

SCRUTINY

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

RE: HOUSING REPAIRS REVIEW

1 PURPOSE OF REPORT

To provide members with an update on the Housing Repairs Service and progress against the Action Plan produced in response to two reviews.

2 RECOMMENDATIONS

- That members note the report and welcome the progress made by the Housing Repairs Service.

3 BACKGROUND TO THE REPORT

- 3.1 In December 2010, the Council agreed to provide the Responsive Repairs Service “in-house” following many years of outsourcing. This was primarily to regain more effective control of the service and ensure value for money.
- 3.2 The service transferred from Willmott Dixon to the Council in September 2011.
- 3.3 It was anticipated that the transfer may present some challenges but that ultimately, the customers should not suffer as a consequence. Therefore, the focus was to maintain service delivery and as a consequence, anything deemed to be “administrative” became secondary. Furthermore, this was exacerbated by a significant lower than expected number of staff transferring from the previous contractor Willmott Dixon.
- 3.4 During 2012/13, it was noted by the Finance Team that the budgets for both programmed and responsive repairs were considerably under-spent.
- 3.5 Following preliminary investigation, it was established that the main reason for this under spend was actually backlog of “work in progress” held within Orchard (Housing Repairs System). This related to jobs that were in the various stages of completion and have yet to be closed off for payment on Civica (Financial Management System).
- 3.6 To understand the reasons for the backlog, Internal Audit (IA) were asked to complete a specific review based on sample testing of the backlog, plus a sample of paid contractor invoices. This was also to identify any potential control weaknesses.
- 3.7 From the IA Review, there were a number of key findings which demonstrated weaknesses in the application of the control systems that were in place.
- 3.8 In addition, a neighbouring Local Authority was requested to support the review process by completing a high level Peer Assessment of the Service. This independent review was undertaken by North West Leicestershire District Council (NWLDC) and the final report included a number of findings and recommendations.

- 3.9 In response to both independent reviews and a further internal financial review by the Head of Finance, an Action Plan was developed to address the issues identified. This Plan is attached as Appendix 1 and delivery against this Plan has been monitored by senior management and the Finance, Audit & Performance Committee.
- 3.10 Delivery of the Action Plan is now complete and has also been verified by the most recent IA review. The latest IA report is attached at Appendix 2. However, service improvements continue to be identified and implemented as part of the Service Improvement Plan process. Service improvements planned for 2014/15 include:
- Improve void turnaround times
 - Procure contractor to support delivery of void works
 - Increase number of responses to Customer Satisfaction Questionnaires
 - Launch Tenant Repairs Handbook

4 IN-HOUSE SERVICE DELIVERY

- 4.1 The council's housing stock currently consists of approximately 3,334 homes, including 11 warden assisted complexes and one temporary accommodation complex.
- 4.2 In the year 2013/14. the In-House service carried out the following works:

Description	2013 / 2014
General Dwelling	8034
Bathroom Works	122
Environmental Works	108
Flooring Works	36
GRP Doors	12
Kitchen Upgrade	97
Kitchen Works	18
Major Void Enhancements	155
Roofing Works	73
Room Refurbishment	8
Storm Damage	16
Timber Door replacement	42
Ventilation Works	41
Disabled Adaptation	1
Total:	8763

- 4.3 Of the general responsive repairs shown, this can also be shown by trade:

Description	2013 / 2014
General Dwelling	8034
Bricklayer	240
Carpenter	2235
Central Heating	0
Disabled Adapt	0
Electrician	1653

Flooring	66
Glazier	0
Labourer	388
Painter	252
Plasterer	296
Plumber	2855
Pvcu Windows	0
Roofer	39
Specialist	10
Total:	8034

4.4 Responsive Repairs are placed into one of four categories (examples of the type of work that falls into each category are provided within Appendix 3):

- Priority 1 – Emergency Work (to be carried out within 24 hrs)
- Priority 2 – Urgent Work (to be carried out within seven days)
- Priority 3 – Routine Work (to be carried out within 20 working days)
- Priority 4 – Planned (to be carried out within 13 weeks)

4.5 Of the General Dwelling Responsive Repair works shown above, they were categorised as follows:

Description	2013 / 2014
General Dwelling	8034
1	1469
2	3234
3	2105
4	1224
Other	2

4.6 Performance against each of the priorities is monitored and challenged on a monthly basis. Since the creation of a Finance & Performance Officer post within the service (as part of the restructure), we are able to produce and analyse performance data more effectively. At the time of the reviews taking place, performance against priorities was poor. At the end of financial year March 2012/13 it was as below:

- 82.95% of Priority 1 jobs completed in time
- 91.77% of Priority 2 jobs completed in time
- 68.82% of Priority 3 jobs completed in time
- 68.81% of Priority 4 jobs completed in time

4.7 In March at the end of financial year 2013/2014 the performance against priorities are as below:

- 100% of Priority 1 jobs completed in time
- 94.33% of Priority 2 jobs completed in time
- 43.53% of Priority 3 jobs completed in time
- 29.31% of Priority 4 jobs completed in time

- 4.8 The Priority 2 works that failed to meet target comprised 17 jobs consisting of Plumbing, Carpentry and Electrician works that were all completed on average within 19 days.
- 4.9 This has now significantly improved and for jobs completed in May 2014 was as shown below:
- 100% of Priority 1 jobs completed in time (↑ 17.05% on March 2013)
 - 99.54% of Priority 2 jobs completed in time (↑ 7.77% on March 2013)
 - 83.42% of Priority 3 jobs completed in time (↑ 14.6% on March 2013)
 - 84.31% of Priority 4 jobs completed in time (↑ 15.5% on March 2013)
- 4.10 In this instance there was only one Priority 2 job that failed target which was a plumbing job that was completed in 13 days.
- 4.11 Since the restructure has been put in place, all posts have now been recruited to and the focus is now improving performance on the Priority 3 and 4 jobs as the required resources are in place.
- 4.12 Customer satisfaction levels are also monitored by the review of completed questionnaires following the completion of work. This has remained high (in the upper quartile) and is currently being reported at 91.54% which is above the target of 90%. We are now also able to analyse customer satisfaction by trades. This helps identify potential issues and is also shared with the engineers as a motivation tool.
- 4.13 All of the above is delivered with an In-House Service Delivery Team of 24 engineers (including two Working Supervisors).

5 COSTS OF THE SERVICE

- 5.1 Each individual job raised has a cost attached from an agreed Schedule of Rates (SOR). When the service was brought back in-house, a 20% uplift was applied to the bespoke SOR which had last been used in 2003 by contractors N & L and Quadron who each undertook one area of the Borough. The 20% uplift was calculated as the approximate inflation level that should be applied and took effect in 2011. The Business Case for returning the service in-house was focused on costs and not cost recovery and therefore did not consider the impact the SOR could have on the in-house contractor trading account.
- 5.2 Since the service was brought in-house, there was an assumption of a break even position on the trading account, however in practice it was running at a deficit. Whilst the Housing Repairs Account overall was still generating a "profit", we needed to understand if the charging mechanism in place with the SOR would explain the deficit. As part of the Action Plan, a review of the SOR was undertaken by the Chartered Institute of Housing.
- 5.3 The Chartered Institute of Housing (CIH) were commissioned to complete a review of the SOR with a focus on two key areas:
- An assessment of the value for money of the SOR and how it compared to other providers across all housing sectors

- Guidance on whether the SOR enables the Council to recoup costs including support service recharges that have been applied for the first time

5.4 In terms of high level findings, the CIH reported the following:

- The bespoke Schedule as priced was unlikely to enable the Service to generate sufficient revenue to recover the value required and needed adjustment in order to achieve this.
- The analysis of the bespoke SOR indicated that the pricing levels were well below the current market levels and well below the National Housing Federation (NHF) Schedule 6.1 base rate. The NHF Schedule is just over 30 per cent higher than the bespoke SOR. This means that if the work was priced at the base level for the NHF Schedule it would generate just over 30% more income.
- There are also a number of income and productivity monitoring measures that should be put in place to operate on a more commercial basis.

5.5 Through modelling, we have demonstrated that an increase of 32.27590% applied to the SOR would enable the Service to recoup costs and operate on a break even position. This therefore justifies an uplift of 30% in line with the NHF schedule. An uplift of 30% is therefore being applied for all work completed by the Service from 1st April 2014. Whilst it is acknowledged that there are differing rates available on the open market, the CIH report supports this approach, along with the introduction of some commercial operating measures.

5.6 The service has introduced some of the commercial indicators and we will be able to benchmark these through our Housemark membership once their reporting is available. We expect this report to be available later in the financial year. However, CIH were able to validate that the performance measures reported earlier in the report were indeed good compared to the rest of the sector.

5.7 One area we have been closely monitoring is the average void cost. Through the introduction of more controls, efficient working and reinforcing the current void standard we have been able to reduce the overall average as shown below.

Description	2012 / 2013	2013 / 2014
Average Void Cost (In-House)	£3,065.76	£2,695.16
Total Number Of In-house Void Properties	153	140

5.8 This is a difficult measure to benchmark as void standards vary significantly between organisations.

5.9 Accurate job costs are vital to the service for understanding where efficiencies can be made and in particular for measuring engineers' productivity. A contractor ICT system has been procured and implementation is due to start late August 2014. This system will allow jobs to be automatically allocated to engineers through their PDAs, thereby reducing the administration required in paper records and reduce errors. to resord time on their PDA which will

5.10 Importantly, all engineers' time (both productive and non-productive) per job will be recorded on the PDAs, as will the materials used. Together with any other costs agreed to be included, such as vehicles, will be used to determine actual job costs.

5.11 Job costs will then need to be scrutinised to identify areas for savings and any significant variance to the SOR.

6 FINANCIAL IMPLICATIONS (KP)

Revenue Budget

6.1 The Housing Repairs Account has been established as a separate account within the Housing Revenue Account through which all income and expenditure relating to revenue repairs pass through. The original 2013/2014 budget and provisional outturn for the account is outlined below, along with the budget for 2014/2015

	2013/14	2013/14	2014/15
	Original Estimate	Provisional outturn	Original estimate
	£	£	£
Administration Expenditure	744,820	572,935	714,450
Programmed Repairs	555,410	487,968	558,600
Responsive Repairs	1,058,655	941,639	1,202,655
Gross Expenditure	2,358,885	2,002,543	2,475,705
Contribution from HRA	-3,032,000	-3,031,992	-3,192,165
Interest on balances	-2,480	-1,660	0
Other income	0	-3,177	-2,010
IAS 19 adjustment	-1,750	-122	-4,030
Accumulated absences	0	-994	0
Gross income	-3,036,230	-3,037,945	-3,198,205
Operating (surplus)/deficit	-677,345	-1,035,402	-722,500
Contribution to Reserves	693,577	693,578	720,000
Carry forwards	0	100,000	0
Net (surplus)/deficit	16,232	-241,824	-2,500

6.2 The approved Housing Repairs Account budget forecast that £16,233 would be taken from the account balance in 2013/2014. The draft outturn position for the housing repairs account shows a provisional surplus of £241,824 (a net under spend against original budget of £258,056). This has principally arisen because of lower than anticipated contract costs and demand. As outlined in 5.1-6 the recent review of the SOR identified that the Council's charging structure is significantly lower than the market rate. The "bottom line" position of the Housing Repairs account should be considered in conjunction the contributions that have been made to reserves. The Housing Repairs Account has achieved an "operating surplus" in 2013/2014 of £1,035,402 and a surplus of £722,500 is budgeted for the current year. This position has allowed the Housing Repairs Account to contribute over £1.4million to the wider HRA Regeneration Reserve to fund future capital spend on Affordable Housing and housing improvement.

Capital budget

- 6.3 The Housing Repairs Account had an approved capital programme for 2013/2014 of £2,995,022. Following various virements in year, the total capital programme has achieved a small under spend of £8,868. The capital programme for 2014/2015 is detailed below. The programme going forward now includes £120,000 per annum for enhancement works for Kitchens and Bathrooms, achieve through the structuring of the HRA Investment Plan

	2014/2015
	£
Stock Condition Schemes	3,149,670
System upgrades	37,210
Adaptation for Disabled People	297,250
Enhancement works	120,000
Total	3,604,130

7 LEGAL IMPLICATIONS (EH)

There are no legal implications as the report is for noting only.

8 CORPORATE PLAN IMPLICATIONS

The Housing Repairs Service significantly contributes to the delivery of “Decent, Well Managed and Affordable Housing”

9 RISK IMPLICATIONS

It is the Council’s policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer’s opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report/decision were identified from this assessment:

Management of Significant (Net Red) Risks		
Risk Description	Mitigating Actions	Owner
Variances to Housing Repairs Account	Operational controls are in place to minimize additional expenditure. Reconciliations are taking place on a regular basis between the operational system and the financial system.	Julie Kenny

8. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

None.

9. **CORPORATE IMPLICATIONS**

By submitting this report the author has taken the following into account:-

- Community Safety Implications
- Environmental Implications
- ICT Implications
- Asset Management Implications
- Human Resources Implications

Background Papers:	None
Author:	Julie Kenny (Chief Officer (Finance, Resources & Housing Repairs))
Executive Member:	Councillor KWP Lynch Councillor M Mullaney



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Appendix 1



Hinckley & Bosworth Borough Council Housing Repairs Action Plan

Key Task	Target Date	Comments
AP1. Clear historical backlog of jobs through the Orchard System.	Ongoing	Complete
AP2. Review structure and allocation of budgets.	31/03/2013	Complete
AP3. Work in Progress (WIP) within the Orchard System is to be analysed and monitored.	31/01/13	This is now done routinely as part of the performance management and budget monitoring process. Complete

Key Task	Target Date	Comments
AP4. Map existing processes for responsive repairs.	15/03/2013	Complete
AP5. Update Service Procedures and Controls.	30/06/2013	Day to day procedures have been reviewed, updated and implemented. These procedures require prompt delivery and closure of jobs on the system based upon new procedures adopted by the engineers. The review has also identified additional policies that were required, such as Acceptable Vehicle Usage and operational requirements regarding engineers' availability. Complete
AP6. Review use of Schedule of Rates and Job Cost Data.	31/03/13	Complete
AP7. Training.	Summer 2013	Complete
AP8. Develop Procurement Plan.	31/03/13	Complete
AP9. Review Invoicing Procedures.	28/02/13	Complete
AP10. Review staffing structure.	31/03/13	Complete

Key Task	Target Date	Comments
AP11. Introduce Performance Management.	31/05/13	Performance Indicators now being monitored: <ul style="list-style-type: none"> • Customer Satisfaction • Priority 1 jobs completed within target • Priority 2 jobs completed within target • Priority 3 jobs completed within target • Priority 4 jobs completed within target These will now be reviewed and expanded to include those from CIH. Complete (but being monitored)
AP12. Review pre and post inspection regime.	30/04/13	Complete
AP13. Complete "health check" of Orchard System and data.	31/07/13	Complete
AP14. Consideration to diagnostic software.	30/06/13	Complete
AP15. Manage risk of overspend.	28/02/13	New procedures and budget monitoring arrangements are in place to address this. However, it is always being reviewed. Complete but always subject to review

Appendix 2

Date: 27 February 2014

To: Julie Kenny Chief Officer (Finance, Resources and Housing Repairs)

Cc:

From: Tim Ridout Chief Internal Auditor

Re: **Housing Repairs**

Dear Julie,

As part of the 2013/14 Internal Audit Plan, it was agreed that CW Audit would undertake an internal audit review of Housing Repairs.

Background

The operation of effective management controls in relation to Housing Repairs is important to the sound management of the finances of the Council i.e. in ensuring that the significant financial spend is used effectively and efficiently, and is also important reputationally and in terms of good service provision to tenants. Concerns in relation to the controls around ordering on the Orchard system, and spend were highlighted in 2012 and, with assistance from Internal Audit, management reviewed the service and put in place an improvement plan to address the concerns and ensure compliance with budget and expected service levels. This review aims to provide updated independent assurance on these matters.

Scope and coverage

Our engagement letter issued on 25th November 2013 set out the scope and coverage of the review. We have sought to provide assurance around the following control objectives:

- Priced, suitably authorised orders are raised (on the Orchard system) in advance of the works for each repair job

- Management have put in place sound processes to ensure payment is only made for works completed in relation to properly ordered jobs
- Management have put in place arrangements to ensure clarity in relation to job prices e.g. schedules of rates wherever possible, specific quotations in other cases
- Repair job data on the Orchard system is accurate and up to date with specific regard to job completion, costs and work carried out on each job
- Management have implemented effectively, and have processes to ensure continued implementation of, the improvement plan put in place following review of the service during 2012/13
- Arrangements to carry out repairs to void properties prior to re-let seek to obtain best value for money from such repairs, and management have assurance on this matter.

Findings

Significant progress has been made to implement the improvement plan put in place following the review of the service during 2012/13. The historical backlog of jobs with a financial impact has been cleared and new procedures introduced to ensure that jobs are completed in a prompt fashion on the system. A new methodology for budget monitoring has been developed and regular meetings between the service and the Finance Team allows for a more accurate forecast position. A Procurement Plan has been developed and a review of the Schedule of Rates has been commissioned and is due for completion by the end of January 2014.

Testing was carried out to ensure that any jobs with a zero value entered onto the system were appropriate. 17/20 were found to be appropriate, 3/20 were not due to inputter error and a potential systems error. The detailed findings can be found in appendix one.

Testing was carried out to ensure that orders were costed in accordance with schedules of rates or allocated to external contractors who had been part of past tender exercises. It was noted that glazing work had been allocated to a contractor that had not been market tested. However, it is noted that this requirement is part of the Procurement Plan for 2014 and hence no recommendation had been made.

The number of voids and the costs for voids are being closely monitored and the budget set for 2014/15 takes into consideration the increase in electrical costs as a result of the change in Regulations. Budget monitoring for 2013/14 indicates that the service should be within the budget spend allocated.

From the void monitoring spreadsheet it was noted that of the 145 voids turned around during 2013/14, only 15 of these were within the target of 28 days. The detailed findings and recommendations relating to this issue can be found in appendix one. However, the completion within targets for priority 1 and 2 jobs is improving as seen in the table below.

The following figures were obtained showing the achievement of targets:

Priority	Percentage completed within target November 2013	Percentage completed within target December 2013
1	100	100
2	87	88

Conclusion

We have raised two exceptions in relation to the above control objectives and full details of the findings, associated risks and recommendations are set out in Appendix One to this letter. The level of risk associated with the audit findings has been ranked in accordance with the definitions detailed in Appendix Two. The results of this review have been discussed with the Chief Officer (Finance, Resources and Housing Repairs). Action to resolve control weaknesses has been agreed where necessary.

In summary we are able to confirm that the Authority has implemented the improvement plan as agreed and has processes in place seeking to ensure continued implementation for those areas ongoing.

The results of this review, together with any managerial comments, have been used to draw up this finalised management letter and action plan. The final letter and action plan will be reported to the Finance, Audit and Performance Committee for information.

I trust you find this letter helpful in providing assurance on the Housing Repairs service. If you would like to discuss further please do not hesitate to contact me.

Yours sincerely

Tim Ridout
Chief Internal Auditor

Detailed findings and action plan

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1.1 Zero Valued Jobs	<p>As at the end of October, 2234 jobs were shown on the Orchard system where job cards had been raised, 861 of these did not have order values entered. As per discussions with the Housing Repairs Officer, it is appropriate that in some cases a job will be raised with a value of zero, for example if part of a major project or part of an annual contract or raised by the Call Centre. A sample of 20 job cards issued with no order value entered were selected for testing to ascertain reasons.</p> <p>It was noted that:</p> <ul style="list-style-type: none"> • 5/20 were for major projects - a responsive repairs job is raised to generate a customer satisfaction questionnaire. • 11/20 were investigatory visits for which the price would not have been known at the time. • 1/20 jobs were correctly entered but the SOR code was not picked up. • 2/20 were inputter error where call out fees and specialist day rates should have been entered onto the system. 	Inaccurate information held.	3	<p>a) Staff should be reminded that prices should be entered against jobs when call out fees and day rates apply.</p> <p>b) The potential system error where a job was correctly entered but the SOR code was not picked up should be investigated.</p>	<p>All staff have received a briefing update on procedures. This is also being checked by the Tenant Liaison & Help Desk Team Leader on a periodic basis.</p> <p>The system error has been raised with the System Admin to address.</p>	Julie Kenny	February 2014

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
2. Targets	<p>Targets are set for different types of repairs:</p> <p>Priority 1 = 24 hours Priority 2 = 7 days Priority 3 = 25 days Priority 4 = 75 days Kitchen/Voids = 21 days</p> <p>From the sample of paid invoices it was noted 6/10 had not been completed within the target times and of these 3 did not have any explanatory notes on the system giving reasons for overruns.</p> <p>From the void monitoring spreadsheet it was noted that of the 145 voids turned around during 2013/14, 15 of these were within the target of 28 days.</p> <p>We are advised that processes have recently been put in place to ensure that targets are met.</p>	Lack of audit trail.	3	<p>a) Explanatory notes should be entered onto the Orchard system giving reasons for overruns to enable performance monitoring. Targets should be altered for events occurring outside of the Team's control, for example tenant availability.</p> <p>b) Management should review targets for voids to ensure these remain realistic.</p>	<p>All staff have received a briefing update on procedures. This is also being checked by the Tenant Liaison & Help Desk Team Leader on a periodic basis and is reported to the fortnightly service management meeting.</p> <p>This is being addressed during the Service Planning Process and will be formally agreed by April 2014.</p>	<p>Julie Kenny</p> <p>Julie Kenny</p>	<p>Feb 2014</p> <p>Apr 2014</p>

Appendix 3

REPAIR PRIORITIES

When you report a repair it is placed in one of the following four categories:

- Priority 1: Emergency work
- Priority 2: Urgent work
- Priority 3: Routine repair work
- Priority 4: Planned work

Priority 1 - **Emergency work** is dealt with within 24 hours. Typical emergency jobs include:

- Blocked drains
- Blocked toilets (where there is only one toilet in the property)
- Total heating failure (involving frail or elderly residents)
- Major water leaks
- Major electrical failure

Priority 2 - **Urgent work** is dealt with within five working days. Urgent jobs include:

- Minor leaks to cisterns, WC's, baths, wash hand basins, sink units and water pipes
- Broken soil and vent pipes
- Blocked gullies
- Faulty cisterns, ball valves, washers and siphons
- Roof repairs
- Central heating breakdowns
- Electrical failures

Priority 3 - **Routine repair work** is completed within 20 working days. These jobs include:

- Cracked flues, chimney pots or firebacks
- Easing doors or windows
- Floorboards
- Plastering repairs
- Guttering repairs or renewals

Priority 4 - **Planned work** is to be completed within 13 weeks. This type of repair includes work that can be programmed:

- Replacement of internal and external doors/windows
- New kitchen units
- Major fencing projects