

# RIDGE

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PROPERTY & CONSTRUCTION CONSULTANTS



## REPAIRS AND MAINTENANCE OPTIONS REPORT

*Draft for Discussion*

February 2017

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## 1. EXECUTIVE SUMMARY

Ridge and Partners LLP (Ridge) has been commissioned by the London Borough of Enfield to undertake an Options Appraisal of delivery models for its reactive maintenance and void works.

In summary the London Borough of Enfield required specialist support in connection with the following elements:

- Indicative investment required for the establishment of an in house service to carry out Responsive Repairs and Voids bearing in mind the Council has no in house capability at all at this stage for this service. This needs to be in very broad terms;
- Some indication as to how these costs change as a result of moving to Joint Venture's or a mixed economy of the Provider;
- The likely timescale for establishing an in house service from the current standing start;
- Indicative costs of re-procurement of the Repairs contracts along fairly traditional lines using external contractors;
- Options for providing a regularised position for voids in the short-term; and
- General support in the preparation of the report.

Ridge undertook a four stage approach to this Option Appraisal comprising:

- a) A brief review of existing London Borough of Enfield documentation in relation to the existing service;
- b) Preparation of high level costs for the most appropriate service delivery models;
- c) Consideration of approximate timescales for the implementation of the most appropriate service delivery models; and
- d) Preparation of this report to set out all the options and associated costs together with risks to the London Borough of Enfield.

Ridge has been provided with outturn costs for 2015/16 and year to date figures for 2016/17 (as at February 2017) which are summarised in the table below:

Summary Outturn Costs	2015/16	2016/17 (part)	Ridge Benchmark
Responsive repairs (New, old and non term)	£2,296,659	£1,908,647	
Planned repairs (indicative turnover)	£1,414,468	£1,414,468	
Voids (New, old and non term)	£1,667,043	£1,893,449	
	£5,378,170	£5,216,564	
<b>Costs per Unit</b>			
Responsive	£343.40	£307.50	£360 to £380
Voids	£154.26	£175.21	£150 to £170
Combined	£497.66	£482.70	£510 to 550

The figures above exclude mechanical and electrical related repairs and other specialist works such as asbestos and cyclical maintenance. We have added the indicative turnover figures for planned repairs to provide a more realistic assessment of the quantum of responsive repairs however understand that these works have not been completed due to the lack of the responsive contractor's resources.

In overall terms the 2015/16 outturn costs compare relatively well with our own expected benchmarks however consideration needs to be given to the level of back log repairs and other associated works that have not been completed within that year. In addition the outturn costs do not include the London Borough of Enfield's own on costs such as management, supervision, office overheads etc. which would increase the overall cost of the service and result in significantly higher costs per unit.

Having reviewed the current contract Ridge then considered a number of delivery models for the service. Our report considers the following options in detail together with associated costs:

- 5.1 Outsourced i.e. traditional procurement of a new contract(s);
- 5.2 In House Direct Labour Organisation; and
- 5.3 A Managed Service Direct Labour Organisation.

Within our report we have provided a brief description, advantages, disadvantages and risks to the London Borough of Enfield for each of the first three options.

There are also a number of other models that could be considered however these generally require a higher level of turnover of repairs and voids works to justify the set-up and associated operational costs, which can be significant. Following the discussion with the London Borough of Enfield we agreed that the Wholly Owned Subsidiary, Joint Venture and Cost Sharing Vehicle options would not be considered in detail as these are not deemed appropriate at this stage. These options may however be considered longer term and mechanisms exist to migrate from options 5.1 to 5.3 above into these alternatives.

This report therefore considers the principles of these other models but does not contain details of associated costs. The longer term options considered are:

- 5.4 Wholly Owned Subsidiary;
- 5.5 Cost Sharing Vehicle; and
- 5.6 Joint Venture.

A summary of the estimated costs are shown in the table below. Detailed costings are provided within the main report.

Summary Costs	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>DLO - All Services In-House</b>	£1,196,000	£7,543,000	£7,528,000	£7,513,000	£7,508,000	£7,508,000	<b>£38,796,000</b>
Cost Per Property Per Annum		£698	£697	£695	£695	£695	
<b>DLO - PSC Managed Service</b>	£625,000	£7,283,000	£7,273,000	£7,253,000	£7,253,000	£7,253,000	<b>£36,940,000</b>
Cost Per Property Per Annum		£674	£673	£671	£671	£671	
<b>Outsourced contract</b>	£80,000	£7,610,000	£7,610,000	£7,610,000	£7,610,000	£7,610,000	<b>£38,130,000</b>
Cost Per Property Per Annum		£704	£704	£704	£704	£704	

As can be seen from the table above the relative total costs of each option range between £36.9m and £38.8m with the Direct Labour Organisation Managed Service contract providing the lowest indicative cost in overall terms. There are however a number of advantages, disadvantages and risks associated with each option and the London Borough of Enfield should consider these in tandem with the cost estimates. These are set out within each section relating to each model. In respect of the Direct Labour Organisation models, the managed option also provides a significantly reduced Year 0 set up investment. This is partly due to the significantly reduced investment in IT that maybe avoided if using a private sector contractors system.

### Timetable

For a new outsourced contract we would anticipate that due to the mandatory timescales required under OJEU and the need to review the specification for the service this process may be completed within 12 to 18 months. The implementation of an in-house Direct Labour Organisation is not a straight forward undertaking could be achieved within 18 months but could take longer dependant on the London Borough of Enfield's ambition for integrated Information Technology infrastructure requirements.

For a managed direct labour organisation the London Borough of Enfield could take advantage of contractors that can mobilise within a matter of weeks in emergency situations, however, as a guide and considering that an OJEU notice will be required for the management services, it would be prudent to allow a period of at least six months for set up.

### Next Steps

Having determined the models for more detailed review, Ridge has identified a number of steps that the London Borough of Enfield will now need to consider:

- Presentation and discussion with the London Borough of Enfield senior management;
- Engage legal and financial advice relating to the shortlisted options;
- Undertake soft market testing and dialogue with potential Private Sector Contractors;
- Assess the in-house client side functions and undertake gap analysis to determine if further support/resources are required;
- Obtain more detailed costings from stakeholders, private sector contractor's, suppliers etc. for each model;
- Consider the menu of options available from private sector contractor's to reduce risk and set up costs;
- Undertake detailed risk analysis and mitigation methods;
- Develop a programme plan for implementation with detailed analysis of workstreams and likely roles, responsibilities and inter-dependencies e.g. finance, procurement, private sector contractor, consultants, residents etc.; and
- Review and validate against the London Borough of Enfield 30 year business plan.

## 2. INTRODUCTION AND BRIEF

Ridge and Partners LLP (Ridge) has been commissioned by the London Borough of Enfield to undertake an Options Appraisal of delivery models for its reactive maintenance and void works.

This report responds to the requirements of the London Borough of Enfield as set out within its Invitation to Quote document entitled “Strategic Repairs and Maintenance Advice Direct Call-off from Fusion 21 Framework” issued via email on 6 February 2017 by Due North Limited. A copy of the Invitation to Quote is included at Appendix A. In summary the London Borough of Enfield required specialist support in connection with the following elements:

- Indicative investment required for the establishment of an in house service to carry out Responsive Repairs and Voids bearing in mind the Council has no in house capability at all at this stage for this service. This needs to be in very broad terms;
- Some indication as to how these costs change as a result of moving to Joint Venture’s or a mixed economy of the Provider;
- The likely timescale for establishing an in house service from the current standing start;
- Indicative costs of re-procurement of the Repairs contracts along fairly traditional lines using external contractors;
- Options for providing a regularised position for voids in the short-term; and
- General support in the preparation of the report.

At present the responsive repairs and voids works are provided by MCP Property Services Limited and MNM Property Services Limited, external small medium enterprise contractors appointed through a JCT Measured Term Contract expiring in April 2020.

It should be noted that additional consultancy support may be required by the London Borough of Enfield depending on which delivery model is adopted in relation to specialist legal and accountancy matters.

### 3. OUR APPROACH

Ridge undertook a three stage approach to this Option Appraisal comprising:

- a) A brief review of existing London Borough of Enfield documentation in relation to the existing service;
- b) Preparation of high level costs for the most appropriate service delivery models;
- c) Consideration of approximate timescales for the implementation of the most appropriate service delivery models; and
- d) Preparation of this report to set out all the options and associated costs together with risks to the London Borough of Enfield.

We have set out below the documentation that the London Borough of Enfield has provided to Ridge. This has been analysed and considered by Ridge in the formulation of this report.

- Voids Briefing Paper – Appendix 2;
- Tender Book Pricing Summary;
- Stock Listing at February 2017
- Repairs Categorisations and Right to Repair rates LB Enfield;
- Indication of Possible Annual Turnover 2014;
- Existing SAP structure (as at March 2015);
- LB of Enfield – Priority Codes;
- Letting Standard June 2008;
- Options and costs November 2016 for Direct Labour Organisation IT systems;
- Staffing Costs; and
- Outturn costs for responsive and voids 2015/16 and part year 2016/17.

#### 4. REVIEW OF THE CURRENT SERVICE

Ridge has reviewed a number of documents as detailed in Section 3 relating to the current contractual arrangements and performance of the service providers. In summary the original contract arrangements in respect of responsive and void works comprise:

- Contract – JCT Measured Term Contract;
- Commencement – 1 May 2015;
- Term – 5 years with an option to extend to annually for a further 5 years;
- Contractors – MNM Property Services Ltd and MCP Property Services Ltd;
- Schedule of Rates – National Housing Federation V.6 and the London Borough of Enfield bespoke composite rates. Deductions set out in the table below;

	MCP	MNM
	% Addition/ Deductions	% Addition/ Deductions
Council Composite Schedule of Rates – Day to Day Responsive Repairs	-2.00%	5.00%
Fixed Price Per Job of £70 – Day to Day Responsive Repairs to Dwelling Internals Only	-25.71%	-5.00%
National Housing Federation Schedule of Rates – Day to Day Responsive Repairs	-5.00%	-13.00%
Fixed Price Per Job of £70 – Day to Day Responsive Repairs to Dwellings Internals Only	-25.71%	-5.00%
National Housing Federation Schedule of Rates – Planned Repairs and Cyclical Maintenance Works	-3.00%	-20.00%
National Housing Federation Schedule of Rates – Void Property Works	-9.00%	-18.00%

There are nine priorities for responsive repairs as follows:

- Priority A – 1 working day
- Priority B – 3 working days
- Priority C – 7 working days
- Priority E – 4 hours (emergency)
- Priority 6 – 20 working days
- Priority 7 – 30 working days
- Priority 3 – 60 working days
- Priority 4 – 120 working days
- Priority 1 – 10 working days

Ridge would anticipate a maximum of four priorities with many modern day contracts having less than this.

A number of providers have moved away from the traditional priority codes and utilised the following options:



- Same day / next day repair service;
- A reduced number of categories e.g. voids only 3 and 10 days;
- Repair service as customer requires; and
- Average time to complete **all** repairs.

It is important that the objectives of the service are aligned to Key Performance Indicator's.

### Current Performance

The London Borough of Enfield has not provided Ridge with projected outturn costs to determine how the current contracts are performing financially.

Set out in the table below is a summary of the key performance indicators and performance data that Ridge has collated and calculated for the responsive and void services.

Summary Outturn Costs	2015/16	2016/17 (part)	Ridge Benchmark
Responsive repairs (New, old and non term)	£2,296,659	£1,908,647	
Planned repairs (indicative turnover)	£1,414,468	£1,414,468	
Voids (New, old and non term)	£1,667,043	£1,893,449	
	<b>£5,378,170</b>	<b>£5,216,564</b>	
<b>Costs per Unit</b>			
Responsive	£343.40	£307.50	£360 to £380
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Combined	<b>£497.66</b>	<b>£482.70</b>	<b>£510 to 550</b>

The figures above exclude mechanical and electrical related repairs and other specialist works such as asbestos and cyclical maintenance. We have added the indicative turnover figures for planned repairs to provide a more realistic assessment of the quantum of responsive repairs however understand that these works have not been completed due to the lack of the responsive contractor's resources.

In overall terms the 2015/16 outturn costs compare relatively well with our own expected benchmarks however consideration needs to be given to the level of back log repairs and other associated works that have not been completed within that year. In addition the outturn costs do not include the London Borough of Enfield's own on costs such as management, supervision, office overheads etc. which would increase the overall cost of the service and result in significantly higher costs per unit.

In respect of void benchmarks, care needs to be taken to ensure this is aligned to the London Borough of Enfield Void Standard which may be higher than our expectations.

Costs/key performance indicators are based on the following core data:

- Stock: 10,807 (excludes 4,836 leaseholders)
- Responsive orders: 18,878 (51 weeks) pro-rated to 19,241 per annum
- Void: 396 (6 months) pro-rated to 792 per annum

The proportions of Emergency, Urgent and Routine repairs in 2014/15 are set out in the table below:

TYPE	NUMBER	% OF ALL REPAIRS	RIDGE BENCHMARK
Emergency	3,636	19%	10%
Urgent	7,918	42%	20%
Routine	7,324	39%	70%
<b>Total</b>	<b>18,878</b>	<b>100%</b>	<b>100%</b>

As can be seen from the table above the proportions of Emergency and Urgent repairs were significantly higher than Ridge benchmarks which may still be impacting costs and reflect the improvements required in areas such as diagnosis and scheduling.

## 5. THE OPTIONS

Within this section we have identified the various delivery models which may be considered by the London Borough of Enfield for the service.

To summarise the options considered in this section are as follows:

- 5.1 Outsourced i.e. procurement of a new contract;
- 5.2 In House Direct Labour Organisation; and
- 5.3 A Managed Service Direct Labour Organisation.

There are also a number of other models that could be considered however these generally require a higher level of turnover of repairs and voids works to justify the set-up and associated operational costs, which can be significant. These options may however be considered longer term and mechanisms exist to migrate from options 5.1 to 5.3 above into these alternatives. This report therefore considers the principles of these other models but does not contain details of associated costs. The longer term options considered are:

- 5.4 Wholly Owned Subsidiary;
- 5.5 Cost Sharing Vehicle; and
- 5.6 Joint Venture.

We have set out a brief description of the commonly used delivery models in the housing sector. For the outsourced and Direct Labour Organisation options we have also included the following:

- Advantages/disadvantages to the London Borough of Enfield;
- Risks to the London Borough of Enfield;
- Costs associated with the model; and
- Ridge recommendation for further consideration.

In respect of the costs for each model we have made the following assumptions in our estimates:

- Stock number is 10,807 (excluding leaseholders);
- Responsive repairs orders per annum 19,241 (1.8 repairs per dwelling per annum);
- Void rate of 7.3% (792 voids per annum);
- Year 0 costs are for those incurred prior to a go live of 1 April 2018;
- Depot/stores costs are excluded on the basis of an expected agreement with a local supplier (e.g. Travis Perkins or similar for material purchases);
- Total number of operatives is 60, 40 responsive, 20 void;
- Allowance has been made for office overheads but will need to be confirmed with the London Borough of Enfield;
- Senior management costs (Client side) have not been included/apportioned at this stage;
- Legal and financial advisory costs have been included as provisional sums and should be confirmed directly with consultants by the London Borough of Enfield;
- Allowances have been made for support to the London Borough of Enfield through the implementation phase with the provision of consultant surveyor and program management to reflect the size and importance of this project and likely time that will need to be dedicated to it prior to go live in April 2018;
- Costs have been included to reflect the likely procurement approach and the number of contractual agreements that maybe required;
- Costs are exclusive of inflation;

- Costs and assumptions should be compared to the business plan to ensure that there is no double counting; and
- We have not included cyclical or responsive repairs related to mechanical and electrical (M&E) installations which are undertaken by separate contractors.

## 5.1 Outsourced

### Brief Description

This model will be very familiar to the London Borough of Enfield being the same arrangement as currently exists with MNM and MCP. A new contract would be procured following an OJEU compliant process utilising an appropriate Form of Contract (such as JCT) and pricing mechanism (such as National Housing Federation V6). Alternatives include open-book, cost plus arrangements, bespoke schedules and increased cost certainty via annual prices / price per property and price per void arrangements. We would recommend that such an approach is best initiated on schedule of rates basis and when established move to a price per property and price per void basis.

As with any procurement, the London Borough of Enfield would need to undertake this process judiciously in order to ensure that any contractors who are ultimately appointed will deliver the most efficient and Value for Money service available.

The London Borough of Enfield are likely to secure greater value for money in return for a broader package of works i.e. extending the scope beyond responsive and void to include elements such as gas servicing, planned works, external painting, grounds maintenance and cleaning. Compliance related services (such as fire risk assessment, water quality, electrical testing etc.) and traditional client functions such as surveying and call centre management may also be considered for inclusion.

Responsive repair and other services benefit from longevity in the formal arrangements, incentivising the contractor's investment in the early years and it requires a strategically aware contractor for this to be successful. Contract durations of 10 and 15 years are not unusual in the sector at the present time e.g. Basildon DC have recently let a 15 year contract with Morgan Sindall. We would recommend suitable break clauses within such a long term contract and market testing at regular intervals.

### Advantages to the London Borough of Enfield

- This is a tried and tested route for the London Borough of Enfield which transfers a large proportion of risk to the contractor;
- It is a model which is familiar to all partners alike;
- The contractor alone carries the risk of its own losses;
- The contractor can typically handle variations in work volumes;
- The contractor can bring in "best practice" from other contracts;
- Added Value and community benefits can be built into outsourced contracts e.g. apprentices, recruitment and training;
- The London Borough of Enfield are familiar with the process and have an established organisational structure, but for the new arrangement to be successful will require a review of the current team skills and capacity for change ; and
- Provisions can be included within the OJEU notices and tender documents to provide longer term flexibility if the London Borough of Enfield decided to move to an alternative delivery model such as a wholly owned subsidiary.

### Disadvantages to the London Borough of Enfield

- Some risks still remain with the London Borough of Enfield in respect of the service delivery and a robust 'client side' team is required;

- Vagaries and financial events in the private sector (insolvency, takeovers etc.) can potentially negatively impact on the service provided to the London Borough of Enfield and its customers e.g. Connaught and ROK insolvency in the last recession;
- Changes to the service required by the London Borough of Enfield post-contract may need formal negotiation within a commercial context (adding cost);
- The London Borough of Enfield would still retain overall budget and compliance risk;
- A 'core' London Borough of Enfield business / service is delivered externally;
- The London Borough of Enfield will lack direct control over the workforce providing the service, and the performance of the service will need to be managed through the contract; and
- The London Borough of Enfield must have the correct skills (in-house or consultants) to effectively manage the Client/Employer side aspects of the contract from commencement including effective mobilisation of the contract(s).

### Risks to the London Borough of Enfield

- Non/below required performance;
- Price increases that cannot be sustained;
- Form of contract not understood by client team;
- Contract only remedies for poor performance;
- Pressure to award more work to contractor; and
- Claims possible if terminated or volume of work reduced.

### Costs associated with the model

Ridge has estimated the cost of a newly procured contract based on our knowledge of rates within the sector for undertaking similar responsive repair and voids work within the London area. In addition to the costs for the contractor's works we have also included the on costs that the London Borough of Enfield will incur in managing and administering such a contract such as the client side team, office overheads, mobilisation and a 10% contingency allowance.

A summary of the costs including an OJEU compliant procedure are set out in the table below:

Outsourced Contract	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Procurement costs & audit	£35,000	£5,000	£5,000	£5,000	£5,000	£5,000	£60,000
Responsive repairs	£10,000	£4,110,000	£4,110,000	£4,110,000	£4,110,000	£4,110,000	£20,560,000
Void works	£10,000	£1,745,000	£1,745,000	£1,745,000	£1,745,000	£1,745,000	£8,735,000
Supervision and management		£1,220,000	£1,220,000	£1,220,000	£1,220,000	£1,220,000	£6,100,000
Office overheads (IT/finance/HR/legal)		£165,000	£165,000	£165,000	£165,000	£165,000	£825,000
Mobilisation	£20,000	£0	£0	£0	£0	£0	£20,000
Contingencies	£5,000	£365,000	£365,000	£365,000	£365,000	£365,000	£1,830,000
<b>Total</b>	<b>£80,000</b>	<b>£7,610,000</b>	<b>£7,610,000</b>	<b>£7,610,000</b>	<b>£7,610,000</b>	<b>£7,610,000</b>	<b>£38,130,000</b>
<b>Cost Per Property Per Annum</b>		<b>£704</b>	<b>£704</b>	<b>£704</b>	<b>£704</b>	<b>£704</b>	

### Timetable

It is expected that due to the mandatory timescales required under OJEU and the need to review the specification for the service this process can be complete within 12 to 18 months.

## Other considerations

There are a number of other considerations which may be prudent for the London Borough of Enfield to consider as follows:

- The London Borough of Enfield has had a poor experience with the current external small medium enterprise contractors so there may be a stigma associated with this option;
- A robust and suitable procurement approach needs to be established by the London Borough of Enfield with lessons learnt from the current contract considered;
- If small medium enterprises are to be considered then a provider that is capable of working in partnership at a strategic level with the London Borough of Enfield will be essential;
- If a national contractor is appointed the actual service delivered locally can vary;
- The success of a contract is heavily dependent on the Area Manager appointed;
- External arrangement do provide a more 'arm's length' option and provide the London Borough of Enfield with a facility to pursue the contractor if there are any problems;
- Difficult to embed the London Borough of Enfield visions and values with an external provider;
- Question – do the London Borough of Enfield want an added value contract with return on social investment or just provide the basic service?
- Question – why have so many response categories? Preference to have those required by statutory regulations etc. and provide appointments to suit resident's needs.

## Ridge recommendation for further consideration

An outsourced contract is an option that should be considered in further detail alongside a robust procurement strategy to ensure that selected contractors have the track record and infrastructure to deliver responsive repairs and void works on the scale anticipated by the London Borough of Enfield. A degree of future proofing can be included aligned to longer term London Borough of Enfield aspirations. Considering the inclusion of other services would also provide better value for money as the London Borough of Enfield benefit from the economies of scale and savings that a contractor would be able to pass on.

## 5.2 In House Direct Labour Organisation

### Brief Description

The London Borough of Enfield could opt to exercise termination terms within the existing contracts (we understand separate legal advice is being obtained in this regard) and provide its own repairs and maintenance service by bringing the workforce in-house through the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) i.e. create a direct labour organisation. The alternative would be to continue with current contractual arrangements and try to implement a performance improvement plan for each contractor assuming that they have capability and resources to implement these measures.

All human resources involved in the delivery of the service would be directly employed by the London Borough of Enfield. The employment/ Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) transfer of an experienced senior manager to run the Direct Labour Organisation would be essential, although cannot be assured and recruitment may be necessary (this is not an easy role to fill within the affordable housing sector).

### Advantages to the London Borough of Enfield

- Direct Labour Organisations can work well where the stock is concentrated, as is the case for the London Borough of Enfield;
- Enables the employment of local people to work on stock owned by the London Borough of Enfield;
- The London Borough of Enfield can influence the culture of the team, embedding customer centric ethos;
- The London Borough of Enfield can alter its service expectations without the need to negotiate with a third party and hence save costs;
- The London Borough of Enfield retains direct control over repairs - one of the most important service areas to customers;
- Avoids market vagaries of the commercial sector; and
- Enables the London Borough of Enfield vision, values and corporate objectives to be prioritised.

### Disadvantages to the London Borough of Enfield

- The London Borough of Enfield retains all risks and costs (some of which will be significant) associated with the delivery of the repairs and voids services including:
  - IT provision and management;
  - Health and Safety compliance;
  - Employment (including pensions);
  - Commercial;
  - Waste Management;
  - Budget;
  - Quality Control;
  - Vehicles and plant; and
  - Supply chain management in particular materials purchasing and administration;
- Higher cost of mobilisation, compared to other models, for the London Borough of Enfield having no existing Direct Labour Organisation e.g. IT, vehicles and supply chain etc.;
- Shortage of skilled and experienced Direct Labour Organisation Managers in the sector;
- Risk of provider led internal culture losing customer focus;
- The London Borough of Enfield will need to consider the effect of TUPE as this option may mean that the staff currently providing the service employed by MNM and MCP have the right to transfer to the London Borough of Enfield (note this is a right therefore not a guarantee of workforce joining the London Borough of Enfield). Consideration will need to be given to any other regularly used sub-contractors e.g. voids



contractors procured via the London Portal. Staff may be on different terms and conditions from the London Borough of Enfield staff. The London Borough of Enfield would need to manage the integration of the staff into the workforce, including dealing with any equal pay issues;

- Additional finance resource required, especially regarding set-up costs; and
- Increased HR liability/support (pensions).

### Risks to the London Borough of Enfield

- There will be pressure on the London Borough of Enfield to ensure that the Direct Labour Organisation performs and this will require significant investment in many elements affecting service delivery;
- Availability of suitable resource (trades & supervision);
- The London Borough of Enfield will need to consider the strength of its own client side team and whether this needs further support and resources;
- Securing a competent Direct Labour Organisation Manager, particularly if TUPE option not exercised;
- Risk that the London Borough of Enfield can become too focused upon the Direct Labour Organisation as opposed to other core housing services;
- Demonstration of value for money still needs to be shown/achieved;
- Sustainability; and
- Reputation as the service directly reflects upon the London Borough of Enfield.

The London Borough of Enfield need to consider what in-house management expertise is available and whether there is a need to procure third party Direct Labour Organisation management services, staff that transfer might not include such personnel. The European public contracts directive would apply to these third party Direct Labour Organisation management service and the London Borough of Enfield might need to run an OJEU procurement process if the likely value of the service is over the relevant thresholds (currently £164,176 for services net of VAT).

### Costs associated with the model

Ridge has prepared estimated costs on the basis of our experience in setting up Direct Labour Organisation's for other clients and the assumptions are set out on page 9. We have set out below the main cost categories with estimates for Year 0 (i.e. mobilisation and implementation costs prior to contract commencement) and then for the next 5 years of operations. We have included contingency sums (15% per annum) this can be reduced as more certainty is evidenced.

LBE Responsive & Void Costs - All Services In-House							
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Information & Communication Technology (ICT)	£800,000	£145,000	£135,000	£140,000	£135,000	£135,000	£1,490,000
Direct Costs - employee related	£111,000	£4,960,000	£4,960,000	£4,940,000	£4,940,000	£4,940,000	£24,851,000
Supervision & Management Costs	£0	£1,260,000	£1,260,000	£1,260,000	£1,260,000	£1,260,000	£6,300,000
Office Overheads (IT/Finance/HR/Legal)	£0	£190,000	£190,000	£190,000	£190,000	£190,000	£950,000
Consultant Surveyors Costs (PC/QS)	£0	£3,000	£3,000	£3,000	£3,000	£3,000	£15,000
Legal Costs (Provisional Sum)	£30,000	£0	£0	£0	£0	£0	£30,000
Program Manager (Implementation)	£100,000	£0	£0	£0	£0	£0	£100,000
Contingencies	£155,000	£985,000	£980,000	£980,000	£980,000	£980,000	£5,060,000
<b>Total</b>	<b>£1,196,000</b>	<b>£7,543,000</b>	<b>£7,528,000</b>	<b>£7,513,000</b>	<b>£7,508,000</b>	<b>£7,508,000</b>	<b>£38,796,000</b>
<b>Cost Per Property Per Annum</b>		<b>£698</b>	<b>£697</b>	<b>£695</b>	<b>£695</b>	<b>£695</b>	

The cost table illustrates the significant cost items of labour, materials, IT (particularly in Year 0) and vehicles. Ridge estimate a Year 0 cost of £1.2m and thereafter an average annual operating cost of approximately £7.5m. Total estimated costs for Years 0 to 5 are £38,796,000.

## **Timetable**

The implementation of an in-house Direct Labour Organisation is not a straight forward undertaking could be achieved within 18 months but could take longer dependant on the London Borough of Enfield's ambition for integrated Information Technology infrastructure requirements. Implementation time could be reduced depending on the urgency required and the utilisation of interim measures that could be adopted before full implementation and an integrated Information Technology system. Use of emergency measures and a different interim contractor could be considered but noting that certain elements such as Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) have defined timescales that could not be shortened.

## **Other considerations**

There are a number of other considerations which may be prudent for the London Borough of Enfield to consider as follows:

- The Housing Management system (Northgate) is being reviewed so it may be an ideal opportunity to provide integrated IT for in-house requirements; and
- Concern over set-up costs especially IT.

## **Ridge recommendation for further consideration**

An in house Direct Labour Organisation is an option that should be considered in further detail by the London Borough of Enfield providing a greater level of control over an important housing service. The London Borough of Enfield will need to consider its current strengths and weaknesses to provide such a service and the significant initial and on-going investment that will be required. Other local authorities have chosen such a route but it must be supported by sufficient infrastructure and capability to be successful. Gap analysis should be undertaken to identify areas that may need support or improvement and consideration of whether this can be sourced internally. The setting up of a Direct Labour Organisation does keep future options open such as the creation of a wholly owned subsidiary if this became an aspiration for housing service delivery.

### 5.3 A Managed Service Direct Labour Organisation

A variation to the in-house Direct Labour Organisation that the London Borough of Enfield could also consider is a Managed Service Direct Labour Organisation.

#### Brief Description

Under this arrangement, the London Borough of Enfield would create a Direct Labour Organisation which would carry out the works and services with directly employed operatives. A private sector contractor would then be procured to manage it and provide other support if required. The partner could for example provide the following:

- a) A senior manager to oversee the Direct Labour Organisation who is focused on service and productivity improvements with tight budget management;
- b) The IT system for the Direct Labour Organisation to use and manage work flow;
- c) Access to materials supply chain arrangements;
- d) Any other equipment, plant, uniforms, PPE etc. required; and
- e) Support when and as required to address key risks such as Health and Safety, customer service and supply chain management.

#### Advantages to the London Borough of Enfield

All of the benefits of the Direct Labour Organisation arrangement apply to this variation. Other benefits include:

- a) The majority of repairs and maintenance staff, including operatives, remain directly employed by the London Borough of Enfield;
- b) The private sector contractor can bring a tried and tested IT system that provides integrated processes and controls for the service delivery;
- c) An innovative mix of direct provision with private sector know-how which reduces the London Borough of Enfield's exposure to risk. The management of the Direct Labour Organisation would be provided by the private sector contractor with that individual responsible for the day-to-day operations. The Direct Labour Organisation Manager can also be allocated responsibility for more strategic issues such as bringing forward proposals for organisational restructures and the review of the overall repairs policy;
- d) The London Borough of Enfield retains direct control and assurance over service continuity; and
- e) Pricing arrangement with the private sector contractor is based on a straightforward annual management fee.

In the event, that the Direct Labour Organisation manager, or other resources, needs to be replaced or augmented, then it is the private sector contractor's responsibility to provide a replacement or support which meets the London Borough of Enfield's full requirements.

The London Borough of Enfield can select from a menu of services it wants to receive from the private sector contractor, which may be assessed through 'gap analysis' of the current arrangements and the London Borough of Enfield's own resources.

### Disadvantages to the London Borough of Enfield

Similar disadvantages as the Direct Labour Organisation model apply to this option. Additional disadvantages would be:

- The loss of control at the top of the organisation with the appointment of the private sector contractor as the Project/Direct Labour Organisation Manager;
- Need to procure the management services through an OJEU compliant process; and
- Additional costs related to the private sector contractor management fee however often this can be off set against the savings made in other areas such as materials purchasing where savings are realised utilising the buying power of the contractor.

### Risks to the London Borough of Enfield

Similar risks as the Direct Labour Organisation model apply to this option. Other risks include:

- a) The Direct Labour Organisation manager provided by the private sector contractor is not of the calibre that the London Borough of Enfield require;
- b) Not being able to totally embed the culture and ethos of the London Borough of Enfield; and
- c) The London Borough of Enfield will still need to consider the strength of its own client side team for any functions not provided by the private sector contractor and whether these need further support and resources;

### Costs associated with the model

Ridge has prepared estimated costs on the basis of our experience in setting up Direct Labour Organisation's for other clients and the assumptions set out on page 9. We have set out below the main cost categories with estimates for Year 0 (i.e. mobilisation and implementation costs until the current contract expires) and then for the next 5 years of operations. The principle difference to the Direct Labour Organisation model is that the management is undertaken by the private sector contractor and therefore costs are deducted from the London Borough of Enfield supervision and management but with the addition of private sector contractor annual management fees. We have also assumed that Information Technology to run the Direct Labour Organisation function is provided by the private sector contractor. The client side costs (in-house or consultants) associated with implementing the IT interface with the private sector contractors system have not been included below. We have also considered the likely savings that may be achieved for materials reflecting the private sector contractor buying power discounts from the supply chain. We have included contingency sums of 15% per annum within our estimates.

LBE Responsive & Void Costs - PSC Managed Service							
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Information & Communication Technology (ICT)	£84,000	£55,000	£45,000	£45,000	£45,000	£45,000	£319,000
Direct Costs - employee related	£111,000	£4,776,000	£4,776,000	£4,756,000	£4,756,000	£4,756,000	£23,931,000
Supervision & Management Costs	£0	£1,159,000	£1,159,000	£1,159,000	£1,159,000	£1,159,000	£5,795,000
Office Overheads (IT/Finance/HR/Legal)	£0	£190,000	£190,000	£190,000	£190,000	£190,000	£950,000
Consultant Surveyors Costs (PC/QS)	£0	£3,000	£3,000	£3,000	£3,000	£3,000	£15,000
Legal Costs (Provisional Sum)	£45,000	£0	£0	£0	£0	£0	£45,000
Program Manager (Implementation)	£100,000	£0	£0	£0	£0	£0	£100,000
Private Sector Contractor Management Fee	£200,000	£150,000	£150,000	£150,000	£150,000	£150,000	£950,000
Contingencies	£85,000	£950,000	£950,000	£950,000	£950,000	£950,000	£4,835,000
<b>Total</b>	<b>£625,000</b>	<b>£7,283,000</b>	<b>£7,273,000</b>	<b>£7,253,000</b>	<b>£7,253,000</b>	<b>£7,253,000</b>	<b>£36,940,000</b>
<b>Cost Per Property Per Annum</b>		<b>£674</b>	<b>£673</b>	<b>£671</b>	<b>£671</b>	<b>£671</b>	

Ridge estimate a Year 0 cost of £625,000 and thereafter an average annual operating cost of approximately £7.3m. Total estimated costs for Years 0 to 5 are £36,940,000.

### **Timetable**

This can be achieved in a matter of weeks in emergency situations, however, as a guide and considering that an OJEU notice will be required for the management services, the London Borough of Enfield should allow for a period of at least six months.

### **Ridge recommendation for further consideration**

A managed Direct Labour Organisation is an option that should be considered in further detail by the London Borough of Enfield providing the benefits of an in house option but with advantages of a private sector know how and reduction of associated risks. A menu of options can be discussed with a private sector contractor to determine the key aspects that the London Borough of Enfield require and which would otherwise require substantial set up investment.

Again the setting up of a managed Direct Labour Organisation does keep future options open such as the creation of a wholly owned subsidiary if this became an aspiration for housing service delivery. A private sector contractor could also be engaged as part of the mobilisation period to deal with back log issues and immediate service delivery issues such as voids. Such an arrangement could provide time for more effective induction and training for operatives and other staff prior to go live.

## 5.4 Wholly Owned Subsidiary

### Brief Description

This option is a hybrid of an in-house service and direct contract model mentioned above. Essentially under this model the operatives would be provided by a wholly owned subsidiary of the London Borough of Enfield and the management expertise provided by a private sector contractor. This is a model which has been adopted by Registered Providers in an attempt to replicate, as far as possible, a direct contract but on a more tax efficient basis. This model is also common in new build development with the creation of a Local Housing Company.

Current MCP and MNM staff that provide the operational part of the services to the London Borough of Enfield may transfer into the subsidiary. The subsidiary would then provide that labour workforce to the London Borough of Enfield. A private sector provider would manage and oversee the work carried out by those employees under a contract with the London Borough of Enfield.

The London Borough of Enfield would need to run a procurement exercises in relation to the private sector provider for the services it provides, again making sure that this is a robust process which ensures that as far as possible, the London Borough of Enfield engages with a private sector provider that it is happy with can provide the services it needs.

This option also allows clear delineation of the repairs and maintenance service from the rest of the London Borough of Enfield's housing functions.

Whilst operational staff would sit within the subsidiary, the management would be such that on a day to day basis the arrangements and delivery of the service would feel much the same as they do now where a Private Sector Contractor provides the services.

The subsidiary would have the obligations of an Employer for those that decide to transfer. This would include the requirement to pay costs associated with this employment transfer including responsibility for paying any employer pension contributions. This will mean the private sector contractor's fee under the services contract would be reduced by all relevant employment costs.

It will be important that in its relationship with the private sector contractor, the new subsidiary has the benefit of HR support functions from the private sector contractor through its contractual obligations. A consequence of this is that the London Borough of Enfield would need to have authority over the employees and the new subsidiary company would be reliant on enforcement of the contractual relationship to ensure that the private sector contractor remained compliant with employment legislation.

Amongst other things, the contracts between the private sector contractor and the London Borough of Enfield would need to be clear about details such as:

- Responsibility for management;
- Assessment of productivity and implementation of efficiency improvements (key performance indicators/metrics/service standards etc.);
- Training and support;
- Health and safety, compliance matters;
- Recruitment and appointment and agreement of pay/reward/benefits;
- Administration of holidays/sick leave;
- Career development and promotion;

- Dealings with unions; and
- Implementation of disciplinary proceedings including dismissals and grievances.

It would also be sensible for the subsidiary to require indemnification by the private sector contractor for any claims caused by the management of employees – for example for discrimination or harassment.

The London Borough of Enfield may enter into separate contractual arrangements with a private sector contractor to:

- a) Manage the subsidiary;
- b) Deliver the service, as a Private Sector Contractor; and
- c) Provide all necessary resources to deliver the works on the same basis as if it was fully outsourced (IT systems, plant, vehicles, support services input etc.).

### **Advantages to the London Borough of Enfield**

- The model can provide the London Borough of Enfield with a platform for growth for service development and other deliverables;
- The London Borough of Enfield can secure all the benefits of an outsourced partnered service delivery arrangement including, for example private sector contractor warranties, responsibilities and management expertise whilst also receiving all the benefits of being the sole owner of the subsidiary;
- Risk is transferred to the external partner on the same basis as risks would be allocated under an outsourced service arrangement;
- The wholly owned subsidiary will be viewed by customers as being part of the London Borough of Enfield. This will help to shape the service's identity and culture whilst also building brand recognition and loyalty amongst residents;
- The London Borough of Enfield can maximise opportunities to support local craft training and employment initiatives and closely target community benefits;
- The establishment of a wholly owned subsidiary can be used as a platform to energise some new community initiatives and support social enterprises and local small medium enterprises;
- The London Borough of Enfield would receive the benefit of private sector contractor buying power through the use of the supply chain (materials, PPE, vehicles etc.);
- The London Borough of Enfield can achieve additional benefits through on-going review of which party is best able to deliver each function under the new arrangements;
- In the longer term the London Borough of Enfield through the wholly owned subsidiary could offer services to other affordable housing providers and leaseholders thus bringing income to the wholly owned subsidiary for potentially little increase on the established overhead. This additional income would be expected to generate a contribution for the London Borough of Enfield;
- The risk for getting the work done to the required standards remains with the private sector contractor which is also responsible for ensuring there is a 'match' in the labour and resource levels available via the wholly owned subsidiary;
- Employees in the wholly owned subsidiary will be subject to the employment terms and conditions, including pensions, established by the wholly owned subsidiary and these are likely to be more commercial than those that apply where the employees are employed directly by the London Borough of Enfield;
- A wholly owned subsidiary can later be amended to become a Cost Sharing Group (refer Section 5.6 below) should the London Borough of Enfield require that flexibility in the future (on expiry of existing contractual arrangements);

- The wholly owned subsidiary can trade with third parties (usually up to 20% of overall wholly owned subsidiary trading levels); and
- Joint decisions can be made on annual budgets and efficiencies.

### **Disadvantages to the London Borough of Enfield**

- Some HR and other responsibilities will technically remain with the London Borough of Enfield (although these can be mitigated via the contracts with the external service provider);
- TUPE will apply and will need to be properly managed;
- Any pension issues will need to be addressed;
- Legal support will be required to establish the wholly owned subsidiary in the first instance and costs for this will need to be addressed by the London Borough of Enfield; and
- private sector contractor support staff will need to amend some of their processes, documentation and working practices to accommodate the fact that they do not employ the employees delivering most of the works (as the wholly owned subsidiary is the employer).

### **Risks to the London Borough of Enfield**

- Higher costs than in-house/tendered;
- No guarantee of value for money;
- Securing correct private sector contractor/consultancy;
- Significant risk for contractor as private sector contractor and directing/supporting staff; and
- HMRC – who is the employer? This needs clear definition and processes to ensure adherence with tax regulations.



## 5.5 Cost Sharing Vehicle

### Brief Description

The London Borough of Enfield could consider setting up a cost sharing vehicle to take advantage of greater economies of scale arising from the provision of services to a larger stock.

Under this structure the London Borough of Enfield would set up a separate cost sharing vehicle in partnership with at least one other Affordable Housing Provider who requires the same services. There are a number of different ways to staff a cost sharing vehicle, but for the purpose of this description we have assumed that all relevant staff would transfer into the cost sharing vehicle.

For reasons relating to EU procurement legislation, tax and profit (which would need to be reviewed by a financial consultant), a Private Sector Contractor (private sector contractor) is unlikely to be a member of the cost sharing vehicle. The London Borough of Enfield could provide the resource to manage the cost sharing vehicle thereby negating the requirement for a private sector contractor. The cost sharing vehicle would also source directly other elements such as IT, materials, safety equipment, fleet etc. with no private sector contractor contribution. If the cost sharing vehicle was unable to perform this management role, via the London Borough of Enfield, or provide other elements of the service then it would need to follow an OJEU complaint procurement process for a private sector contractor to provide them.

The London Borough of Enfield may not be able to identify other similar organisations locally looking for this type of arrangement at the moment. Within local authorities in London there has been limited activity in setting up such a model and it is therefore unlikely that the London Borough of Enfield would find a suitable partner in the short term.

### Advantages to the London Borough of Enfield

- Efficiencies can be gained by virtue of pooling the resources of a number of providers;
- Partnership working;
- Economies of scale; and
- The London Borough of Enfield can take the lead to retain principle control and direction.

### Disadvantages to the London Borough of Enfield

- Reduced control and greater complexity with a second provider in the model;
- No benefits gained from the use of a private sector contractor;
- Considerable time, resource and costs will be incurred in researching and reaching agreement with a partner organisation;
- Repairs Standards may not be as easily determined; and
- Legal and other fees can be significant.

### Risks to the London Borough of Enfield

- Service standards may be compromised through a shared service model.

## 5.6 Joint Venture

### Brief Description

There are two main Joint Ventures for the London Borough of Enfield to consider: A Joint Venture Company and a Limited Liability Partnership.

### Joint Venture Company

A company limited by shares incorporated under the Companies Act 2006 is the most common legal form for joint ventures as the corporate structure is tried and tested and is underpinned by an established body of law and practice.

The London Borough of Enfield and a private sector contractor would each agree to subscribe for shares in the joint venture company and the rights and obligations of the partners with regard to the venture would be set out in a shareholders' agreement.

### Limited Liability Partnership

The Limited Liability Partnerships Act 2000 allows a Limited Liability Partnership to combine limited liability for members with the relaxed internal regulation of a traditional partnership. It is also a body corporate which is a legal entity separate from its members.

The London Borough of Enfield and a private sector contractor would be the members of the Limited Liability Partnership and the relationship between them would be governed by the terms of a Members' Agreement. The Members' Agreement would set out any special protections to be granted to the members. A Limited Liability Partnership is a body corporate, a separate legal person from its members. The assets and liabilities belong to it and not the members. The members in turn participate in the Limited Liability Partnership under the members' agreement.

### Advantages to the London Borough of Enfield of Joint Venture Company

- Limited liability – as a separate legal entity, the Joint Venture Company can own and deal in assets, sue and be sued and contract in its own right. The circumstances in which shareholders can be held legally liable for a company's debts (beyond their unpaid capital contribution) are extremely limited;
- Financial flexibility - in terms of overall control and financial and tax planning, the structure of a limited company provides considerable flexibility through the creation of different types of share and loan capital;
- Companies can only distribute profits as dividends if profits have been made because of rules relating to maintenance of capital; and
- A Joint Venture Company is, for tax purposes, treated as a separate entity from its shareholders. The Joint Venture Company will pay corporation tax on its profits/capital gains.

### Advantages to the London Borough of Enfield of a Limited Liability Partnership

- A Limited Liability Partnership has no share capital. Capital can therefore be reduced or increased at the will of the members;
- Limited Liability Partnership members, like company shareholders, have limited liability;
- When the Limited Liability Partnership commits a tort (such as an act of negligence), the Limited Liability Partnership is liable in much the same way as a limited company;
- Members are also protected from direct liability for the negligence of other members and employees by the fact that the Limited Liability Partnership is a separate legal entity;

- The running of the Limited Liability Partnership rests with the members as they agree it. In practice, a body similar to a board is usually established as the decision making forum for most important matters; and
- The members are free to agree how to share profits and are also free to agree how management roles and responsibilities are divided.

The London Borough of Enfield would need to consider several other matters when considering these Joint Venture options including:

- Exit strategies;
- TUPE;
- Regulatory issues;
- Tax issues;
- Payments and benefits to board members and officers;
- Governance arrangements;
- Meeting the Landlord's objectives; and
- IT provision post-contract.

### **Advantages of a Joint Venture (both Joint Venture Company and Limited Liability Partnership) to the London Borough of Enfield**

- The Joint Venture partners can agree to cap private sector profits and share any additional surplus;
- Joint Ventures can be seen as the pinnacle of 'partnering' arrangements;
- There is transparency around the profit and loss accounts and joint decisions can be made on annual budgets and efficiencies;
- The London Borough of Enfield can include some rights of veto over matters which it priorities in the shareholders / members agreement; and
- The Joint Ventures can be established in a way which encourages its growth and therefore maximise returns for all parties.

### **Disadvantages of a Joint Venture to the London Borough of Enfield**

The main disadvantage is that there is some complexity to setting up a Joint Venture and therefore should only be considered where the turnover is significant enough to justify the effort and complexity. Ridge would suggest that a threshold of £10m turnover per annum is required for this model which is greater than the London Borough of Enfield's current out-turn/budget expectations. Therefore, for this reason this option is not to be considered further at this stage.

### 5.7 Regularisation of Voids Short Term

The London Borough of Enfield have advised that the current contractors have failed to perform their contractual obligations in relation to void works. The works required in voids are currently being individually procured via the London Procurement Portal resulting in increased costs and assumed time delays. The current estimated cost of 'stock' voids is in the region of £5,500 per void which is well above our recommended benchmark of £2,000 - £2,500 (minimum standard). The London Borough of Enfield require options to be considered for the regularisation of the void position in the short-term ahead of the decision on the new strategic route to be taken for Responsive and Voids contract.

Ridge considers the following to be viable options:

1. Interim short – term (sub-OJEU) procurement;
2. Establishment of Direct Labour Organisation for voids only
3. Interim Private Sector Contractor Repairs Team: and
4. Negotiation with a neighbouring provider.

#### **Interim short-term (sub-OJEU) procurement**

Based on a term of between 12-18 months duration, meaning the value is below current OJEU thresholds for works it would be possible to tender a contract based on a National Housing Federation Schedule of Rates. Utilising a select list of contractors approach without advertising will reduce the overall timescale. The likely costs of procurement for this will be £15,000 (including a review of the void specification/process) and this could be achieved with a start on site in approximately 6 months (subject to finding willing provider(s)).

#### **Advantages**

- Fairly quick mobilisation;
- Provides better value for money than the current arrangements; and
- With due diligence should provide an interim solution whilst the future procurement route is decided.

#### **Disadvantages**

- Cost of procurement; and
- Contractors may not find the voids only option attractive;

#### **Establishment of Direct Labour Organisation for voids only**

Consideration could be given to the establishment of an in-house provision (Direct Labour Organisation) just for void works. Given that the current contractors do not provide this work the TUPE issues could be simplified. Clearly this option should only be considered further if the strategic decision for Responsive and Voids was the establishment of either an in-house Direct Labour Organisation or a Managed Direct Labour Organisation.

#### **Advantages**

- The London Borough of Enfield has direct control of operatives and programming;
- The London Borough of Enfield would build up knowledge of this way of working which may be an advantage if a Direct Labour Organisation was established for Responsive and Void works;
- A re-defined specification/process should result in better value for money; and

Investment in IT projects is less than required for Responsive works.

## Disadvantages

- At present the TUPE issues relating to the London Portal provider is unknown;
- Legal costs for TUPE advice;
- Health & Safety and reputational risks lie with the London Borough of Enfield.
- Upfront investment required in vehicles, communications, branding, tools, materials sourcing and equipment and training; and
- No certainty of Value for Money.

## Risks

- Ability to recruit experienced and qualified workforce;
- Reputational risks rest directly with the London Borough of Enfield;
- Adequate experience in the current structure to manage and in-house provision; and
- Health and safety risks rest with the London Borough of Enfield

## Interim Private Sector Contractor Repairs Team

It could be possible to negotiate with a Private Sector Provider to provide a short-term interim arrangement for the supply of labour and supervision to undertake all the voids work. A specific team of the correct size could be provided to work alongside the existing Client side team.

Listed in the table below are the indicative rates that might be relevant to an interim arrangement:

Managed DLO Assistance - Weekly Rates		
	From	To
Operations Director	£3,200	£3,400
General Manager	£2,800	£2,950
Quantity Surveyor	£2,600	£2,750
Specialist H&S Manager	£2,050	£2,250
Customer Care Manager	£2,000	£2,150
IT Support	£2,800	£2,950
Fleet Manager	£1,900	£2,075

## Advantages

- Possibility of a short implementation period;
- Costs likely to be lower than the current arrangement; and
- Little input required from existing staff team as manager can be provided.

## Disadvantages

- Cost may be higher than the tendered option; and
- Local knowledge of stock.

## Risks

- Control of costs.

### **Negotiation with a Neighbouring Provider**

This option could be considered but further research would be needed to establish if there was a willing provider a willing contractor and the neighbouring contract would have to have been advertised in their original OJEU notice. Also there would need to be an advantage to the housing provider to let their contractor do works for a neighbour whilst maintaining their current level of service to their tenants. Due to the above reasons this is the least likely option.

If there was a neighbouring housing provider with its own Direct Labour Organisation this could be explored but due to the short-term nature the likely level of interest would likely to be low.

Ridge recommends that Options 1, 2 & and 3 are explored in much further detail to establish the likely outturn costs in comparison with the current arrangements through the London Procurement Portal. The strategy should also be considered within the context of the likely model adopted for the responsive repairs for example utilising a private sector contractor team to undertake backlog repairs and voids during a mobilisation period. It is recognised that pursuing the direct labour organisation (option 2) route for voids would only be an advantage if this aligns with the intended strategic direction for Responsive and Voids in the long-term.

## 6. SUMMARY AND NEXT STEPS

Ridge has considered the models for service delivery and their associated advantages, disadvantages and risks.

Ridge has prepared estimated costs for the three models agreed as those with potential to deliver the service which the London Borough of Enfield requires. A summary of the costs is set out in the table below.

Summary Costs							
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>DLO - All Services In-House</b>	£1,196,000	£7,543,000	£7,528,000	£7,513,000	£7,508,000	£7,508,000	<b>£38,796,000</b>
Cost Per Property Per Annum		£698	£697	£695	£695	£695	
<b>DLO - PSC Managed Service</b>	£625,000	£7,283,000	£7,273,000	£7,253,000	£7,253,000	£7,253,000	<b>£36,940,000</b>
Cost Per Property Per Annum		£674	£673	£671	£671	£671	
<b>Outsourced contract</b>	£80,000	£7,610,000	£7,610,000	£7,610,000	£7,610,000	£7,610,000	<b>£38,130,000</b>
Cost Per Property Per Annum		£704	£704	£704	£704	£704	

Having considered the models set out in the table above and associated implementation and operational costs Ridge recommend that these are reviewed in more detail as set out in the next steps section below:

### Next Steps

- Presentation and discussion with the London Borough of Enfield senior management;
- Engage legal and financial advice relating to the shortlisted options;
- Undertake soft market testing and dialogue with potential Private Sector Contractors;
- Assess the in-house client side functions and undertake gap analysis to determine if further support/resources are required;
- Obtain more detailed costings from stakeholders, private sector contractor's, suppliers etc. for each model;
- Consider the menu of options available from private sector contractor's to reduce risk and set up costs;
- Undertake detailed risk analysis and mitigation methods;
- Develop a programme plan for implementation with detailed analysis of workstreams and likely roles, responsibilities and inter-dependencies e.g. finance, procurement, private sector contractor, consultants, residents etc.; and
- Review and validate against the London Borough of Enfield 30 year business plan.

**APPENDIX A – INVITATION TO QUOTE**



