

**BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL**

<b>From: Interim Corporate Manager – Responsive Repairs</b>	<b>Report Number: S41</b>
<b>To: Executive Committee Strategy Committee</b>	<b>Date of meeting: 11 July 2016 14 July 2016</b>

**BUSINESS PLAN FOR THE IN-HOUSE REPAIRS AND MAINTENANCE SERVICE**

**1. Purpose of Report**

1.1 To present the business plan for the new In-House repairs and maintenance team.

**2. Recommendation**

2.1 That the Business Plan (Appendix 1) be endorsed.

2.2 Support BMBS for a period of up to 18 months to make the transition to a first class service provider and in establishing the baseline and evidence for future success.

2.3 That a report be produced at the end of the 18 month period evaluating performance against this business plan, and thereafter this plan to be reviewed and updated every 12 months.

**3. Financial Implications**

3.1 The two Councils currently spend approximately £3 million on repairs and maintenance services. This business plan asks for investment to mobilise and implement the infrastructure required to support the new service across both districts. The Councils are asked to commit to including HRA capital programme works and some corporate asset management works as part of establishment of the new service.

**4. Legal Implications**

4.1 There are no legal implications relevant to this business plan.

**5. Risk Management**

5.1 This report is most closely linked with the Council’s Corporate / Significant Business Risk around failure to integrate. Key risks are set out below. A table of risks relevant to the performance of the new In-House service is included within the business plan at Appendix 1.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to integrate services and staff leads to full benefits of joint service delivery not being achieved	High as the current service is delivered through 2 different operating models and are delivering service inconsistently	Residents do not receive a consistent, quality service that provides value for money	Recommendation to pursue a single delivery model for Repairs and Maintenance services

## **6. Consultations**

- 6.1 Stakeholders including residents, councillors and staff have been engaged in reviewing the current service provision. The options were presented to Management Board, Joint Housing Board and Joint Staff Consultative Committee.

## **7. Equality Analysis**

- 7.1 There are no groups that have been identified as being disadvantaged through the development of this options appraisal.

## **8. Shared Service / Partnership Implications**

- 8.1 There is no impact at this point but opportunities may be identified to build additional local links once the new in-house service has been established.

## **9. Key Information**

- 9.1 The key benefits to Babergh & Mid Suffolk of the creation of a new In-House Repairs Service are explained in the Business Plan at Appendix 1.
- 9.2 The Business Plan sets out the commitments and conditions needed to support the development of Babergh and Mid Suffolk Building Services (BMBS) as a successful trading entity and service provider.
- 9.3 The Business Plan meets Babergh and Mid Suffolk strategic priorities by providing an alternative to the current service delivery model. The formation of a new In-House repairs team will provide services that are flexible and efficient whilst still meeting customer requirements. It will provide local employment opportunities, including apprentices, to encourage economic growth and contribute to the skills agenda. There are clear financial and non-financial performance targets that BMBS will need to achieve and these will be closely monitored to ensure customer satisfaction, income, internal and external benchmarking and business growth is achieved.
- 9.4 The commitments and conditions set out within the Business Plan have the potential to deliver mutually beneficial outcomes for Babergh and Mid Suffolk as a whole, for BMBS and for internal clients within the Council in terms of the services they commission.
- 9.5 It is predicted that BMBS will be able to increase its income by approximately 27% over 5 years through maximising potential works from the Council and by increasing 'third party' income opportunities. It is predicted that income will rise by approximately £1 million during this period.
- 9.6 Generation of a surplus – with sufficient volumes of work and productivity to cover costs, BMBS is able to generate a surplus. This is similar to the profits made by private sector companies. This surplus contributes to the Council's HRA and potentially diminishes if work is unnecessarily outsourced.
- 9.7 The vision within the Business Plan is for BMBS to provide a 'first port of call' for Repairs and maintenance delivery to Babergh and Mid Suffolk where there is demonstrable synergy with BMBS's core functions.

## 10. Appendices

	Title	Location
1	Babergh & Mid Suffolk Building Services Business Plan 2017/18 – 2022/23	Attached

Calvin Fisher  
Interim Corporate Manager – Responsive  
Repairs

[calvin.fisher@baberghmidsuffolk.gov.uk](mailto:calvin.fisher@baberghmidsuffolk.gov.uk)

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# **Appendix 1**

## **Babergh and Mid Suffolk Joint Building Services**

### **Business Plan 2016-17**

July 2016

Calvin Fisher  
Interim Corporate Manager – Repairs and Maintenance

## **1. Executive Summary**

- 1.1 This Business Plan sets out the commitments and conditions needed to support the development of Babergh and Mid Suffolk Building Services (BMBS) as a successful trading entity and service provider.
- 1.2 The Business Plan meets Babergh and Mid Suffolk's strategic priorities by providing an alternative to the current service delivery model. The transformation of the Responsive Repairs team to BMBS will enable it to provide services that are flexible and efficient whilst still meeting customer requirements. It will provide local employment opportunities, including apprentices, to encourage economic growth.
- 1.3 There are clear financial and non-financial performance targets that BMBS will need to achieve and these will be closely monitored to ensure customer satisfaction, income, internal and external benchmarking and business growth is achieved.
- 1.4 The commitments and conditions set out within this Business Plan have the potential to deliver mutually beneficial outcomes for Babergh and Mid Suffolk as a whole, for BMBS and for internal clients within the Council in terms of the services they commission. Those benefits are:
  - It is predicted that BMBS will be able to increase its income by approximately 27% over 5 years through maximising potential works from the Council and by increasing 'third party' income opportunities. It is predicted that income will rise by approximately £1 million during this period.
  - Generation of a surplus – with sufficient volumes of work and productivity to cover costs, BMBS is able to generate a surplus. This is similar to the profits made by private sector companies. This surplus contributes to the Council's HRA and potentially diminishes if work is unnecessarily outsourced.
  - Use of resources – the majority of BMBS costs are fixed and utilising these resources helps to generate the income needed to 'pay' for these costs
  - Local employment – the majority of BMBS staff live locally and spend their income within the local economy
  - Contribution to central overheads – BMBS makes a significant contribution, through recharges, to the Council's central overheads and is required to use core services provided by the Council (making them viable)

- Income generation – BMBS is an income generator not only in terms of the Council budgets but also in being able to provide services for third party organisations. To do this successfully, it must have ‘scale’ and ‘capacity’.
- Employment and training – ongoing throughput of work enables BMBS to create local employment opportunities and there are plans to commence an apprentice programme. This can only work if there is sufficient volume of ‘predictable’ work.
- Ultimate guarantee – allocating work to BMBS provides the ultimate guarantee. If there are disputes or quality issues, it is wholly within the Council’s control to adjudicate an outcome and resolution. This is more complex in an outsourced service where matters have more potential to become ‘contractual’.
- Collaboration – growing a successful in-house team gives us the potential to work closely with other Social Housing providers across the region providing shared savings and efficiencies, both in service delivery and in procurement of materials, vans etc.

1.5 The relationship between BMBS and Babergh and Mid Suffolk provides benefits for issuing works ‘in-house’ that must be evaluated as part of the decision making process to award work.

1.6 The vision within this Business Plan is for BMBS to provide a ‘*first port of call*’ for Repairs and maintenance delivery to Babergh and Mid Suffolk where there is demonstrable synergy with BMBS’s core functions (set out in section 6 of this report).

## **2. Overview**

2.1 Babergh and Mid Suffolk have been considering the options for their repairs and maintenance service. A paper outlining four options for delivery of repair and maintenance services has been previously considered which addressed 4 potential options as follows;

- Dual Model - continue the dual operating model of in-house and external provider for each council
- Single Outsourced Model - outsource all repairs and maintenance to an external contractor through a procurement process
- Retain and deploy the in-house Direct Labour organisation (DLO) - maintain and grow the DLO to provide services across both councils
- Joint venture with a third party - entering into a partnership with an external party to deliver services jointly.

These options were produced following a review of the existing repairs and maintenance service and focussed engagement with multiple stakeholders including councillors, residents and staff. The options were presented to Management Board, Joint Housing Board and Joint Staff Consultative Committee. The recommendation to shortlist the options from the original 4 down to 2 was approved with a view to identifying a single model for delivery across all council properties. The options recommended for further detailed review were;

- Option 1 - Retain and deploy the in-house DLO
- Option 2 - Outsource to External Provider through procurement of new contract.

A further paper was produced for Executive committee at Mid Suffolk (8th February 2016, report X/08/16) and Strategy committee at Babergh DC (4<sup>th</sup> February 2016, report R92) exploring these two options, with the recommendation that:

***Babergh and Mid Suffolk develop a new in-house service model to deliver Repairs and Maintenance services across both districts, with a focus on establishing a viable business base that creates financial stability and potential future commercial development.***

It was made clear in the recommendation that Option 1 above refers to the creation of a completely new In-House model and not merely an extension of the existing Mid Suffolk operation.

The recommendation was upheld by both committees with the proviso from Babergh Strategy committee that a business plan was produced prior to implementation.

- 2.2 As a result of this proviso a key priority has been the production and endorsement of this Business Plan for the service, to demonstrate the viability of the business and the support and resources needed.
- 2.3 The benefits of this approach to Babergh and Mid Suffolk are set out throughout this Business Plan.

### **3. Key Decisions and Issues**

3.1 The following decisions are required in relation to BMBS:

- Endorse the Business Plan
- Support BMBS for a period of up to 18 months to make the transition to a first class service provider and in establishing the baseline and evidence for future success

- Agree that a report be produced at the end of the 18 month period evaluating performance against this business plan, and thereafter this plan to be reviewed and updated every 12 months.

3.2 There are other matters that are likely to be required should the above be agreed. The decisions needed are subject to the relevant governance processes and/or delegated authorities and are provided as relevant information to this Business Plan.

- BMBS to realign its structure to better meet the needs of the service with the creation of new posts funded from the existing budget.
- Dispensation to use recruitment routes other than through Suffolk County Council where there is a rationale to do so (e.g. key posts within the structure and some technical roles, or where no suitable candidates are provided).
- All trade and supervisory vacancies to be advertised in the local paper and in the local community to maximise and promote our local labour commitment.
- £1.9 million of housing planned works to be allocated to BMBS in 2017/18 plus an ongoing commitment to increase the share of these works annually by 10% subject to BMBS delivering works to the required quality and performance standards and demonstrating it has the capacity to undertake such works.
- £200,000 of adaptation works issued to BMBS by the Private Sector Housing team in 2017/18 plus an ongoing commitment to increase the share of these works annually by 10% subject to BMBS delivering works to the required quality and performance standards and demonstrating it has the capacity to undertake these works.
- £50,000 worth of corporate works issued by the Capital Projects Team in 2017/18, plus an ongoing commitment to increase the share of these works annually by 10% subject to BMBS delivering works to the required quality and performance standards and demonstrating it has the capacity to undertake these works.
- BMBS to be preferred contractor for all works issued by the Capital Projects team that are related to its core business.
- Support the creation of basic Service Level Agreements between BMBS and other parts of the Council defining the performance requirements of both parties to ensure relationships are maintained with mutual benefit to both.

3.3 The agreement of the above will help BMBS to thrive, to establish the quality thresholds and to create the baseline needed to effectively consider other options, such as bidding for external works in the future

#### 4. Mobilisation

4.1 The options paper presented in February 2016 listed areas that need to be addressed as part of the implementation of the new service. These are listed below with progress to date.

- **Identify leadership and management requirements** – a new structure is being developed which will take into account leadership and supervisory requirements
- **Investigate options for fleet procurement** – Investigating with procurement, establishing needs of trades. Trade representatives to feedback fleet requirements ensuring procurement is fit for purpose taking into account planned work streams. Initially the procurement of vehicles was seen as an extra upfront cost for implementation of the new service, but investigation of the budget showed this had been predicted and allowed for in the existing budget provision, with £333,000 allowed for in 2017/18 and £333,000 in 2019/20. This provision was made in the MSDC budget only meaning agreement will need to be made as to how this commitment is shared between the two Authorities.
- **Re-branding of the service** – to be agreed
- **Produce structure** – see above
- **Produce a Business Plan** – in progress
- **Set up a trading account** - complete
- **Issue notice on other contracts if necessary** – extension agreed to Morrisons contract and new 1 year contract with Travis Perkins established
- **Management of termination of Morrisons contract** – extension agreed to April 2017
- **TUPE (there may be TUPE implications with the current Babergh contract)** – discussion held with Morrisons and initial TUPE list has been produced. This has been factored into this business plan. Regular meetings now held with Morrisons to continue this process.
- **Agree and implement Performance Indicators** – to be agreed

- **Purchase and integration of new Work Scheduling software** – demonstration of new software held. Awaiting advice from procurement and IT regarding purchase options and implementation.
- **Purchase and integration of new diagnostic software** – as previous bullet point
- **Produce a training/workforce development plan** - outstanding
- **Review existing repairs processes and standards to ensure consistency across the districts** - outstanding
- **Procure new materials contract** – 1 year temporary contract arranged with Travis Perkins through a framework agreement. This gives us leeway to consider the options available to us.
- **Data sharing...integration of property details** - part of IT integration project now expected for August 2017
- **Engagement with local contractors** – New standing lists developed with Procurement team for contractor engagement in all disciplines
- **investigate ways of increasing resident involvement** - outstanding
- **Introduce new pricing mechanism through use of NHF Schedule of rates** – Procurement route needs to be agreed and timeline agreed with IT
- **Review processes and procedures for surveying/supervision/inspections** – will be addressed as part of the new structure for the in-house team.

4.2 Further progress with the implementation is dependent upon the endorsement of the Business Plan.

4.3 Part of the implementation of the new service does include exploring the possibilities of working collaboratively with neighbouring Councils and Social Landlords. Other organisations are using similar in-house models to the one envisaged for Babergh and Mid Suffolk. There may be opportunities for efficiencies to be made with sharing facilities, working practices, supply lines etc. With this in mind visits have been made to Waveney DC and to Right First Time (RFT) the maintenance arm of Flagship Housing Group. Both are keen to work with us to explore ways we can help each other.

4.4 Implementation costs of the new service were estimated in the Strategy report from January 2016 at approximately £236,000. This figure has been revised since that time. Vehicle costs, as mentioned in 4.1 above, have been removed from this figure as they were already budgeted. Revised IT costs also mean

this figure has been reduced from an original estimate of £140,000 to £95,000. These figures have not been included in the Trading account illustrations in section 7 as these costs are likely to be incurred before April 2017.

## **5. Commitments from BMBS**

5.1 The endorsement of this Business Plan requires commitments from BMBS. These include:

- Review our rates in the context of benchmarking and market testing to ensure we are providing a quality and value for money service enabling us to be competitive in the open market.
- Implementation of National Housing Federation Schedule of Rates as new pricing mechanism enabling BMBS to compare rates with other organisations and price competitively for external works.
- Re-invest any surplus that we make in services and to support the Council's HRA and wider financial management strategy and Housing Strategy.
- Creating collaborative relationships within the Council so that BMBS can respond to demands and changing needs
- Development of a marketing strategy to promote the service and to underpin processes for identifying and securing 'third party' opportunities.
- Total clarity around performance including sharing of information and performance data
- Benchmarking performance against our peers in the Industry through national benchmarking organisations such as Housemark or The Housing Quality Network (HQN)
- Local employment and recruitment ensuring that the works we deliver derive benefits to local people and have a positive impact on wider regeneration initiatives

5.2 With the full support of the Councils, BMBS will develop and evolve services to fully meet the needs of our customers to ensure that BMBS is the 'only' choice for works within its core business. This will allow BMBS to grow and to maximise the contribution made to the Councils and communities in which we work.

5.3 It is predicted that BMBS will be able to increase its income by approximately 27% over 5 years through maximising potential works from the Council and by increasing 'third party' income opportunities. This will ensure that BMBS can

make a significant contribution to the Council's HRA as well as meeting some of their strategic priorities, in line with current targets, making a larger contribution year on year as income is increased and BMBS becomes more efficient. This increase is calculated from the predicted figures shown in the Business Plan trading account (Table 5). This may increase or decrease throughout the life of the plan and regular reports on progress will enable us identify areas where improvement or development will bring further successes. For instance the assumption of 10% increase in Third Party works is a conservative assumption that we would expect to exceed with a successful development and marketing strategy.

## 6. Core Business

- 6.1 An essential activity for all successful organisations is to set out their core business. BMBS understand the importance of this exercise so that we can be a 'one stop shop' for these activities for our clients. This will help ensure that clients understand our business better and in marketing any new business initiatives.
- 6.2 In recent times there has been uncertainty of the role, core business skills and capacity of the existing in-house DLO at Mid Suffolk. This has resulted in work being outsourced when it may have been appropriate for it to be delivered in-house.
- 6.3 BMBS has defined its core business activities and these are set out below:

Table 1

▪ <b>Electrical works</b>	▪ <b>Bricklaying</b>
▪ <b>Plumbing</b>	▪ <b>Carpentry</b>
▪ <b>Fencing</b>	▪ <b>Tiling</b>
▪ <b>Paths and Paving</b>	▪ <b>Replacement Kitchens</b>
▪ <b>Void works</b>	▪ <b>Replacement Bathrooms</b>
▪ <b>UPVC door and windows repairs</b>	▪ <b>Shower rooms</b>
▪ <b>Refurbishment projects in occupied properties and buildings.</b>	▪ <b>Other adhoc building works, projects and external works.</b>
▪ <b>Emergency repairs</b>	▪ <b>Adaptation works</b>

These core activities are based on historical work data and a detailed skills analysis of the existing workforce.

- 6.4 BMBS can resource both responsive and planned activities for all these work areas delivering works during normal working hours and out of hours periods (including emergency and/or out of hours response).
- 6.5 It is the medium and long term intention to develop this capacity so that new skills are added to the competencies and skills that currently exist. The rationale behind this will be evaluation of the current spend with external

contractors, identifying skills that can be brought in-house to help increase income to BMBS and reduce external expenditure.

## **7. Trading Account**

7.1 It is essential that all commercial operations operate financial controls and have systems to monitor income and costs. In the private sector DLO's tend to manage their business through a 'Trading Account'. BMBS will set up a trading account to ensure our business trading position is available for scrutiny and remains transparent.

7.2 The framework for the new BMBS Trading Account is shown below:

Table 2

Type of Works	BMBS income Trading Year 1		
<b>Income</b>			
Capital & Planned Maintenance	1,900,000	All Capital & Planned works carried out by BMBS	
Responsive	960,000	Responsive repairs	
Voids	574,700	Void repairs	
Other Housing Projects	61,000	Damp, condensation, garages, Hostel, leaseholders, rechargeables	
Aids & Adaptations	200,000	All A&A work carried out by BMBS	
Corporate works	50,000	All works to corporate buildings carried out by BMBS	
Vehicle replacement	111,000	Van replacement already budgeted for.	
External Income	50,000	All works for 3rd parties outside of council	
<b>Total</b>	<b>3,906,700</b>	Total income to BMBS	
<b>Expenditure</b>			
Office Employee Costs	438,971	Salaries for repairs staff only	
Manual Employee Costs	1,273,651	Salaries for repairs staff only	
Other Employee Expenses	1,800	Mileage etc for repairs staff only	
Premises	12,000	Storage depot etc	
Transport	111,000	Van repairs, fuel, insurance, tax etc	
Materials External Purchase	1,500,000	Material costs	Contract to be re tendered after year 1 - would expect savings from this exercise
SubContracted Services	394,317	Sub contract costs (Repairs and Voids)	Targeted reduction of 40% in 1st year plus 10% thereafter
Support Service charges	158,731	Internal charges to BMBS	
Other Supplies & Services	57,000	Clothing, phones, PPE, plant etc	
Training costs	5,255		
<b>Total Expenditure</b>	<b>3,952,725</b>	Total expenditure for BMBS	
<b>Surplus/(Deficit)</b>	<b>-46,025</b>	BMBS trading surplus/deficit	

7.3 Using the model above, Table 5 at the end of the plan shows the projected figures for the first 5 years of trading, incorporating the requirements set out in section 3.2 of this Plan.

7.4 This 5 year projection demonstrates a minimum of 10% year on year growth from 2017/18 after consolidation of the service. This will provide the platform

for growth taking into account the opportunities that are possible within each income stream. It is predicted that income will rise by £1,048,540 over the first 5 years.

**7.5** This projection has to take into account capacity and growth within the service. It is predicted that capacity for the present workforce will be reached by year 3/4 and the figures reflect a rise in costs from year 3 to take this potential growth into account.

## **8. Income Streams**

**8.1** In producing this Business Plan, it has been necessary to review the current income streams received and to consider what can be expected going forward and what is potentially at risk:

Table 3

<b>Income</b>	<b>Fixed/Variable Budget</b>	<b>Income at 'risk'</b>	<b>Demand 'led'</b>	<b>Comment(s)</b>
Responsive Repairs	Fixed	N	Y	<ul style="list-style-type: none"> <li>▪ Need to control the volumes of work subcontracted out.</li> <li>▪ Volumes generated by tenants/leaseholders</li> </ul>
Voids	Fixed	N	Y	<ul style="list-style-type: none"> <li>▪ Volumes generated by tenancies ending</li> <li>▪ Use historical trends to assess volumes and value of works</li> </ul>
Out of Hours	Fixed	N	Y	<ul style="list-style-type: none"> <li>▪ Volumes generated by tenants/leaseholders</li> </ul>
Planned Works	Fixed	N	N	<ul style="list-style-type: none"> <li>▪ Work is planned and linked to Capital Programme and Asset Management Strategy</li> <li>▪ Works delivered by BMBS and external providers. Opportunity to re-assess the ratios outsourced</li> </ul>
Cyclical Works	Fixed	N	N	<ul style="list-style-type: none"> <li>▪ Work is planned and linked to Capital Programme and Asset Management Strategy</li> <li>▪ Works delivered by BMBS and external providers. Opportunity to re-assess the ratios</li> </ul>

				outsourced
MandE	Fixed	N	Y	<ul style="list-style-type: none"> <li>▪ Work is planned and linked to Capital Programme and Asset Management Strategy</li> <li>▪ Works delivered by BMBS and external providers. Opportunity to re-assess the ratios outsourced</li> </ul>
Corporate works (issued by Facilities Management )	Variable	Y	N (planned)  Y (responsive)	<ul style="list-style-type: none"> <li>▪ BMBS to tender for larger works above Procurement threshold</li> <li>▪ Aim is for BMBS to be preferred contractor for RandM to corporate buildings.</li> </ul>
Third Party Trading	Variable	Y	Y	In future long term plans once core business has been established

- 8.2. It is understood that monetary commitments cannot be made outside of the budgets available. For the purpose of this plan a sum has been assumed for the award of works to BMBS in the first year that sits well within expected budgets. Thereafter a percentage increase of the share of these works has been assumed, still remaining within HRA Business Plan budgets, rather than a specific monetary value. One of the advantages of developing an in-house team with a wide skill base is the flexibility of that team and its ability to adapt to differing demands.
- 8.3 The business plan projection in Table 5 assumes the allocation of the following volumes of work to BMBS in the first year of trading.
- Planned Works (Housing) –**£2.1 million** (kitchens, bathrooms, adaptations etc)
  - Corporate Property works –**£50,000** (corporate works and projects) which is within allocated budgets
- 8.4 This work must be linked to the core skills of BMBS, capacity and resourcing and with clearly defined outputs and quality thresholds.
- 8.5 Whilst there is no specific OJEU procurement need to satisfy in respect of issuing works directly to BMBS, it is understood that any decision to issue works directly to BMBS must comply with the Council’s standing orders and for there to be demonstrable value for money provided. BMBS will work with

our clients to agree performance targets and quality standards at the outset ensuring openness and transparency throughout.

8.6 A full list of assumptions made is provided in section 13 of this Business Plan.

## **9. BMBS Costs (fixed and variable)**

9.1 BMBS will manage and record all business costs through the Trading Account.

9.2 The biggest cost for BMBS is the staff budget. This is a fixed cost as staff are paid a salary. The projections within the trading account example takes into account the TUPE transfer of staff from Babergh's existing contractor Morrisons.

9.3 Most costs are thus fixed and include items such as office space, fleet, central office recharges, training etc over and above the cost of staff. This helps in understanding the income that is needed to support BMBS and in ensuring that it is viable.

9.4 There are also variable costs which predominantly relate to the works undertaken. These are typically accounted for in the price provided or within the price framework used (schedule of rates, bill of quantities or formal quote). These typically include materials, plant, fuel, access equipment and other items directly related to the volume and type of work undertaken. These are thus, low risk items although inflation must always be factored into the risk analysis and financial assumptions undertaken. For example, we know that fuel costs and the cost of 'metals' have fluctuated significantly in recent years and may impact on the adjustments to the schedule of rates and other mechanisms for recovering costs.

9.5 A summary of fixed and variable costs is set out above in section 7.2 of this report in the expenditure column.

9.6 It should be noted that BMBS is primarily a fixed overhead for the Council and it is essential that this asset is used to its full potential. Unproductive periods still have to be funded and it is therefore essential that this internal resource is used where it is appropriate to do so and seeks to broaden its skill base so that it can take on a wider range of works.

## 10. Risk analysis and implications

10.1 There are a number of business risks associated with the investment in BMBS. These are set out below with mitigating factors:

Table 4

Risk	Issue	Mitigation
<ul style="list-style-type: none"> <li>• Diminishing budgets</li> </ul>	<p>Year on year budget reductions</p> <p>Legislative changes in the administration of HRA finances may result in a reduction to Repairs and Maintenance budgets.</p>	<ul style="list-style-type: none"> <li>▪ Secure agreed levels of corporate works</li> <li>▪ Third party trading and business development</li> <li>▪ Business efficiency and process review</li> <li>▪ Increase core skills thereby increasing flexibility of BMBS enabling it to take on work in other areas.</li> <li>▪ Ultimately retain the right to reduce staff numbers if spend reduces beyond a level that is manageable.</li> </ul>
<ul style="list-style-type: none"> <li>• Inability to recruit the 'right' personnel</li> </ul>	<p>The current transformation in BMBS is being driven by interim staff committed to collaboration and customer focus. The failure to replace these staff with the quality of personnel needed to develop the service adequately is a major risk and selection processes must be robust.</p>	<ul style="list-style-type: none"> <li>▪ Extend interim posts as required</li> <li>▪ Robust recruitment and selection processes with support from external specialists if required.</li> <li>▪ Consider market supplements if needed to attract the right staff</li> </ul>
<ul style="list-style-type: none"> <li>• BMBS fails to sufficiently grow its corporate (non-HRA Council business</li> </ul>	<p>Good internal communications and understanding will need to be built, leading to a cooperative and mutually helpful way of working.</p>	<ul style="list-style-type: none"> <li>▪ Ongoing liaison and work shops</li> <li>▪ Creation of SLA's and/or other forms of setting out performance standards and expectations</li> <li>▪ Benchmarking and cost comparisons</li> <li>▪ Agreement of mechanisms to demonstrate 'VFM'</li> <li>▪ Full cost transparency including the central office overhead mechanism in decision making processes</li> </ul>
<ul style="list-style-type: none"> <li>• BMBS fails to</li> </ul>	<p>Cultural change required</p>	<ul style="list-style-type: none"> <li>▪ Staff meetings and</li> </ul>

embed cultural change adequately	has to be embedded throughout the teams.	<p>briefings through the change process</p> <ul style="list-style-type: none"> <li>▪ Tool box talks</li> <li>▪ Performance management processes</li> <li>▪ Ongoing supervision and appraisal</li> <li>▪ Recruitment and selection processes</li> </ul>
<ul style="list-style-type: none"> <li>• Realignment takes longer than anticipated or requires full scale reorganisation</li> </ul>	Some of the current weaknesses with the in-house team are caused by the way staff are organised. To make the changes needed, it will be necessary to realign the staff.	<ul style="list-style-type: none"> <li>▪ Consult with staff over proposed structure</li> <li>▪ Utilise the skills of the Council's HR professionals</li> <li>▪ Pragmatic approach to get started</li> <li>▪ Be 'realistic' about what can be achieved and target the high opportunity areas first</li> </ul>
<ul style="list-style-type: none"> <li>• Failure to involve and engage service users</li> </ul>	Currently little or no involvement of customers	<ul style="list-style-type: none"> <li>▪ Commence customer satisfaction survey process</li> <li>▪ Work with customer involvement Team</li> <li>▪ Convene focus groups</li> <li>▪ Identify resident champions</li> </ul>
<ul style="list-style-type: none"> <li>• Failure to implement IT systems</li> </ul>	IT integration project has been delayed and go-live dates for introduction of Total Mobile have been postponed several times.	<ul style="list-style-type: none"> <li>▪ Establish project team to monitor progress of projects ensuring deadlines are met and all issues are identified earlier in the process.</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of engagement in change process by staff</li> </ul>	<p>Repairs review has been a lengthy process and there is a lack of confidence with some staff that suggested changes will happen.</p> <p>Mid Suffolk staff, especially trades, have been uncertain about their future during this period. Babergh staff have been used to working with an external contractor and the change to an in-house team will be a major change for them.</p>	<p>Regular communication with staff at all stages of implementation.</p> <p>Involve staff in decision making progress</p> <p>Appoint dedicated trade representatives</p>

- 10.2 As the project progresses, and the Business Plan is incorporated into the new way of working, other risks will be identified. These will be managed and mitigated by the Corporate Manager, Response Repairs.
- 10.3 Annual reports will be provided to both the departmental and corporate management teams and the Joint Housing Board throughout the transformation and establishment of the new in house service, supported by evidence and performance information. This gives the transparency needed to ensure that Babergh and Mid Suffolk can make an informed judgement about the progress made by BMBS in relation to the objectives in this Business Plan and in the context of the Council's wider expectations.

## 11. Demonstrating Value for Money

- 11.1 BMBS will have to provide demonstrable 'value for money' to the Council. This differs from lowest cost tendering and it is essential that this is understood by all the parties that work with BMBS and involved in agreeing this business plan.
- 11.2 There are a number of ways that BMBS can provide value for money and these include:
- **Dispute free contracting** and the rectification of defects as standard
  - **Extending the defects periods** for works that we complete over and above the terms in standard forms of contract
  - **Measure and benchmark performance** by developing a suite of performance measures covering customer satisfaction, quality and timeliness
  - **Increased contribution to central overheads** linked to the volumes of work received, number of staff employed and the surplus forecast
  - **Return of surplus to the HRA** each year and linked to an annual review of pricing mechanisms
  - **Use of Council overheads** particularly where works can be delivered from within existing capacity which would have to be paid for anyway
  - **Benchmarking** both internally and as part of established benchmarking clubs to ensure that BMBS costs and performance are competitive
  - **Delivery of apprentice programmes** linked to volumes of work received.

- **Fixed price proposals** where we guarantee the maximum price of each job (where it is appropriate to do so).
- **Flexible working arrangements** so that we deliver against our clients timescales and priorities. We are able to do this because we have a large, locally based workforce.

11.3 BMBS expects to agree other value for money mechanisms with our internal clients and stakeholders as part of the ongoing dialogue we have with them during projects and after assessment of completed works.

## 12. Assumptions:

12.1 In writing this Business Plan a number of assumptions have been made:

- Efficiencies from mobile working (increased productivity estimated at 20% based on industry outcomes)
- Restructure agreed and implemented (including recruitment of high calibre personnel)
- BMBS remains the preferred contractor for all works (Corporate and HRA) that fall within its core skills and abilities giving an increase in works awarded in line with projections based on performance, demonstrable VFM and collaboration)
- Increase in 3<sup>rd</sup> party works through formal tender opportunities, partnerships and other ad hoc, negotiated arrangements (social landlords, charities, private landlords, leaseholders, freeholders, Town & Parish Councils etc)
- Ability to grow the business through a coherent marketing strategy and recruit to meet anticipated increased demand
- Continued support and strategy from Babergh and Mid Suffolk Senior Leadership Team and elected members
- Investment in BMBS through 2016/17 to create the platform for growth

12.2 The assumptions made are both modest and realistic and will enable the sustainable growth of BMBS to provide the benefits for Babergh and Mid Suffolk as set out earlier in this Business Plan.

### **13. Conclusion**

- 13.1 BMBS has the potential to be a significant resource for Babergh and Mid Suffolk providing services to HRA properties, corporate buildings and projects as well as generating income from third parties.
- 13.2 BMBS can be a commercially viable and valuable resource with the support of Babergh and Mid Suffolk. Investment in BMBS and the use of it as a corporate resource provides multiple benefits for the Councils which are potentially lost if the service is outsourced. BMBS is a vehicle to keep monies within the local area both in terms of the Council finances and in our role as large employers of local people.
- 13.3 There are no legal barriers stopping the Council issuing works to itself.
- 13.4 It is recognised that the Councils must be able to demonstrate value for money. There is sufficient evidence in this Business Plan to show how this can be achieved. The future of BMBS is not predicated on a monopoly of the work issued by the Council merely an ongoing discussion that ensures that BMBS has a guaranteed income to cover its direct costs.
- 13.5 The commitments around income from the Housing Capital programme and the Corporate budget are critical to success and failure to comply with these requests will inevitably result in BMBS having to reduce costs. These will inevitably be through redundancy and job losses reducing the capacity of BMBS overall and incurring significant cost.
- 13.6 The creation of a new vehicle of delivery in BMBS will require a new culture and willingness to work collaboratively within the in-house team and across the Councils and stakeholder groups.
- 13.7 There is a compelling business case to invest in BMBS and to channel work through this delivery vehicle. The Council will have a quality in-house asset that will provide value for money services for the benefit of residents, staff and the local environment and in time will have significant benefits for the Council financially and reputationally.

Table 5 5-year trading account forecast

Type of Works	BMBS Income Year 1	BMBS Income Year2	BMBS Income Year3	BMBS Income Year4	BMBS Income Year 5
<b>Income</b>					
Capital & Planned Maintenance	1,900,000	2,090,000	2,299,000	2,528,000	2,781,000
Responsive	960,000	960,000	960,000	960,000	960,000
Voids	574,700	574,700	574,700	574,700	574,700
Other Housing Projects	61,000	67,100	73,810	81,191	89,310
Aids & Adaptations	200,000	220,000	242,000	266,200	292,820
Corporate works(General Fund)	50,000	55,000	60,500	66,550	73,205
Vehicle replacement	111,000	111,000	111,000	111,000	111,000
External Income	50,000	55,000	60,500	66,550	73,205
<b>Total</b>	<b>3,906,700</b>	<b>4,132,800</b>	<b>4,381,510</b>	<b>4,654,191</b>	<b>4,955,240</b>
<b>Expenditure</b>					
Office Employee Costs	438,971	443,360	447,793	452,271	456,794
Manual Employee Costs	1,273,651	1,286,387	1,505,788	1,520,845	1,536,054
Other Employee Expenses	1,800	1,818	1,836	1,854	1,873
Premises	12,000	12,120	12,241	12,363	12,487
Transport	111,000	111,000	129,000	129,000	129,000
Materials External Purchase	1,500,000	1,575,000	1,653,000	1,736,000	1,823,259
SubContracted Services	394,317	354,885	319,316	287,457	258,711
Support Service charges	158,731	160,318	161,922	163,541	165,176
Other Supplies & Services	57,000	57,570	58,145	58,727	59,314
Training costs	5,255	5,307	5,360	5,414	5,468
<b>Total</b>	<b>3,952,725</b>	<b>4,007,765</b>	<b>4,294,401</b>	<b>4,367,472</b>	<b>4,448,136</b>
<b>Surplus/(Deficit)</b>	<b>-46,025</b>	<b>125,035</b>	<b>87,109</b>	<b>286,719</b>	<b>507,104</b>