

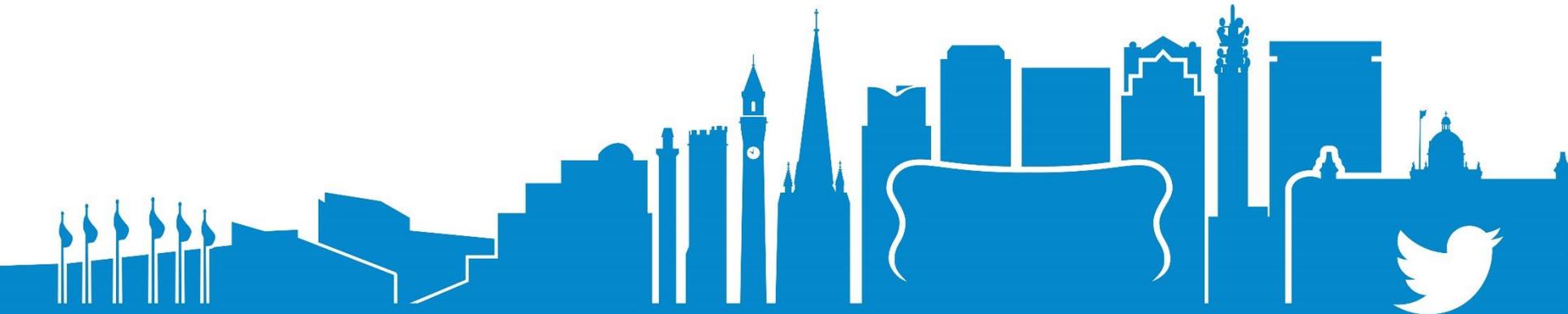
Workshop 1e:

Service options: the benefits of bringing maintenance in-house

Speakers: David Baddeley (Ark Housing Consultancy),
Ian Carter (Cyon Taf Community HG)

Chaired by: Paul Allen

Room: Oxford Room





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housing consultancy

A close-up photograph of various construction tools including a yellow hard hat, a yellow measuring tape, a pencil, and a hammer, all resting on a workbench. The image is partially obscured by a green vertical bar on the left side.

Service Options – Benefits of Bringing Maintenance in- house

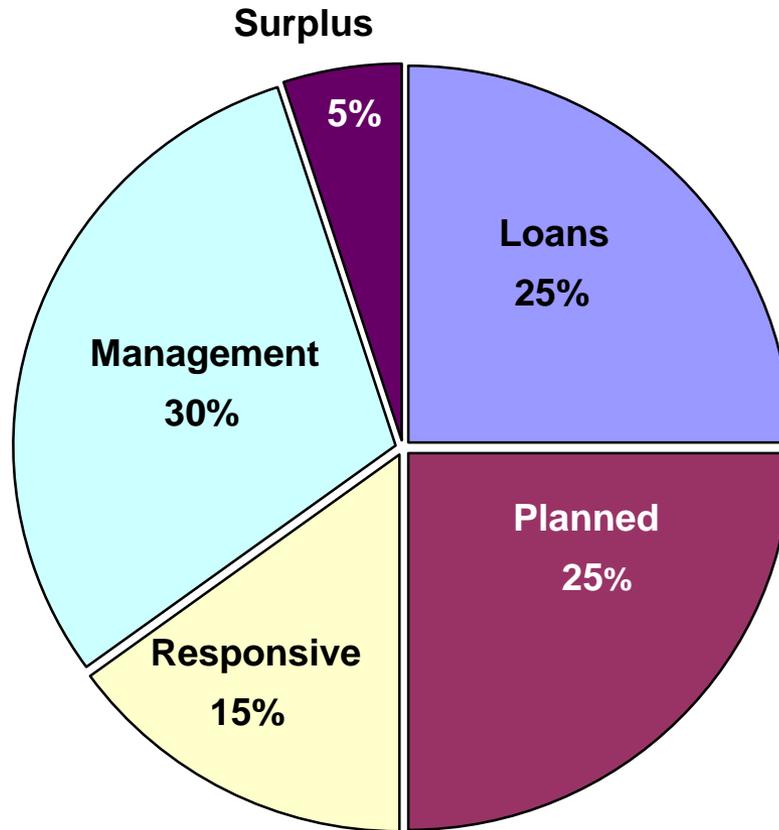
Introduction

- David Baddeley - Senior Commercial Consultant with Ark Housing Consultancy
 - Previously Operations Director and Commercial Director with Festival Property Care and Fortis Property Care
- Ian Carter - Director of Development and Asset Management, Cynon Taf Community Housing Group

What's Done Where?

What is in-sourced?	Finance Management, Housing Management, Asset Management, Human Resources, Information Technology, Marketing & Sales, Customer Call Centre
What is in-sourced and outsourced?	Customer Call Centre, Development Services, Maintenance Service Delivery, Grounds Maintenance, Cleaning
What is outsourced	Development Contracting (nearly always)

Affordable Housing Landlords Business Model



Asset Spend = c.40%

Scope of R & M Contractor Business

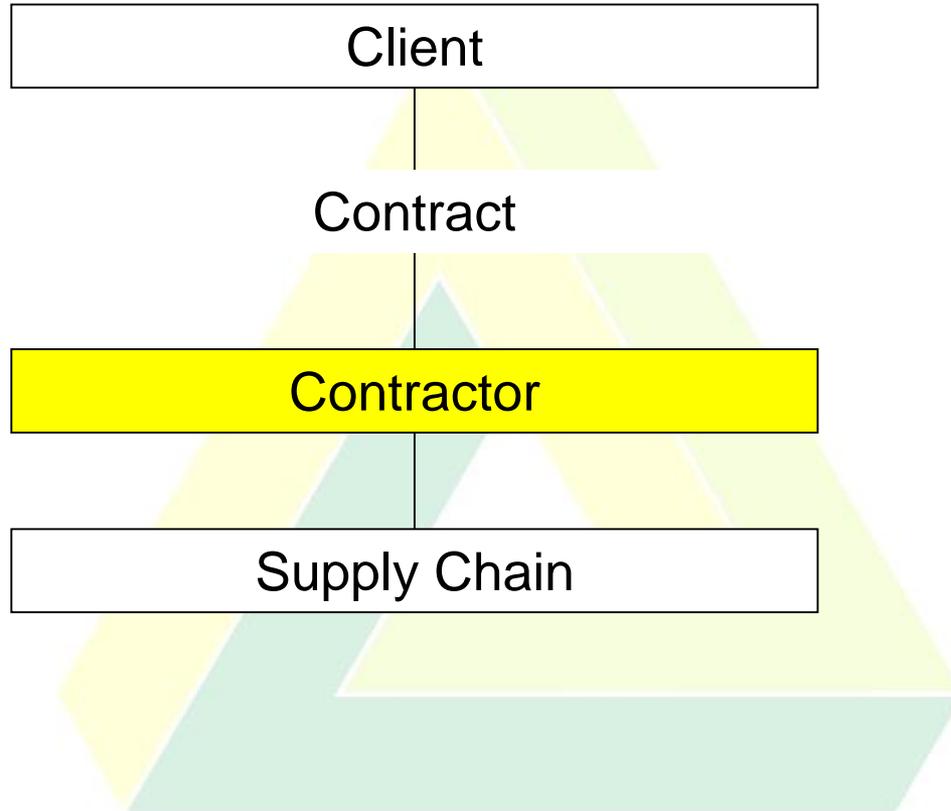
Work Area	Typical PUPA	Number of Units			
		2,000	5,000	10,000	20,000
Responsive	£380	£760,000	£1,900,000	£3,800,000	£7,600,000
Voids	£190	£380,000	£950,000	£1,900,000	£3,800,000
Gas 3*	£134	£268,000	£670,000	£1,340,000	£2,680,000
Planned	£1,180	£2,360,000	£5,900,000	£11,800,000	£23,600,000
Cyclical Decs	£50	£100,000	£250,000	£500,000	£1,000,000
Sub-total	£1,934	£3,868,000	£9,670,000	£19,340,000	£38,680,000
Mechanical Servicing	£116	£232,000	£580,000	£1,160,000	£2,320,000
Electrical Servicing					
Lift Maintenance					
TOTAL	£2,050	£4,100,000	£10,250,000	£20,500,000	£41,000,000
% Contractor / IHC / CSV	94%	94%	94%	94%	94%

Contractor / IHC / CSV	Specialist Contractor
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Service Delivery Options for R & M

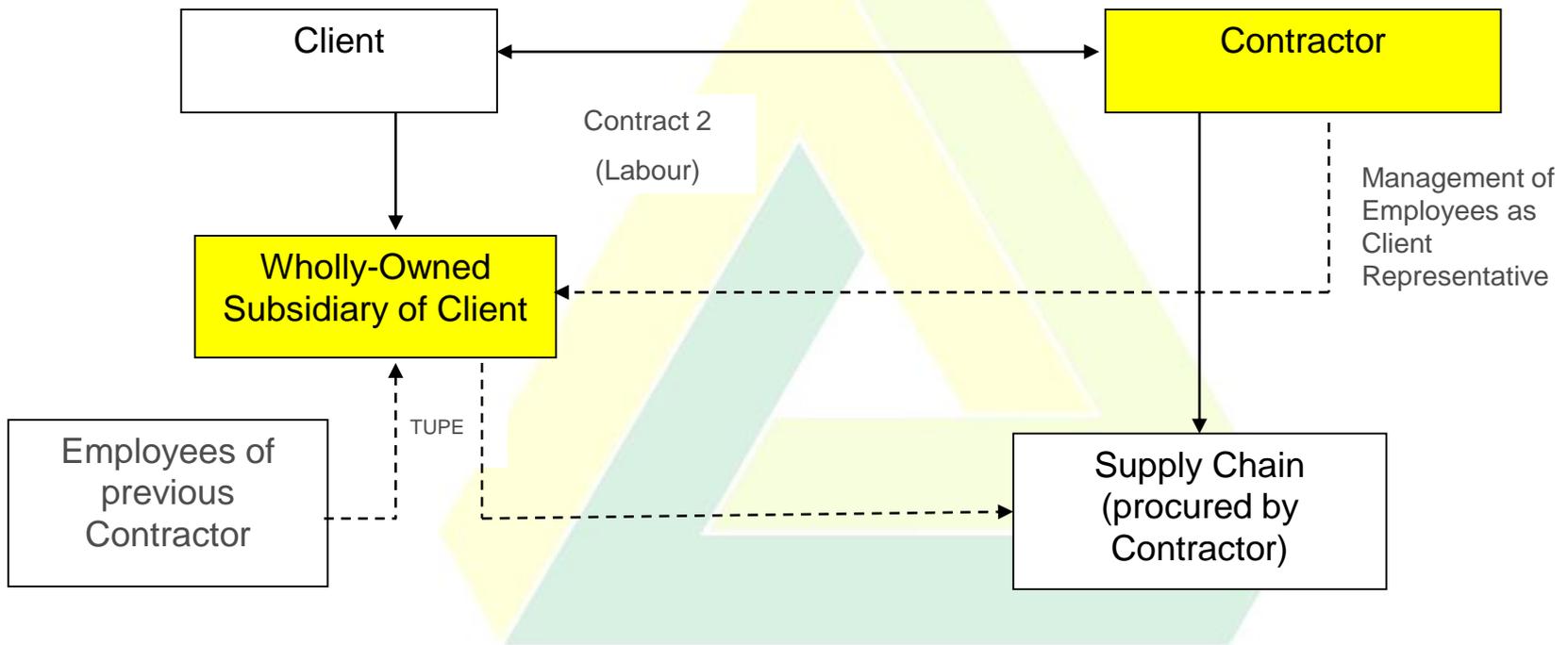
Description	Option 1 - External Contract	Option 2 - Managed Service	Option 3 - JVCo	Option 4 - In-House Contractor	Option 5 - Cost Sharing Vehicle	Option 6 – Cost Sharing Vehicle
Legal Structure	Private Company	WOS	JV Co	Dept. or WOS	Multiple RP Ownership	
Board	Private	RP	RP / Private	RP	RP / other RPs	
Service Management & Infrastructure	Private Company	Private Company (Service Contract)		Directly Employed	Directly/ Jointly Employed/ Shared	Private Company
Labour	Directly Employed / Sub-contracted					
Materials	Private Company, Direct or Consortium					

Option 1 - External Contract

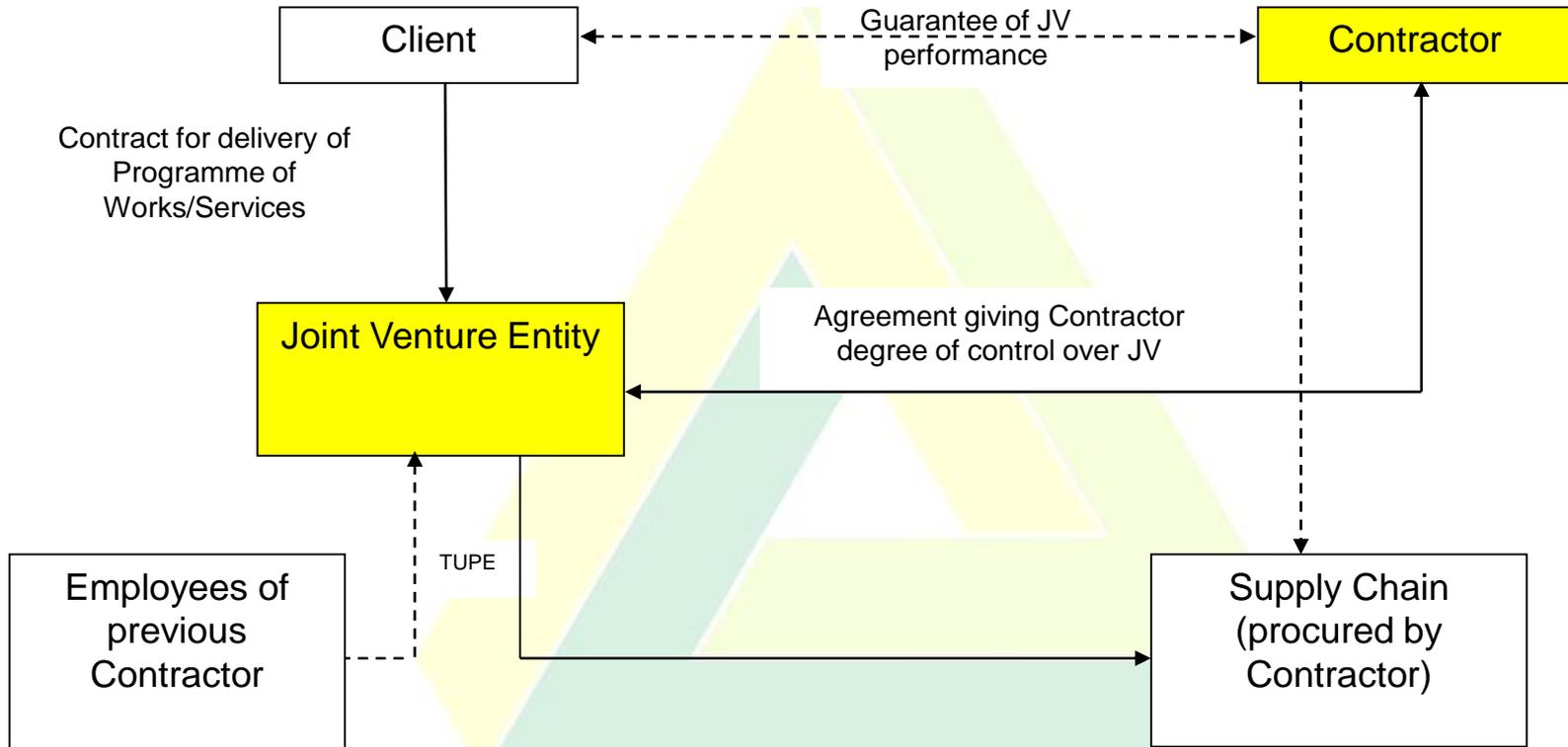


Option 2 - Wholly-Owned Subsidiary Model

(Warranted Delivery of Programme of Works/Services)

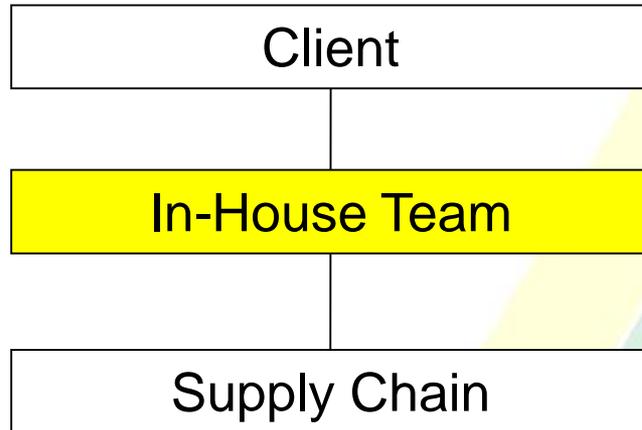


Option 3 - Joint Venture Model

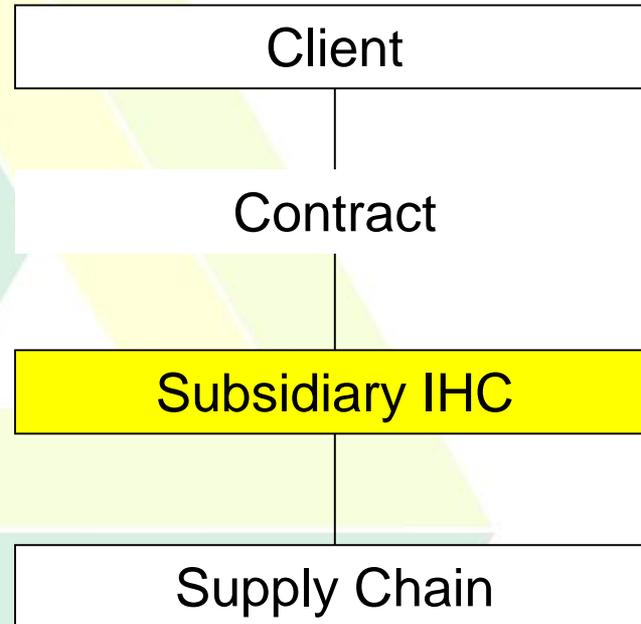


Option 4 - IHC Directly Employed by the Registered Provider / Subsidiary

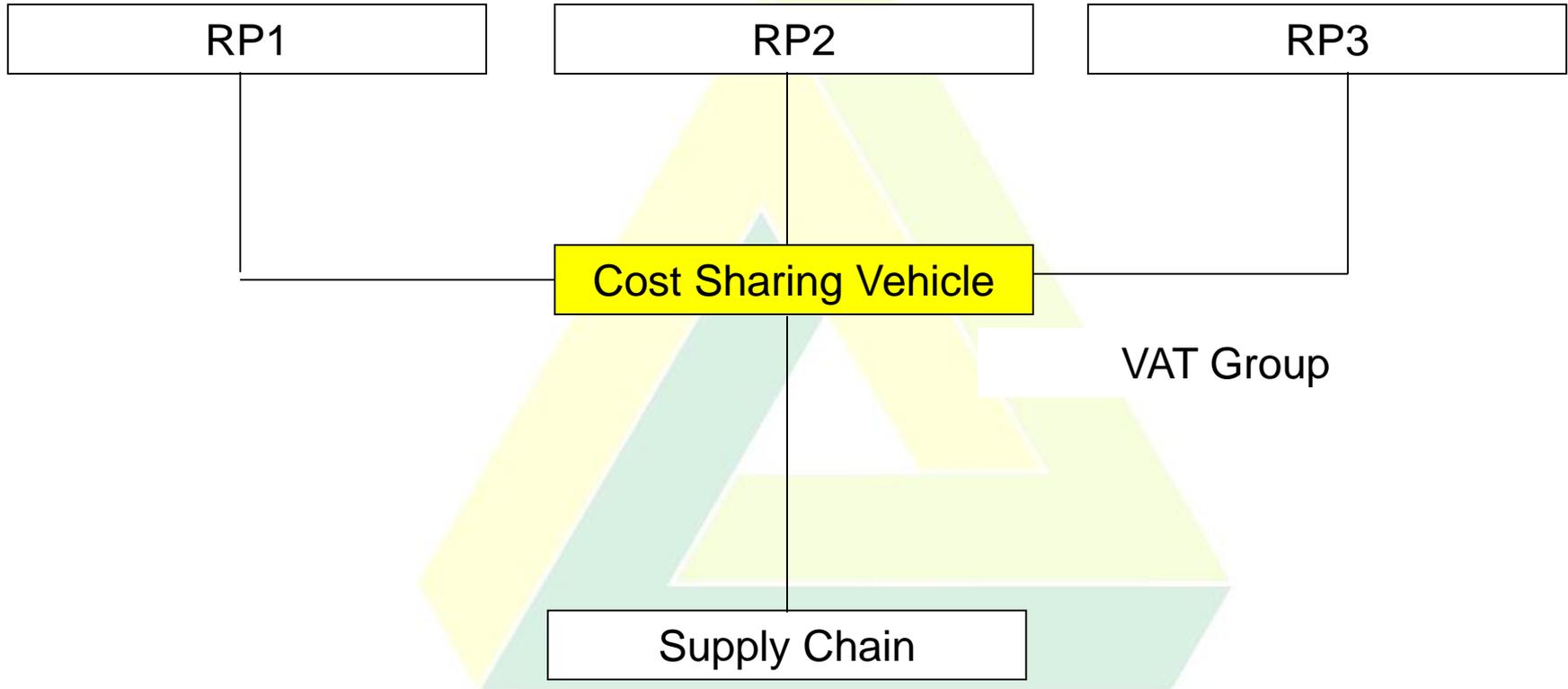
Either



Or



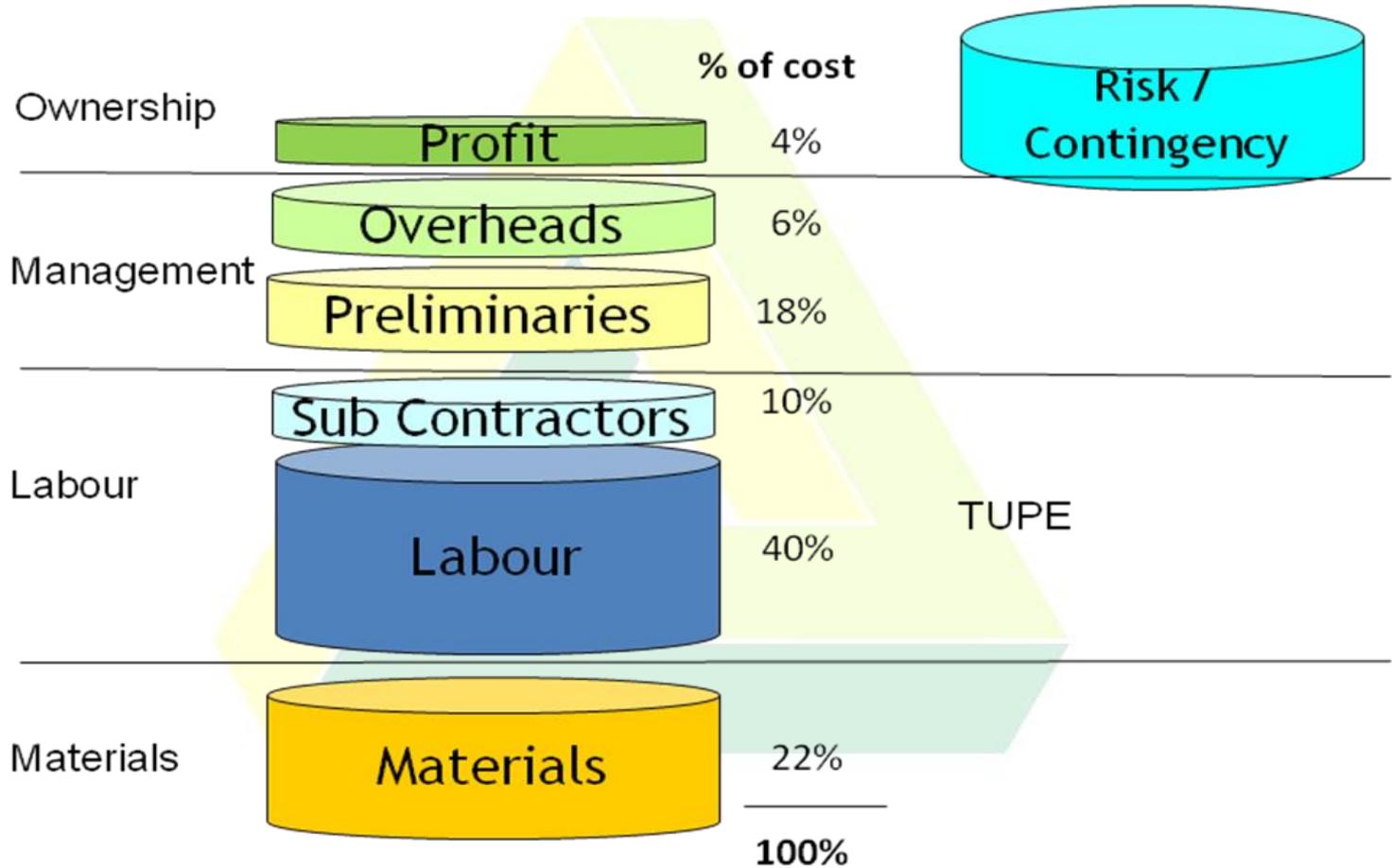
Option 5 - Cost Sharing Vehicle



Choice of Service Delivery Models

Option	Type	Ark's Market View
1	Contract	Best private model
2	WOS - Managed Service	Still new - stepping stone to 4? - mixed outcomes
3	JV Co. - Managed Service	Complex and expensive / difficult to bring to end
4	IHC	Best insourced model (not a DLO!)
5	Cost Sharing Vehicle	Real opportunities - may become the market solutions but need buy-in
6	Shared Services Vehicle - Managed Service	

R & M Delivery Costs



Financial Benefits of IHC

- VAT saved on all “people costs” (workforce labour, office staff) @10%
- Contractor’s profit no longer leaves the organisation @2-4%
- Client side savings - slimmed down with no need to “police” the IHC
- Operational efficiencies are made easier with truly shared strategic objectives
- Avoid highs/lows from market price variances
- Avoid procurement costs

Non-Financial Benefits of IHC

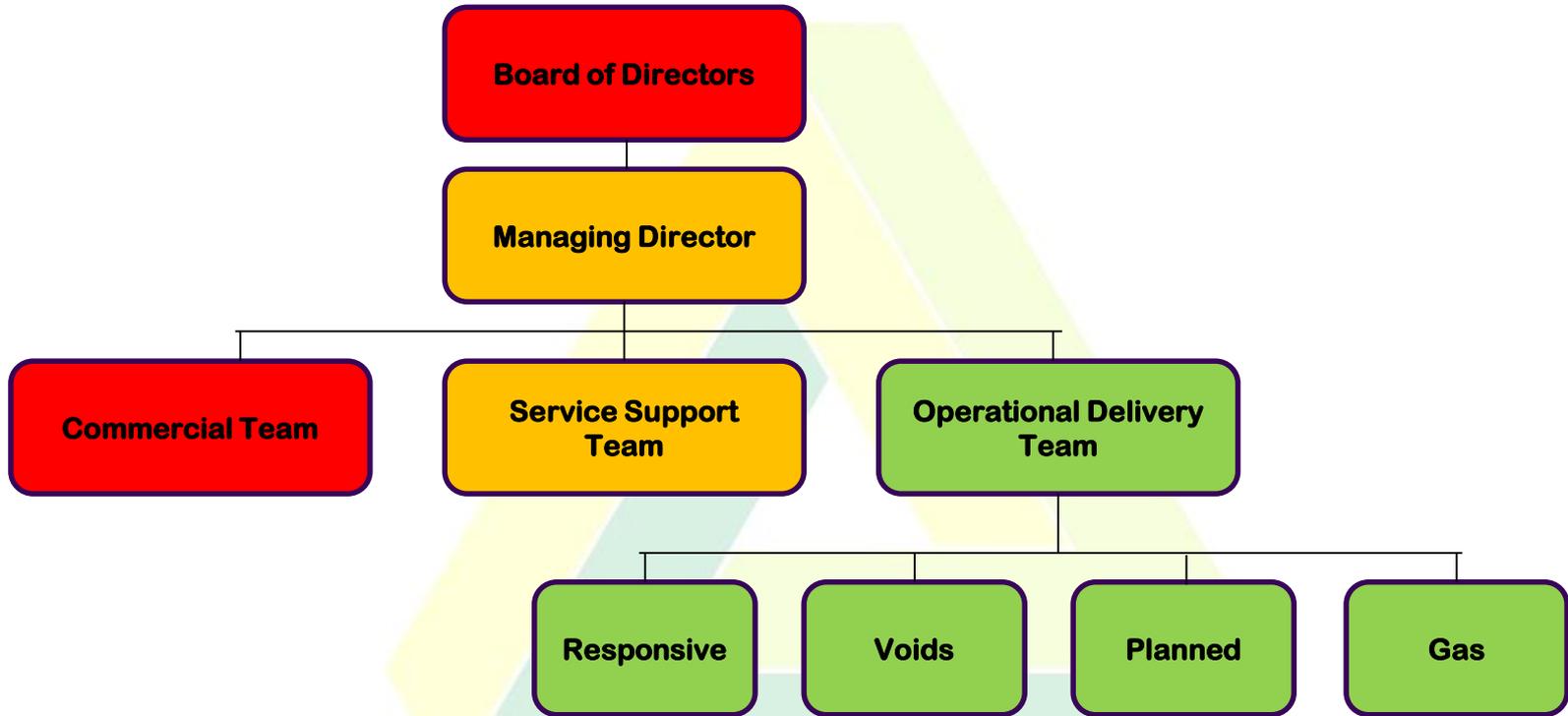
- Genuinely shared strategies/cooperation
 - Control of quality
 - Easier management of performance
 - Social Value delivery
 - Avoid procurement cycle impact on performance
- 

In-House Contractor:

Key points to understand:

- Directly employed workforce business model
- Business plan - with clear strategy
- Long term order book from Client (smoothed)
- Client and IHC must consider each others' requirements
- Client side do Asset Management planning
- IHC does “doing”

Key Factor - Organisational Structure



In-House Contractor:

Key points to understand:

- Acts like a Contractor not a DLO
- Proper contracting management
- Specialist Commercial Function

In-house Contracting

Key factors

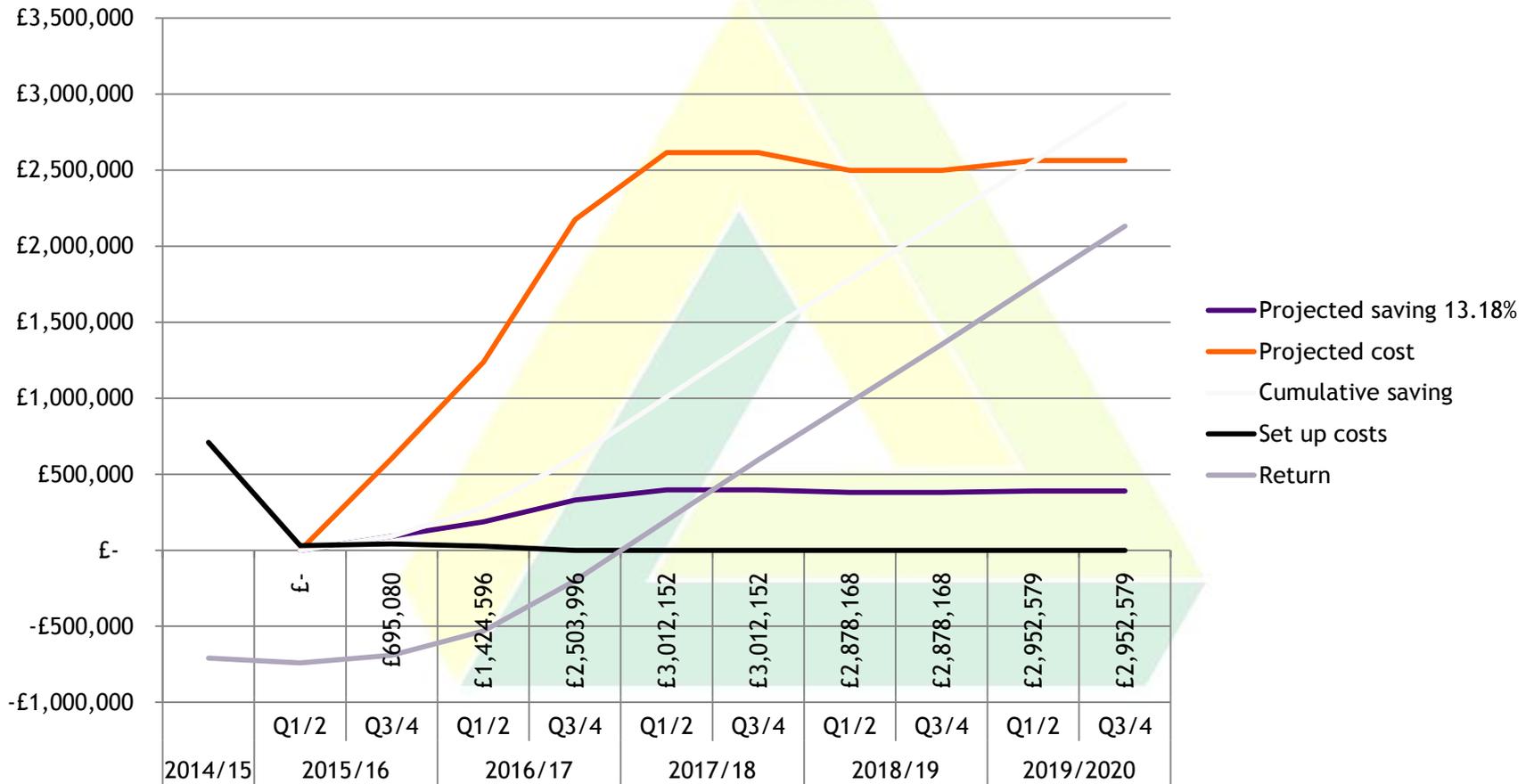
- Create workforce structure to suit work flow
- Get the right people in key positions
- Communicate effectively with workforce
- Invest time in coaching
- Training/ apprentices

- Supply chain - competitive & efficient
- IT investment..... systems that work!

- Performance targets and monitoring

Business Plan - Set Up Costs

IMPLIMENTATION COSTS			
ELEMENT	COST FOR FULL PROGRAMME OF WORKS £		
	Phase 1	Phase 2	Total
1 BUSINESS PLAN/START UP	50,000	-	50,000
2 LEGAL, TAX AND FINANCIAL ADVICE COSTS	60,000	-	60,000
3 HR COSTS - MD AND OTHER STAFF EMPLOYED BEFORE THE COMPANY STARTS	110,133	16,000	126,133
4 RECRUITMENT FEES	60,000	10,000	70,000
5 ICT COSTS	180,000	-	180,000
6 PREMISES	30,000	-	30,000
7 VEHICLES	69,598	24,000	93,598
8 CONTINGENCY	150,000	50,000	200,000
TOTAL	709,731	100,000	809,731

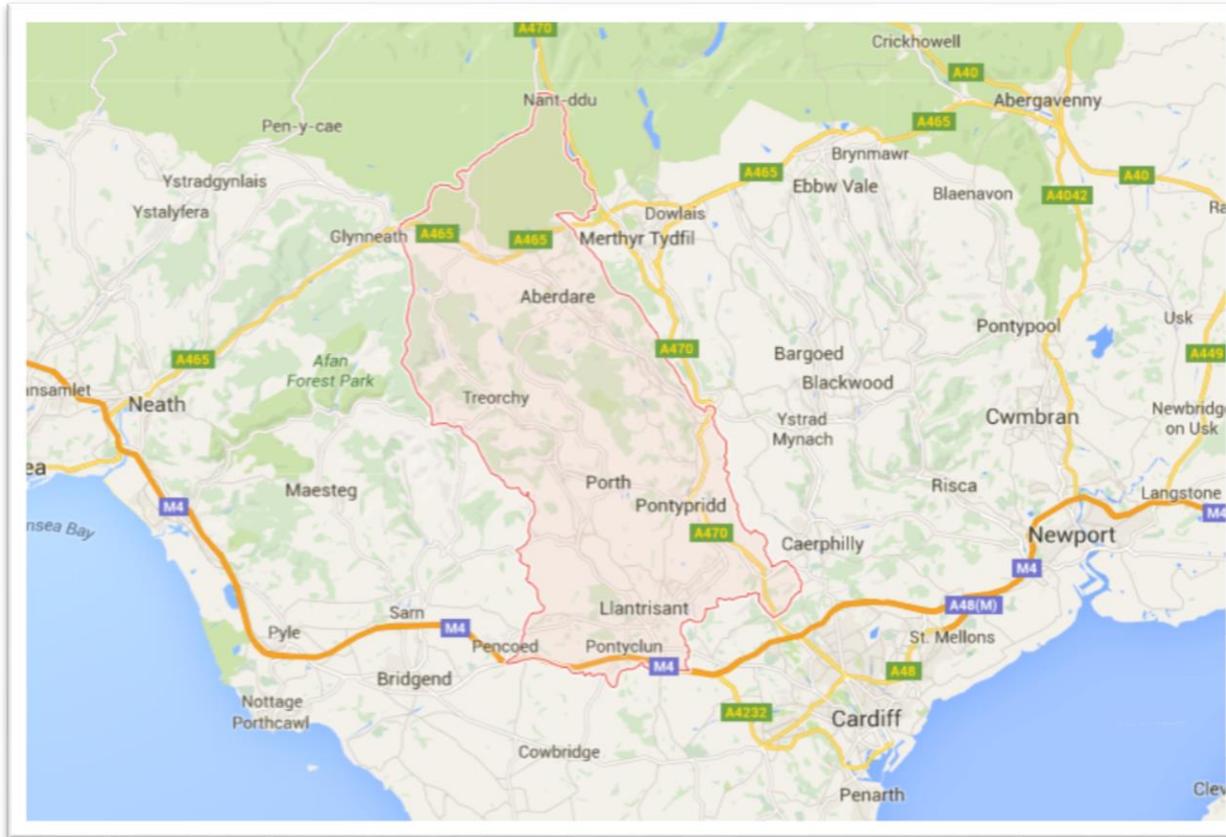


Bringing Maintenance In-House – A HA's Perspective

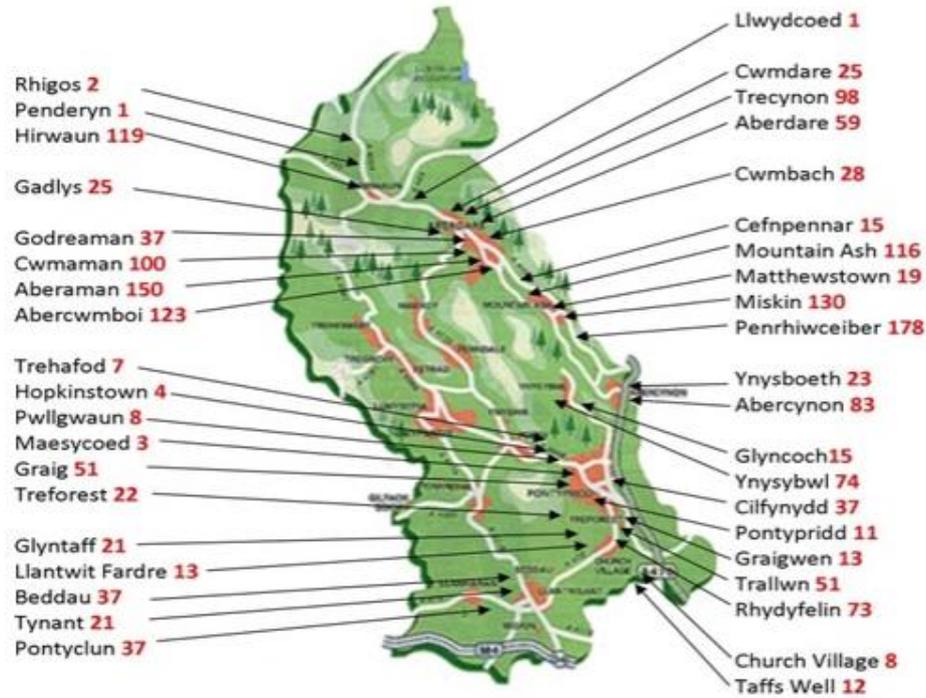


Ian Carter
Director of Development & Asset
Management

Who are Cynon Taf Community Housing Group?



Cynon Taf Community Housing Group provides housing in...



Total number of homes
= **1850**

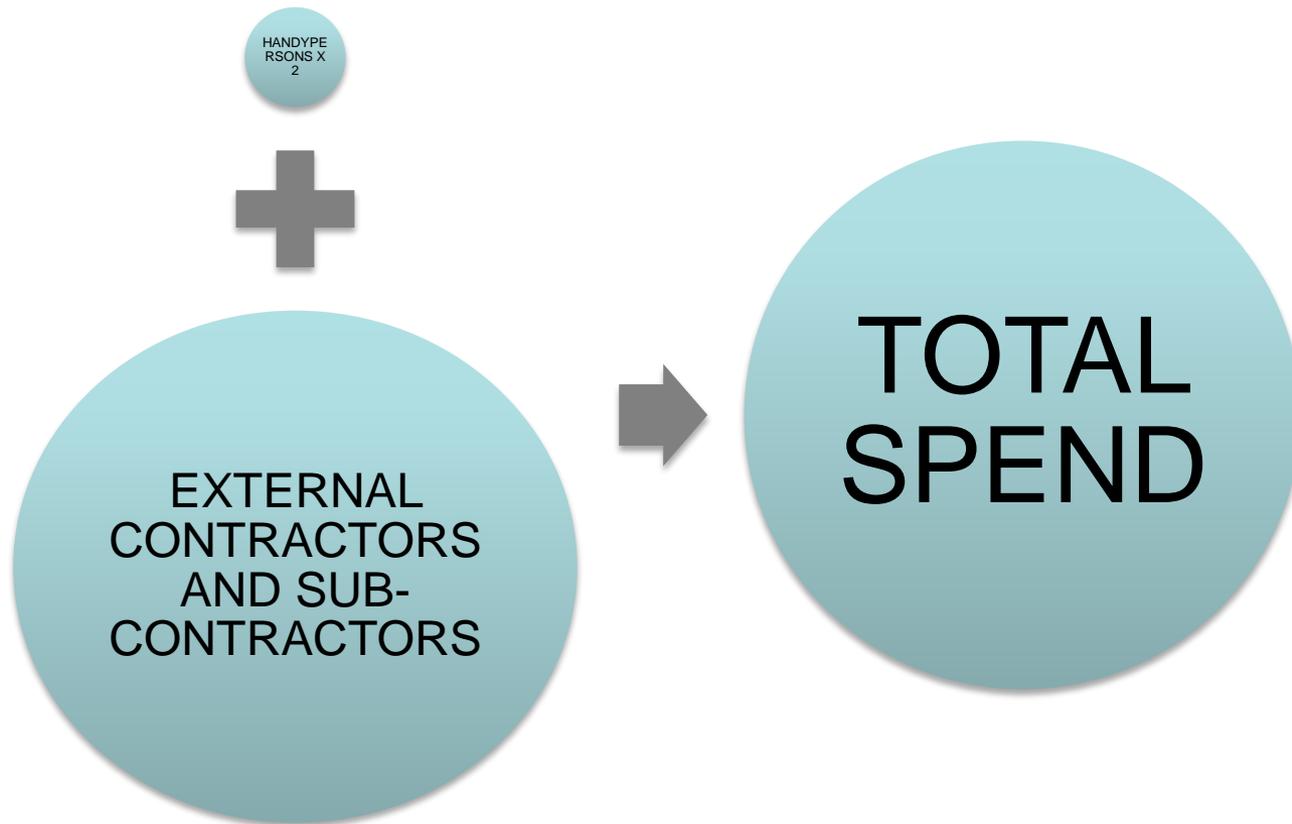




Pre In-House Service

Budget Heading	Spend 2011/12 (incl VAT)	Spend per unit £
Routine	£1,825,100	999
Planned	£924,100	505
Cyclical	£223,000	122
Total	£2,972,220	1,626

Sector norm Spend per Unit - £1,400 - £1,700



Ark Housing Consultancy Work

- Engaged in early 2012
- Produced Maintenance Services Options Appraisal – April 2012
- Full review of existing situation
- CTCHA and Care and Repair RCT Ltd have combined spend of c. £4million annually
- Spend must be carefully considered to enjoy the highest levels of customer service and most efficient delivery solutions
- Four options were set out...



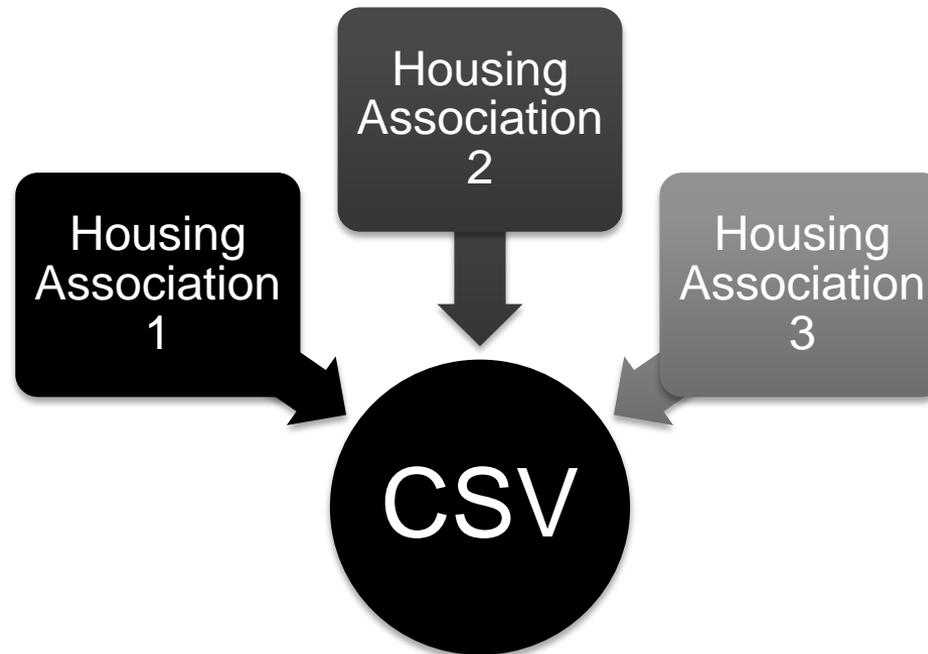
Recommended Option – Subsidiary Contractor

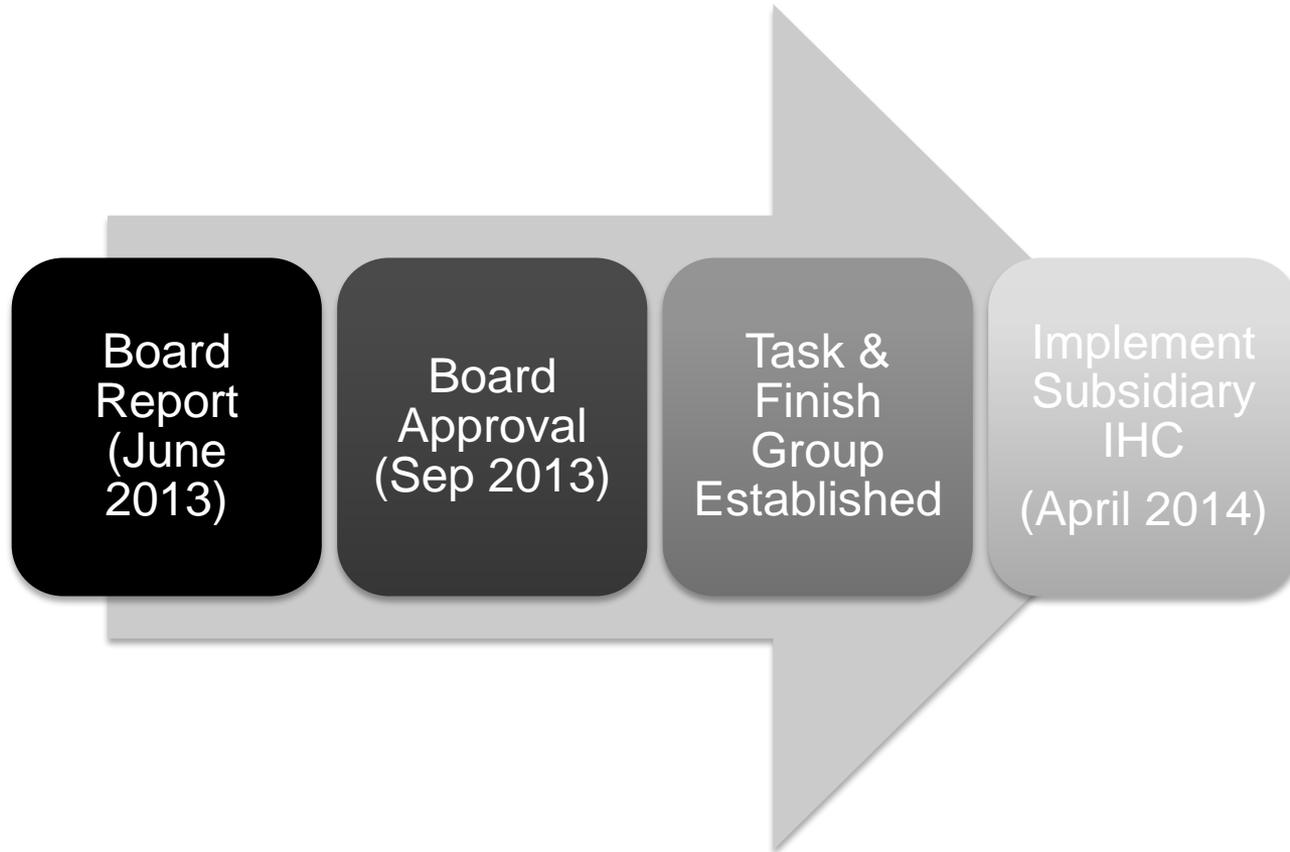
- Consolidation of the current handy person services
- Savings in on-going procurement costs
- Transfer of current contractor staff under TUPE
- Savings on VAT
- Savings on profit
- A focus on customer control
- Direct client control
- Estimated saving of £120,000 per £1.2m budget or 10%

However CTCHG should only embark upon this if it meets tests set out in options appraisal

Other Considerations

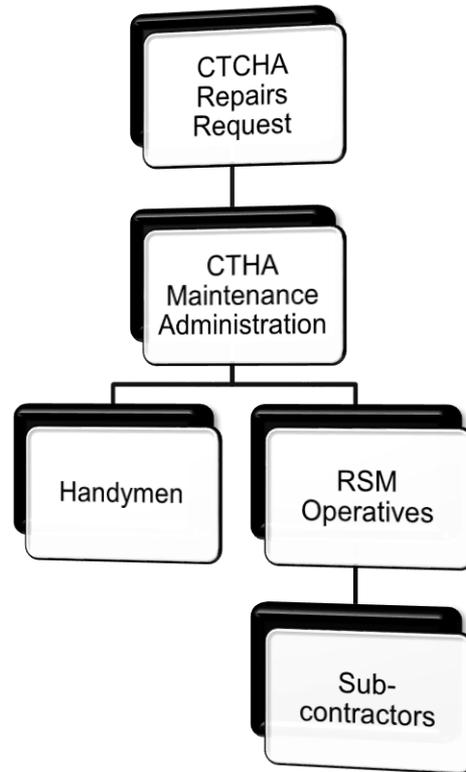
- Detailed review of handy person services
- Cost sharing vehicles/shared service vehicles



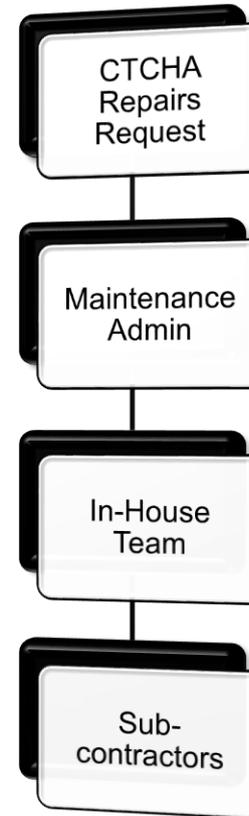




Existing Structure



Proposed Structure



Programme of actions included

- CTCHG restructure
- Process reengineering
- ICT system implementation
- Call handling, diagnosis and work scheduling process consolidation
- Materials supply chain integration
- Vehicle leasing/purchase
- Work capacity/skills assessment
- Job descriptions and person specifications
- TUPE transfer of RSM staff
- Sub-contract supply chain engagement
- Trade accreditations

First Year Business Plan Targets

- New appointments scheme introduced in 1st month
- By end of 2014/15 98% of critical emergency repairs to be completed on time
- By end of 2014/15 average completion time for void repairs to be less than 10 working days
- All planned kitchen modernisation and bathroom replacements to be completed by 31st March 2015
- Annual turnover to exceed £1.6million
- Gross profit rate of 7.2% to be achieved

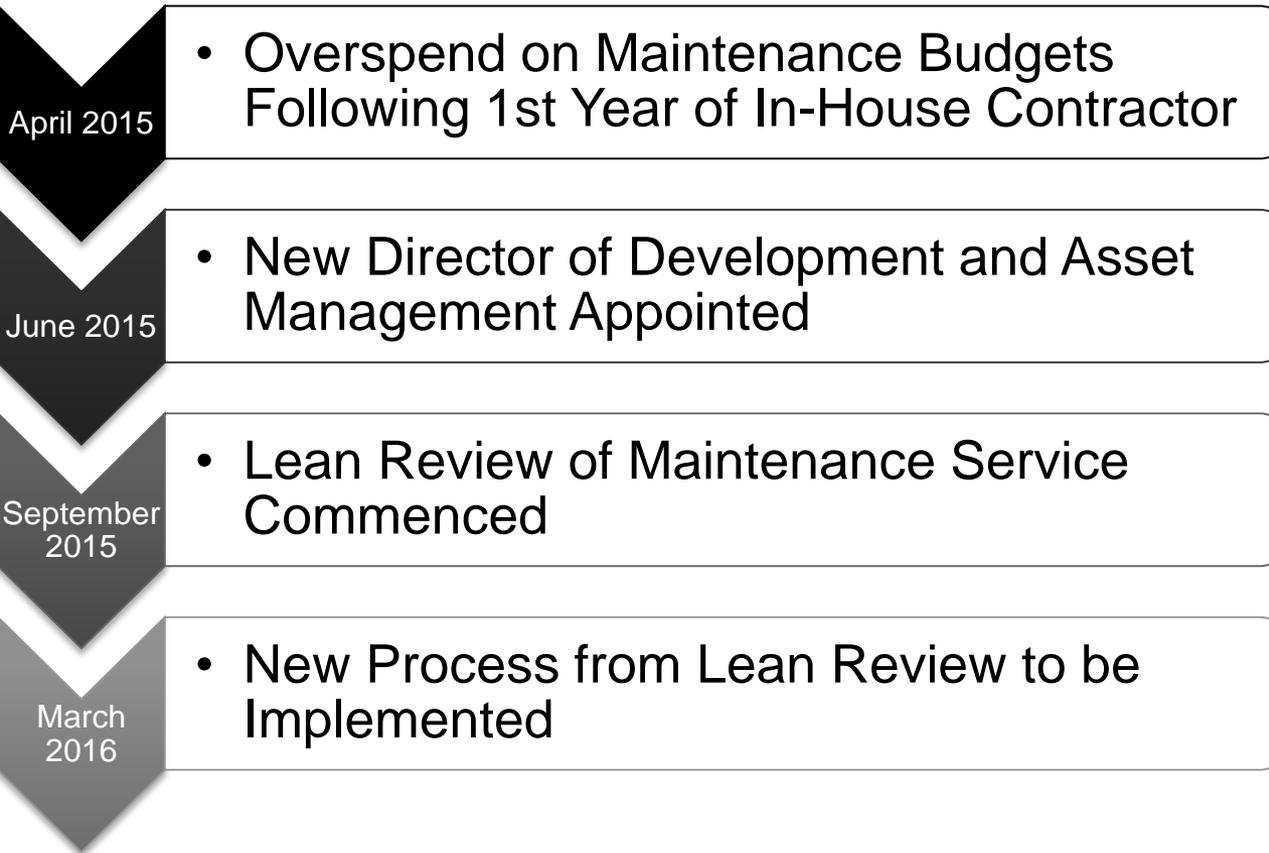
Mission – “To provide a customer focused, value for money maintenance service based on high levels of performance and quality work”

VALUE
for **MONEY**

chic

Post Implementation Review

- 5 staff TUPE transferred from RSM & internal transfer of 4 existing staff to form team
- Delays gaining information from RSM had an impact
- All inductions and H&S updates completed in first week
- Supply chain supported by CHIC set-up
- Application made to Welsh Gov to carry waste
- Three vehicles leased on top of two existing vehicles
- PPE and tools purchased
- QL DLO Management module implemented
- Anticipated 6 months work completed in 3



Positives of In-House Contractor

- Local workforce
- Residents benefit from consistency of knowing contractor team
- Resident satisfaction levels high
- VAT saving
- Savings of profit
- Direct control of contractors time

Issues/Problems with In-House Contractor

- Financial control
- Benefits and Terms and Conditions
- Skills and training
- Sub-contractor costs
- Overtime/on-call
- Distance to certain jobs
- Set in old sub-contractor ways
- Preparation for inclement weather e.g. snow
- H&S

Future Opportunities for In-House Contractor

- Property MOT's
- Discourage non-emergency repairs
- Joined up approach with other HA's
- Use CHIC more
- Increase work force to cover key skills
- Care & Repair RCT
- Develop wholly owned subsidiary or CSV

Critical to drive a cost efficient, commercially minded business ethic.

So what works for an IHC?

Key items to make the IHC a success:

- Clear business plan understood by Client and IHC Board and senior IHC staff
- Commercially orientated senior & middle management with specialist Commercial Function (Cost control and efficiency focus)
- Long term smoothed order book from the Client
- Supply chain - competitive & efficient
- Controlled use of Sub contractors
- Financial controls & consistent management accounts

So what works for an IHC?

Key items to make the IHC a success:

- On-going regular benchmarking
- Improvement targets & review at Board level
- Suitably experience Non-executive Directors
- Excellent and efficient IT systems
- Good employee relations
- Industry norm labour T's & C's
- Training, apprentices, work experience - Social impact to local economy
- Long term commitment from the rest of the organisation

Questions & comments



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