



Repairs & Maintenance Option Appraisal and Cost Benefit Analysis

Stroud District Council

H1757 R & M Consultancy Services



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3: Background and Context

3.1 Stroud District Council

Stroud District Council is a socially responsible landlord and want their tenants to live in their homes comfortably and independently.

They want their homes and estates to be sustainable, and be a place where people want to live as a matter of choice.

Social Housing providers are under increasing pressure to deliver better services for tenants, often for lower costs. As an organisation value for money is important to them and they want to explore every opportunity to deliver services which reflect this.

The Regulator for Social Housing (RSH) Value for Money Standard 2018 came into effect on 1 April 2018, which puts a revised focus on landlords to ensure every consideration is commercial arrangements for the provision of services

3.2 Existing Service

In 2014 a report presented to Stroud District Council Housing Committee indicated that Tenant Services would look at options to in-source work streams as contracts came to an end.

In 2015 Stroud brought its Gas Servicing and repairs function in house. Over the past three years the organisation has seen increased levels of satisfaction in this area. This has largely achieved through having a greater degree of control over the service and the flexibility to deliver a service which better suits the needs of our tenants.

Provision of the repairs and maintenance service is currently split North and South across the district, provided by two separate organisations. The Council currently has differing arrangements with each of the two contractors due to the early termination of an existing arrangement.

Contractual arrangement for the delivery of the repairs and maintenance function with one of two incumbent contractors comes to an end on 31 March 2020, with no option to extend beyond the end date. The Second arrangement has a break clause aligned, with the above as a result of the initial term coming to an end; however in this instance an option exists to extend for a further six years by two terms of three years each.

SDC overall experience with internalising the Gas Servicing and repairs has been positive for both tenants and the Council, and the feedback received suggests there is a greater degree of confidence experienced by tenants when the Council delivers services directly. While the internalisation of the gas service has been positive, they cannot look at this in isolation excluding what maybe other viable options including to continue delivery of the service using similar or existing models as present.

3.3 Outline Commission Approach

In October 2018 SDC commissioned Impart links to support in undertaking an options appraisal to explore the range of viable alternative/s for the delivery of service beyond the life of existing contractual arrangements. The process is split into 3 phases

Phase One

- Undertake an options appraisal, exploring a range self delivery or shared service models which may be adopted by the Council
- Development of a business case/s, and cost model/s which supports the Councils preferred approach

Subject to endorsement of the business case, and approach.

Phase Two

- Take a leading role to implement the preferred option
- Lead on supply chain requirement, and procurement for any new service
- Develop the overall project plan, timetable, and have responsibility for delivery
- Identify critical success factors
- Oversee the mobilisation of the new service in conjunction with key stakeholders

Phase Three

- Undertake project reviews, facilitating workshops as necessary
- During the first year undertake financial and performance audits of the preferred service delivery model
- Identify, and advise on any commercial opportunities, and next steps to realising any potential gains
- Provide an annual performance review of service provision and its fitness for purpose

3.4 Phase 1 Approach

Impart links and SDC agreed to split Phase One into 3 stages

Stage 1 – Review of Existing Service (15th October to 15th December)

Objective: Understand and record the operational and commercial performance of the existing service as a benchmark for Benefit Analysis (BA) of future options

Project 1: Current Service Providers.

Review of the commercial and operational performance of the existing service providers

Project 2: Contract Services

Review of current and future maintenance expenditure of Contract Services, staff involved, and the cost of the operation

Project 3: Performance Data

Profile of the service based on historic repairs data, indicating repairs and voids ratios, planned works, types of repairs, geographical spread and the demand on the service

Project 4: Governance and Policies

Review of policy that governs the service and may impact future delivery

Project 5: IT and Communications

Review of IT interfaces and suitability

Project 6: Stage 1 Report (see **Appendix A** Forensic Review of Existing Service Report)
Commentary on all findings: summarising the current cost and performance of the service as a benchmark for future options.

Stage 2 – Long-list of Options (15th December to 24th January)

Objective: Through workshops and using the stage 1 findings as a benchmark, a long list of options will be developed, reviewed and rationalised to form a shortlist (see **Appendix B & C** – Workshop Reports)

Stage 3 – Short list of Options (21st January to 31st March)

Objective: A final short list of options inclusive of a benefit analysis, risk appraisal, investment plan, procurement profile, mobilisation plan and recommendations for review and approval

Stage 4 – Procurement and mobilisation of the preferred option (April 2019 onwards)

4: Executive Summary

ES1 In September 2015 Stroud District Council procured repairs and planned works through the tender “Responsive Repairs and Planned Maintenance Works Stroud District Council 2016 – 2026”. Mears Limited was the successful contractor in the Southern Region and NKS Contracts (Central) Limited was the successful contractor in the Northern Region

During 2017 SDC terminated the contract of Mears Limited and re-procured the work for the Southern Region. Mi-space (UK) Limited were the successful contractor

Contractor	Region	Work Type	Contract Ends	Extension Option
NKS	North	Repairs & Planned	March 2020	Yes – 2 terms of 3 years each
Mi-space	South	Repairs & Planned	March 2020	No

ES2 Commercial and operational delivery statistics derived from the review of existing service indicate lower than average repair and void volumes annually and generally lower than average costs.

Category	Statistic	Benchmark
Price per Repair	£96.63	Lower than Average
Price per Void	£2,608	Average
Price per Plot	£326	Lower than Average
Repair Ratio	1.81	Lower than Average
Voids Ratio	5%	Lower than Average
Average Kitchen Cost	£4,684	Higher than Average
Average Bathroom Cost	£3,061	Lower than Average
Mi-space NHF Repairs	7.0%	Average
Mi-space NHF Voids	9.0%	Average
NKS NHF Repairs	24.3%	Higher than Average
NKS NHF Voids	-19.7%	Lower than Average

The statistics indicate a low demand on the service either due to tenants reticence to use or that SDC stock is of generally good quality. Low demand can impact service efficiency in the management of operatives and can impact tenant satisfaction.

ES3 The commercial delivery of the existing service appears to demonstrate value for money in comparison to similar service providers. Attendees at workshop 1 (Tenant Services Officers) were asked to describe their perception of the current service, their responses indicate issues with the service

- 1 Mediocre
- 2 Quite poor
- 3 Room for improvement
- 4 Different views on the use of the Schedule of Rates
- 5 Poor communications

- 6 Always chasing to see if work has been completed
- 7 Incomplete work

ES4 Workshop 1 participants were asked to elaborate on their perception of the service by scoring NKS and Mi-space out of 10 (the whole service and individual work streams)

North		South	
NKS Overall Performance	7	Mi-Space Overall Performance	4
Responsive Repairs	6	Responsive Repairs	4
Voids and major voids	9	Voids and major voids	4
Planned work; kitchens, bathrooms, electrical, heating (voids), aids and adaptations, environmental work	8	Planned work; kitchens, bathrooms, electrical, heating (voids), aids and adaptations, environmental work	4

ES5 Workshop 1 participants concluded (supported by Impart links findings from other similar service reviews) that external contractors usually specialize in either planned repairs or reactive repairs and operationally struggle when delivering a combination of the two

ES6 Workshop 1 participants indicated their primary drivers (see **section e** of **Appendix B**) in relation to future repairs and maintenance options: Control, enhanced partnership and collaborative working, value for money, aligned skills and behaviors, improved customer service and improved IT systems were agreed to be the top six drivers

ES7 A long list of options (18no) was developed (see **Appendix D**) and based on the findings from the review of the existing service carried out by Impart links, SDC Officers perception of the existing service and the drivers moving forward, participants of Workshop 1 proposed a shortlist of 3 options

Option	Type	Model	Procurement	Commercial Administration	Region (s)	Contractor (1)	Contractor (2)	Score / 10
3	Out-sourced	Main Contractors	Traditional	NHF SOR	One	Repairs	Planned	7
6	Out-sourced	Main Contractors	Traditional	Open Book	One	Repairs	Planned	8
11	Hybrid	DLO & MC	Traditional	Open Book	One	Part Repairs DLO (Phased take-up)	Part Repairs & Planned	9

ES8 Workshop 2 was undertaken in January 2019 with Councilors, Tenant Representatives and Officers from other departments within SDC (who were not in attendance in Workshop 1)

A presentation was shown (see **Page 18 to 57** of **Appendix C**) summarizing the findings from the process. Participants confirmed their drivers for the new service (which were similar themes to those indicated within Workshop 1)

Driver		Priority Score	Priority
1	IT systems	15	1
2	Customer Service	14	2
3	SDC Culture	13	3
4	Communications (SDC and Contractors)	9	4
5	Customer Ownership	9	5
6	Single Point of Contact	6	6
7	SDC NVQ (with local colleges)	6	7

ES9 Reviewing the long list of options whilst considering the agreed drivers and shortlist from Workshop 1, Workshop 2 participants agreed the final shortlist that would receive “benefit analysis”

Cost Benefit Analysis								
Option	Existing	3	6	10	10a	10b	10c	15
Commercial Administration Method	SOR	SOR	Open Book	Open Book	Open Book	Open Book	Open Book	Open Book
Number of Contractors	2	2	2	2	2	2	2	1
Contractor Mix	Outsourced	Outsourced	Outsourced	DLO & Outsourced	DLO & Outsourced	WOS & Outsourced	DLO & Outsourced	DLO
Contractor 1	Repairs & Planned	Repairs	Repairs	Repairs	Repairs	Repairs	Repairs	Repairs & Planned
Contractor 2	Repairs & Planned	Planned	Planned	Planned	Planned	Planned	Planned	
Geographical Area	Split Area	Whole area	Whole area	Whole area	Whole area	Whole area	Whole area	Whole area
Modification		Immediate start	Immediate start	Immediate start	DLO gradual start	Immediate start	Immediate start	Immediate start
Management of DLO				SDC	SDC	SDC	Management Con	Management Con
Dialogue aspects of procurement		Yes	Yes	Yes	Yes	Yes	Yes	Yes

ES10 Benefit analysis compares cost, risk and the potential to achieve the agreed drivers of the existing service against each of the proposed options. To facilitate the benefit analysis a number of assessments are required

- Revenue Budget Breakdown (**Appendix E**): Using the agreed 19/20 revenue budget, the budget categories and forecast revenue that will be applicable to services within the shortlist of options can be ascertained.
- Capital Budget Breakdown (**Appendix F**): Using the agreed 19/20 Capital budget, the budget categories and forecast revenue that will be applicable to services within the shortlist of options can be ascertained.
- Option Budgets (**Appendix G**): Based on the assessments made within **Appendix E & F**, a budget for each of the shortlisted options can be calculated

Option Appraisal - Annual Budget	
Option Appraisal Work Stream	Annual Budget
Repairs & Voids	2,597,004
Planned	4,974,313
Total	7,571,317

Repairs and voids budget includes £650,000 of major voids and Aids and Adaptations (from Capital)

Stroud District Council - Agreed Options for CBA								
Option	3	6	10	10a	10b	10c	15	
Commercial Administration Method	SOR	Open Book	Open Book	Open Book	Open Book	Open Book	Open Book	
Number of Contractors	2	2	2	2	2	2	1	
Contractor Mix	Outsourced	Outsourced	DLO & Outsourced	DLO & Outsourced	WOS & Outsourced	DLO & Outsourced	DLO	
Contractor 1	Repairs	Repairs	Repairs	Repairs	Repairs	Repairs	Repairs & Planned	
Annual Budget - Indicative	2,597,004	2,597,004	2,597,004	613,622	2,597,004	2,597,004	7,571,317	
Contractor 2	Planned	Planned	Planned	Planned	Planned	Planned		
Annual Budget - Indicative	4,974,313	4,974,313	4,974,313	6,957,695	4,974,313	4,974,313		
Geographical Area	Whole area	Whole area	Whole area	Whole area	Whole area	Whole area	Whole area	
Modification	Immediate start	Immediate start	Immediate start	DLO gradual start	Immediate start	Immediate start	Immediate start	
Management of DLO				SDC	SDC	Management Con	Management Con	
Dialogue aspects of procurement	Yes	Yes	Yes	Yes	Yes	Yes	Yes	

- Option 10a – DLO gradual start delivering 50% of the responsive repairs only. External contractor to deliver remaining 50% of repairs plus all voids and planned works
- Budget Analysis, Reasonableness and Operational Targets (**Appendix H**): SDC Finance Department have based the 19/20 budget on estimated outturns and average costs (assumptions from various data sources), Appendix H assesses these assumptions against the findings from the 17/18 service review, to
 - Evaluate the reasonableness of the budget
 - Compare finance assessment (quantity and unit rate) against Impart links assessment

- Generate operational quantities so that the Cost Benefit Analysis can be calculated (in particular delivery organograms)

Budgets and quantities for Shortlist Options

Final for Options				
Budget Heading	Value	Annual Quant	Average	Comments
Reactive repairs	851,764	7,689	111	Based on service review statistics - lower average cost than finance, greater quantity of repairs
Out of hours service	23,000	1	23,000	Allowance from finance budget
Handyman	23,240	1	23,240	Allowance from finance budget
Electrical Remedial Works	311,000	2,074	150	Based on quantity of repairs delivered in 17/18 (no detail in finance) headroom as PPR is £106.09 in 17/18
Smoke Detector Servicing	18,000	1	18,000	Allowance from finance budget
Reactive Repairs Total	1,227,004			
Minor Voids	720,000	300	2,400	17/18 was 277 voids @ £2,608, Finance 400 @ £1,800 (high volume, low cost) rationalise to 300 voids
Major Voids	450,000	25	18,000	Allowance from finance budget
Adaptations	200,000	1	200,000	No comparison from 17/18 and no detail from finance - include as a lump sum
Voids Total	1,370,000			
Repairs Work Stream Total	2,597,004			
Kitchens	576,623	100	5,766	Finance indicate 107 @ £5,389, service review 92 @ £4,684 - allow for 100
Bathrooms	771,750	225	3,430	Finance assessment reasonable
Doors	382,500	450	850	Door costs have increased - reduce Finance Assessment on quantity
Windows	609,600	300	2,032	Finance assessment reasonable
External Works	2,192,840	107	20,494	Finance assessment reasonable
Minor Works	229,000	73	3,137	Finance assessment reasonable
Electrical	212,000	80	2,650	Finance assessment high average cost - increase quantity to match market rate
Planned Work stream Total	4,974,313			

A repairs budget of £2,597,004 on stock of 5,756 equates to a PPP of £451.18 which is reasonable (based on the service review assessment)

- Option Organograms (**Appendix I**): Based on the final delivery targets as detailed within **Appendix H**, management structure and number of operatives required for each option was calculated
- Review of Client Side Costs & Service Charges (**Appendix J**): An assessment of Client side staff costs directly attributable to the repairs voids and planned work streams

ES11 To enable comparison of the cost of each option, an assessment was undertaken to calculate the future cost of delivery (using the operational targets within **Appendix H**) based on the existing service delivery by NKS and Mi-Space (see **Appendix K**) This is known as the **CBA Benchmark** and calculates the annual cost of service at £8,467,062

ES12 A cost profile was calculated for each shortlisted option including costs for

Mobilisation	All costs to mobilise the contract for a 12 month period prior to commencement in April 2020
Delivery	All costs to deliver the service on an annual basis including management, operatives, materials, plant, subcontractors, premises, vans
Client Side	Costs of SDC tenant services department directly attributable to the service including on-costs and support service charges

ES13 The cost profile for each option created a cost benefit analysis against the CBA Benchmark (Full CBA calculations are found within **Appendix L to R**)

Cost Benefit Analysis									Added
Option	Existing	3	6	10	10a	10b	10c	15	X
Commercial Administration Method	SOR	SOR	Open Book	Open Book	Open Book	Open Book	Open Book	Open Book	Open Book
Number of Contractors	2	2	2	2	2	2	2	1	2
Contractor Mix	Outsources	Outsourced	Outsourced	DLO & Outsourced	DLO & Outsourced	WOS & Outsourced	DLO & Outsourced	DLO	DLO
Contractor 1	Repairs & Planned	Repairs	Repairs	Repairs	Repairs	Repairs	Repairs	Repairs & Planned	Repairs & Voids
Contractor 2	Repairs & Planned	Planned	Planned	Planned	Planned	Planned	Planned		Planned
Geographical Area	Split Area	Whole area	Whole area	Whole area	Whole area	Whole area	Whole area	Whole area	Whole area
Modification		Immediate start	Immediate start	Immediate start	DLO gradual start	Immediate start	Immediate start	Immediate start	Immediate start
Management of DLO				SDC	SDC	SDC	Management Con	Management Con	SDC
Dialogue aspects of procurement		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Costs									
Costs	Existing	3	6	10	10a	10b	10c	15	X
Mobilisation	63,750	143,750	143,750	425,765	395,815	669,205	474,550	576,950	430,645
Repairs	1,047,092	1,262,007	1,262,007	1,118,199	844,524	1,143,846	1,162,449	1,165,533	1,161,924
Voids / A & A	1,480,172	1,472,900	1,472,900	1,497,830	0	1,532,184	1,642,192	1,646,548	1,494,041
Planned	4,801,444	4,801,444	4,801,444	4,801,444	6,805,163	4,801,444	4,801,444	4,801,444	4,801,444
Client Side Costs	1,074,604	1,074,604	1,074,604	710,958	991,504	710,958	710,958	710,958	710,958
Total	8,467,062	8,754,705	8,754,705	8,554,197	9,037,005	8,857,637	8,791,593	8,901,433	8,599,012
Cost Benefit		287,643	287,643	87,135	569,943	390,575	324,531	434,371	131,950
Budget (excluding Client Side)	7,571,317								
Cost Benefit (Against Budget)		108,785	108,785	271,922	474,184	575,362	509,319	619,159	316,737
Cost Benefit (Against Budget & Client)		108,785	108,785	-91,724	391,084	211,716	145,673	255,513	-46,909
Five Year Plan (3% year on year inflation)									
	2020/21	2021/22	2022/23	2023/24	2024/25	Total	Headroom from Existing	Rank	
Budget including Client Side Costs	8,645,921					8,645,921			
Existing	8,467,062	8,655,412	8,915,074	9,182,526	9,458,002	44,678,076			
Option 3	8,754,705	8,869,284	9,135,363	9,409,423	9,691,706	45,860,481	1,182,406	7	
Option 6	8,754,705	8,869,284	9,135,363	9,409,423	9,691,706	45,860,481	1,182,406	7	
Option 10	8,554,197	8,372,285	8,623,453	8,882,157	9,148,622	43,580,714	-1,097,362	1	
Option 10a	9,037,005	8,900,425	9,167,438	9,442,461	9,725,735	46,273,065	1,594,990	6	
Option 10b	8,857,637	8,434,085	8,687,107	8,947,721	9,216,152	44,142,702	-535,374	3	
Option 10c	8,791,593	8,566,555	8,823,551	9,088,258	9,360,906	44,630,863	-47,212	4	
Option 15	8,901,433	8,574,218	8,831,444	9,096,388	9,369,279	44,772,763	94,687	5	
Option X	8,599,012	8,413,418	8,665,821	8,925,795	9,193,569	43,797,615	-880,460	2	

ES14 The key characteristics of each option is summarised as follows. The detailed CBA cost profiles for each option can be found in **Appendix L to R**

Option 3: Outsourced delivery by external contractors, one contractor to deliver planned works and one contractor to deliver repairs and voids. Works to be commercially administered traditionally via the NHF schedule of rates

Mobilisation costs	£143,750
Additional Year 1 projected costs in comparison to existing	£287,643
Additional Five Year costs in comparison to existing	£1,182,406

Option 6: Outsourced delivery by external contractors, one contractor to deliver planned works and one contractor to deliver repairs and voids. Works to be commercially administered “open book” on a partnered basis

Mobilisation costs	£143,750
Additional Year 1 projected costs in comparison to existing	£287,643
Additional Five Year costs in comparison to existing	£1,182,406

Option 10: In-sourced delivery of repairs and voids (DLO). Planned works delivered by external contractors. The DLO will commence operations delivering all repairs and voids in the first year from April 2020 onwards

Mobilisation costs	£425,765
Additional Year 1 projected costs in comparison to existing	£87,135
Additional Five Year costs in comparison to existing	-£1,097,362

Option 10a: In-sourced delivery of repairs and voids (DLO). Planned works delivered by external contractors. The DLO will commence operations in April 2020 but on a gradual basis delivering approximately 50% of repairs, the external contractor will support the DLO in year 1 delivering the remaining repairs and all of the voids

Mobilisation costs	£395,815
Additional Year 1 projected costs in comparison to existing	£569,943
Additional Five Year costs in comparison to existing	£1,594,990

Option 10b: In-sourced delivery of repairs and voids through a Wholly Owned Subsidiary model. Planned works delivered by external contractors. The WOS will commence operations delivering all repairs and voids in the first year from April 2020 onwards

Mobilisation costs	£669,205
Additional Year 1 projected costs in comparison to existing	£390,575
Additional Five Year costs in comparison to existing	-£535,374

Option 10c: In-sourced delivery of repairs and voids (DLO). SDC will procure a Management Consultant/Contractor to manage the DLO on a long term basis. Planned works delivered by external contractors. The DLO will commence operations delivering all repairs and voids in the first year from April 2020 onwards

Mobilisation costs	£474,550
Additional Year 1 projected costs in comparison to existing	£324,531
Additional Five Year costs in comparison to existing	-£47,212

Option 15: In-sourced delivery of repairs, voids and planned works (DLO). SDC will procure a Management Consultant/Contractor to manage the DLO on a long term basis. The DLO will commence operations delivering all works in the first year from April 2020 onwards

Mobilisation costs	£576,950
Additional Year 1 projected costs in comparison to existing	£434,371
Additional Five Year costs in comparison to existing	£94,687

Option X: A new option introduced by SDC during the CBA process. Repairs and voids will be in-sourced. The DLO will directly deliver repairs through directly employed operatives and manage and deliver voids through procured local building contractors (whereas option 10 voids are delivered by direct operatives) Planned works will be delivered by external contractors. The DLO will commence operations delivering all repairs and voids in the first year from April 2020 onwards

Mobilisation costs	£430,645
Additional Year 1 projected costs in comparison to existing	£131,950
Additional Five Year costs in comparison to existing	-£880,460

ES15 The Cost benefit analysis received two revisions during the process.

Revision 1 – Addition of option X and increased IT costs for installation and annual running costs of repair and contractor workforce modules

Revision 2 – Cost adjustments post review by the Finance Department. Additional costs for the DLO Manager position, additional costs for support services and additional costs for the premises

ES16 Each CBA profile reviews the impact of delivery on client side staff numbers. Option 10 for example requires 8 full time positions to manage the service. When these positions have been filled there would be duplication of roles within the Tenant Service Department. Posts and costs have been removed from the Client Side Costs for duplication in each example (where applicable). No allowance has been made within the CBA for any redundancy costs

ES17 Other than cost benefit of each option, the appraisal also considered other factors (linked to the SDC drivers agreed within the workshops). Each driver is given a weighting out of 10

SDC Driver	Weighting
Service delivery control	10
Customer experience	9
Local employment	6
Pound retained in Stroud	6
Cost benefit / value for money	8
Ease of mobilisation	4
Aligned skills and behaviours	7
Branded delivery vehicle	5
Limit the commercial failure risk	8
Limit the operational failure risk	8

Each option was scored against each Driver and a final score was derived (see **Appendix S – Options Weighted Scores**)

The options were scored and ranked as follows

Option	Score	Percentage	Ranking
Option X	545	77%	1 st
Option 10	518	73%	2 nd
Option 10b	510	72%	3 rd
Option 10c	499	70%	4 th
Option 10a	489	69%	5 th
Option 15	476	67%	6 th
Option 6	416	59%	7 th
Option 3	400	56%	8 th

ES18 There are risks to be considered for all options and during mobilisation these risks will need to be carefully considered and mitigated.

Risks are specific to each option but can generally be classified and split whether the service is in-sourced or outsourced focused

Outsourced Risks	In-sourced Risks
Limited control on the quality aspects of the service	Once the service has been established demand by customers can increase which can impact budget
Business failure impacting service	Commercial risk
Low customer satisfaction	Negative perception of DLO's
Service driven by profit rather than quality	Reduced performance until the service "finds its feet"
Limited control on the "pound being spent in Stroud"	Skills gap impacting the employment of "quality" operatives and managers
Limited control on local employment	Mobilisation can be costly and draining on resources
Limited control on cost	Compliance and health and safety
Behaviours and culture not aligned	Impacts internal departments such as HR, Finance and IT

Recommendation

This report concludes that Option X and Option 10 are the most beneficial options moving forward for Stroud District Council and its Tenants for the future.

Both options are variations of the same theme and can be mobilised the same initially then varied dependant on whether direct delivery of voids by operatives or local building contractors becomes more operationally viable to Stroud District Council

