



## AGENDA ITEM:

### SUMMARY

Report for:	<b>Housing &amp; Community Overview &amp; Scrutiny Committee</b>
Date of meeting:	<b>3<sup>rd</sup> July 2019</b>
PART:	<b>I</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Osborne 5 year Contract review</b>
Contact:	Councillor Margaret Griffiths, Portfolio Holder for Housing Responsible Officer – Mark Gaynor, Corporate Director (Housing & Regeneration). Fiona Williamson, Assistant Director Housing Alan Mortimer – Group Manager, Property and Place
Purpose of report:	To provide information on the Year 5 Benchmarking review of the Osborne contract.
Recommendations	For members of the Overview and Scrutiny Committee to provide observations and comments on the benchmarking review of the Osborne contract.
Corporate objectives:	Delivering a modern and efficient Council – The use of benchmarking to assess performance and cost  Dacorum Delivers – The Partnering Contract with Osborne enables the delivery of repairs, cyclical maintenance and improvements to the Council owned housing stock
Implications:	<u>Financial</u>  The tenders were awarded on the basis of a 60% quality, 40% price, evaluation.  The indexation for the original contract used CPI and due to pressures in the market from a shortage of skilled trades and material costs arising from the value of sterling, any financial impact has been carefully considered, to ensure the contract remains viable.
'Value For Money Implications'	<u>Value for Money</u>  The benchmarking provides broadly comparable rates for similar services delivered within the social housing sector and establishes a baseline for review.  The original contract award was undertaken on a 60:40 quality: cost split and the deliverables that were outlined in the original contract have also been assessed to establish if the contract continues to deliver value for money.
Risk Implications	The Total Asset Management Contract combines a large number of planned work programmes, the management of the call centre and the day-to-day repairs and empty homes

	<p>repairs.</p> <p>Performance and financial management is essential, as poor performance on this contract would have serious detrimental effects on the tenants and leaseholders and on the reputation of both the Council and the service Provider, Osborne.</p> <p>Contract Risk Register reviewed and updated 4<sup>th</sup> June 2019 Appendix A</p>
Equalities Implications	Community Impact Assessment reviewed 4 <sup>th</sup> June 2019 Appendix B
Health And Safety Implications	<p>Failure to maintain the properties in a good state of repair, and compliant with statutory requirements, has health and safety implications.</p> <p>Health and Safety is monitored through the monthly operational meetings and due to the importance of robust management within this area, is a Key Performance Indicator.</p>
Consultees:	<p>Councillor Margaret Griffiths, Portfolio Holder Housing Fiona Williamson, Assistant Director Housing Landlord Layna Warden, Group Manager Tenants and Leaseholders Natasha Brathwaite, Group Manager Strategic Housing Ian Prendergast – Interim Group Manager Property and Place Alan Mortimer - Group Manager Property and Place Ricky Lang – Team Leader, Compliance and Mechanical and Electrical contracts</p>
Background papers:	<b>Housing and Community Overview and Scrutiny report - Performance Review – Total Asset Management Contract &amp; Gas installation and servicing contract, 7<sup>th</sup> November 2018</b>
Historical background <i>(please give a brief background to this report to enable it to be considered in the right context).</i>	<p>The Total Asset Management contract, delivered by Osborne Property Services Limited, concluded the 4<sup>th</sup> full year in 2018-19.</p> <p>The contract includes the provision of repairs, voids, improvement work and services including stock surveys and management of the call centre.</p> <p>The contract is an ACA TPC Partnering contracts and operated using open book accounting and incorporate performance linked profit elements. The contract both has an initial duration of 5 years with the potential to earn annual extensions based upon satisfactory performance measured by a range of key performance and strategic indicators.</p>
Glossary of acronyms and any other abbreviations used in this report:	<p>HRA - Housing Revenue Account TAM - Total Asset Management MEAT – Most Economically Advantageous Tender HMEC – Housing Maintenance and Environment Committee JRP – John Rowan and Partners FFT – Faithorn, Farrell, Timms – Partnering Advisor on the TAM contract. TPC – Term Partnering Contract ACA – Association of Consultant Architects KPI's – Key Performance Indicators KSI's – Key Strategic Indicators OPSL – Osborne Property Services Limited NHF – National Housing Federation SOR – Schedule of Rates CPI – Consumer Price Index BCIS – Building Cost Information Service</p>

## 1.0 Background

- 1.1 The Total Asset Management contract incorporates all repairs and improvements work undertaken, to the Council owned social Housing stock. It excludes gas servicing and installation of new boilers, and other mechanical and electrical works, delivered by separate specialist contractors.
- 1.2 The initial term of the contract award was 60 months, with the potential for the award of additional years, on an annual rolling basis, subject to Osborne delivering on five strategic indicators, detailed in table 1 below:

Key Strategic Indicators		Target Compliance
1	Performance at or above the target for all KPIs for at least 9 months of the year	100% of the KPI targets met for a minimum of 9 months of the year
2	Transparency and control of costs delivered through the management of Open Book records including sub-contractors information available at Quarterly intervals	Open Book format and protocol to be agreed during dialogue and the information to be presented at quarterly intervals in advance of Core Group meetings. Target in year one 95% - from year 2 onwards 100%
3	Tenant involvement in operational and service improvement activities including meetings, workshops, and customer satisfaction surveys and monitoring of corrective action arising from complaints.	Minimum of two tenants involved at operational meetings at least 4 times annually and demonstrable involvement of tenants in other service shaping activities at least 4 times annually.
4	Delivery of community initiatives to support the ambitions of the Council's economic, environmental and social sustainability agenda	The Service Provider is to deliver a range of community initiatives in line with an agreed annual project plan that can achieve tangible benefits to the community.
5	Delivery of integrated Information Technology solutions to ensure that the business intelligence collected through repairs data, component condition information from operatives, tenant preferences, complaints, satisfaction surveys etc. is collated and shared with the Client to develop annual programmes for targeted investment and continually develop the asset management strategy	The Service Provider is to provide a fully operational IT solution that interfaces with the Council's asset management and/or Housing Management systems to provide real time data regarding the progress of orders from the commencement of the service delivery and develop and agree a protocol for the range and scope of management information that has defined milestones throughout the contract.

- 1.3 The operational performance of the contract is monitored on a monthly basis against a suite of key performance indicators and since the commencement of the contract; the targets have generally been met or exceeded.
- 1.4 In addition, tenant inspectors have undertaken reviews of various areas of the service provided by Osborne and the biennial, tenants and residents' survey collects information upon the performance of the repairs and improvements undertaken in their homes. This information provides additional independent feedback on the delivery of the service, along with an analysis of any complaints, or compliments, which are reviewed monthly.
- 1.5 Through the annual performance management reviews, Osborne have been awarded three additional years, with the potential to earn a further two, subject to completion of six deliverables. The purpose of this report is to inform members of the outcome of a benchmark review conducted in line with the provisions of the contract.

## **2.0 Benchmark Review**

- 2.1 The Council have used the ACA, TPC form of contract, to deliver the TAM services. Due to the potential for the contract duration to be up to ten years, the contract contains a provision for the client to undertake Benchmark Reviews.
- 2.2 In line with the contract, the first review shall take place on or around the fifth anniversary of the date of commencement of this contract, 1<sup>st</sup> July 2014. The Client may require subsequent Benchmark Reviews but may not request a subsequent Benchmark Review until a period of 24 months has expired from the date of the last Benchmark Review. The purpose of this benchmarking exercise is to review, ratify and supplement the existing benchmarking data collected and consider any impact on the original price framework.
- 2.3 The contract stipulates a number of conditions for undertaking the benchmark review, so that as far as possible, contracts of a similar size and nature are used as comparable. As the Total Asset Management model incorporates a number of specific requirements, including for the service provider, OPSL, to provide the call centre function and other deliverables to assist in providing social value, it has been difficult to find exact contracts to compare, so a range of alternatives have been used.
- 2.4 The benchmarking is undertaken by an independent bench marker, who is mutually agreed by both parties and the information used to inform the bench marker has been obtained from three consulting organisations working in the social housing sector, Stradia, JRP and FFT and Housemark
- 2.5 The benchmarking detail can be used to amend the Price Framework; KPI's or service levels/ deliverables, and are documented in line with the change procedure outlined in the contract. Therefore, it is essential that the benchmarking is undertaken in line with the original contract award based on a 60% quality and 40% price split and is not seen as an opportunity to reduce prices to levels which could have a negative impact on quality.
- 2.6 The contract allows for the transfer of financial model to a Price per Property, however following consideration the administrative costs of the overhead would be likely to rise. There would also be the ongoing management required to deal with any items deemed as exclusions by the service provider, and not considered to provide any benefit to the operation of the contract or financial mechanism and therefore has been discounted at this stage.
- 2.7 The report contains both financial benchmarking information and service information, in respect of the deliverables proposed by OPSL, in their tender submission, at the final stage of the competitive dialogue process. These have been considered in line with the tender evaluation and to reflect the slight change in Dacorum's investment strategy, since the lifting of the borrowing cap, so that there is a balance between the delivery of new build homes and maintaining the existing stock.

## **3.0 Financial Appraisal and benchmarking**

- 3.1 The contract was procured in 2014 using a two-stage competitive dialogue procurement process.
- 3.2 The pricing document was divided into two main sections, one for day-to-day repairs and maintenance and the other for capital improvement works, to replace major components, such as roofs, kitchens and bathrooms and external doors.
- 3.3 The repairs were priced using the National Housing Federations schedule of rates and in order to be able to assess any change in cost uplift prevalent in the market, the same

schedule of rates version was used, NHF v5.1 and allows for annual inflationary adjustments in line with the Consumer Price Index.

- 3.4 The contract financial mechanism provides for a quarterly cost reconciliation, on an open book basis and the Council and the Service Provider on equal 50:50 basis share any savings (gain) from the target cost. If the total expenditure on the contract exceeds the target costs then the additional costs above target, the pain element, is the responsibility of the Service Provider

#### **4.0 Market Conditions**

- 4.1 Stradia initially assessed the market changes in the construction sector and the potential impact on current pricing strategies adopted by contractors.
- 4.2 Stradia have witnessed an increased level of competition in repairs and maintenance contracts over the last 3 to 5 years.
- 4.3 Clearly the bigger and longer the contract on offer is, the more interested the market will be, but it is becoming increasingly common to receive tender offers which would qualify as “abnormally low’ in some circumstances, that is, where the lowest offer is 25% or more below the mean of all tenders received.
- 4.4 We are also experiencing an increasing trend on bidders ‘manipulating’ their tender to take advantage of any scoring evaluation methodology and taking an increased level of risk in pricing items at nil cost on the assumption that they will not occur frequently, or having won the tender, they can re-negotiate with the Client after mobilisation.
- 4.5 The lack of large packages of work coming from the public sector following years of austerity measures and the level of competition within the repairs and maintenance market has seen an increased number of re-tenders won at base cost with minimal levels of overheads and profit as contractors attempt to maintain turnover. The key issue with the current pricing methodology is around the stability and sustainability of services provided, and an acknowledgement that some contractors are attempting to ensure their organisations maintenance of turn over at the expense of the service delivery.
- 4.6 It should also be noted that due to financial failure and consolidation within the construction maintenance sector, there are fewer large/national contractors competing for work, and they are targeting the larger projects when they come to the market.
- 4.7 More recent industry submissions appear to be responding to recent insolvency events of large organisations who supplied services to public sector organisations with both parties aiming to ensure submissions are reflective of the risk, scale and duration of term and financially viable submissions

#### **5. Repairs and voids benchmarking**

- 5.1 Stradia’s assessment on the repairs costs is as follows:
- 5.2 Osborne’s original tender offer contained a -1% adjustment against the NHF schedule of rates, version 5.1. There has been no change to this since the contract started.
- 5.3 The contract allows for an annual fluctuation increase in line with Consumer Price Index.
- 5.4 The total impact of the annual CPI uplifts in 2018-19 was +5.4% on the original tendered rates and in 2019-20 was +7.6% on the original tendered rates.
- 5.5 Faithorn Farrell Timms have stated that in their experience tenders let under NHF version 6 generally attract a – 5% to +10.39% adjustment and those let under version 7 attract a -15% to -20% adjustment.

5.6 However, they believe that the latest tendered results received shows that the percentage adjustments are changing and reducing, probably for reasons of Brexit and price increases of building materials and labour generally to -6.52% to -7.5% on the NHF version 7.

5.7 The detail provides some opportunity to benchmark, however because of the current market conditions, whereby a number of bidders are submitting abnormally low tenders in order to win work alternative sources for benchmarking have been reviewed. Housemark, an independent organisation that provide benchmarking data for the social housing reported the following repairs costs, as detailed in table 1 below.

5.8 Table 1. Average repair costs

	Repair Cost £	Void Cost £
Lowest Quartile	104.30	2,123.94
Median	127.26	2,749.53
Highest Quartile	156.81	3,513.75
Osborne *	114.92	3,133.00

Source: Housemark report 2016-17

\*Osborne average costs from 2018-19

5.9 The Osborne figure is for the financial year 2017-18 and compares favourably against the Housemark data from the financial year 2016-17.

5.10 Table 2 provides the volumetric data relating to the various elements associated in the delivery of a repair. Whilst there was a peak in both demand and calls in 2016-17, and costs in 2017-18, through changes in process and improvements in scheduling of repairs, in 2018-19 there has been a reduction in the average days to complete a repair, the average order value and telephone calls per order

5.11 Table 2

Response repairs Dacorum						
Description	2014-2015*	2015-16	2016-2017	2017-2018	2018-19	
Number of repairs		23277	22036	21984	25610	
Repairs expenditure		2,918,392.25	2,897,021.94	3,447,692.72	2,943,033.68	
Average order Value		<b>125.38</b>	<b>131.47</b>	<b>156.83</b>	<b>114.92</b>	
Average cost per property pa		<b>278.34</b>	<b>276.08</b>	<b>327.77</b>	<b>280.40</b>	
Repairs per property		<b>2.22</b>	<b>2.1</b>	<b>2.09</b>	<b>2.44</b>	
Average Days to Complete a repair		11.84	13.38	11.16	<b>9.74</b>	
Phone Calls Handled		54,155	58574	48,624	41,552	
Calls per order		<b>2.33</b>	<b>2.66</b>	<b>2.21</b>	<b>1.62</b>	
* 2014-15 not directly comparable due to mobilisation costs and only 9 months operationally						
** 2019 - 20 current year costs and volumetrics not currently available						

Source: Orchard Housing Management system

5.12 The empty homes (voids) performance is closely monitored to reduce the timescale for key-to-key times and the benchmarking demonstrates that the scope of works required in empty homes, especially those requiring extensive works, is contributing to the time taken for works and the higher associated costs.

5.13 There are four categories of voids, which relate to the scope of works involved and where the properties require extensive works, including capital replacement of major components, such as of a kitchen and bathrooms, these works are removed from the void figures in order to provide comparison figures.

- 5.14 The pricing associated with each category can result in voids moving into a higher value category due to the value of garden and house clearances, which whilst directly related to the turnaround of a property are costs which need to be recharged to tenants. As a result some of the initial void category assessments are revised and on completion a void estimated at £2,000 ends up costing £2,300 and is then reclassified as a “major void” (of up to £5,000), . In such circumstances the difference between the actual costs and target costs form part of the reconciliation to determine if there is any gain share
- 5.16 Dacorum, are reconsidering the current categorisation of voids, as part of this benchmarking exercise and a current review of void processes is underway.
- 5.17 As can be seen from table 1, the average void cost is between the mid and highest quartile and still far higher than every other comparator, although as before, this can be down to the Clients specification as well as the Contractor’s costs.
- 5.18 The majority of void work is currently sub-contracted and there are potential savings if more work is undertaken Osbornes directly employed labour and that this would improve control, reduce costs and reduce key-to-key times. Osborne are looking at greater self-delivery of voids, along with a revision of void processes and assessing the impact that this could have on their costs.

## **6.0 Differences in the versions of NHF Schedule of Rates base costs.**

- 6.1 The different versions of the NHF schedules of rates reflect the construction market at the time of publication. Version 7 is the current version and was published in 2016, the previous version, 6.3 in September 2015 and 5.1 in June 2006.
- 6.2 As part of this review we have compared a basket of rates of 146 identical items across nine different trades within version 5.1 (Osborne’s tender), version 6.3 (Client A tender) and version 7.1 (Client B tender).
- 6.3 This shows that the basket of rates items in:
- Version 5.1 totals £12,287.99
  - Version 6.3 totals £13,558.89 (an increase of 10.34% on 5.1)
  - Version 7.1 totals £19,427.66 (an increase of 58.10% on 5.1)

## **7.0 Market changes over the period and how do they compare to CPI**

- 7.1 For the majority of Public Sector contracts tendered, the options for indexation consider one of the cost inflation indices. These indices are based upon the cost of underlying resources and measure inflation against the cost of a fixed in-year basket of goods and services.
- 7.2 The most common methods used to measure the cost inflation across the wider economy are the Retail Price Index (RPI) and the Consumer Price Index (CPI), both produced by the Office for National Statistics (ONS).
- 7.3 The contract uses Consumer Price Index as the mechanism for inflationary linked adjustments. CPI is reviewed on an annual basis and the corresponding uplift applied to all rates within the contract at the beginning of the next financial year. All bidders were aware at the time of bidding and during the competitive dialogue; a number asked if BCIS would be a more appropriate source of cost inflation as they are directly related to the construction sector.
- 7.4 Building costs are the costs actually incurred by the builder in the course of their business (excluding profits) and reflect the current costs for labour, wages, materials, plant, rates, rents, overheads and taxes as opposed to the future costs, which are incorporated in tenders.

7.5 Indices for the factors used in building costs are produced by official bodies. Indices for the various types of material are prepared by BERR (Department for Business Enterprise and Regulatory Reform). Indices of wages are compiled by the ONS. Several other indices are produced to assess the recovery of increased costs.

7.6 The most commonly used BCIS Maintenance Price Indices is the BMI Public Housing Maintenance Output Price Index. There is also a BCIS Output Price Index specific to Refurbishment. There are 4 BMI Maintenance Cost Indices relating to Local Authority Maintenance, namely, for Redecorations, Fabric, Services and General, as well as one for 'All-in Maintenance'

### 7.7 Table 3

Index Date	CPI	BCIS
April 2015	100.00	319.2
April 2016	100.2	320.3
April 2017	102.9	334.0
April 2018	105.4	346.0
April 2019	107.6	357.8
4 year uplift	7.6%	12.1%

Source Office for National Statistics and Department for Business Enterprise

7.8 Table 3 contains comparable figures for the last 5 years for CPI and BCIS, which shows the higher increase in BCIS. It is important when undertaking the benchmark review that all factors are considered that could impact on the ongoing financial viability of a contract and the impact of external economic conditions are considered in the risk register, Appendix A

## 8. Tender Overheads and Profit

8.1 The tender overheads consist of site based overhead, which was tendered as a target cost and central office overhead, 5% of the works turnover.

8.2 Stradia have analysed the overheads applied by Osborne and consider they appear high and, therefore, present an opportunity for efficiency savings, as the contract is now fully established and the service provider has improved knowledge of the stock.

8.3 Osborne's overheads are being further reviewed to determine actual costs of the staff directly deployed on the contract and establish the potential for any savings arising from changes in process or efficiencies arising from improved use of technology that has been adopted since the commencement of the contract.

8.4 Stradia acknowledge that when comparing overheads, in that it is rarely on an exact 'like for like' basis. Osborne's overhead costs, for example, include for call centre staff during the day and for evenings until 22:00, other out of hours services, and staff to deal with complaints, community investment and stock condition. The figures below, therefore, provide a general comparison against other client aspirations.

- Site based Overheads – +16.44%
- Central Office Overheads – +5%
- Profit – +4.50% of this, 1.5% is guaranteed and 3.0% is linked to performance

8.5 At +16.44% Osborne's site, based Overheads are high when compared to recent tenders. In the tenders analysed as part of this benchmarking exercise the Site Based Overheads range (lowest to highest) was:

- Tender A - +2.0% to +8.7%. The successful Contractor's bid was +4.0%
- Tender B - +5.5% to +14.25%. The successful Contractor's bid was +5.17%



- In a most recent tender (April 2019) the Site Based Overheads range (lowest to highest) was +3.79% to +10.59%. The successful Contractor's bid was +9.93%
- 8.6 At +5% Osborne's Central Office Overheads also appear to be high when compared to recent tenders. In the tenders analysed as part of this benchmarking exercise the Central Office Overheads range (lowest to highest) was:
- Tender A - +4.60% **fee** to +18.5% including profit **and** central office overheads. The successful Contractor's bid was +6.75% for both
  - Tender B - +4.0% to +9.5%. The successful Contractor's bid was +4.0%
- In a most recent tender (April 2019) the Central Office Overheads range (lowest to highest) was +1.82% to +9.59%. The successful Contractor's bid was +1.82%
- 8.7 In the tenders analysed as part of this benchmarking exercise the Contractor's Profit range (lowest to highest) was:
- Tender A – +4.60% **fee** to +18.5% including profit **and** central office overheads. The successful Contractor's bid was +6.75%
  - Tender B - +2.2% to +5.0%. The successful Contractor's bid was +5.0%
- In a most recent tender (April 2019) the profit range (lowest to highest) was +4.50% to +8.4%. The successful Contractor's bid was +5.75%
- 8.8 Faithorn Farrell Timms have reported that in recent tenders they have received that the Contractor's Profit element ranged from +5% to + 7%
- 8.9 From the above comparisons it can be seen that Osborne's Profit percentage at +4.5%, 3.0% of which is linked to achieving the monthly performance indicators, is not the lowest found in recent competitions but is in the competitive range when compared to the tenders generally.

## 9.0 Planned Capital Cost comparisons

9.1 The planned work is undertaken based on target costs that were submitted at tender stage and reviewed to include any items following changes in legislation or those that have subsequently enhanced the specification, e.g. soft drawer closers, which were introduced following consultation with tenants, or improved window designs, to extend the component life expectancy and thermal performance. Tables 4 to 7 provide comparable benchmarking values for various component replacement costs and Table 8 indicates which quartile Osbornes costs are ranked.

### 9.2 Table 4

	Electrical testing £	Full rewire £
Osborne	66.31	995.14
FFT Industry Average	75.00	2,493.00
J Rowan Industry Average	21.00 – 23.00	1,600.00 – 2,200.00
Client A	109.51	2,500.00
Client B	-	-
Welwyn Hatfield	83.00	2,311.00

Table 3 contains the comparison costs for electrical testing and rewires. As the condition of the majority of electrical installations in the borough are good, many only require an upgrade rather than a rewire, which is reflected in what appears to be an abnormally low price.

9.4 **Table 5**

	Kitchen Refurb £	Bathroom Refurb £
Osborne	3,405.00	1,476.83
FFT Industry Average	3,450.00	2,279.00
J Rowan Industry Average	2,000.00 – 3,600.00	1,000 – 1,800.00
Client A	-	-
Client B	7,337.36 combined	
Welwyn Hatfield	3,525.00	1,880.00

9.5 **Table 6**

9.6 The window specification has been upgraded since the commencement of the contract to include a higher specification, with “K” glass and a 28mm air gap in the sealed unit, improved security aspects of the frames and sashes and an energy rating of A. The unit costs increased as a result in the specification and aside from the improved security and better energy performance the nominal life expectancy is 5 year greater than the original windows.

	Windows per House £	Windows per Flat £	External Doors £
Osborne	4,092.00	2,171.26	536.54
FFT Industry Average	2,750.00	1,103.00	700.00
J Rowan Industry Average	2,500.00 – 5,000.00	2,000.00 – 3,500.00	900.00 – 1,400.00
Client A	-	-	-
Client B	2,813.78	1,705.32	431.42
Welwyn Hatfield	1,817.00	1,449.00	364.00

In a recent tender review exercise undertaken for a Local Authority in the East Midlands, the following major work streams were benchmarked:

9.7 **Table 7**

Work stream	Local Authority £	EM Group Lower Quartile £	EM Group Upper Quartile £
Standard Kitchen	3,974.54	3,350.27	4,831.77
Standard Bathroom	2,089.94	1,723.13	3,154.17
Whole House Rewire	2,221.89	1,899.95	3,585.07

Analysing the information above and ranking it in quartiles, where the lowest cost is quartile 1 and the highest is quartile 4, it can be seen that Osborne’s costs represent:

## 9.8 Table 8

Work stream	Quartile
Rewire per house	1 (and lowest)
External Doors	1
Bathroom refurbishment	2
Kitchen refurbishment	2
Electrical test/property	2
Repair cost/property	2
Window replacement per flat	2
Window replacement per house	3
Void cost	3

## 10. Service deliverables

10.1 The award of the Osborne TAM Partnering contract was based on a scored quality assessment, weighted 60% quality 40% price. Osborne’s tender submission detailed “Method Statements” for 12 elements that would be delivered during the course of the contract and listed below, which formed the basis scoring quality in the tender evaluation and award;

- Method Statement 1.1 – Empty Homes Process
- Method Statement 1.2 - Empty Homes Process (Performance)
- Method Statement 1.3 - Budget realignment
- Method Statement 1.4 – Efficiency
- Method Statement 1.5 - Aids and Adaptations
- Method Statement 1.6 - Customer Satisfaction
- Method Statement 2.1 - Tenant Requested Inspections
- Method Statement 2.2 - Planning and sequencing
- Method Statement 2.3 - Information Technology
- Method Statement 2.4 - Innovation, Creativity
- Method Statement 3.1 - Employment and Training
- Method Statement 3.2 - Dacorum Specific Community

10.2 Each Method Statement detailed a number of actions to give 121 deliverables. The year five review requires an assessment of these deliverables, in order to establish if the quality element of the contract have been delivered. The deliverables are outlined in table 9 details the number of actions Delivered, Partially Delivered and Not Delivered.

### 10.3 Table 9

Deliverables	
Totals Deliverables	121
Delivered	60
Partially Delivered	34
Not delivered	27

The deliverables have been further assessed, to establish the impact of non-delivery, partially delivery, and delivered. As the contract evolved, some actions were no longer relevant, while for others the focus and importance had increased. Table 10 contains the impact score evaluation the importance to service delivery and any financial impact to Dacorum that may have occurred as the result of a failure to deliver an action.

#### 10.4 Table 10

Impact Score	
Achieved/Positive	58
Tolerable	47
Material	16

10.5 Overall delivery of actions has exceeded non delivery with particular success around a reduction in drainage costs and the delivery of Social Value, where all actions were delivered and Osborne have exceeded expectations. Appendix C provides an infographic outlining a number of the key achievements delivered which relate to Social Value.

10.6 Only 16 actions out of 121 resulted in a material impact, in summary these related to:

- Empty homes: Inspections, customer service and after care.
- Partnership training plans
- Client excellence plan
- Adaptations; Inspector training and surveys and design.
- Quality control Plans
- Energy Management.

10.7 It is accepted that changes to the empty homes processes have resulted in Dacorum staff undertaking pre-termination empty homes inspections. Capacity issues, in this instance, have made any impact, cost neutral. This remains a priority for Dacorum to reduce key-to-key time, so will be one of the key deliverables proposed to Osborne because of this benchmarking exercise.

10.8 A number of the energy management actions related to funding, which is no longer available, and as a result, Osborne no longer have a dedicated energy manager. The collation of statistical property intelligence, relating to energy performance of the stock has not been delivered and will now require Dacorum to action.

### 11. General Performance

11.1 The Performance Review – Total Asset Management Contract & Gas installation and servicing contract, report to H&COSC in November 2018, provided detail on the general performance of the Osborne contract.

11.2 In conclusion, it summarised that overall the performance throughout the period,(2018-19) has been satisfactory, but there have been a number of elements of work that have been subject to delays, primarily the delivery of the aids and adaptations and some of the more complex estate based works. As a result, additional performance indicators have been introduced into the contract for 2018-19, so that these areas can be more closely monitored.

11.3 Osborne continue to demonstrate a high level of commitment to improving the contract and this in part is supported by the volumetric relating to Compliments and Complaints summarised in table 11 below.

#### 11.4 Table 11

Year	Compliments	Complaints
2015-16	130	168
2016-17	127	229
2017-18	134	118
2018-19	171	45

11.5 The level of investment in supporting the Tenant Academy and community investment projects have produced wider benefits to residents in the Borough and it is important that the benchmark review builds upon the areas of positive performance and identifies the key priorities for Osborne to deliver for the remaining term of the contract.

## **12. Conclusion and next steps**

12.1 The benchmarking exercise has identified that those costs that have been reviewed, have been within the range for similar contracts delivering in the sector. The focus for the Council will be to agree a set of new deliverables that demonstrate improvements in efficiency, continuous improvement, value for money and high resident satisfaction.

12.2 The detail provided in the benchmarking review will be used to agree the revised deliverables that Dacorum require for the remainder of the contract term, along with any adjustments to target cost or continuous improvement cost reductions derived through efficiency gains. The expectation going forward is that four new deliverables will be developed to drive service delivery customer care and service integration.

12.3 The Strategic Core Group members, at the next meeting on 8th July 2019, will present all variations in the form of a proposal document for consideration. It is likely that some elements will need to be assessed in respect of any cost or viability implications and once these have been agreed, will require approval by Cabinet and Osbornes Board.

12.4 Any amendments to the Price Framework, such as consideration of changing the indexation measure, or basket rate revisions, will require variations to the contract.

12.5 Any major changes to the contract will be fully implemented by 1<sup>st</sup> April 2020.