|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1.0  1.1  1.2  1.3  1.4  1.5  1.6  1.7  1.8  1.9  1.10  2.0  2.1  2.2  2.3  2.4  3.0  3.1  3.2  3.3  3.4  3.5  3.6  3.7  3.8  3.9  3.10  3.11  3.12  3.13  3.14  3.15  3.16 | **Appendix 1 to support Management Accounts for quarter 3 2015-2016 financial year.**  **Performance for the Maintenance budget is £1,802,644 vs actual £2,477,348 showing a cumulative loss of £674,704 year to date**. The majority of which is in General Needs day to day repairs however, there are two areas other than day to day which have far exceeded budgets, the first being the repairs for the **HQ building which will be circa £21k** over budget due to a major roof repair and supported housing which has incurred in excess of **£54k above budget for changes made to the Kirkwood Rd** scheme adaptations for change of use. However the single element of the budget that is driving this loss is the Day to Day repairs activity (D2D).  The forecasting at the end of December has identified a **variance at year end of £580,415 for the Maintenance Budget**, however this will be revised downwards once the costs for the overcharged works have been recovered and the RR Richardson adjustments have been agreed.  **General Needs D2D at the end of December we had spent £1,632,049 delivering 7441 jobs at an average of £219.33 inclusive of vat showing a loss to date of £709,136** which is offset by underspends in other areas. These figures include both paid and accrued figures and do include **1024 additional jobs over budget valued at £147,272**. In addition we have a position of **recovering £150k plus for overcharged works** following detailed reviews of April to October activities. We also have an impact on this budget from last year for **non-accrued works of £120k**, plus some further adjustments to be made on **service charge coding errors of circa £25k** which will be made in January’s accounts. There will be further adjustments before the year end in respect of the **RR Richardson accruals to be reversed out** of the account once we have agreed the settlement figures with the receiver. ***Volume variance = 1024 x 143.82 = £147,272 and Cost variance 7441 x 75.51 = £561,870***  **Budget for day to day repairs is £1,298,119.32** based upon **9026 jobs** at an average value of **£143.82 inclusive of vat**  Current detailed performance as at the end of December Period 9 is:-  .  Breaking the whole scenario down we have on the day to day activities, KNK and P&R as the main contractors with the remaining contractors including JH Maunders our reserve contractors we see the following:-   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **P&R paid** | **Average +/-** | **Jobs** | **Acpj\*** | **Value** | **%** | **ACPJ Improvement\*** | | October | -£144 | 976 | 80.96 | £ 79,016.96 | 64% |  | | November |  | 1194 | 79.32 | £ 94,709.77 | 64.7% |  | | **December** |  | **1321** | **78.85** | **£104,167.33** | **64.88%** | **Yes** | |  |  |  |  |  |  |  | | October | +£144 | 557 | 406.92 | £267,872.96 | 36% |  | | November |  | 651 | 396.81 | £258,323.60 | 35.3% |  | | **December** |  | **715** | **394.91** | **£282,361.93** | **35.12%** | **Yes** | |  |  |  |  |  |  |  | | October | Total | 1533 | 199.39 | £305,664.87 |  |  | | November | Total | 1845 | 191.35 | £353,033.37 |  |  | | **December** | **Total** | **2036** | **189.85** | **£386,529.33** |  | **Yes** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **KNK paid** | **Average +/-** | **Jobs** | **Acpj\*** | **Value** | **%** | **ACPJ Improvement\*** | | October | -£144 | 1172 | 55.26 | £ 90,794.84 | 72% |  | | November |  | 1383 | 76.55 | £105,873.87 | 71.9% |  | | **December** |  | **1557** | **76.41** | **£118,970.72** | **72.86%** | **Yes** | |  |  |  |  |  |  |  | | October | +£144 | 442 | 407.08 | £158,739.88 | 27% |  | | November |  | 536 | 360.94 | £193,463.20 | 28.1% |  | | **December** |  | **577** | **367.77** | **£212,206.00** | **27.00%** | **Yes** | |  |  |  |  |  |  |  | | October | Total | 1614 | 154.59 | £249,972.03 |  |  | | November | Total | 1922 | 155.97 | £299,769.07 |  |  | | **December** | **Total** | **2137** | **155.17** | **£331,608.72** |  | **No** |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Others paid** | **Average +/-** | **Jobs** | **Acpj\*** | **Value** | **%** | **ACPJ Improvement\*** | | October | -£144 | 218 | 77.47 | £ 15,953.24 | 59% |  | | November |  | 209 | 72.44 | £ 15,139.94 | 55.8% |  | | **December** |  | **279** | **73.95** | **£ 20,631.89** | **55.10%** | **Yes** | |  |  |  |  |  |  |  | | October | +£144 | 149 | 926.67 | £138,073.83 | 40% |  | | November |  | 164 | 913.36 | £149,791.11 | 44.2% |  | | **December** |  | **226** | **852.49** | **£192,661.88** | **44.7%** | **Yes** | |  |  |  |  |  |  |  | | October | Total | 367 | 418.95 | £154,173.60 |  |  | | November | Total | 374 | 441.38 | £165,075.05 |  |  | | **December** | **Total** | **506** | **421.81** | **£213,437.77** |  | **Yes** |   Paid outcome analysis at end December 2015  **October** 2366 jobs = 67.0% less than budgeted cost per job (-£144) were at an average of £78.51 ↓  **November** 2786 jobs = 67.3% less than budgeted cost per job (-£144) were at an average of £77.43↓  **December** 3157 jobs = 67.5% less than budgeted cost per job (-£144) were at an average of £77.22↓  **October** 1148 jobs = 33.0% above the budgeted cost per job (+£144) were at an average of £455.98↓  **November** 1351 jobs = 32.6% above the budgeted cost per job (+£144) were at an average of £445.28↓  **December** 1518 jobs = 32.4% above the budgeted cost per job (+£144) were at an average of £452.72↑  **October** 64% of the jobs have cost 26.0% of the spend and the remaining 36.0% of the jobs have cost 74% of the spend.  **November** 67.27% of the jobs have cost 26.4% of the spend and the remaining 32.6% has cost 73.6% of the spend  **December** 67.47% of the jobs have cost 26.2% of the spend and the remaining 32.4% has cost 73.8% of the spend  Accruals allowed for at end December 2015  **October** showed 1363 jobs = 65% less than budgeted cost per job were at an average of £55.27  **November** showed 1499 jobs = 66.1% less than budgeted cost per job at an average of £59.42  **December** shows 2052 jobs = 83.04% less than budgeted cost per job at an average of £48.22  **October** showed 719 jobs = 35% above the budgeted cost per job were at an average of £404.95  **November** showed 769 jobs = 33.9% above the budgeted cost per job at an average of £400.62  **December** shows 419 jobs = 16.69% above the budgeted cost per job at an average of £468.53  **Comments:**  The in depth analysis has enabled us to see the full picture in respect of the repairs activity and the delicate balance which needs to be achieved to ensure budgetary control. As part of the findings it is clear as to why the budget has been in a state of flux over the years, as until the “Mazars” reporting tool was introduced the detailed cost breakdowns have not been visible and as such a key element of control not effectively in place.  We can see that the impact of higher cost repairs have a significant impact on the budget and our current activities have put these specific elements under the direct control of the Repairs Manager to review prior to commencement of any works. In effect the challenge has to be when a repair is not a repair, if there are specific circumstances such as Health and Safety issues, or elements that could affect the safety or security of our properties or of our customers we have to take the necessary remedial actions at the best possible costs we can achieve.  Moving forwards we have re designed the budgetary approach and controls that will see a greater emphasis on understanding the implications of such repair requests and to see if these can be in the first instance repaired at a much lower cost and put onto a replacement programme where capital costs and further savings can be achieved.  We have recognised that the opportunity to drive down the higher value works, will by a swing of circa 9%, have a £300k beneficial impact on the budget at current costs.  Whilst we are working very closely with our 2 main contractors and the balance of their activities it is the “other” contractors activities which in the main are specialist by nature are the ones that carry the premium costs at over £913 average cost per job over the £144 target. By instigating a £500 review limit, all specialist and or larger jobs are now subject to a desk top review and where necessary additional inspections prior to commencement. The management information in place is enabling us to review on a monthly basis improvements being made on the cumulative effects to date. You will see above that both P&R and KNK costs and Others are beginning to reduce on the higher value activities and we are anticipating this trend continuing in the final quarter end figures as well.  **Remedial Action Plan activities:**  Once we identified the issues in quarter 2, detailed actions were put in place to ensure we had covered all possible causes and to identify areas for improvement or change.  **Possible causes:**  As part of the analysis we have looked at the whole responsive repairs process from start to finish and several elements came into focus where controls and current practises did not fully align themselves. These included, in varying degrees of impact:-   * Poor Diagnosis * Poor use of Locator Plus * Schedule Of Rates (SOR) Knowledge base * Incorrect Coding of works * Lack of any direct IT Links and controls * VAT not taken into consideration * Accruals from last year and RRR legacy * £50 voluntary excess being abused * Variation orders not following agreed processes * Invoice processing not following processes * Authorisation processes not being followed * Manual work arounds not adhered to * Reporting tools not effective * Contractors job building * Budget setting and analysis not reflecting service demand  |  |  |  |  | | --- | --- | --- | --- | | **Possible Causes** | **Concerns and findings** | **To be addressed by** | **Outcome January 2016** | | **Poor diagnosis** | In discussions with contractors there have been many occasions where the diagnosis is not representative of the job attended on site. Wrong codes and descriptions, areas of work / number of items required and resulting values not being representative of what is required. | Review of the diagnostic tools available to CSC. Confirmation that correct codes are being used not just the cheapest. Ensuring additional required information is both concise and correct. Double check all details with customer, phone number and description of works identified to be repaired before sending the order to the contractor. | Investigation has shown that many SOR codes are hidden from the Locator Plus diagnostic tool at the first level. These only become visible with a more determined search and select activity. A method has been found to bring this section to the fore giving us a significant improvement in providing the correct SOR at first point of contact. | | **Poor use of Locator plus** | Locator plus has both pictorial and detailed descriptions to assist with the diagnosis. Whilst the tool is not always used to assist we have found that some of the SOR codes and descriptions are not visible to the CSC staff. | The SOR codes and descriptions are to be made 100% visible to the CSC staff who will be further trained to identify the correct codes and estimated costs for the repairs required. | All staff will be trained on the improved system at the end of January once the additional codes are made more visible. | | **SOR knowledge base** | This encompasses all staff engaged within the ordering of repairs. A general lack of detailed knowledge and the use of generalised descriptions enables the contractors to interpret what they would like the job to be. Too many orders are being placed with ambiguous descriptors and SOR codes. | A review of the most used codes, as well as the most abused codes will form the basis of training sessions for all staff, CSC, Surveyors, Admin and Estate / Housing Officers to ensure a greater knowledge and a more accurate approach to placing orders is taken in the future. | The detailed analysis of codes is complete and a hot list of abused codes has been produced. Knowledge will be further increased with additional specialist training in January and by instruction to match the works description with the codes identified. | | **Incorrect coding** | There are a number of invoices on the system where incorrect codes have been used. In addition the “blues” i.e. non “Genero” based contract activities are allocated to responsive repairs without reference to the budget holder for either comment or sign off. | Clearer breakdown / visibility of allowable codes per department is needed to address miss coding or indeed activities undertaken outside of the responsive repairs department’s knowledge. | This aspect is not fully completed yet, examples have been identified and clarifications are being sought as to the processes and procedures to be adopted when in doubt over the allocation of costs and to which department. | | **IT links and controls** | Without any direct IT link to the contractors everything is paper based, manual and prone to mistakes. Orders are the subject of an email transfer, no appointment is entered into “Genero” until the invoice is received and inputted by hand. Variation orders are subject to a manual work around solution and the basis for reports are circa 2 to 3 months out of date. | A comprehensive and detailed list of IT specific requirements was included in the re tendering exercise and additional fail safe activities have been put in place. The resulting systems will address 100% of our concerns and provide additional checks and controls before any manual intervention is required. | Progress has been good in this area, the detailed specification for new contractors has ensured a greater understanding of our requirements. The use of a data hub as an intermediary will greatly enhance our forward connectivity options and improve our live reporting capabilities. | | **Vat not taken into consideration** | In discussions with both Surveyors and Administrative staff there has been confusion about the figures they have been dealing with are either with or without vat. This has led to several quoted works being 20% under accrued for. | All staff have been given clear instructions as to what elements / activities are reported as being net or gross in relation to vat. This will ensure that correct costs are identified prior to authorisation. | Training complete, a clear position has been achieved with all relevant personnel. | | **Accruals from last year** | At the year-end we were still resolving issues with RR Richardson, closing down 12 temporary contractors, going live with 3 new term contractors and clearing up jobs that had been appointed but not completed. In this was also the resolution from MHS where invoices on the system incorrectly needed to be removed. | At period 7 we have identified over £119k of activities not accrued for and therefore paid out of this year’s account.  100% focus will be given to invoices being produced well after year end and above estimated values on the system. RRR invoices have yet to be settled and did not reflect actual works undertaken in their tenure.  Further work is ongoing to identify a plan of action for Feb 16 to prevent it ever happening again. | A procedure is in its first draft that will ensure a consistent approach across all contractors in respect of year end activities including our approach to accruals. This will act as the framework to ensure that there are minimal accruals not formally accounted for. | | **£50 voluntary excess abuse** | The £50 variation order or voluntary excess is an agreement entered into with contractors to enable them to complete works on site to an additional value of £50 without getting authorisation or submitting a VO request. On reviewing the invoices of several contractors we have identified many instances where the £50 facility has been abused. | On circa 10,000 orders we are effectively putting at risk £500k of the repairs budget. Our old processes and checks did allow for the £50 variance to be offset if there is a discrepancy between estimated value, plus vat and the final invoice this has been removed. We have identified the main culprits on this abuse and will be recovering costs that cannot be supported by either direct instructions or physical evidence of works having taken place. | The recovery process agreed with the two main contractors has re-emphasised the controls we have put in place to prevent further abuse taking place. All staff are aware of the issues and additional checks are undertaken to identify levels of VO’s under £50 are within our 75% tolerance. With a £30 minimum order value and a £50 voluntary excess 75% of our repairs moving forward should not need to have formal VO’s. | | **Variation orders not following agreed processes.** | Without the IT based VO process, a manual work around was devised and put into place. However this process broke down on several occasions due to surveying staff changes, contractors seeking retrospective authorisation post job completions, CSC staff agreeing variations in isolation and lack of strict controls in the payment process. | Till Feb 16 there will still be a manual VO system in place, however additional checks and balances have been put in place and all invoices are more diligently checked for any non –compliant totals. Surveyors maintain a dedicated email box where all requests and authorisations are recorded, if it is not in there it does not get paid. Contractors are aware that failure to follow the agreed process will be detrimental to their contract as well as their cost recovery. | A review of the manual system has shown it is still fully operable and in use correctly on a daily basis. | | **Invoice processing** | Without the IT link circa 1000 paper invoices per month are generated. These have to be individually entered onto the system before authorisation can take place. Initially invoices came in batches of over 400 at a time and normally 6 to 10 weeks late. Under pressure to get invoices on the system attention to detail was compromised as was the adherence to the £50 voluntary agreement. Variations were not able to be placed manually onto the system until July so any authorised activities did not enhance the estimated costs as they should have done, leading to a large amount of under accruals. | A dedicated individual now controls all of the invoicing and the processes have been fully tightened up. Contractors provide paper invoices on a regular weekly basis, surveyor’s address any discrepancies, invoices are rejected if the £50 voluntary excess has been miss used or added on top of any variation order requests. Training sessions have taken place and all staff have been involved in looking for areas of weakness to be strengthened. This is monitored closely by the repairs manager. | Invoices are being processed in a more timely manner upon receipt. Further reminders have been given to contractors for regular submissions to assist with the payment activity. Some delays were experienced over the Christmas period with invoices not being submitted and subsequent processing playing catch up. From February 2016 invoicing will be in the main electronic and automated where possible. | | **Authorisation processes not being followed.** | This element was identified by the use of transient surveyors who authorised works above their SODA levels, in some cases it was breached by additional works being identified, in other cases multiple orders were raised. The VO process was not followed by an ex CSC member of staff who advised contractors just do it we (HHA) will sort it out at invoice stage. | We now have a very well qualified and experienced team of permanent surveyors who have been fully trained in their roles and responsibilities. In addition the repairs manager is authorising any orders above £500 to identify a; the need, b; repair or replacement and c; can it be better resolved as part of a planned activity. | The exercise focusing on this is nearing completion, all surveyors are achieving our expectations, challenges and rejections are more in line with our procedures and high value jobs are vetted before being undertaken as a repair. Changes in processes have been agreed for the new financial year to further address this element. | | **Manual work arounds not being adhered to** | Variation orders require actions to be taken at the point of request and at the post of agreement. Record show that on many occasions in the first quarter of the year this was not the case. In the second quarter this in the main was addressed however there are isolated incidents where the audit trail has failed to provide the necessary information to support such. | The surveyors were tasked with resolving this issue themselves, and by creating the processes especially with the manual updating of Genero for variations any excuses have been removed. Administrative staff have undertaken a similar exercise to ensure that both our internal activities are in line with expectations but those of the contractors in meeting invoicing deadlines, responses to queries etc. are being adhered to. | All processes currently being adhered to in full. | | **Reporting tools not effective** | At the commencement of the financial year we took delivery of a financial reporting tool designed by Mazars our auditors which has given us for the first time a detailed overview of the management accounts together with the accruals reversing a gap over the last few years. However the performance reporting tools remain significantly less effective as the data required is driven by “Genero” and without live connectivity any data generated is a fraction of what is required until information from invoices can be manually inputted. This effectively means we are always 10 to 12 weeks behind the curve forcing a reactive rather than a proactive approach. | The Mazars finance reporting tool has been further refined over the past 6 months and provides good financial information and trends for us, with only the VO / under accrual elements to be further refined. The delays on imputing information from invoices has reduced to circa 6 to 10 weeks, and all reports are re run every quarter to provide albeit still from a somewhat historical perspective. Reporting tools and links to genero have been the subject of detailed discussions as part of the IT solution for the new contractors starting in February 16. | Further work in creating new reports to assist with the day to day controls has been undertaken. Month on month reports showing direction of travel are in use. Additional reports are being discussed with the Data Hub developers that will enhance our pro active management capabilities. | | **Contractors job building** | Initially our concerns over the scale of this activity were masked by our £50 voluntary agreement. But on closer inspection we have found a significant number of orders being enhanced by codes under the £50 limit. This led to a number of related investigations 75% of which form part of this table and have direct relevance to the contractor either by design or by chance receiving money for works not carried out.  Those concerned have been spoken to and reminded of their contractual obligations. | Two of the contractors MD’s have been spoken to at length and a range of examples produced for their understanding of the issues. Both have acknowledge less than professional approaches to this and have assured us of positive and preventative action having taken place and a willingness to reimburse us with any overpayments. A detailed review will be completed before Christmas with site visits after Christmas to confirm our findings. These visits will be undertaken jointly. | 25% samples completed with initial findings clearly recorded. Next phase commences on the 18th January with joint site visits to confirm works done / not done. The results will be extrapolated to give us a recovery figure to pursue. | | **Budget setting and analysis not meeting service demand** | The budget over the last 6 years or more has been based upon an average cost per job. This is based upon both volume and cost and gives an overall position in relation to budget control. Whilst it is a way of deriving a cost and method of monitoring it has not been until this year that we have been able to identify the impact of changes to the balance of works nor to the incidence of larger cost items which does provide an answer to why it is hard to fully control spend on day to day activities and not to end up with year-end negative results.  The timing of the management accounts at the start of the year also adds to the issue of predictability and control. In 2015 our first indication of performance was not received until week 11 and without other management data Q1 end was a huge surprise to all and therefore the timing of management accounts has to be reviewed. | The data gained from the Mazars report is showing how sensitive the average cost per job method of monitoring repairs is and does not reflect the overall picture. 67% of our jobs cost on average £78.51 each, however 33% of our jobs this year have cost us on average £455.98 each. On a straight average cost per job each one of these 33% of orders related to 3.17 jobs.  Even taking into account job building and the other elements identified above these jobs with few exceptions have been needed, either by not being undertaken in previous years, health and safety issues or the result of neglect. Actions underway will result in a “minor works” element of the budget being created where high cost / value works are proactively and effectively managed | The budget setting process has been reviewed, new elements in terms of high value job cost controls agreed and new supportive reports developed to assist in control.  Surveyors will be pro active in the management of the contractors, fully involved in the contract meetings and party to monthly accounts / performance reviews. | |
| 4.0  4.1  4.2  4.3  4.4  4.5  5.0  5.1  5.2  5.3  6.0  6.1  6.2  6.3 | **Root cause:**  As can be seen from above the simple “overspend” is far from just that, but having taking into consideration all the various elements we have a scenario that can be in various degrees be encapsulated under one heading of “control” the question however is does this really meet the test of being at the root of everything? Apart from the responsive repairs department are there any others that have a part to play or are there other areas where some attention could result in a much better system of control?  As a result each of the 15 possible causes have been further reviewed to give a deeper insight in to what and where the root cause originated from.  What it identified is a range of smaller elements that have had an impact on the current position, however the key elements have been rooted in the lack of effective IT linkages with all contractors so that ordering, estimated costs, changes to such are all supported by live data and regular electronic invoicing, as without such the control of a busy department is severely compromised as we have found to our cost. The lack of such live and consistent financial data to be further broken down to give a greater insight into trends other than relating to the average cost per job model has prevented a more sophisticated approach to budget setting and control.  Only with the latest Mazars tool are we able to see the real impact of percentage swings within the current budget model and whilst there is a valid argument for expenditure divided by number of jobs plus inflation to derive part of the base budget it does nothing to address yearly fluctuations on higher value jobs, H&S demands or changes to term contract costs.  To support the above reflects upon the effective management of the unit which had been compromised in early June 2014 when issues with RR Richardson came to light, both of the above elements were clearly breached with IT links and phases of the mobilisation plans being severely delayed and many not implemented. Invoicing whilst in parts achieved electronically was further hampered by RR Richardson’s not able to implement the VO processes, Void processes and submit on a regular basis invoices for approval, creating the virtuous circle of lack of information leading to lack of financial controls where heavy reliance had to be put upon estimated costs on orders not even practically completed and as it has transpired not even commenced. Therefore the Root Cause of the current situation can be attributed to control but at an organisational level which has impacted upon the businesses units ability to function to a level at which would provide a robust platform upon which to operate effectively.  **Solution:**  **First we have a strategic imperative to have a properly functioning IT platform from which all of our activities can be driven from.**   * Following the agreement to establish an interim data exchange between ourselves and our main contractors, we have an opportunity to implement a basic portal for all of our other contractors. **Target August 2016** * This will significantly improve controls on our specialist high cost contractors and eradicate the need for manual “blue” invoicing. **Target August 2016** * Orders, variations, completions, satisfaction data, invoicing and data exchange will be effectively “live” **Target April 2016** * A project team to be established to prepare and execute a project to meet agreed objectives in full. **Target March 2016**   **Second imperative is to utilise this data in a more robust way in deriving a more specific budget that is linked to trended actual performances.**   * The 2016-2017 budget process to be revised to reflect trended actual activities, balanced repair levels, ring fencing a proportion of the budget for high value activities and a review mechanism for exceptional requirements. **Target January 2016** (achieved) * Building on the Mazars reporting tool to benefit from the additional reports out of the new IT data exchange will provide a stronger platform to influence more accurate and predictive financial positions. **Target April 2016** * The success of this activity will enable monthly reports to be available year round with no delays and period 1 activities reported within the first two weeks of period 2 (May). **Target May 2016**   **Third imperative is to re-establish a robust approach to the Management of the unit.**   * Agree the proposed staffing structure to complete the re alignment of the department before **January 2016**. (Achieved) * Utilising the actions identified from the 15 possible causes as a blue print a detailed action plan to be derived and time lined to be systematically implemented by the Responsive Repairs Manager and key personnel from the identified departments. **Target mid January 2016** (achieved) * Investigate the co-location of the two key contractors representatives within the department from 1/2/16 **Target mid January 2016**   **Conclusion:**  There is a real and focused momentum behind the control of the budget with very clear objectives for the remainder of the financial year and the approach to 2016 – 2017. The whole of the Property Services Directorate are acutely aware of the challenges and where these have adversely impacted on our operations. The action plan will further add to this with other departments and colleagues understanding and owning their interactions moving forwards.  A training session has taken place with all contractors and HHA surveyors, CSC and admin staff to look at the contractual obligations, SOR and performance requirements and a detailed handbook provided to support the activity. Feedback for the day was very positive will all parties clear on their roles and responsibilities.  Therefore all the relevant tools available to us are in place and being utilised, by the 1/4/16 a full suite of IT capabilities will be on line from April following a phased introduction in February and March and therefore a proactive management approach will resume once more, contractors have been trained on what is the letter of the law in respect of their contracts and what is and is not acceptable. Hexagon staff have been trained on the importance of diagnosis, accuracy, variation processes, invoicing and challenges as well as performance requirements and acceptable levels thereof regular contract meeting are planned in diaries and MAP’s (minimal acceptable performance targets are set within the contract). |