



www.dacorum.gov.uk

Housing and Communities Overview and Scrutiny Committee

Report for:	Housing and Communities Overview and Scrutiny Committee
Title of report:	Osborne Total Asset Management Contract Performance update
Date:	2 nd March 2022
Report on behalf of:	Councillor Griffiths , Portfolio Holder for Housing
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A Extract from Osborne's Improvement Tracker Appendix B Contract background and Key Strategic Indicators
Background papers:	None
Glossary of acronyms and any other abbreviations used in this report:	HRA – Housing Revenue Account TAM – Total Asset Management WIP – Work in Progress TOM – Target Operation Model CITB – Construction Industry Training Body BEIS – Department for Building, Industrial Strategy TPC – Term Partnering Contract ACA – Association of Consultant Architects KPI's – Key Performance Indicators KSI's – Key Strategic Indicators NHF – National Housing Federation SOR – Schedule of Rates CPI – Consumer Price Index BCIS – Building Cost Information Service SLT - Senior Leadership Team (Chief Executive and the four Corporate Directors)

Report Author / Responsible Officer

Fiona Williamson, Assistant Director Housing



Fiona.williamson@dacorum.gov.uk / 01442 228855 (ext. 2855)

Corporate Priorities	<p>Providing good quality affordable homes, in particular for those most in need</p> <p>Ensuring efficient, effective and modern service delivery</p> <p>Climate and ecological emergency</p>
Wards affected	All Wards
Purpose of the report:	<ol style="list-style-type: none"> 1. To provide members with an update on the performance of the Osborne Total Asset Management Contract. 2. For members to note the improvement plan and other interventions that have been implemented to drive improvements in the service.
Recommendation (s) to the decision maker (s):	<ol style="list-style-type: none"> 1. That members consider the report and note the actions to address any areas of performance that are below target.
Period for post policy/project review:	Annual contract review

1 Introduction/Background:

- 1.0.1 The Osborne Total Asset Management contract is now in the eighth year, of a currently ten year contract duration. It is an important contract that delivers the day to day repairs, Aids and Adaptations, void works and planned replacements of major components, such as roofs, kitchens and bathrooms.
- 1.0.2 Monitoring of the operational performance is carried out on a monthly basis against a suite of key performance indicators and since the commencement of the contract; and prior to the pandemic, the targets have, in general, been met or exceeded. The current performance has experienced a period of challenge with successive months where a number of indicators are below target.
- 1.0.5 As well as the Osborne Key Performance Indicators, Tenant inspectors also review various areas of the service provided by Osborne and the Strategy, Engagement and Improvement Team have undertaken transactional surveys to assess the views of tenants and their satisfaction with 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.

2 Key Issues

- 2.0.1 This report provides members with an overview of current position, outlines the contributing factors for some of the delays and pressures within the construction sector and their impact on this contract. The report provides details of the various actions that have been introduced to oversee and address the areas where performance improvements are required.
- 2.0.2 The current performance of the contract is below target in a number of areas and this is impacting the service to tenants. Whilst this report will highlight some of the challenges that Osborne have experienced over the past 12 months, it is necessary that the performance is improved to maintain a good quality of service to tenants and leaseholders.
- 2.0.3 Prior to the Pandemic, Osborne were completing non urgent repairs within 11 days, which was below the key performance indicator target of 14 days. The average time to complete non-urgent repairs has increased, especially after a backlog of demand for non-urgent repairs had built up during the strict lockdown periods and is now at 18 days. The performance in January was of particular concern with only 71% of non-urgent repairs being completed in target, which rather than improving, is showing a decline.
- 2.0.4 It has been recognised through work undertaken by Housemark and APSE (Association of Public Sector Excellence) that all repairs providers, whether they are directly employed or outsourced had experienced an increase in the time taken to complete repairs by an average of 2 days.
- 2.0.5 At the beginning of the pandemic, The Council made the decision to just undertake emergency and urgent repairs, with voids being reintroduced after 4 weeks. Planned work was scaled back to external works only and then between lockdowns any remaining internal work that had been commenced were completed.
- 2.0.6 Osborne furloughed a number of staff during these periods and at one point 32 of the team were furloughed, with these being brought back in tranches as the works recommenced. All staff have returned to work since September 2021.

2.0.7 The macro economic conditions around Brexit and the pandemic have resulted in pressures in the construction sector, with supply chain sub-contractors are often moving to organisations who are paying the highest price, or who can guarantee work volumes. Sadly some of the organisations that Osborne had contracted with prior to Covid are no longer trading.

2.1.1 The January performance of the contract Key Performance Indicators for Osborne are provided in the table 2 below;

Table 2

REF	CATEGORY	CRITERIA	01/01/2022 COVID-19
1.1	Defects - Repairs / Voids	Target	98%
		Performance	99.5%
1.2	Defects - Planned	Target	98%
		Performance	100%
2.1	Satisfaction - Repairs	Target	98%
		Performance	87%
2.2	Satisfaction - Planned	Target	98%
		Performance	100%
3	Formal Complaints	Target	<1%
		Performance	0.19%
4.1	In Target - Repairs	Target	98%
		Performance	71%
4.2	In Target - Planned	Target	98%
		Performance	100%
4.3	In Target - Small Works	Target	98%
		Performance	100%
4.4	In Target - Minor Adaptations	Target	98% *
		Performance	100%
4.5	In Target - Major Adaptations	Target	98% *
		Performance	100%
5	Health & Safety Incidents	Target	100%
		Performance	100%
6	Reducing Waste	Target	95%
		Performance	100%
7	Appointments Kept	Target	98%
		Performance	95%
8	Right First Time	Target	86%
		Performance	84%
9	Empty Homes -Cat 1 Average	Target	4 DAYS
		Performance	1.5
10	Empty Homes -Cat 2 Average	Target	7 DAYS
		Performance	28
11	Empty Homes -Cat 3 Average	Target	17 DAYS
		Performance	44
12	Empty Homes -Cat 4 Average	Target	TBA
		Performance	53

2.1.2 The table illustrates that Osborne are below target on 6 of the 18 indicators, as follows:

○ Satisfaction with repairs	Target 98%	Actuals 87%
○ In Target Repairs	Target 98%	Actual 71%
○ Right First Time	Target 86%	Actual 84%
○ Empty homes Average time Cat 2	Target 7 days	Actual 28 days
○ Empty Homes Average Time Cat 3	Target 17 days	Actual 44 days
○ Empty Homes Average time Cat 4	Target 30 days	Actual 53 days

These indicators are linked to performance related profit, which will be reduced accordingly, but these also have an impact on the tenant experience and void rent loss, so it is essential that these are addressed and resolved.

2.1.3 As outlined earlier in the report the macro economic conditions are presenting additional challenges for Osborne to attract and retain tradespeople to work for them either directly or through their supply chain. This has coincided with a 69% increase in the number of repairs requests from Quarter 2 with 5116 requests, rising to 8697 in Quarter 3.

3 Construction market trading conditions

3.0.1 A number of external factors have resulted in a shortage of both materials and labour in the construction sector both in the UK and Worldwide. Factors that have contributed to this, include the value of sterling, the lockdowns during the pandemic halted production of many construction materials, a continued reduction in the number of skilled tradespeople in the sector and competition from large infrastructure projects.

3.0.2 The Construction Industry Training Body (CITB) released its latest estimates in September 2021 for how many new construction workers need to be recruited by the industry. It is estimated 217,000 will be required over the next five years from 2021 to 2025 after accounting for productivity gains and changes in the anticipated demand within the sector. The current shortage has been compounded by fierce competition to attract skilled tradespeople, with some moving companies or sectors for additional salaries of £15,000.

3.0.3 The Department for Business, Energy and Industrial Strategy's (BEIS) [Monthly Statistics of Building Materials and Components](#) report for October 2021, revealed that while month-on-month prices rose just 0.1% from August to September, the cost of materials for 'all work' increased by 23.6% in September 2021 compared to September last year.

3.0.4 Osborne have identified that working to the current rates, which were benchmarked in 2019, as part of the year 5 review, is creating difficulties in retaining some of the sub-contractors and directly employed labour, who are able to secure more lucrative contracts elsewhere.

3.0.5 Osborne have presented analysis of the current NHF schedule of rates costs and target costs for the planned works and have identified that the market rates are between 14% and 30% higher, dependent upon the various trades and material availability. The ability for Osborne to attract sub-contractors at the contract rates is becoming increasingly problematic and it is recognised that if the demand remains at the levels seen in quarter 3 with the current workforce numbers the delays will continue.

3.0.6 Osborne have agreed with their sub-contractors to provide an increase the rates, which they are doing at their risk, as currently the Council have not agreed to any increase. The Council are undertaking some benchmarking to validate the assumptions made by Osborne in relation to increased costs, specifically in the social housing sector. This benchmarking is to establish what increases, if any have been considered by authorities who are delivering a similar contract model.

3.0.7 The Council have stipulated that any consideration of a rate increase will be contingent upon a measurable improvement in the performance of the contract. The particular areas of focus are a reduction in the time to complete non-urgent repairs, a reduction in the time to complete aids and adaptations and a reduction in the time taken to complete the works in void properties.

4 Actions implemented and Governance

4.0.1 The Council have established a Housing Working Group, which is chaired by the Chief Executive and attended by members of the senior leadership team, housing, procurement, legal and finance. The purpose of the group is to provide a focused resource to review the current performance and establish where improvements can be made to the process, systems, contract management and customer experience.

4.0.2 Ernst and Young have been appointed to undertake an audit of the contract arrangements and identify any areas for improvement. At the time of drafting the report, the fieldwork had been concluded. Any findings that require any changes or improvements to the existing arrangements will be implemented and overseen by the Housing Working Group.

4.0.3 Additional staff have been co-located in the Osborne office and to concentrate on the repairs process, communication and complaints. Analysis of the main causes of complaints identified that delays in completing responsive repairs and poor communication, from Osbornes are the main areas of complaint. Osborne have sent out a letter to all tenants who have been experiencing delays with repairs which includes an apology and these letters are being followed up with telephone calls to provide appointment dates for completion of the works.

4.0.4 The Council have corresponded directly with the Managing Director of Osborne Property Services and met to discuss the issues and the contractual remedies that could be invoked should the performance not improve. Osborne have reaffirmed their commitment to the improvements that the Council are seeking and acknowledge that any increase in the rates will be contingent upon a demonstrable improvement against the KPI's

4.0.5 Osborne have developed an improvement plan, an extract of which is contained in Appendix A and are required to provide evidence to support the impact of the plan and demonstrable improvements in the service.

4.0.6 The plan is being revised to incorporate some further measures, which the Council will require Osborne to complete before any decision is made on a rate increase and are designed to focus on reducing the backlog and to improve the turnaround times for all responsive repairs, Aids and adaptations and voids.

4.0.7 Osborne have been undertaking a recruitment campaign to increase their directly employed labour team and table 3 below identifies those that have been employed in February and the anticipated impact on reducing WIP. The additional completions will reduce the average time to complete non urgent repairs.

Table 3

Additional resource	Start date	Average completions per day	Increase in completions per week
1 operative	14/02/2022	4	20
3 operatives	21/03/2022	12	60
Electrical operative	09/02/2022	8	40

4.0.8. In addition Osborne have developed a new target operating model for voids, which considers the current level of demand, those voids currently in the system and forecast voids coming into the

system. The model identifies that with the additional sub- contracted resource, which they are currently on-boarding, that between the first week in March and the second week in June, there will be decrease in the void work in progress number, from 118 to 40, which will result in an improvement in the percentage of properties returned in target and return these to within the acceptable performance limits.

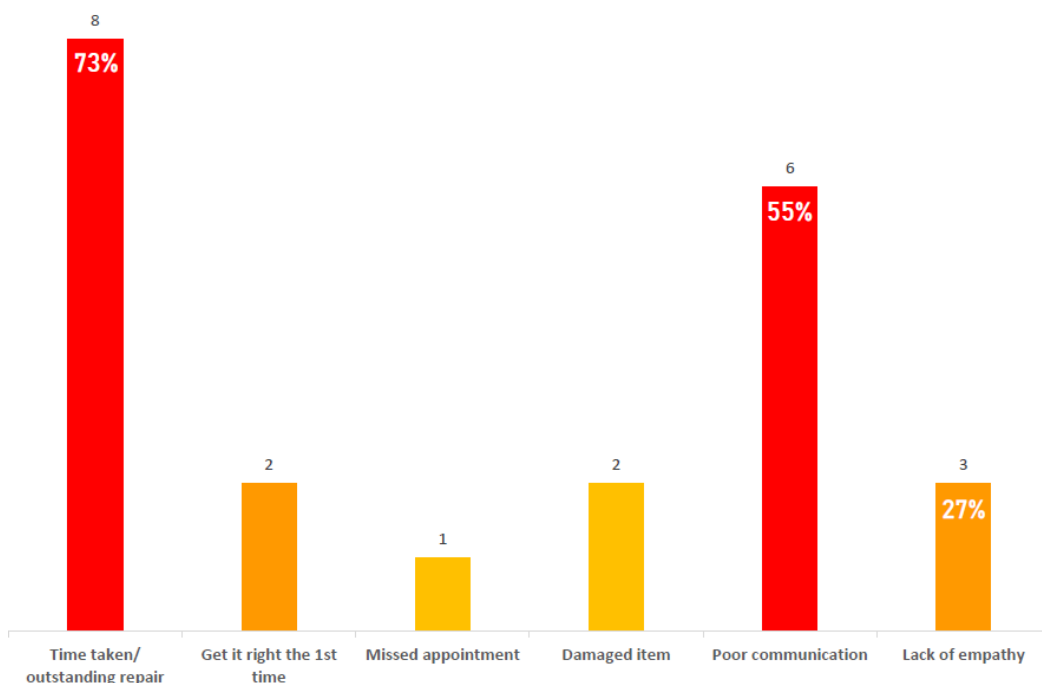
Customer and Community investment

5.0.1 A key element of the improvement plan is to improve communications and engagement with the tenants and leaseholders, as this is one of the main issues identified through the analysis of complaints.

Table 4 provides the December’s complaints analysis, which is undertaken by the Council and shared with Osborne, so that they can ensure these trends are addressed. The total number of complaints received in the period was 22, and the figure at the top of each bar indicate the number in each category.

Table 4

Key areas of concern:



5.0.2 A customer journey working group has been established with representatives from the Council’s Strategy, Engagement and Improvement Team and Osbornes Community investment team, to review complaints and compliments and ensure community activities provide benefits to tenants and leaseholders and the wider communities, within which the Council own housing. The actions in the improvement plan provide details of the actions being taken to address improved communications and letters of apology and follow up telephone calls are being undertaken to manage tenants’ expectations if their repairs are subject to delays.

5.0.3 The extract from the Improvement Plan, contained in Appendix A, provides details of the work that is carried out by Osborne to align with the Council’s corporate priorities and outlines the actions under the headings of Equal Opportunities, Fighting Climate Change, Tackling Economic recovery, Wellbeing and Covid Recovery. The TAM contract included a requirement for Social Value and was designed to provider wider community, economic and sustainability benefits. These elements were assessed within the bidders’ evaluation, so when considering the performance of the contract it is

important that this area is also considered. With the exception of the periods of lockdown, Osborne have consistently invested in providing schemes, events and opportunities to support the Social Value elements of the contract.

- 5.0.4 If necessary, Osborne may need to divert some of the resource that has been assisting with the Social Value schemes, to make sure that are able to address the areas of poor performance elsewhere in the service with assisting in communications to tenants and leaseholders.

6.0 Consultation

SLT

Housing Working Group

Chris Stratford – Interim Corporate Director, Housing

Jason Grace – Group Manager Property and Place

Natasha Beresford – Group Manager Strategic Housing

Oliver Jackson – Group Manager Tenants and Leaseholders

David Barrett – Group Manager, Housing Development

Ada Terry – Team Leader Strategy, Improvement and Engagement

7.0 Financial and value for money implications:

7.0.1 Financial and value for money

The trade information and benchmarking provide 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 requirement to have an improvement plan to address the backlog of works and improve the customer deliverables that were outlined in the original contract have been detailed in a deliverable measured action plan.

Monthly Budget Monitoring Meetings with the HRA Financial Accountant identify any variance from budget and the contract an open book audit is undertaken on a quarterly basis, to identify any gain share which is apportioned on a 50:50 basis to the contractor and client.

8.0 Legal Implications

The Osborne contract was awarded on an ACA TPC form of Partnering contract. The contract is structured and designed for the two parties to the contract to try and achieve improvements and outcomes through collaboration, rather than adversary. There are a number of contractual remedies available to the Council, should the performance not improve, including further reductions in the performance related profit, reclaim of costs for undertaking work which Osborne have failed to undertake and recovery of any monies paid to tenants through the right to repair scheme. In addition the contract would allow for the removal of the final year of the contract term, or if the performance had deteriorated so dramatically that a material breach of contract had occurred, termination.

9.0 Risk implications:

The Contract Risk register details the risks associated with the management of the contract and is updated following any changes in the risk profile and reviewed at the Strategic Core Group meetings.

10.0 Equalities, Community Impact and Human Rights:

Community Impact Assessments are developed whenever there is a requirement to change or create a new policy or procedure or significant change to service delivery

Human Rights – There are a number of services that are provided to tenants and leaseholders which involve entering their homes. The policies adopted by the Council are subject to tenant consultation or oversight to make sure that the right to respect for private and family life is considered and balanced against other landlord responsibilities for health and safety.

11.0 Sustainability implications, Health and Safety

Investment programmes are contained in the HRA Business Plan and include sustainability. Osborne provide training to their operatives to be able to identify any situations where there could be safeguarding, domestic abuse or other issues and these can be escalated back to the Council, using concern cards. Osborne also have corporate policies in respect to modern slavery and training to be able to identify if any operatives could be victims.

12.0 Council infrastructure

The HRA stock and management of the asset, including services that are outsourced, such as the Osborne contract, forms part of the wider estates resources, including the management of health and safety related matters are reported into the Corporate Health and Safety Working Group

13.0 Conclusions: The various interventions outlined in this report will continue and subject to the outcome, a further report will be presented to Cabinet in June 2022. Any consideration of a temporary rate increase will be contingent upon a measurable improvement in the performance of the contract. The particular areas of focus are a reduction in the time to complete non-urgent repairs, a reduction in the time to complete aids and adaptations and a reduction in the time taken to complete the works in void properties. The recommendations made to Cabinet will be dependent on the progress made by Osborne in improving the performance and service to residents. If sufficient improvement has been demonstrated, consideration will be given to a temporary increase in rates and a full benchmark review will be undertaken of all aspects of the contract. Should performance fail to improve the Council will seek appropriate contractual remedies.