

BABERGH DISTRICT COUNCIL

TO: Cabinet	REPORT NUMBER: BCa/19/19
FROM: Jan Osborne - Cabinet Member for Housing	DATE OF MEETING: 10 October 2019
OFFICER: Gavin Fisk – Assistant Director Housing	KEY DECISION REF NO. CAB163

DEVELOPMENT OF A BUSINESS CASE FOR A JOINT VENTURE FOR THE FUTURE DELIVERY OF BUILDING SERVICES

1. PURPOSE OF REPORT

- 1.1 This report requests Cabinet endorsement for officers to develop a Business Case, which explores the opportunities for developing a Joint Venture between Babergh and Mid Suffolk District Councils and Flagship Group.
- 1.2 The Business Case will consider a Joint Venture that will deliver Housing Repairs, Maintenance and Planned Improvements to the Councils 6,800 Housing Revenue Account Homes.

2. OPTIONS CONSIDERED

- 2.1 A range of options have been considered before submitting this report.
- 2.2 The first option is the 'Status Quo' in which officers would continue to manage and develop the Building Service in accordance to the current Business Plan.
- 2.3 The second option is to consider alternatives to the current business model, which could include outsourcing the service or finding an alternative partner to enter into a joint venture with. However, these have been discounted because there are no immediate opportunities to develop these options.

3. RECOMMENDATIONS

- 3.1 That a business case is developed by officers which explores the opportunities a Joint Venture would create to deliver Building Services.
- 3.2 A business case, with a preferred option for the delivery of Building Services is presented to Cabinet, by early 2020, for a decision.

REASON FOR DECISION

- 3.3 The delivery of an efficient and effective, value for money building service continues to present a range of challenges. To ensure we provide the highest level of service to our tenants whilst managing costs, the development of this business case would explore the opportunities and benefits to deliver services within an alternative business model in the future.

4. KEY INFORMATION

- 4.1 Babergh and Mid Suffolk Building Services was developed following a decision in 2016 by Members. Babergh and Mid Suffolk Building Services (BMBS) began operating from April 2017 with the aim 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”*
- 4.2 Since its conception the Business Plan for BMBS has been through several iterations, with the result that members agreed a revised version in early 2018 which focuses on: *“Providing an efficient in-house repairs service for Council Housing in Babergh and Mid Suffolk which focuses on providing value for money, high quality repairs ensuring the net cost of the service is minimised”*.
- 4.3 Building Services provides day to day repairs to Council owned homes delivering approximately 12,000 repairs per year. It conducts repairs and improvements to around 700 empty homes, per year. It has a workforce of approximately 60 staff. Following the recent Management Review, the service is now responsible for the management of the Councils Housing Revenue Accounts Capital and Planned Maintenance Programme, Servicing Schedules, Mechanical and Electrical Services, and Compliance.
- 4.4 Since BMBS was created there are several national challenges which must be considered as part of developing the service both now and in the future. Residents' expectations have evolved, we all now live in a world in which it has become the norm to order goods using the internet and have them delivered the next day, which means they expect a higher level of service than we are able to offer.
- 4.5 Following the tragic events of Grenfell, the Government commissioned the Hackett Review which has now been published and makes recommendations on a future regulatory system for both new and existing buildings.
- 4.6 The Social Housing Green Paper was published in August 2018, by the Government with the expectation and likelihood of significant more regulation in the future management of housing.
- 4.7 In addition to the national challenges highlighted we locally face ongoing challenges with delivering Building Services as Councils. Financially, the Building Service has failed to meet income and expenditure targets set out in its business plan. At the end of the 2018/19, the net cost of the service was £1.6M which was in stark contrast to the £485,000 net cost forecast in the business plan. There were reasons for this additional cost including the Void project which utilised external contractors to carry out works to empty Council homes which reduced the length of time properties were empty from an average of 60+ days to an average now of 16 days.
- 4.8 During the summer of 2019, both Councils carried out a satisfaction survey of all its tenants and leaseholders. These results have highlighted the repairs service is an area of dissatisfaction amongst many tenants. We must act now and begin to improve and enhance the services we provide to prevent satisfaction from falling even further.
- 4.9 Overall satisfaction of the service the Council provides as a landlord has fallen by 6% amongst Babergh tenants and fallen 4% amongst Mid Suffolk tenants since the last survey was conducted in 2014. When our tenants consider great service, they often relate it to their home. Understandably, a good, speedy repairs service is seen as significant and the most important reason to class a service from a social housing provider as 'great'.

- 4.10 Of those tenants surveyed, in both districts they listed *'Maintaining and repairing their home'* as the most important priority to them.
- 4.11 When tenants were asked *'How satisfied are you with the overall quality of your home'* only 79% of tenants were satisfied. This is a significant reduction in satisfaction over the past 11 years, as detailed in Table 1.

Table 1 – Satisfaction of Tenants with the overall quality of their homes

Year	Babergh	Mid Suffolk
2019	79%	79%
2014	81%	80%
2008	89%	82%

- 4.12 Tenants were also asked *'How satisfied are you with the way the Councils deal with repairs and maintenance'*. The results were different for both Councils, but both showed a decline in satisfaction as detailed in Table 2.

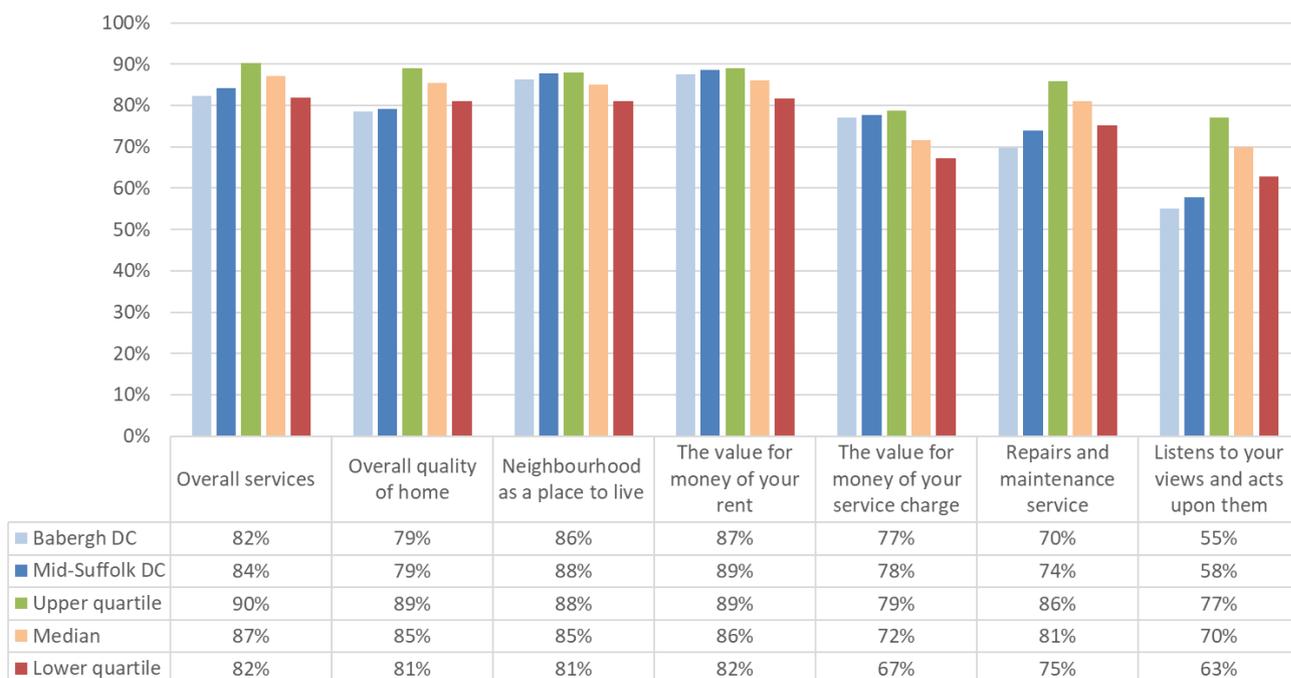
Table 2 – Satisfaction of Tenants with the way the Councils deal with repairs and maintenance.

Year	Babergh	Mid Suffolk
2019	72%	74%
2014	80%	80%
2008	90%	79%

During the past eleven years there has been a decline in satisfaction amongst Babergh tenants of 18% whilst the decline is less (5%) in Mid Suffolk. However, it should be noted that satisfaction was already lower in Mid Suffolk. Currently both Councils are scoring very similar in regards to the level of satisfaction (72-74%).

- 4.13 We know from the satisfaction survey results there are three identifiable reasons for these levels of dissatisfaction with the repairs service. Amongst all tenants the three areas of improvement most important to them are: Being able to make an appointment and being kept informed; the overall quality of the work and the lack of repairs being completed right first time.
- 4.14 Our performance can be benchmarked against fellow Housing providers, nationally by means of using data held by HouseMark. The following chart confirms that our performance is in the lowest quartile.

Benchmarking Data – Comparison with other landlords:



- 4.15 So far, the report has evidenced the challenges faced by delivering a repairs service in house and the opinions of those currently receiving the service. This forms the evidence base as to why its appropriate and necessary to consider alternatives to the current provision.
- 4.16 A Joint Venture (JV) would have significant benefits for which will be explored and evidenced in a future business case, if members agree.
- 4.17 The benefits of a JV include the investment of knowledge, time, expertise, finance and experience. It will also be a compliant procurement solution. All of these will support the delivery of an exceptional repairs service which will be delivered at pace. The proposed JV with Flagship Group will lead to Economies of Scale which in turn will lead to savings of time and money and less risk.
- 4.18 A JV will provide Members with greater control of the service and retains ownership in comparison to other options such as Outsourcing.
- 4.19 A high level options appraisal (See Table 3) has considered the alternative options available to the Councils, before a decision was made to develop a Business case in relation to a JV with Flagship Group.

4.20 Table 3 – High Level Options Appraisal

	Option 1 Continuation of Current Service	Option 2 Outsource	Option 3 Joint Venture – Flagship (Preferred Option)	Option 4 JV Public Partner
Financial Return	Low	Low	Medium/High	Medium/High
Financial Exposure	High	High	Medium/Low	Medium
Control of Service	Total Control	Minimal Control	Shared Control	Shared Control
Quality of Service	Satisfactory	Unknown	High	Unknown
Risk	High	High	Low	Unknown
Speed of Delivery and Development of service provision	Slow	Medium	Fast	Slow
Scope for development of other services e.g. Housing Development	Low	Low	High	Unknown

- 4.21 Flagship Group were chosen as our preferred partner to develop a business case with for a number of separate reasons. They own and manage over 28,000 homes, have a turnover of £160m and employ over 1,045 people. They are well managed, financially strong and proud to have achieved an A2 Moody's (credit worthiness) rating. They have achieved the rating of G1 for Governance and V1 for Viability – the highest ratings a Registered Housing Provider can achieve.
- 4.22 RFT Services are facilities, maintenance and repairs specialists with a growing offering of cleaning and grounds maintenance – working with housing associations, local authorities and businesses across the East of England. They work with organisations to build services that can really bring benefits. By doing things right, delivering an outstanding customer service experience and adding value to each contract.
- 4.23 RFT employ highly skilled Trade Operatives across Norfolk, Suffolk, Cambridgeshire and Essex, and have best in class supply chain solutions with a number of national, regional and local partners.
- 4.24 Flagship Group are well known to Babergh and Mid Suffolk District Councils having previously provided their services by undertaking Void work to our own homes.
- 4.25 Blueflame, for whom we have a long-standing servicing, heating and electrical contract with, were purchased by the Flagship Group in early 2018. Development of the Business case will consider the opportunities to include Blueflame within the Joint Venture.

4.26 Assuming Members of the Cabinet agree to officers developing a business case in relation to a Joint Venture with Flagship Group to deliver Repairs and Maintenance services, an indicative timeline has been drafted which is shown in Table 4.

4.27 **Table 4 – Proposed Timeline to develop a Business Case**

Date	Action
Oct 2019	A report will be presented to Babergh and Mid Suffolk's Cabinets to consider the proposed development of the Business Case with Flagship Group
Oct 2019 – Feb 2020	Flagship will support the service and develop a draft Business Case with officers from Babergh and Mid Suffolk
Mar 2020	Business Case will be presented to Babergh and Mid Suffolk's Cabinets for consideration / approval
March – Aug 2020	If approved, work will begin to transfer services into the Joint Venture, which could commence as early as the Summer 2020

4.28 We will transfer work in a phased way testing as we go. This will minimise disruption to customers and ensure that we have adequate resource to implement.

5 LINKS TO JOINT STRATEGIC PLAN

5.1 This report and its aims are linked closely to our Housing Vision which is set out in our Homes and Housing Strategy. Our Vision is for residents to live in affordable and high-quality homes that enable them to build settled, safe, and healthy lives, within sustainable and thriving communities.

5.2 Success of BMBS has been a strategic priority for the Councils since its inception and as a result its progress has regularly been reviewed by Overview and Scrutiny and Cabinets.

6 FINANCIAL IMPLICATIONS

6.1 The financial implications of a Joint Venture will be determined by developing the business case during the next few months. Existing resource from within Babergh and Mid Suffolk will be utilised to develop the business case. Flagship Group will be investing considerable resource and expertise in developing the business case in partnership with our Councils.

6.2 It has been agreed that subject to the Business Case being developed and agreed by members in the future, these costs will be absorbed by Flagship Group. It should be noted that if members chose not to agree any future business case, Babergh and Mid Suffolk will incur Flagship Group costs.

7 LEGAL IMPLICATIONS

- 7.1 There are no legal implications to developing the Business Case. The Business Case itself will explore the legal implications of establishing any Joint Venture, maintaining the relationship and the implications of the Joint Venture coming to an end through the choice of one or other partner.
- 7.2 The legal implications associated with a Joint Venture including how it will be created and developed as a legal entity will be presented to members as part of any future business case.

8 RISK MANAGEMENT

- 8.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No. 4(d) **We may fail to deliver the financial projection set out within the BMBS Business Plan**. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Providing a narrative which is acceptable to staff, and does not cause alarm or distress	Unlikely (2)	Bad (3)	Staff workshop ahead of this cabinet report being published. Regular verbal and written updates. Regular updates to Unite and Unison Trade Unions Sharing of evidence base including STAR survey results.
Potential higher turnover of staff – in the short term	Unlikely (2)	Noticeable (2)	Staff will be informed throughout. Vacancies will be managed in the same way as they are now.
Maintaining current performance (as a minimum) whilst a business case is developed	Unlikely (2)	Noticeable (2)	An action plan is already in place
Business case may evidence additional investment, is required, beyond current budget and financial planning	Unlikely (2)	Bad (3)	The development of the Business Plan will evidence why additional investment is required and provide explanation as to the benefits of any additional investment.

Risk Description	Likelihood	Impact	Mitigation Measures
			The Business case will identify the financial cost/savings to the organisations over the life span of the JV and not just initial implementation phase.
Financial business case may be unable to justify 'Management Costs' to both General Fund and to any third-party providers e.g. HR, IT, Finance etc	Highly Probable (4)	Bad (3)	The development of the Business Case will consider the most efficient way of providing 'Management Costs'. Which is most cost effective to the Councils.
Gaining the support of tenants	Unlikely (2)	Noticeable (2)	Tenants will be updated regularly throughout the process and this includes working with the Tenant Board. There is an evidence base based on the results of the STAR survey as to why we need to find solutions to tenants' dissatisfaction of the repairs service
Gaining the support of tenants	Unlikely (2)	Noticeable (2)	
Development of a plan to manage the business beyond a business case, if decision making doesn't pursue a Joint Venture	Unlikely (2)	Noticeable (2)	An action plan is in place to continue to develop the service with or without the introduction of a JV. An experienced interim manager has been employed initially for six months to support the Building Service and to develop the service on an ongoing basis

9 CONSULTATIONS

9.1 At the time of writing this report no consultation has yet taken place. However, a workshop with all staff, that may be affected by any future Joint Venture is taking place on Tuesday 24th September 2019. This includes sharing with staff a presentation, conducting a workshop on how staff feel and providing them with written information titled a 'Frequently Asked Questions' which accompanies this report.

10 EQUALITY ANALYSIS

10.1 An Equality Impact Assessment (EIA) is not required at this stage but an EIA will accompany the business case.

11 ENVIRONMENTAL IMPLICATIONS

11.1 There are no Environmental implications related to production of this report.

12 APPENDICES

Title	Location
(a) Frequently Asked Questions – For Building Services Staff	Attached

13 BACKGROUND DOCUMENTS

13.1 None