

Council - Monday 14th October 2002

Oxford Building Solutions - Best Value Review

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| Report of: Strategic Director (Housing, Health & Community)  | WARDS AFFECTED: ALL |
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| <b>SUMMARY AND RECOMMENDATIONS</b>   |                     |
| <p>This report seeks minor contract approval and related approvals to use external consultants to plan and carry out the Best Value Review of Oxford Building Solutions (OBS) programmed in the Council's approved 2002/03 Best Value Performance Plan. The review exercise will also address a number of pressing key issues affecting the future financial and employment stability of OBS.</p> <p>There are financial and staffing implications contained within the report. The project will contribute to the Council's vision of sound management.</p> <p><b><u>RECOMMENDATIONS</u></b></p> <p>The Executive Board is ASKED to:-</p> <ul style="list-style-type: none"> <li>(i) Agree to the grant of minor contract approval for the appointment of external consultants to conduct a Best Value Review of OBS, the scope of the review to include firm recommendations as how the Council should address the challenges facing this Business Unit (Phase 1) as outlined in the brief attached to this report.</li> <li>(ii) Recommend to Council the use of up to £50,000 of OBS reserves to fund this project.</li> <li>(iii) Waive contract procedure rule 7 in order that only 3 quotes may be sought for the project in the circumstance set out in the report.</li> <li>(iv) Delegate authority to the Strategic Director to award the contract for this project to the most economically advantageous quote received.</li> </ul> |                     |

## **1. Objectives and description of the project**

1.1 The OBS Business Unit currently faces a number of challenges which require urgent attention if the Council is to retain a sound in-house repairs service which clearly demonstrates best value to the Council and to the tenants. The Best Value Review of Oxford Building Solutions (OBS) is programmed in the Council's approved 2002/03 Best Value Performance Plan to be completed by March 2003.

1.2 It is proposed that external consultants be employed to assist the Council and OBS to get to grips with these issues. Care will be taken to avoid inviting consultants that could be considered competitors for OBS Services. This is felt necessary because:-

- At present the scale of the work involved to complete the review is not known.
- This is comparatively specialist work and specialist skills and experiences are required which the Council does not have
- To ensure the best possible review and action plan.
- Consultants will provide an objective and independent view of the service and what improvements are necessary.

1.3 The estimated value of the contract is a maximum of £50,000. As this is a specialist service with few potential providers it may not be possible to request the 4 quotes that contract procedure rules would otherwise require. The Strategic Director is aware of 3 potential contractors from whom quotes can be sought. Therefore the Board is asked to waive contract procedure rules in order that only 3 quotes are sought for the project. Attached is a brief for consultants to provide a quote and a brief against.

1.4 The Strategic Director does not consider that a satisfactory alternative means of achieving this project exists because of its specialist nature and because another advantage of using experienced consultants is that they will go directly to the key issues, although discussions with key customers and the collection of key financial data for bench marking will take time

1.5 The quotes requested will be for the provision of a detailed action plan to prepare for the review and for the conduct of the review itself (phase 1), however, at the same time the consultants will also be asked to provide an indicative submission outlining how the consultants could assist in the implementation of the action plan including their likely methodology and charging rates. (phase 2)..

1.6 **Staffing Implications** - As the brief indicates the intention is to involve Members, key officers and OBS customers in this process as appropriate. It is planned to establish a Review Steering Group at a Senior Member/Officer level and to establish a team of officers to work with the consultants.

## **2. Financial Implications**

2.1 It is difficult to estimate the cost of this work but it is recommended, that a maximum budget of £50,000 is earmarked to commission the work for phase 1. Time scales are pressing and it is hoped that Phase 1 could be completed by December 2002 to inform the budget debate for 2003/04 onwards. The phasing of the expenditure will be set out in the contract documentation with the consultant and although the exact phasing is not known at present the money would be spent by the end of the project, currently estimated at December 2002. Any decision on making progress on Phase 2 will follow the outcome of Phase 1 and will be the subject of a separate report at that time.

**2.2** Currently OBS trading account balances stand at close to £1.5m. It is proposed that the Executive Board recommends to Council that the OBS reserves be used to fund Phase 1 to a maximum of £50,000. Council must make this decision, as it is a change to the Council's budget.

**THIS REPORT HAS BEEN SEEN AND APPROVED BY Helen Liddar, Property Team Leader, Financial Management Business Manager and the Housing Portfolio Holder**

Background papers: None

## **OXFORD CITY COUNCIL**

### **PERFORMANCE / BEST VALUE REVIEW OF OXFORD BUILDING SOLUTIONS**

#### **BRIEF TO TENDERERS**

##### **Background**

Oxford Building Solutions is one of Oxford City Council's major business units and is responsible for the provision of a comprehensive repairs service from tenants reporting repairs to completion of the building works. The whole range of former "client" and "contractor" functions undertaken during the Compulsory Competitive Tendering regime are contained within this business unit. Some 300 employees are employed in this business unit, of which 180 plus are builders working for the former Direct Service Organisation. The DSO part of the business unit is likely to have a turnover in excess of £10 million in the current financial year and the "client" part of the business unit has a budget of some £14.5 million. The combined service business unit was put together in October 2001 and the bringing together of the former separated functions in order to provide a joined up service and derive economy of scale efficiency savings has required the business unit to go through a process of change. Part of that change has been the introduction of a dedicated "Repairs Call Centre" which has transformed the front end of the service.

The current majority group of elected members of the Council has indicated a preference for a directly provided in-house repairs service to continue. Changes need to be made to ensure that best value standards are achieved and to facilitate a long term partnership arrangement that makes this decision logical.

Due to time, capacity, financial and other constraints, there are still a number of large scale problems outstanding to follow on from the front end changes and these are detailed below.

## **Current Problems**

1. There is uncertainty about the future. The current contract expired on 31<sup>st</sup> March 2002 and is currently operating on an informally agreed extension.
2. Recruitment, retention and morale problems have arisen as a consequence of uncertainty.

This is partly because :-

- (a) the wages paid to the workforce are currently below market rates, particularly in this part of the country.
  - (b) the workforce have suffered financially as a consequence of the no inflationary increase decisions in respect of the Housing Contract.
3. The DSO will potentially make a loss on the Housing Contract because inflation has not been applied since 1<sup>st</sup> April 1998. The Housing Contract represents between 60-65% of the DSO turnover.
  4. The Housing Repairs budget is insufficient to meet the needs generated by a demand led service based on the current repairs policy - even at 1998 prices!
  5. Lack of sound financial information hinders an informed debate.
  6. Service improvements are hindered as a consequence of insufficient budgetary provision.
  7. A best value review process is scheduled to be undertaken in 2002/3.
  8. There are major conditions of service harmonisation issues outstanding for the manual workforce, particularly in respect of the 37 hour week and the proportion of pay which is superannuable.

## **Objectives**

To complete the process of change and bring about the necessary improvements, there are a number of objectives that need to be achieved. These include:-

1. Producing a new Schedule of Rates or an appropriate alternative.

The objective is to: -

- (a) Update the current schedule to meet current workload needs.
- (b) Allow a review of prices and labour rates.
- (c) Allow service improvements by giving the opportunity of providing high level descriptions of work and to revise work practices to maximise efficiency.

2. Revising the manual pay scheme.

The objective is to: -

- (a) Provide the opportunity to remove anomalies from the current scheme.
- (b) Allow the issue of market pay rates for market productivity to be addressed.
- (c) Re-align the pay scheme to the new schedule of rates and changes in operations processes to facilitate working to high level descriptions of work.

3. Pricing the new Schedule of Rates

The objective is to: -

- (a) Allow overheads to be properly reviewed.
- (b) Allow conditions of service to be harmonised and costed.
- (c) Allow revised operational processes to be costed.
- (d) Allow budgetary needs to be forecasted, based on the historic data of workloads.

4. Reviewing the Repairs Policy

The objective is to: -

- (a) Provide the opportunity to reduce demand on the budget (determined by 3 above) by increasing tenant responsibility for repairs.
- (b) Provide the opportunity to determine revised policy on landlords responsibility versus tenant responsibility following benchmarking exercises with similar local authorities.

5. Undertaking a Full Best Value Review

This objective is to: -

- (a) Allow benchmark comparisons with other similar local authorities to determine whether the costs of providing the services specified by this authority offer value for money.
- (b) Determine whether the competitive comparative and other best value criteria are met.
- (c) Allow further repairs policy decisions to be reviewed in as result of comparisons.

6. Developing an action plan for change to enable a long term partnership agreement to be put in place.

This objective is to: -

- (a) Bring about stability and aid recruitment and retention.
- (b) Allow the service to be developed in a non-threatening manner.
- (c) Enable costs to be more effectively controlled within budget.

## **Details required from Tenderers**

Tenderers are required to submit an outline plan detailing how they would devise a programme to achieve the objectives detailed in the Brief.

The Council will establish a Steering Group made up of members, officers and customers and the successful tenderer will be required to attend meetings and report on their findings to this group. It is expected that tenderers will work with the O.B.S. Management Team and other Council staff to obtain the information necessary to undertake the tender work and implement the agreed action plan.

Tenderers should break down the work into two phases as follows:-

### **Phase 1**

An independent evaluation of the current arrangements and problems at O.B.S. together with a proposed programme of work to address these issues. This work should include a best value review of the service, including benchmarking work.

### **Phase 2**

An indicative proposal outlining how the consultancy might work with the Council to implement the actions flowing from Phase 1 to include: a detailed work programme and timescales, together with the methodology to be used to achieve the objectives. This proposal should indicate the degree of involvement in this work required from the O.B.S. Business Manager and the Management Team.

Both phases of work need to be priced separately. A firm cost is required for Phase 1. Indicative costs or charging options to cover fees associated with Phase 2 must be provided. Tenders should indicate who will undertake the work on behalf of the tenderer and the experience of those staff. If these are different for Phases 1 and 2 this should be specified.

A decision on the Phase 1 commission will be made early October. Phase 1 must be complete by end December 2002. The decision on whether to progress with Phase 2 will probably be made in January 2003. Submissions must demonstrate their ability to respond to these timescales.