ITEM 5

Housing and Communities Scrutiny Committee

24 November 2022

Benchmarking and performance of Repairs & Maintenance Service, and the reprovision of the Housing Repairs & Maintenance Contract in 2024

Part 1: Benchmarking and performance

Introduction

This paper is to update the committee on the current service performance benchmarking and target setting for the repairs and maintenance service, and the review the service delivery commissioning options developed in 2022, ready for 2024. It also includes the key priorities for the service from an asset perspective, most of which link directly to the commissioning proposals.

Background

We currently own and manage 11,118 homes and 1,340 leasehold properties. The detailed breakdown is set out below.

Property Type	Numbers of units	Shown as a %
Bungalows	1971	17.5
Disabled adapted bungalows	573	5.1
Sheltered bungalows	111	1
Houses	5199	46.1
Disabled adapted house	12	0.1
Sheltered houses	1	-
Flats	2264	20.9
Disabled adapted flats	90	0.8
Sheltered flats	809	7.5
Maisonette	88	0.8
TOTAL TENANTED PROPERTIES	**11,118**	
Leasehold properties	1,618	
Shared Ownership	953	

We are a significant social landlord within our city. Our scope of delivery includes planned maintenance, responsive repairs, and repairs to void properties. Our duties include the compliance, health and safety of our properties and to keep them to a decent standard, in good repair.

In April 2016 we appointed Mears Group Plc to deliver the repairs and planned maintenance to our housing stock for 15 years, with the client function residing with Mears, we had no significant client function ourselves. Alongside this and on the same contract term, YourMK was formed to deliver new build homes and regeneration.

Our planned investment programme was created in 2018 due to the lack of investment in our stock historically. It is a five year, £165m programme, which was due to complete on 31 March 2024. Its main purpose was to improve decency (originally to 100% Decent Homes Standard) and deliver energy improvements. It included core elements such as roofs, windows, wiring, bathrooms, and kitchens. The size and scope of this programme came from work undertaken on our behalf by Savills in reviewing the data we had about our property assets at the time and with several assumptions, including asset condition.

The decision was made in 2019 to conclude the YourMK partnership and its delivery and to bring the repairs and maintenance client function back in house. YourMK now no longer exists. Part of this deal also included the term of the remaining maintenance contract being limited to 8 years, to April 2024.

As part of these contract changes, during 2019 it was concluded that the OJEU[1] description and information for the procurement set the upper value of works limit at £180m; too low for what we required Mears to deliver. Regulation 72 (1)(c) was applied, taking the upper limit of the contract to a cumulative value of £270m (this applies a maximum 50% of core contract sum rule). In legal / procurement risk terms, this is deemed as the ‘low risk’ threshold’ for any challenge upon the procurement in the future. At the end of 2022/23, £170m had been given to Mears for all services provided. With the forecast spend to the end of the term in April 2024, this threshold will be breached by up to £20m.

The Asset Management and Investment client team was set up and established late 2019 to direct and oversee the Mears activities.

Performance

Improvements in decency in recent years have been significant. In 2018/19 65% of the stock met the decent homes standard. At the end of 2021/22 we’d reached 90% decent. We plan to reach 92% percent in 2022/23. We will never get to 100% as properties will continually come out of decency each year. Housemark’s 2021/22 data showed decency figures of upper quartile 93.7%, median of 89.7% and quartile 3 at 79%, so we are now comparable to our peers, which is very positive.

Our EPC[2] ratings in 2021/22 (note slightly different total numbers) were roughly 50:50; half C grade or better and half D grade or below, against the national target of all properties being grade C or above by 2030 – refer to the table below, noting this is old data.

[1] Official Journal of European Union
[2] Energy Performance Certificate

SAP Band	# Properties	% of Properties
B	209	1.88%
C	5,223	46.94%
D	5,554	49.91%
E	118	1.06%
F	17	0.15%
G	7	0.06%
Grand Total	**11,128**	**100.00%**

We have not been able to update these figures since late 2021 due to the Department for Levelling Up, Housing & Communities having removed access to their website that allows us to download EPC data for our properties. This means we are no longer able to collect new EPC data, and furthermore when we complete energy improvement, we are currently unable to track the outputs of these improvements.

Furthermore, in Autumn 2022, Microsoft ceased support for Microsoft Silverlight. To comply with our IT security protocols, the software was removed from the network as it no longer receives necessary security updates. Our current asset management system, Keystone is run via Silverlight and we are now unable access it. This means we are unable to access any existing EPC data we hold and any decent homes data.

We have engaged with Civica, the company who owns Keystone and they have advised that the only option would be to purchase their new asset management system. As a result, we are now investigating the option to migrate the Keystone data in NEC as part of our NEC implementation programme.

Detailed work has been undertaken to review performance under the contract, on a more robust benchmarked basis than had previously been the case, through joining the Housemark benchmarking service, where the performance of the Council is benchmarked against other similar authorities against common indicators with standard definitions. Details of the work so far is on the table overleaf.

Indicator	Definition	Housemark 20/21 Benchmarking	MKCC Target	Performance August 2021	Performance August 2022	Performance September 2022	Performance October 2022
Average repairs completion times (2022 definition)	The number of calendar days taken to complete a repair, measured from the date that the repair was brought to the landlord's attention by the tenant to the landlord until the date that the repair was complete, as confirmed by the contractor/operative.	10.5 (Quartile 1) 11.0 (Median) 17.0 (Quartile 3)	13.75	13.16	11.40	12.03	11.27
Average repairs per property (2022 definition)	This is the total number of responsive repairs carried out to general needs, housing for older people and supported housing units, divided by the total number of properties.	2.2 (Q1) 2.8 (Med.) 3.3 (Q3)	TBC following outcomes of Savills report for April'23	3.97	3.76	3.88	3.96
Appointments Made & Kept (2022 Definition)	An appointment is made and kept if the contractor arrives within the specific time slot given to the tenant, or if it is broken by the tenant but kept by the landlord.	97.95% (Q1) 96.82% (Med.) 94.25% (Q3)	96.82%	97.25%	97.21%	97.27%	97.08%
Percentage of Repairs Completed on First Visit	The number of responsive repairs completed by the operative without the need to return to the job because the repair was inaccurately diagnosed and / or the operative did not fix the problem, as a percentage of ALL responsive repairs completed.	92.69% (Q1) 88.82% (Med.) 83.82% (Q3)	88.82%	N/A	91.30%	86.39%	87.89%
Average calendar days taken to complete void repairs – Routine Voids (2022 definition)	Average time to complete a routine void[3] in calendar days based upon the date Mears received the keys to the void and the date Mears returned to void to MKC for re-letting.	11.05 (Q1) 15.11 (Med.) 30.25 (Q3)	18.89	22.95	20.23	20.67	20.92

[3] As defined at https://core.communities.gov.uk/public/download/guides-and-manuals/2021_22%20CORE%20Manual.pdf?download-format=pdf

Indicator	Definition	Housemark 20/21 Benchmarking	MKCC Target	Performance August <u>2021</u>	Performance August <u>2022</u>	Performance September <u>2022</u>	Performance October <u>2022</u>
Average calendar days taken to complete void repairs – Major Voids (TBC)	Average time to complete a major void[4] in calendar days based upon the date Mears received the keys to the void and the date Mears returned to void to MKC for re-letting.	No works major voids measure – key to key instead (Med. 71.84 days)	45.00	48.73	35.15	40.14	38.62
Call Handling (Answered) (2022 definition)	The number of calls received that were successfully answered by a person. Calls that were abandoned before the caller could speak to a call hander do not count as answered.	88.2% (Q1) 83% (Med.) 78.7% (Q3)	88.2%	87.35%	94.23%	92.35%	97.70%
Average Answering Time (2022 definition)	The average time taken (in seconds) to respond to inbound telephone calls. The 'wait time' begins after any pre-recorded message has been delivered and ends upon initial answer by a person.	149 secs (Q1) 327 secs (Med.) 371 (Q3)	149 seconds	129 seconds	63 seconds	117 seconds	27 seconds

[4] As defined at https://core.communities.gov.uk/public/download/guides-and-manuals/2021_22%20CORE%20Manual.pdf?download-format=pdf

Key to key void timelines

Key to key reporting (the time taken from a resident leaving a property to the time the new resident is in the property) not been monitored historically, with no clear processes defined across teams, and no visibility in systems. Our lead for Housing Policy, Performance and Business Planning has been working to develop a bridged reporting process, as well as work with NEC on the future systems and refreshing the lettable standard.

The processes have been reviewed and new void paths agreed and be set up in NEC – 5 in total.

- **STANDARD** (Routine voids),
- **MAJW** for Major Works**,**
- **INSU** for Insurance Works**,**
- **WAIT** for units requiring Disposal, and
- **NEW** for New Build properties

Initial trials showed batches of data were missing, so additional training has been provided to staff to identify the fields to complete to ensure we record both target dates and actual dates at each process stage, including working days at each stage and overall actual calendar days. Further identified requirements include financial void loss figures for each unit (YTD and total).

These processes are not completed yet in NEC and the next steps to be completed by February 2023 are:

- All teams to confirm reporting (Standard) for all void paths
- To configure and build remaining void paths and reporting requirements into NEC (live version)
- Reports made available and scheduled to business requirements
- Identify additional staff training requirements and confirm staff will start updating NEC fields required for reporting.

Indicatively from the data we've worked through, we are seeing an average key to key time from July to end of October 2022 for routine / standard voids of 39.94 calendar days. This compares to Housemark's median figure for our peer group of 39.23 days for 2020/21. Whilst this may look acceptable, there is a lot of work to do here to limit rent loss because of void turnaround times.

Part 2: Reprovision of the Housing Repairs & Maitnenance Contract in 2024

Commissioning Options

Detailed work has been undertaken to review and risk assess the core options for commissioning, as well as the relative cost implications. With the Mears contract currently due to end in April 2024, very soon we need to confirm the preferred option for the future sourcing arrangements, or the route to the preferred option, noting the Mears contract can still operate up to its full term, subject to the OJEU threshold post the section 72 uplift (the £270m ceiling).

The following options have been considered for future delivery:

- Continued outsourcing of the work under one contract: this would involve a new, compliant procurement exercise, based on a competitive process, with an appropriate contractor identified to deliver the planned, responsive, and voids works. This could well be on a similar basis to the current contract, but there would be the option to review the commercial basis of the contract.
- Continued outsourcing of the work, with more than one contract: we could decide to run more than one procurement process, entering several contracts. For example, we could enter separate contracts for planned maintenance and for responsive repairs (including voids).
- Establishment of a joint venture: whilst rare in repairs and maintenance programmes, we could decide to procure an external private sector partner, and establish a bespoke joint venture, for the purposes of repairs and maintenance. This partnership could then bid more widely.
- Insourcing / outsourcing hybrid: under this option we could decide to insource some of the existing services, while outsourcing others. For example, we could decide to insource works relating to responsive repairs and voids, whilst continuing to contract with external providers on larger planned maintenance programmes.
- Externally managed insourcing: under this model, we could insource the work, and directly employ the planned maintenance staff (for example through a Direct Labour Organisation) but partner with an external company for the purposes of management of the operation.
- Insourcing: under this model, we would be responsible for delivery of all the works on planned maintenance, responsive repairs, and voids. This could be either directly by us or through a wholly owned subsidiary, with the TUPE of c150 staff.

Commissioning work to date

During 2022, the approach to developing recommendations has included the following:

- A review of current performance and benchmarking, including through Housemark, Local Partnerships, and Grand Union.
- A market assessment, to understand the current dynamics within the market.

- Various officer workshops to agree options to be assessed and criteria against which to assess them.
- Consultation with the portfolio holder.
- An initial filtering exercise of the options. At this stage, we conducted an initial sift of each of the options. This exercise identified a shorter list of options that were worthy of more detailed review.
- A full risk analysis of each of the chosen options, against twenty identified key risks.

The initial filtering exercise considered these options against the criteria of cost, performance, risk, and social value. On that basis we took forward the following four options for more detailed consideration:

1. Continued outsourcing of the work under one contract
2. Continued outsourcing of the work under more than one contract
3. Insourcing / outsourcing hybrid
4. Full insourcing

We removed for consideration a joint venture approach, a shared service approach, and externally managed in-sourcing, largely because of the extent of risk involved with each of these options.

Each of the four shortlisted options set out above was then assessed in more detail. For each option, each of the risks was scored (probability and impact). Each risk was scored on a basis of 1 – 5, where 1 was 'low', 2 was 'medium / low', 3 was 'medium', 4 was 'high / medium' and 5 was 'high'. The lower the score, the less risk involved.

Risk	Re-procure	Multiple outsourced contracts	Hybrid	In-house
Cost of living increases for staff exceed budget expectations	25	25	20	20
Cost of equipment and materials increases beyond budget expectations	25	25	25	25
Approach to budget management results in insufficient flexibility to exercise cost control and adjust cost base	3	4	2	1
Cost of management overheads is disproportionately high	4	10	3	1
Level of investment required in plant and equipment exceeds payback threshold	1	1	2	3
Level of investment in training exceeds payback threshold	1	1	2	2
Budget for either re-procurement or in-sourcing exceeds payback threshold	1	2	2	2
Mechanisms to ensure value for money are not applied	3	4	2	2
Cost of meeting pension obligations adversely impacts on service provision	1	1	2	3
Lack of alignment between service operating model and organisational operational model means certain corporate functions are duplicated	4	5	2	1
Issues relating to the delivery capability and knowledge of housing portfolio adversely impacts efficiency and effectiveness of service delivery	2	4	3	3
Difficulties are experienced in recruiting and retaining staff	10	10	15	15
Experience difficulties sourcing supplies and materials	6	6	12	16

Risk	Re-procure	Multiple outsourced contracts	Hybrid	In-house
Struggle to realise efficiencies from process improvement and technological advances	2	2	2	3
Monitoring and ensuring compliance work delivered on ageing housing stock	2	4	2	6
Demobilisation of the existing contract and mobilisation of a new contract has an adverse effect on performance	6	8	8	6
Commercial risk involved in procurement exercises, either of a main contractor (for outsourcing) or of a supply chain (on an insourced approach)	5	15	4	4
One or more of Procurement, HR, Finance and Legal have insufficient capacity to provide the level of support required by the service	2	2	1	1
Service delivery constrained by financial collapse of supplier(s) and contractor(s)	10	9	2	2
Training and apprenticeship opportunities through the works are not captured	2	2	2	2
Social value from delivery of the works is not captured for the benefit of communities in Milton Keynes	4	4	2	2
Total (relative risk scores)	**119**	**144**	**115**	**122**

An outline cost model was developed to compare the likely costs of the three more feasible options – hybrid, re-procurement, and insourcing. It used the current outsourced Mears costs as a baseline and compared the additional costs (such as staff requirements and pension contributions) and benefits (such as not funding contractor of overhead and profits), to try and understand the net costs or savings of other options.

Using the existing Mears contract as a baseline, the model suggests a net neutral cost per annum through a hybrid model (focussing on delivery of larger capital works, e.g., roofing and energy schemes), and a net additional cost of £500k per annum for an insourced option. This model needs further verification by Finance to agree this position.

Social Value and More for MK

Social value considerations have been considered throughout the process. Social value (alongside cost, performance, and risk) was one of the criteria against which the original longlisting of options referred to above was assessed.

Social value risks (in terms of both training and apprenticeship opportunities and wider social value) were assessed as part of the risk assessment referred to in the preceding sections of this report.

Moving forward, as we progress the recommended option, this will involve us, as we insource parts of the service, developing a supply chain. This will create opportunities for additional social value to be captured, towards our More for MK objective. We will also be considering good practice from across the country, as part of this approach.

What to do next

To be successful in our commissioning, we need to have our own data and systems in place to either transfer to a service provider, or to manage services ourselves, so the NEC implementation is key to whichever route is chosen and therefore also dictates our next steps. On this basis the hybrid route is the most appropriate and least risky option, enabling us to be ready for whichever option is chosen, or if the hybrid option becomes the final proposed route.

Some added benefits of the hybrid option are the management of the OJEU threshold and the ability to bring in-house elements of delivery, potentially the call centre and large capital schemes, such as roofing and energy projects. We would look to limit Mears to a further 2 or 3 years beyond April 2024.

Commissioning 2023 for Environment and Waste, and Highways (April 2024) are both progressing through outsourced service provider routes. As with projects of this nature, both are high in resource demand from the core staff areas, particularly Operations, Financial, Legal and Procurement, as well as specific external specialists.

With a hybrid option there is still a lot of considered work to do and TUPE will apply. Below are some proposed dates milestones:

- Agreement in principle with Mears with legal review, including early capital project transfer and TUPE considerations agreed – by March'23, with some capital schemes transferring and starting in Spring 2023
- Commercial mechanism / agreement rebasing for the disaggregation, including overheads for any specific transfer of service(s) or projects and the basket of rates approach – by February'23
- Hybrid model mobilisation and implementation plan agreed – by end April 2023.

Because of the potential pressures of the rent cost cap changes, the initial focus of our commissioning work with Mears has been of potential cost reduction measures.

Work has been completed to consider the scope of the works which could be in-sourced in this model, and which could continue as is. By example this is considering cost implication (disaggregation savings and costs), strategic fit (against corporate priorities), risk, performance, and social value/community wealth building.

As part of this, we will also cover:

- Inflationary impacts and risks
- Energy improvements and upcoming energy related grant funding opportunities
- The increasing regulatory focus on residential building safety, particularly around fire and structural safety
- The future programme of required investment and maintenance beyond 2024.

The proposed hybrid option is a negotiation of the existing contract, within the bounds of the original procurement, and therefore consultation is not required. We would look to consult on wider service changes in the future.

Potential insourcing options

The hybrid option of insourcing some elements of work, while continuing to deliver others through the existing contract, is the recommended option. Risk assessments of each option were conducted as part of the assessment in April 2022 – with the hybrid option scoring as lowest risk (against the identified risks at the time). Nevertheless, any sourcing option would involve risks, and for the hybrid option, these are attached as an Appendix to this report.

Negotiation principles

Below are some core negotiation principles which we have set out and the onset of negotiation.

MKCC has reviewed its position and priorities for the commissioning of Housing Maintenance and Investment services from April 2024. It has concluded that it wishes to undertake a significant programme to implement an end-to-end housing management system (NEC) and look to in-source housing investment related programmes or projects through 2023. It also wishes to insource the call-centre function in April 2024. Day-to-day maintenance, voids and compliance functions will remain with Mears for April 2024, with a 2-year contract extension from April 2024.

This negotiation will be subject to Council's governance and subject to contract. Any agreement on contract scope will require consideration against the section 72 (1)(c) OJEU adjusted total contract threshold of £270m, this also includes material reductions in contract scope. During 2023, MKCC will work with Mears to understand how and when further workstreams are in-sourced after April 2024, and / or a separate commissioning process engaged prior to April 2026 on a workstream-by-workstream basis.

MKCC and Mears will enter an initial 'negotiation phase' from 17 October 2022, which is planned to complete by January 2023. We expect there to be several phases of negotiation. The outcome of the initial negotiation, including the extension will be subject to an executive decision in early 2023, and these negotiation phases will need to be considered alongside the existing twice yearly contractual performance and commercial review points.

Any agreed transfer of any programmes, projects or services must remain cost-neutral or better to MKCC in 2023/24 and 2024/25.

Below are some core principals which MKCC would set out and the onset of negotiation for which a two-year extension will be awarded to Mears:

- The methodology behind, and the value of the basket of rates and exclusions will review and value for money reconfirmed independently
- The revenue maintenance budget is reviewed line by line (including Mears' costs/overheads) and then prioritised, with targeted cost savings identified and managed – this will be linked to the outcomes of the Savills review work
- A process of workstream commercial review, TUPE consideration and transfer is agreed in detail – this includes the agreement to transfer of specific investment projects for delivery in 2023, including future Social Housing Decarbonisation Fund (SHDF) or similar capital delivery programmes, such as Harrier Court
- Mears will continue to proactively seek out and support external grant funding opportunities to support MKCC, particularly to improve energy efficiency and support

MKCC in the use of delivery frameworks for these grants, starting with SHDF wave 2 funding

- Contractual flexibility is built in to allow specific and agreed workstreams to continue up to the total contract threshold
- Mears' online customer portal is fully functioning and operational by April 2023
- Mears will continue to work with MKCC to move KPI review and analysis in line with Housemark definitions and measurement, targeting completion of this by April 2023
- Mears will support the trial of framework delivery for Temporary Accommodation / 3rd party voids in 2023, including the development of processes and scopes of work. Other workstreams may follow this route
- Once the NEC implementation programme is confirmed in December 2022, Mears' extent of support for development and rollout will be agreed, including migration plans from MCM.

Consistently resourced negotiation teams will be formed, including knowledgeable Technical, Finance, Legal, Commercial, HR and Procurement functions, with leads identified for each area. External parties, such as Local Partnerships and Gleeds will support MKCC in this process. The initial negotiation session(s) will require Mears to present on the full local organisational structure, relative costs, commercial mechanisms and day to day management and delivery arrangements. The agenda for each negotiation session will be agreed at this point, with leads nominated for each session. From here workstream leads will undertake targeted reviews, agree actions and report back a new Core Group for the negotiation. This is to ensure that everyone engaged in the negotiation process has a common understanding of the specifics of the local contract.

Governance

A Lead Group will meet monthly to monitor progress, agree actions and outcomes, with workstreams reporting into this as needed.

<u>MKCC</u>

- Stuart Proffitt, Director Environment and Property
- Natasha Hutchin, Head of Finance
- Alison Cook, Head of Housing Maintenance, Investment and Corporate Health and Safety
- Martin Walker, Housing Director Local Partnerships

<u>Mears</u>

- Peter Baldwin, Managing Director
- David Miles, Chief Executive (when required)
- Jason Lawrence, Financial Director
- Andrew Fanning, Senior Commercial Manager"

Over the page are the initial negotiation workstreams for reference, which are now underway.

The initial workstreams below are to be concluded by December'22

Value for Money / Cost Pressures & Challenge

Lead: Natasha Hutchin

- Review the commercial model for each workstream and a cost of review each workstream. Also reconsider the contractual review milestones. Target revenue savings as a priority but also capital savings.
- Ensure the baseline contract commercial position and various inflation indices are understood, including exclusion thresholds and there isn't a better way of doing it.
- Ensure capitalisation and financial treatments are appropriate considering CIPFA rules for example, with common monthly reporting between MKCC and Mears.

Insourcing Schemes

Lead: Alison Cook, supported by LP

- Produce a pipeline review for major projects to identify the remaining 22/23 and 23/24 schemes to be delivered by MKCC. Map out the commercial and financial structures that sit around these schemes.
- Understand and agree resource / functional requirements, incl. delivery framework options. Consider PM's, RLO's, site management & back office resources, design liability, TUPE, H&S and any other risk transfer which is highlighted. Must be cost neutral of better.

Resource / Cost Tracking & MCM Migration Plan

Lead: Andrew Fanning

- Produce an Excel sheet to capture the allocation of resources and functions by team (c180 people). Capture costs (staff, agency, third party / supplier spend), overheads (incl. Head Office) and profit.
- Review MKCC's NEC resourced implementation programme requirements. Confirm an outline migration plan for MCM to MKCC considering the resources and timescales required of Mears to support MKCC's NEC modular rollout by April'24.

Hybrid Option Risk Assessment

Risk	Probability	Reason	Impact	Reason
Cost of living increases for staff exceed budget expectations	H/M	Future inflation rate is difficult to predict but is likely to place significant pressure on the cost of living in the short to medium term. Impact will depend on the contractual payment mechanism for inflation and the extent to which local government cost of living pay increases track RPI/CPI	H	The staff cost element of the overall service is high
Cost of equipment and materials increases beyond budget expectations	H	Future inflation rate is difficult to predict but is likely to place significant pressure on the cost of equipment and materials in the short to medium term. Impact will depend on the contractual payment mechanism link to inflation, and the extent to which the cost to the Council rises	H	Impact will depend on the extent to which the cost to the Council rises, but it is unlikely that the Council would be able to isolate itself from these costs
Approach to budget management results in insufficient flexibility to exercise cost control and adjust cost base	M/L	The Council would have full flexibility over its own spend and be able to amend priorities throughout the year	L	More choice should be available to the Council in terms of which spend areas to adjust
Cost of management overheads is disproportionately high	M	Service would have reduced overheads, compared to an outsourced model, and draw on existing corporate overhead as applicable	L	Management overhead is a minor element of overall spend
Level of investment required in plant and equipment exceeds payback threshold	M/L	For the outsourced parts of the programme, the cost of investment will be priced into the contract and assessed as affordable as part of the procurement evaluation exercise. For the insourced elements of the programme, there will be a cost of acquiring requisite plant and equipment from a zero base.	L	Will depend on the amortisation period but likely to represent a minor element of overall spend
Level of investment in training exceeds payback threshold	M/L	For the outsourced elements, the contractor will have access to an existing team of appropriately trained operatives. For the insourced, TUPE would apply but the switch in service back to the Council and a change in employer may see some staff leave with a need to recruit and train new staff	L	Service overhead is a minor element of overall spend

Risk	Probability	Reason	Impact	Reason
Budget for either re-procurement or in-sourcing exceeds payback threshold	M/L	For the outsourced elements of the service, the Council is sufficiently experienced in undertaking large procurement exercises and controlling the budgets of external advisers. Bringing elements of a service back in-house will require strong project management skills and a lack of experience in the task increases the probability that costs may over-run. However, the mitigation for this is that only some elements of the programme would be brought in house	L	Project costs are likely to be a small proportion of overall contract spend
Mechanisms to ensure value for money are not applied	M/L	Council has more control over spend and activities but is reliant on having access to a sufficiently experienced and qualified team	L	Lost opportunities for savings and efficiencies are likely to be a small proportion of overall spend
Cost of meeting pension obligations adversely impacts on service provision	M/L	For the outsourced elements, these will be part of the staff on-costs that are priced into the contract. For the insourced elements, cost of pension obligations of transferring staff may bring additional cost pressures.	L	Increases to pension costs will represent a minor proportion of overall contract spend
Lack of alignment between service operating model and organisational operational model means certain corporate functions are duplicated	M/L	The contractor is likely to use, for example, their own call centre, CRM and accounting system, and asset data, which will replicate resources that the Council has in delivering its own insourced elements of the programme. This could potentially be mitigated through joined up working with the external provider (which may be the existing contractor, at least for a time)	L	The potential saving will represent a minor element of the overall cost of service
Issues relating to the delivery capability and knowledge of housing portfolio adversely impacts efficiency and effectiveness of service delivery	M	The change in delivery model is likely to result in some losses of experienced staff at both management and operative level	L	The loss of knowledge and experience would be expected to be insignificant due to TUPE
Difficulties are experienced in recruiting and retaining staff	M	Capacity to undertake successful recruitment and restrictions on pay rises may make recruitment and retention more difficult	H	Sufficient number of suitably experienced staff are key to successful performance of the service
Experience difficulties sourcing supplies and materials	M	Global supply chains are under unprecedented pressure from a time and cost perspective as a result of the pandemic, inflation and conflict. The Council is unlikely to have the same influence and advantage as major building and R&M contractors for the insourced elements of the programme	H/M	Materials are a large proportion of cost which the Council will have to absorb.

Risk	Probability	Reason	Impact	Reason
Struggle to realise efficiencies from process improvement and technological advances	M/L	The Council as one of the key providers of such services will have less exposure to latest technology and process developments and less opportunity to mitigate implementation risk than for the outsourced elements of the contract	L	Single to low double digit efficiency gains may be possible over the contract term
Demobilisation of the existing contract and mobilisation of a new contract has an adverse effect on performance.	H/M	The Council would need to arrange and coordinate the handover of responsibilities. This would include the disaggregation of various functions. There would nevertheless be short term risks around demobilisation (such as staff leaving) and mobilisation of a new contract	M/L	The impact would be for a limited time during the handover period
Monitoring and ensuring compliance work delivered on ageing housing stock	M/L	The Council would continue with the current arrangements for compliance with the existing contractor, while taking on some responsibilities for the work which was insourced	L	The impact would be for a limited time during a handover period
Commercial risk involved in procurement exercises, either of a main contractor (for outsourcing) or of a supply chain (on an insourced approach)	M/L	Introducing procurement exercises for a smaller contract risks bidders being less interested in bidding for the work - but, at least for a time, the existing contract could be extended in part. This does introduce uncertainty into the process, because while this may enable new entrants, it may exclude the larger bidders who typically have strong involvement in this market.	M/L	There may be gaps in particular areas of the supply chain, which the Council would have to seek to fill.
One or more of Procurement, HR, Finance and Legal have insufficient capacity to provide the level of support required by the service	L	The insourced elements of the service should place less demand on corporate functions than the externalised elements of the service	L	The service burden should be no more or less than 'business as usual' matters
Service delivery constrained by financial collapse of supplier(s) and contractor(s)	M/L	Because of the insourcing element, the service likely to draw on a range of sub-contractors under a framework arrangement	L	Depends on the reliance placed on the affected contractor, but although there is a chance of financial failure for the outsourced contractor, the Council would be well placed, through a new insourced service, to take on this service if required
Training and apprenticeship opportunities through the works are not captured	L	The Council can ensure that training and apprenticeship opportunities are built into its operating model	M/L	The impact would be restricted to those people not able to access training and apprenticeship opportunities
Social value from delivery of the works is not captured for the benefit of communities in Milton Keynes	L	The Council can ensure that training and apprenticeship opportunities are built into its operating model	M/L	The impact would be in the form of a missed opportunity for added social value