

Why do Social Housing Maintenance Organisations use job costing?

ROCC Computers White Paper

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What is job costing?

Job Costing is the process of tracking the expenses incurred on a job they can be tracked against the original budget or an estimate for that job.

Direct and indirect costs can be assigned to each open job; direct costs include the materials used, transportation costs, any rental equipment required and the associated staff costs for carrying out the work. Indirect costs can be amortised across jobs to give a complete job cost profile. Actual costs such as payroll, administration and purchases can also be fed into the costing system to reflect actual, real costs and refine the level of charges. The main advantage of tracking this data is that it allows organisations to build up an accurate cost of works undertaken, and improves the estimation for future similar jobs. It also gives a wealth of job management information.

History

The social housing repairs market has changed dramatically in recent years. 30 years ago Local Authorities owned, managed and maintained the vast majority of social housing directly. The advent of Compulsory Competitive Tendering for blue-collar Council services in the 1980's meant that Authorities in-house maintenance teams had to demonstrate their competitiveness by bidding for the work in a comparable manner to the private contracting sector. This forced Councils to examine the costs and efficiency of their in-house providers. Many Authorities operated a schedule of rates with estimated times and costs applied to each schedule task. Most Authorities also operated complex payroll bonus systems for each trade employed.

The key element in understanding the price for delivering the service was understanding the true costs of repairs. In order to compete for the new contracts, Authorities had to understand the real costs of the jobs undertaken. Computerised Job Costing systems provided the detailed level of financial information required to enhance the competitiveness of the service. This model remained true for the 90's where we saw the introduction of 'best value', again an ability to understand the real costs gave credibility to 'value for money' services.



The Relevance of Job Costing today

The modern world of social housing maintenance and repairs comprises a number of different commercial models, and the model employed yields different benefits for the use of Job Costing.

The Social Landlord with an In-house Maintenance Team

Where the client and contractor functions are both the responsibility of the Social Landlord, the drivers for the use of Job Costing include;

- Detailed financial accountability for senior officers, Members, Tenants, Central Government and ultimately the public
- A full audit trail of expenditure against estimates and budget
- The benefits are similar to those achieved by the full in-house team, providing the scale of the in-house organisation can justify the associated administrative costs of maintaining Job Costing analysis
- Allows for continuous accurate comparisons between in-house costs and contractor charges for any similar works undertaken by both parties
- Comparative operative performance monitoring to illustrate staff efficiency
- Accurate valuation of work in progress
- Continuous monitoring of budget versus expenditure for accurate forecasting
- Job information to assist in bidding successfully for future works
- Assistance with devising planned maintenance requirements to reduce future responsive repair requests

The Social Landlord with a Public/Private Partnership

This is where the Social Landlord has an in-house team that also works in partnership with an external contractor. In this scenario the Social Landlord maintains the system for works undertaken by the in-house team;

- The benefits are similar to those achieved by the full in-house team, providing the scale of the in-house organisation can justify the associated administrative costs of maintaining Job Costing analysis
- Allows for continuous accurate comparisons between in-house costs and contractor charges for any similar works undertaken by both parties

The Social Landlord with an External Contractor

This arrangement has seen the greatest amount of growth in recent years. The larger companies with the highest number of social housing maintenance contracts have gradually won increasing numbers of Social Housing contracts from in-house teams. They have clearly benefited from increased economies of scale, and are able to present even more competitive bids as they have grown.

In this case the Social Landlord clearly has no need for a Job Costing system as they only maintain client responsibilities. However, it is important to note that all of the major Social Housing contractors utilise a Job Costing system

The benefits for the contractor are:-

- Continuous monitoring of job costs against the contract prices to help maintain profitability
- Increased confidence that bid prices will be both competitive and profitable
- Job Cost comparisons between contracts to assist in driving overall job costs downwards, boosting profitability across the company
- Accurate estimation for future repeat business and new client contracts

Conclusions

In addition to the commercial model in place there are other general factors that influence the overall advantages and disadvantages of implementing a Job Costing system. The scale of the operation is a major consideration, the costs for implementing the systems and maintaining the data entry requirements required by Job Costing may outweigh the benefits accrued for a small organisation. Generally, the larger the contract, the greater the benefits achieved.

On a practical level, for accurate information to be input by operatives in real time, employees will be directly responsible for updating the system on a job by job basis which may not be appreciated by all staff. The effect upon morale (and data accuracy) is largely dependent upon the ease of use of the system deployed. This means that careful consideration has to be given to selecting the right system for your organisation. This is also true for extracting the management information required. Simple procedures to enable management to collate and present the information they require, without the need for specialist IT skills or resources greatly adds to the benefits gained.

Clearly Job Costing systems have a role to play in the delivery of the Social Housing maintenance service. The advent of mobile data entry systems facilitates the capture of data on a job by job basis and if this is integrated with the back office system it significantly reduces the administrative overhead of data entry. If an organisation can justify the relevant acquisition and running costs in relation to the nature and scale of the operation, it makes sense to evaluate the usability issues surrounding data entry and management information retrieval carefully, before choosing the right system for your organisation.

About the Author

Nicola Brown is a UK Account Manager for ROCC Computers Ltd.

Educated at Durham University, Nicola has been working with the Local Government sector for over ten years and specialises in Contract and Business Management solutions.

ROCC is the leading supplier of social housing repair solutions with over 500,000 properties in the UK currently being managed using ROCC's UNICLASS [social housing software](#). For more information please visit www.rocc.com or contact nicola.brown@rocc.co.uk

