

“In-sourcing” Repairs & Maintenance

Following the comprehensive spending review in October 2010 and increasing pressure to reduce budgets, registered social housing landlords (RSLs) are looking at more innovative and cost effective ways to deliver services. In particular, responsive repairs are an area for which social landlords have an ongoing commitment to deliver to their tenants. Traditionally, these services have either been provided by an in-house contracting team (Direct Labour Organisation or DLO) or through an outsourced service provider, most commonly under a construction contract with the RSL. In the case of Housing Associations an outsourced service represents additional costs where VAT cannot be reclaimed. In these circumstances a direct workforce would reduce the VAT expense considerably (mainly in relation to the labour element).

Whilst DLOs have some appeal for the reasons outlined above, they also have other advantages and in particular, their knowledge of the stock and customer, which in many cases results in high levels of customer satisfaction. DLOs do however suffer from a degree of institutional inertia and a distinct lack of commercialism in business practice that so often is provided by a commercial partner. Such lack of commercialism often leads to inefficiencies and a failure to deliver value for money.

So, on the one hand we have a workforce that is largely customer focused but on the other hand, lacks the commercial wherewithal to implement business improvement. Therefore, the benefits of an in-house team combined with the commercial best practice of an external provider, could arguably deliver a first class repairs service?

The answer is “In-sourcing”. In-sourcing pretty much does what it says on the tin! It is the bringing in of relevant expertise into a direct labour organisation and introduces commercial expertise and best practice from the commercial partner’s organisation and transferring these into the DLO. Typically, the in-sourcing partner will be a commercial contracting organisation or similar, who can provide construction management expertise and in addition, such back office functions such as improved IT, procurement and supply chain knowledge. We have referred to this role as a “Repairs Management Contractor (RMC)”.

As with most public sector organisations, an “in-sourcing” solution represents a procurement activity for which EU Rules apply and in particular for the type of service being required, this is classed as ‘Services’ under Schedule 3 of the Public Contract Regulations 2006. Procurement could be under the Restricted or Competitive Dialogue Procedure, although the latter should only really be used in circumstances where the scope of service is not fully defined. In our opinion, with good preparation and consultation, the scope of works can be fully defined and therefore, the Restricted Procedure is perfectly adequate for procurement of this nature.

The eventual appointment of the successful RMC should be on an appropriate Service Level Agreement which sets out clearly the required role of the RMC as well as a description of other key outputs required, which could relate to a number of added value services. Standard contracts would not be appropriate and therefore careful consideration should be given to structuring a contract that aligns most appropriately with the client requirements.

We have recently concluded a procurement exercise to deliver one of the first “In-sourcing” solutions in the country with Epping Forest District Council (EFDC). Tenders were evaluated using a highly innovative evaluation process comprising a “Desktop Evaluation” and an “Assessment Centre” where the candidate was required to participate in a range of exercises to assess suitability.

Cameron Consulting worked in collaboration with Vertex Law to develop the tender documents, which have a number of innovative features including an incentivisation scheme linked to the overall performance of the DLO.

For EFDC, one of the critical issues was to have a solution that was sustainable in the long term and one that presented low risk to the Council. The in-sourcing solution was perfect in this respect; any potential failure of the RMC would be mitigated by the fact that the front-line staff delivering the service would remain as employees of the Council and therefore service delivery to the customer would not be impacted.

In addition, an “in-sourcing” solution will invariably involve the placement of personnel into the client organisation (DLO). Therefore the cultural fit between the in-sourcing partner and the client organisation is critical to the long-term sustainability of the arrangement. Accordingly, the selection process should therefore involve selection criteria around getting the right people embedded within the client organisation. To this end, we designed an “Assessment Centre” as part of the selection process to assess bidders and in particular, the individuals to be appointed as the RMC.

Clients who are seeking innovative solutions to delivering responsive repairs should consider “In-sourcing” as a viable alternative to more traditional models. For those who currently operate direct labour organisations but feel that service improvement is challenging and takes too long to implement should consider in-sourcing. For those who currently deliver services via an out-sourced partner should also consider in-sourcing, as part of the establishment of a trading division of the RSL. Indeed, the procurement of an RMC could be the first step in establishing a trading company, using the commercial expertise of the RMC to build a new business.