

BABERGH DISTRICT COUNCIL

TO: Cabinet	REPORT NUMBER: BCa/23/23
FROM: Cllr Jessie Carter – Cabinet Member for Housing	DATE OF MEETING: 7th November 2023
OFFICER: Deborah Fenton – Director of Housing	KEY DECISION REF NO. CAB463

Building Services Transformation

This item is being presented to Cabinet under the General Exception Rules for Key Decisions in accordance with Part 3 Section 17 of the Constitution.

Publication in accordance with Regulation 9 was impracticable in this case due to the necessity to urgently release resources to improve the quality of tenants' homes by:

- expediting completion of outstanding repair work, made more pressing by winter approaching; and
- enabling the next phase of the Building Services Transformation and Improvement Programme to progress quickly, including the commissioning of new systems, contracts and additional staff capacity, all of which have significant lead in times.

1. PURPOSE OF REPORT

- 1.1 To seek approval to release funding from reserves, in excess of officer delegation thresholds, to enable delivery of the next phase of the Building Services Transformation and Improvement Programme and expedite the completion of outstanding repair work to tenants' homes.

2. OPTIONS CONSIDERED

- 2.1 *Request the draw down of the additional resources from reserves now* – This option is recommended because it will expedite improvement to tenants' homes by enabling outstanding repair work to be completed quickly and avoid further deterioration before or during the winter. In addition, this option will speed up the implementation of fundamental changes that will lead to long term, sustainable improvements to service provision; most specifically commissioning of a new job management system, and a restructure of the Direct Labour Organisation, including recruitment of additional staff. By their nature, these processes take several months to complete and by starting now these can be completed within this financial year.
- 2.2 *Delay the request for release of the required resources until February 2024, when the HRA budget for 2024/25 is agreed* – This option is not recommended because it would slow down improvements to the quality of tenants' homes by taking significantly longer to clear outstanding repairs, while also risking greater deterioration of the Council's housing assets. A delay in the release of resources to deliver long term change would mean losing several months of lead in time required for commissioning of contracts and staff recruitment; in turn this would delay positive impacts for tenants and their homes.
- 2.3 *Do nothing* - This option is not recommended because it would not help to clear the backlog of outstanding repairs to tenants' homes. In addition, the more fundamental, long term

transformational improvements to service provision referred to above could not be taken forward because these also require additional resource.

<p>3. RECOMMENDATIONS</p> <p>That <u>Babergh Cabinet</u> agrees to the release of £943k from reserves to expedite the completion of outstanding repairs and enable delivery of the next phase of the Building Services Transformation and Improvement Programmes.</p> <p>That <u>Mid Suffolk Cabinet</u> agrees to the release of £672k from reserves to expedite the completion of outstanding repairs and enable delivery of the next phase of the Building Services Transformation and Improvement Programmes.</p>
<p>REASON FOR DECISION</p> <p>Cabinet approval is required to release this level of resource from reserves.</p>

4. BACKGROUND

4.1 The Wider Building Services Transformation and Improvement Programme

Building Services is located within the Housing Service and covers the management of the Council's social housing assets, including our homes, garages and open spaces. A Transformation and Improvement Programme is in place to ensure that the Council meets its aspiration to provide safe, warm, dry homes for all its tenants and that responds to the recent and planned new national regulation and housing standards.

4.2 The Transformation Programme is supported by a senior officer board and a Transformation Team led by an independent external housing specialist, who will remain with the councils until March 2024.

4.3 The Building Services Transformation Programme has been focussing on three key areas of improvement so far, including health and safety compliance, asset management and the performance of the Direct Labour Organisation, which focuses on reactive and planned maintenance. A summary of the progress to date is included in Appendix A.

4.4 Compliance was deliberately prioritised as the first phase of the Transformation Programme to ensure that the Council's homes comply with the latest safety regulations; and the significant progress in this area is regularly reported to Cabinet.

4.5 Regarding asset management, an external organisation has been commissioned to carry out enhanced stock condition surveys of our properties. This will allow the development of a more robust asset register and an Asset Strategy, enabling more evidence-based future decisions. An officer restructure is also underway to ensure that the Councils have the necessary officer skills and capacity to support this work in the future.

The Direct Labour Organisation

4.6 The primary focus of this Cabinet report is the transformation of the Direct Labour Organisation, and it is this part of the Building Services Programme that requires the most significant change and investment to deliver quality homes for Council tenants in the most effective and efficient way.

The Key Areas of Focus for Improvement

- 4.7 The Transformation Team has carried out an in-depth assessment of the key areas that are most fundamental to the achievement of long-term sustainable improvement are:
- Data quality
 - Systems
 - Management and officer capacity and skills
 - Contract management
 - Productivity
 - Increased staffing capacity with the right skills and experience
 - Tenant communication, engagement and involvement
 - Governance
- 4.8 The recommended investment in the Transformation and Improvement Programme is designed to address all the elements above. This will speed up the completion of repairs, improve void times, shift to more planned repairs (rather than reactive repairs) and increase tenant satisfaction. In addition to the purchase of a new job management system, Building Services will be restructured to include a Business & Customer Service Team, a Repairs and Maintenance Team and a Voids Team. The key difference over and above the original staffing arrangements is that there will be an increase in capacity, in addition, the staff will have specific technical knowledge enabling them to “get it right first time”. Also, the increase in customer service around complaints within the team will help to expedite matters promptly. As the data is of key importance it is proposed to recruit housing data specialists.
- 4.9 Housemark (www.housemark.co.uk) will be engaged to benchmark and track improvement with comparable Direct Labour Organisations across the housing sector. This is in addition to the Tenant Satisfaction Measures, which are informed by a quarterly survey of tenants.

Catching up with the backlog of repairs

- 4.10 There is an immediate need to clear a backlog of repair jobs. For a significant period, during the Covid pandemic, only emergency or high-risk repairs were carried out. This greatly increased the number of outstanding repairs and in some cases also increased the extent of the work subsequently required. A disproportionate amount of reactive maintenance compared to planned maintenance also contributed to the heightened number of outstanding repairs. While significant progress has been made in reducing outstanding work, without additional external support it will take too long to carry out the required repairs to our tenants’ properties. It is unfair that tenants should have a further extended wait and further delay in carrying out these repairs. The recommended release of reserves will fund external resources to complete approximately 2000 repairs.

Finance

2023/24 Financial Position

- 4.11 The following table shows the budget position for Q1 and Q2 with the additional spend from reserves requested in the recommendation.
- 4.12 Babergh District Council – The 2023/24 budget approved in February 2023 assumed use of reserves of £602k. The revised forecast at Q2, including transformation costs of £179k and

catchup repairs of £375k brings the **total amount to be funded from reserves to £1,545k, an increase of £943k**. This will result in a **balance left in reserves at the end of 2023/24 of £14,663k**.

- 4.13 Mid Suffolk District Council – The 2023/24 budget approved in February 2023 assumed use of reserves of £816k. The revised forecast at Q2, including transformation costs of £165k and catchup repairs of £375k brings the **total amount to be funded from reserves to £1,488k, an increase of £672k**. This will result in a **balance left in reserves at the end of 2023/24 of £4,761k**.

Setting an accurate budget for Building Services during annual budget setting in February 2023 was particularly challenging because data cleansing and a re-assessment of outstanding jobs was still ongoing, and this was required to fully understand the requirements for resources and contracts.

Babergh District Council 2023/2024 Q2 Monitoring							
	Prior Year Outturn	Budget	Q1 Forecast	Q2 Forecast 2023/24	Variance (favourable) / adverse	Variance to Q1	% variance
	£'000	£'000	£'000	£'000	£'000	£'000	
Dwelling Rents	(17,489)	(18,740)	(18,807)	(18,761)	(21)	46	0%
Service Charges	(568)	(607)	(639)	(645)	(38)	(6)	6%
Non Dwelling Income	(211)	(238)	(224)	(225)	13	(1)	-6%
Other Income	(58)	(67)	(66)	(53)	14	13	-21%
Interest Received	(203)	(10)	(10)	(10)	-	-	
Total Income	(18,529)	(19,662)	(19,746)	(19,693)	(31)	53	0%
Housing Management (includes Tenancy Services, Housing Solutions and Corporate Resources)	3,954	5,158	5,196	4,944	(214)	(252)	-4%
Building Services	4,013	4,999	5,323	6,058	1,059	735	21%
Repairs and Maintenance (all areas except Trades Team)	1,220	1,030	1,057	1,160	130	103	13%
Depreciation	4,830	4,817	4,817	4,817	-	-	0%
Interest payable	2,795	3,068	3,068	3,068	-	-	0%
Revenue Contribution to Capital	2,633	1,092	1,092	1,092	-	-	0%
Bad Debt Provision	87	100	100	100	-	-	0%
Total Expenditure	19,533	20,264	20,653	21,239	975	586	5%
Deficit / (Surplus) for Year	1,004	602	907	1,545	944	639	
Strategic Reserves	(15,093)	(14,491)	(14,186)	(13,547)			
Other Earmarked Reserves	(116)	(116)	(116)	(116)			
Housing Fund Working Balance	(1,000)	(1,000)	(1,000)	(1,000)			
HRA Reserves at year end	(16,209)	(15,607)	(15,302)	(14,663)			

Mid Suffolk District Council 2022/2023 Q2 Monitoring							
	Prior Year Outturn	Budget	Q1 Forecast	Q2 Forecast 2023/24	Variance (favourable) / adverse	Variance to Q1	% variance
	£'000	£'000	£'000	£'000	£'000	£'000	
Dwelling Rents	(15,178)	(16,245)	(16,524)	(16,512)	(267)	12	2%
Service Charges	(643)	(708)	(750)	(764)	(55)	(13)	8%
Non Dwelling Income	(362)	(396)	(410)	(407)	(11)	3	3%
Other Income	(31)	(51)	(52)	(43)	7	9	-15%
Total Income	(16,215)	(17,400)	(17,736)	(17,726)	(326)	11	2%
Housing Management (includes Tenancy Services, Housing Solutions and Corporate Resources)	3,595	5,137	5,181	4,798	(339)	(383)	-7%
Building Services	4,100	4,897	5,194	6,032	1,135	838	23%
Repairs and Maintenance (all areas except Trades Team)	708	765	765	966	202	201	26%
Depreciation	4,622	4,617	4,617	4,617	-	-	0%
Interest payable	2,790	2,700	2,700	2,700	-	-	0%
Revenue Contribution to Capital	1,058	-	-	-	-	-	-
Bad Debt Provision	48	100	100	100	-	-	0%
Total Expenditure	16,921	18,216	18,557	19,213	998	656	5%
Deficit / (Surplus) for Year	706	816	821	1,488	672	667	
Strategic Reserves	(4,994)	(4,178)	(4,173)	(3,506)			
Other Earmarked Reserves	(46)	(46)	(46)	(46)			
Housing Fund Working Balance	(1,209)	(1,209)	(1,209)	(1,209)			
HRA Reserves at year end	(6,286)	(5,433)	(5,428)	(4,761)			

2024/25 HRA Budget Impact

Babergh

Mid Suffolk

	Salary	NI	Pension	Salary	NI	Pension	total
2024/25 Budget	£ 1,700,645.50	£ 178,457.74	£ 431,580.32	£ 1,569,826.62	£ 164,730.22	£ 398,381.83	£ 4,443,622.22
2023/24 Budget	£ 948,599.00	£ 89,907.00	£ 238,026.00	£ 875,405.00	£ 82,965.00	£ 219,658.00	£ 2,454,560.00
Increase in Budgets	£ 752,046.50	£ 88,550.74	£ 193,554.32	£ 694,421.62	£ 81,765.22	£ 178,723.83	£ 1,989,062.22

4.14 The increase in **2024/25** HRA salary budget for Babergh would be **£1,034k**.

4.15 The increase in **2024/25** HRA salary budget for Mid Suffolk would be **£954k**.

This includes an additional £444K, which is required to begin the next phase of transformation from November 2023; without this, the DLO will continue to be unable to keep up with the level of repairs and start to improve the offer to customers.

5. RISK MANAGEMENT

5.1 Key risks are set out below:

Risk Register	Risk Description	Likelihood	Impact	Mitigation Measures
Significant Risk Register SRR004MSDC	MSDC may be unable to react in a timely and effective way to financial demands.	2	3	Monitoring and reporting of financial forecast. Capital reserves. SLT position review workshops. Cabinet briefings to review position and budget options. Budget approval. Internal and external audits.
Significant Risk Register SRR004BDC	BDC may be unable to react in a timely and effective way to financial demands.	3	3	Monitoring and reporting of financial forecast. Capital reserves. SLT position review workshops. Cabinet briefings to review position and budget options. Budget approval. Internal and external audits.
Significant Risk Register SRR022	The Councils may fail to recruit and retain employees	3	3	Review of pay and reward. Review or learning and development budget. Utilisation of agencies and fixed term contracts. Provision of recruitment support from HR. Wellbeing provision and education. ED&I champions.
Significant Risk Register SRR005	The Councils may suffer a perception of untrustworthiness and poor reputation	3	2	Optimisation of governance systems and processes. Member Development Programme. Leadership and Management Development Programme. Development of communications and engagement strategy. Dedicated officer liaison links for Parish and Town Councils. Update staff on outcomes framework. Improved communication between teams. Annual Resident survey. Engagement with residents for Corporate Plan refresh.
Significant Risk Register SRR008MSDC	MSDC may fail to be financially stable	2	4	Sharing of integrated workforce with Babergh. Single efficient office space with remote working strategy. Joint strategic plan Joint medium term financial strategy. Shared outcomes. Joint performance and risk monitoring. Shared policies and procedures. Joint Cabinet briefings, audit and standards, overview and scrutiny.
Significant Risk Register SRR008BDC	BDC may fail to be financially stable	2	4	Sharing of integrated workforce with Mid Suffolk. Single efficient office space with remote working strategy. Joint strategic plan Joint medium term financial strategy. Shared outcomes. Joint performance and risk monitoring. Shared policies and procedures. Joint Cabinet briefings, audit and standards, overview and scrutiny.
Significant Risk Register SRR023	The Councils building services provision may not	3	3	Governance framework in place including SLT and members. Short term contracts provisioned to

	meet regulatory standards			ensure compliant position. Action plan for all consumer standards building safety bill, FSO contract renewal to understand those that require re-procurement. Renewal or extension of contracts where required. BAU issues relating to compliance or service delivery managed on a case by case basis pending diagnostic reports. Revision of building services business strategy. Improvement of contract management and contract specifications. Building services transformation programme with diagnostic exercise. Referral to the Regulator with action plan and close regulation regime in place.
Building Services Risk Register ORR003	BMSDC will be non-compliant to home standards	3	3	Interim specialist staff recruited to support permanent staff to deliver BAU. Interim team structure in place to provide clarity on roles and responsibilities in each compliance area. Investigate purchasing a new IT system solution for better scheduling/recording and sharing of information when carrying out repairs both minor and major which affect planned programme and compliance.
Building Services Risk Register ORR004	Tenants may not be safe in their homes	2	2	Interim specialist staff recruited to support permanent staff to deliver BAU. Interim team structure in place to provide clarity on roles and responsibilities in each compliance area. Improvement to in-house repairs service to ensure repairs are completed in a timely fashion. Use of sub-contractors for High Risk repair jobs and to completed agreed WiP.
Building Services Risk Register ORR005	BMSDC may be in breach of the Social Housing Regulations	2	2	Governance structure in place. Fortnightly updates to Housing Portfolio Holders and Leaders. Regular updates to the Cabinets in informal sessions. Briefings for any Political Groups who request one. Ongoing work with the regulator.

6. CONSULTATIONS

- 6.1 All relevant employees will be consulted as part of the restructure of the Direct Labour Organisation.

7. EQUALITY ANALYSIS

- 7.1 No equalities impacts have been identified at this stage. The relevant equalities impact assessments will be carried out as part of the Direct Labour Organisation restructure and as part of the commissioning processes for contracts referred to earlier in this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1 No environmental implications have been identified at this stage but will be considered as part of the detailed transformation of the Direct Labour Organisation, for example, in relation to areas such as job allocation and sourcing of job materials. Also, distance travelled to pick up materials.

9. APPENDICES

9.1 Appendix A – Summary of progress to date

10. BACKGROUND DOCUMENTS

10.1 None