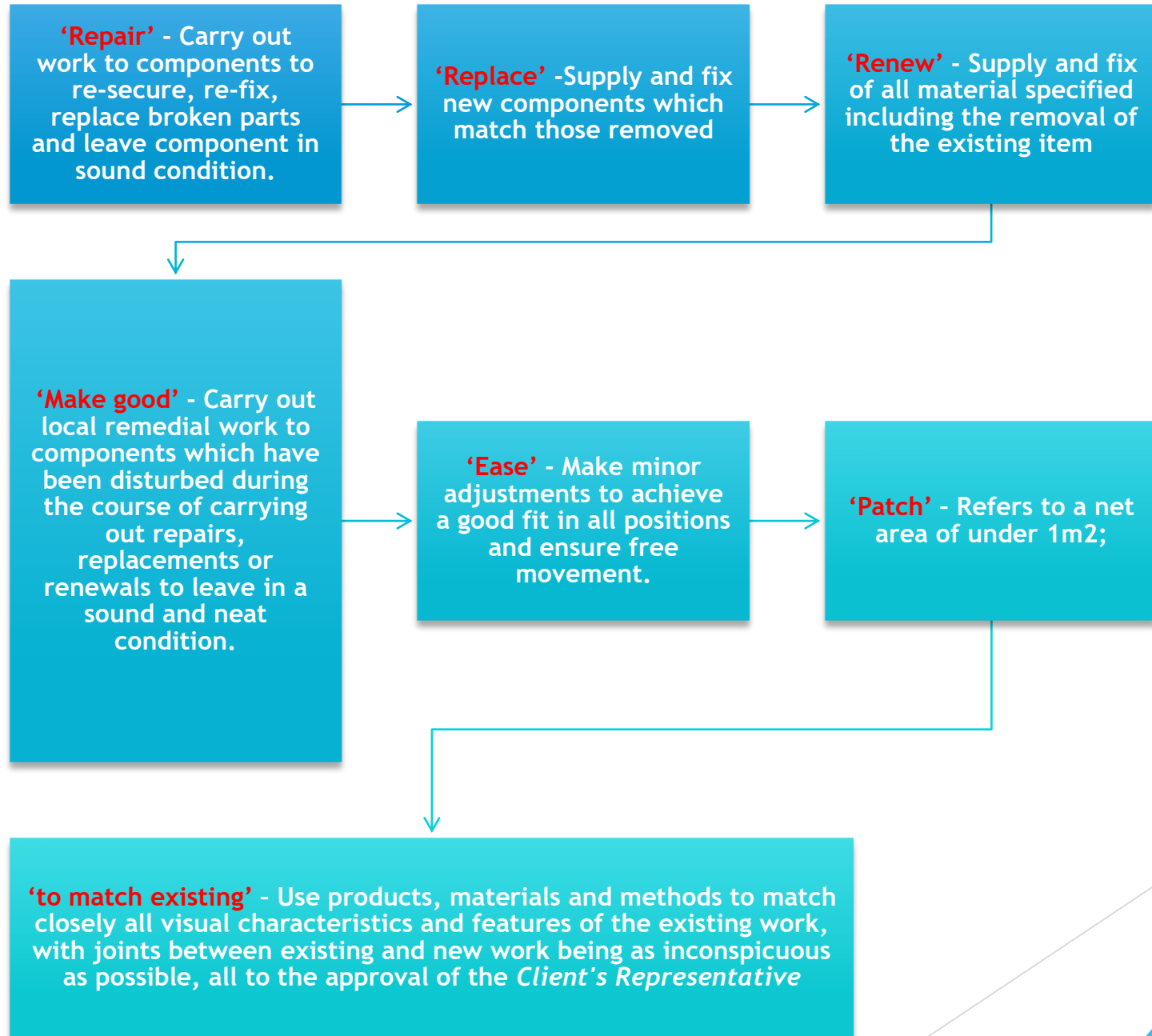


Each item in the Schedule of Rates represents the entire work content of the particular repair set out in the Schedule of Rates item. The Service Provider is deemed to have included for all ancillary items that are necessary to achieve the particular repair even though those items not specifically referred to in the Schedule of Rates item.



The selection of the Schedule of Rates codes to be used in the evaluation of any Works Order shall be at the sole and absolute decision of the Client Representative.

What about the terms??



.....match existing?



Overclaim Examples.....

REPAIR DESCRIPTION	SOR CODE	SP DESCRIPTION	QTY	RATE	TOTAL FOR ORDER	AUDIT COMMENT
CLEAR GUTTERING AT FRONT OF HOUSE	221001	CLIENT INSPECTION: SUPPLY AND ERECT LADDER	1	47.84	152.75	Cannot be claimed, unless Client climbs the ladder to undertake survey
	303104	GUTTER: FORM OUTLET	1	63.51		
	601511	DOWNPIPE: REMAKE CAST IRON JOINTS	1	23.86		
	603901	DOWNPIPE: CLEAR BLOCKAGE NE 2 STOREY	1	17.54		
ELECTRIC - 2X PLUG SOCKET COME LOOSE IN LOUNGE - PLEASE INSPECT AND REMEDY	861511	SOCKET: RENEW DOUBLE OUTLET PLATE AND BOX	1	32.2	120.17	Electrical SOR items include for testing and certification
	895003	TEST: OCCUPIED PROPERTY AND REPORT	1	87.97		Cannot be claimed unless full BS7671 Certificate and Report provided, was this authorised as a variation, if not would not be claimable

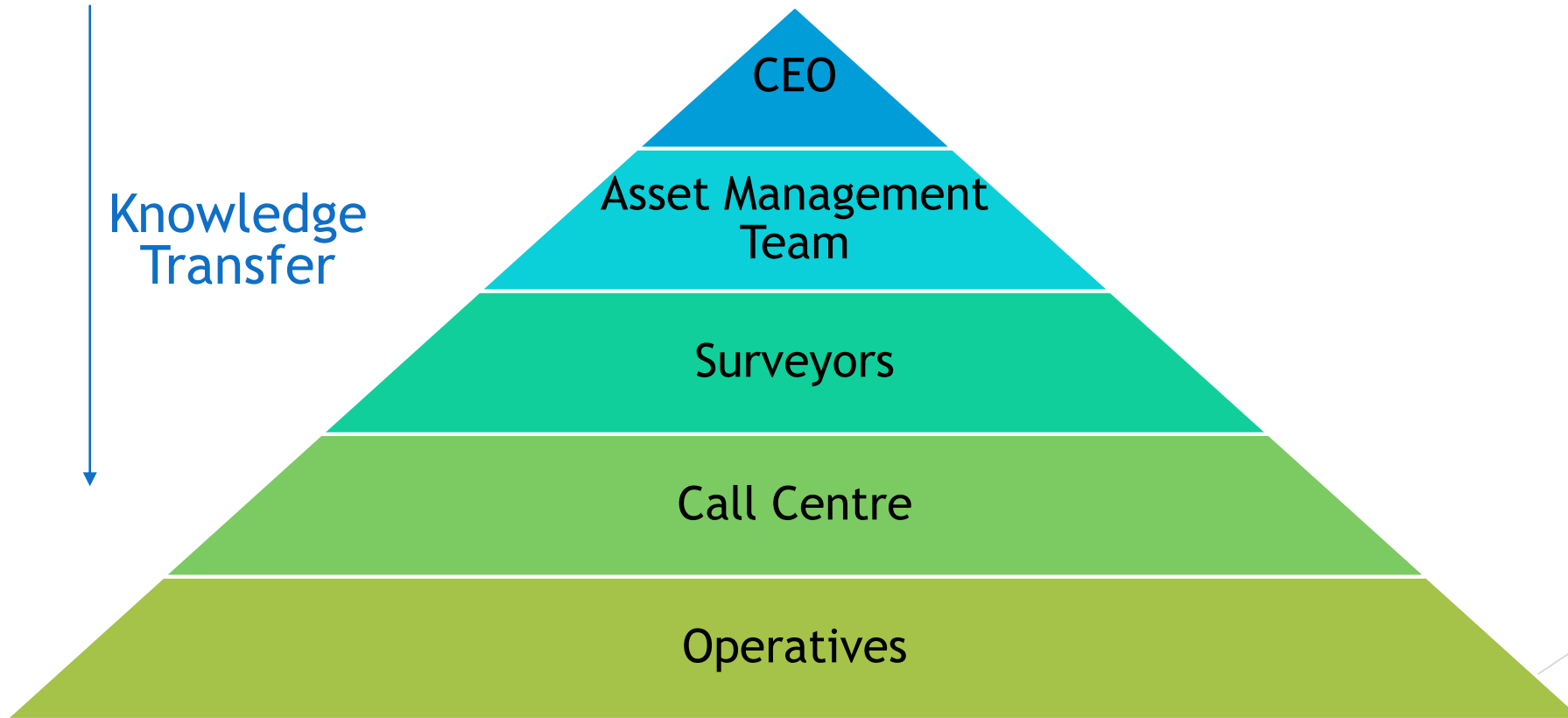
Overclaim Examples.....

Property	Date Completed	Work Undertaken	SOR Code	SOR Job Description	QTY	Claimed Value	Comment
102 UW Road	14/Jun/2018	PLUMBER- EMERGENCY- Please attend to remedy uncontainable leak coming from toilet cistern- flooding property	630571	Wc Cistern:Overhaul Any Type	1	21.17	Pre-Inspection for Renewal
102 UW Road	27/Jun/2018	plumbing - fow from emergency - new close couple kit for ideal standard toilet required	630503	Wc Suite:Renew Low Level With	1	223.23	Only Valid Item
102 UW Road	04/Jul/2018	plumbing- wc- EMERGENCY- Attend to repair toilet flush pipe leaking. Tenant reports the leak may going into electric down below	630516	Wc Pan:Overhaul Any Type	1	44.08	Recall in DLP
102 UW Road	04/Jul/2018	plumbing- wc- EMERGENCY- Attend to repair toilet flush pipe leaking.	630571	Wc Cistern:Overhaul Any Type	1	21.17	Recall in DLP

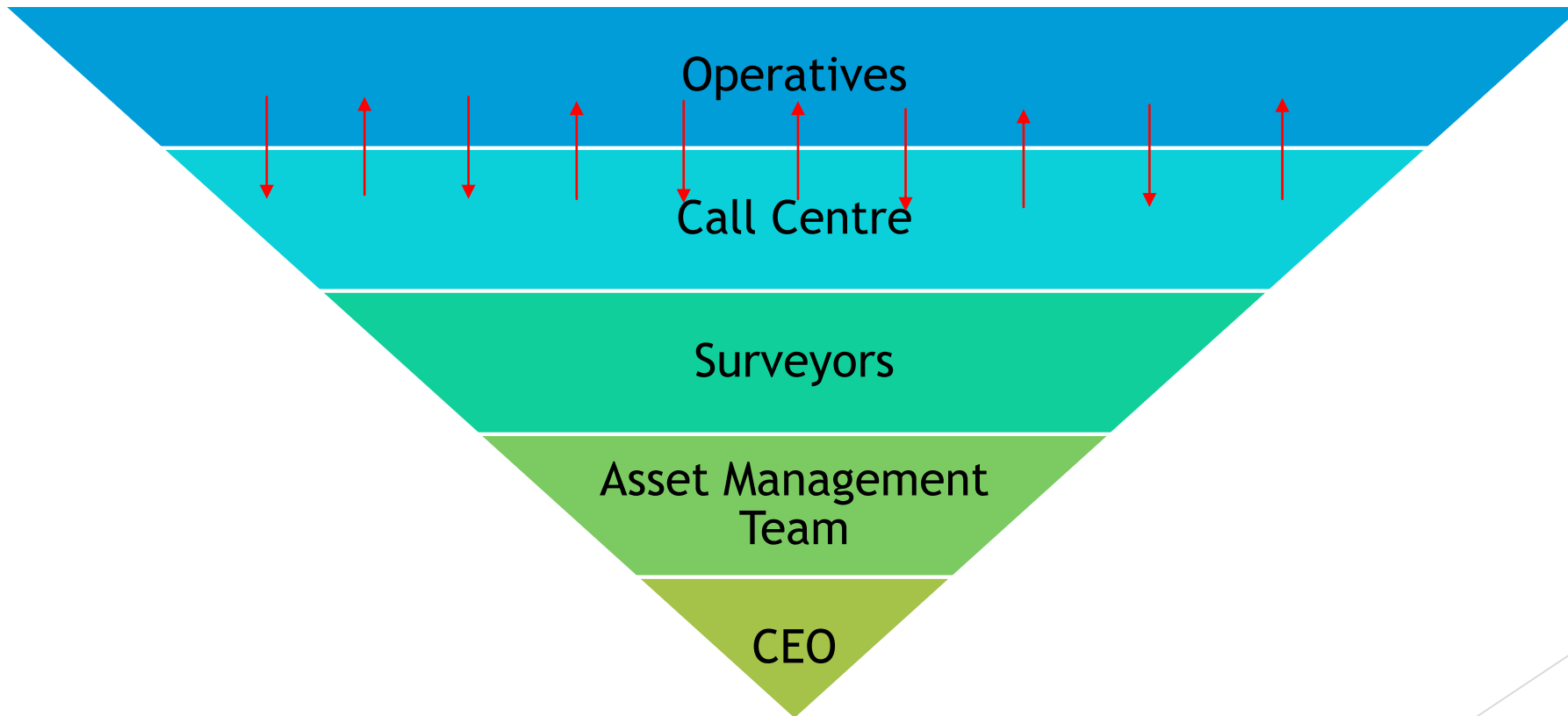
Training

Potential Solution.....

Who knows.....??



Who knows.....??







The background of the slide is a dense field of 3D white numbers (0-9) of various sizes and orientations, creating a textured, data-like appearance. The numbers are set against a blue gradient background that transitions from a lighter blue on the left to a darker blue on the right. A thin white diagonal line runs from the top right towards the bottom right.

About.....

Depends.....

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But its not fair.....

Measurements

- ▶ Minimum Quantity of 1
- ▶ To two decimal places....





Commonality....

Consideration...



Completeness....





Consequential...

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