

## APPENDIX D - FSR SUMMARY: BUILDING SERVICES 21.03.17

### Productivity

#### Background

1. This paper follows the final FSR meeting with CMT on 14/11/2016. Further work was commissioned at that meeting as follows:
  - Clarity about the pace of improvements and the destination – how we get from ‘base camp to summit’
  - Identify 5 or 6 larger projects which we think will improve productivity and set targets for these.
  - Include a look at staffing structures & management overheads in the proposals.

#### Base camp to summit

2. Building Services believe the ‘summit’ is a highly efficient service delivering high quality work with high levels of productivity, great customer service and one which makes a surplus to reinvest in Council services.
3. With the planned move to a Local Authority Trading Company, Oxford Direct Services performance will be measured across a broader range of higher level targets (e.g. a balanced scorecard).
4. The company will continue the work in house to drive efficiency improvements, further reduce costs and grow the business, so that surpluses can be maximised.
5. This report outlines further details of the service improvement work done, in progress and being planned for 2017 during the arms-length transition.

#### Wider service context

6. The wider service context is informing the work and a number of things have happened which connect with this project and are significant in their nature, as follows:

**Senior Management Team Changes** – Shaun Hatton has been appointed as the Chief Operations Manager. His role is to oversee all operational services including Building. In early 2017 we recruited a new Chief Commercial Manager who should be very influential in service growth & efficiency. In May 2017 we will begin the appointment process for a new Head of Service.

**Local Authority Trading Company** – CEB agreed we will move Direct Services functions to an arms-length operation including Building Services with a new arrangement fully in place by 01/11/2017

**Future work programme** – 2017/18 and beyond presents a great income opportunity and a significant challenge too. In line with predictions around the reducing HRA work (both in terms of volume and complexity) and our increasing external trading, a new Building Services model is under development. Bruce Thompson is dedicating his time to look at the strategy, structure, systems, staff and skills to ensure we can best meet the changing future demands. Initial proposals will be considered by the Head of Service in March 2017. This will tune in with our business strategy which features 3 simple strands – winning the work; doing the work; getting paid for the work. The middle piece of ‘doing the work’ needs to ensure we use resources effectively to deliver high quality services back to the Council for the known work (e.g. responsive repairs and decent homes activity) but have flexibility around major projects from external programmes.

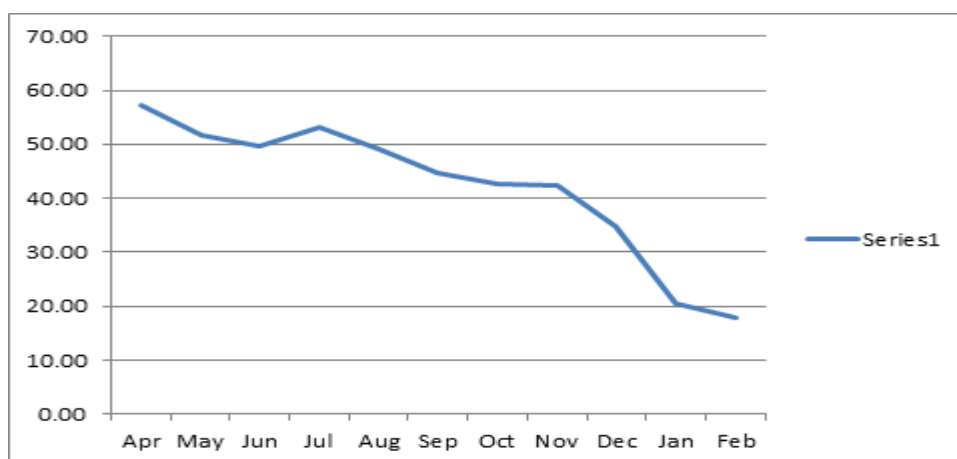
**Current work programme** – there is continuing pressure to deliver this year’s work programme with high turnover targets in the final quarter of the financial year. This is largely due to the work programme being back-ended. Geoff Corps is temporarily leading the daily operations across Building Services to ensure delivery of the required outturn and to allow Bruce Thompson the time to spend on the medium term strategy for the service.

**DSO transformation** – we have joined Housemark’s project to help inform further areas for improvement in the DSO operations. This programme runs across the next few months and includes site visits to best practice operations, benchmarking data, on-line collaboration, etc.

**Productivity Improvements:**

7. The outcomes are:

- A 10% increase in turnover compared with 2013/14.
- An 8% reduction in direct and local overheads (£288k saving)
- An on-going net benefit to the HRA of £117k per annum phased over 2 years and delivered in full from 2020/21, to be achieved through reduced voids rent loss, moving responsive work to a planned programme and reduction in failure demand call volumes (as shown in Appendix A).
- An analysis of costs of responsive repairs and voids resulting in changes to the calculation (to match the benchmark data) which shows significant reductions over previously stated figures. Average cost of responsive repairs is £90, down from £140. Average cost of voids is now £3,500 (previously reported as £4,200).
- Voids are being turned around quicker as a result of improved ownership of the process, a more tailored approach to each void and early inspection to scope works. Below is a chart showing the reduction in the key to key re-let period (the y axis showing the number of days):



- On the assumption an improvement is sustained for a year (at an average of 30 days termination to re-let) including major works voids, based on the average number of voids per annum this could decrease the void rent loss by £145k.
- Previously agreed savings of over £2m being delivered as shown in the chart below which in summary shows:
  - A 15% reduction in the cost of responsive repairs
  - A further 3.5% responsive repairs reduction (Housing Act changes)
  - Significant Decent Homes unit price reductions

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Responsive repairs FSR reductions	-5.0%	-1.5%	-1.5%	-1.5%	-1.5%	-1.5%	-1.5	-1.0%	-15%
Responsive repairs 'Housing Act' reductions				-3.5%					
'Decent Homes' unit price reductions e.g. kitchens (including electrics) from £7,500 per unit to £4,300 per unit by 01/04/2017									
<b>Total annual reductions</b>	<b>£533,963</b>	<b>£411,720</b>	<b>£346,770</b>	<b>£379,287</b>	<b>£253,597</b>	<b>£44,667</b>	<b>£43,997</b>	<b>£28,891</b>	<b>£2,042,892</b>

### Value for money:

8. Benchmarking has recently been undertaken for the larger aspects of planned work e.g. kitchen and bathroom replacements, heating installations and rewires. The comparators were based on sub-contract quotes (generally 3 contractors in each category) and also a procurement portal basket of prices using the south east option as a comparator (arguably we should use London).

Works	Oxford Fixed Price	Sub-contractor quote average	Portal comparator
Cost - Kitchen installation*	£4,620	£6,150 - £6,500	N/A
Cost – Bathroom installation**	£3,284	N/A	£3,700
Cost – boiler replacement***	£2,208	£2,800 - £3,440	£3,000
Cost – rewire 3 bedroom house	£3,091	£3,499 - £6,400	£4,000

\*excludes electrics for comparison purposes

\*\*excludes shower for comparison purposes

\*\*\*British Gas typical £2,979

### Productivity Improvements – on-going:

9. A number of future activities are being progressed, all tied into service improvement. Some of these are productivity-related:
- Complete a structural review of Building Services with an aspiration to align functions to better suit the evolving work programme.
  - Implementation of the Responsive Repairs Road Map that will result in the following improvements:
    - *Specification of jobs before attendance (fencing, plastering, and decorating) will increase productivity as correct materials will be taken to the job.*
    - *Development of contact centre script will increase jobs completed right first time*
    - *Managing expectations of the customer leading to increase in customer satisfaction*
    - *Increase in appointments made at first contact to reduce the tenant unnecessarily chasing up when the work will be carried out*

- *Reduced number of calls into contact centre chasing works*
  - *Reduced team leader time spent addressing chases from customers*
  - *Improved reputation for repairs service both internally and externally*
  - *Increased capacity in back office to deal with 'unusual' issues*
- Making better use of the Dynamic Resourcing System i.e. allocating jobs in responsive repairs using the automated functionality of the system and reducing manual intervention. This will give team leaders and planners live information about operative activity which will help drive additional productivity. A pilot is scheduled for April 2017.
  - Aiming to 'appoint' all repairs not on a planned programme which will help with delivery better customer service and planning resources more effectively. Further work is underway to determine how this would operate without adversely impacting costs.
  - Increasing our active asset management e.g. taking a strategic view of our top and bottom 10% of repairs which may point to alternative approaches to responsive repairs.
  - Reviewing the contact centre interface with customers regarding building repairs (road map).
  - Reviewing the exemptions and tenant recharges policies (which forms part of this review in a separate paper).
  - Reviewing customer feedback and feeding this into service design by commissioning an external company to capture tenants views independently and reporting on themes (in procurement in early 2017 for go live in April 2017).