



Report of: **Service Director - Housing Property Services**

Meeting of:	Date	Ward(s)
Housing Scrutiny Committee	16 November 2017	All

Delete as appropriate	Exempt	Non-exempt
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SUBJECT: Capital Programme Scrutiny - 12 Month Update

1. Synopsis

- 1.1 On 21 April 2016 the Executive received a report from the Housing Scrutiny Committee regarding the delivery of the capital programme of cyclical works to Islington's own housing stock. Subsequently, on 20 October 2016, the Executive agreed its response to the recommendations set out in the scrutiny report to further improve the effective and efficient delivery of this service for the benefit of all Council residents (tenants and leaseholders). This report updates the Housing Scrutiny Committee on progress with the recommendations agreed by the Executive.

2. Recommendations

- 2.1 To note the progress made against the recommendations, as set out in paragraph 4 of this report.

3. Background

3. The aims of the review were to: investigate how contractors are selected, look at opportunities for using local labour and explore who determines what works are undertaken.

The review ran from September 2015 until January 2016 and evidence was received from a variety of sources, namely Council Officers, a representative from one of the current service providers, and the Islington Leaseholders Association. Certain relevant documentary evidence was presented such as:

- Key performance indicators for capital works contractors
- Building inflation data and associated analysis
- Residents' Improvement Taskforce Major Works Consultation Report and Action Plan
- Results of major works telephone survey
- Summaries of ward councillor case work
- Information on Mears' social value work, satisfaction survey form and technical diagrams.

- 3.2 The scrutiny review resulted in 15 recommendations to help improve the effectiveness and efficiency of the delivery of the Housing Capital Programme. Progress made with each of the recommendations is set out below.

4. Recommendations and Service Update

- 4.1 The existing capital works contracts used to deliver cyclical works projects to Islington's housing stock were let as a Term Partnering Contract for a minimum of 10 years, but with two break clauses at years 4 and 7. The 7 year term expires in 2018, the contract allows a final extension of up to 3 years. A review of the contract was undertaken including its value for money and a decision made in February 2017 to extend the contract for one year.

Work is now underway to re-procure new contractors, the recommendations from the Housing Scrutiny Committee are therefore very relevant and will be used in the decision making process. Many of the decisions are yet to be finalised as officers are still at the options appraisal stage. Responses provided below should be read with this in mind.

4.2 Recommendation 1

In future capital works contracts, the council should consider increasing its role in the selection and monitoring of sub-contractors, to ensure that those contractors which carry out high-quality work, establish positive relationships with residents and use local labour are preferred over those with recorded performance issues.

A variety of options to achieve greater control over subcontractors is currently being considered, along with pros and cons, please see table below:

Option	Pro	Con
Set up framework of "approved" subcontractors, from which main contractor can choose.	Provides a vetting procedure.	Very time consuming for Islington to set up and monitor. The more formal system may cause delays to contracts for which Islington would be charged. May provide insufficient work for subcontractors. Likely to be too time consuming for subcontractors to get set up to give best VFM. Could be deemed inflexible, can't take on new companies once the framework is set up.
Devise simple quality check list for subcontractors and insist that all subcontractors are subject to Islington Council checks before being used.	Provides a more robust system than currently in place but leaves main contractor to choose preferred subcontractor on a project by project arrangement.	Will be a little more onerous in terms of Council officer time up front but may save time later into the process.
Introduce a requirement that evidence of payments to subcontractors is provided upon request.	Aimed at overcoming problems with subcontractors alleging that they are not paid on time by main contractor.	

All the above are subject to further legal, procurement and financial advice.

4.3 **Recommendation 2**
That penalty clauses be reinstated into future capital works contracts to ensure appropriate recourse in the event of performance issues, and incentives be explored as a means of improving performance.

The contract (whichever is selected) will contain penalty clauses to allow the contract to be terminated following irredeemable break down in relationship between the Council and the contractor, or as a result of very poor performance by the contractor where there is no realistic prospect of satisfactory improvement.

Incentives are likely to be included with a view to achieving best value for money, such as scaffolding being charged for erection and striking only (i.e. no hire period), and schedule or rate items to be inclusive of preliminaries, thus over running projects (where delays are caused by the contractor) start to cost the contractor.

4.4 **Recommendation 3**
That the council further consider social value matters when procuring capital works contracts.

Inclusion of social gain will be included in the contract but is likely to be restricted to initiatives that benefit the area/borough as a whole and not just a small section of the community. Initiatives are likely to be modest and the cost of Social Value works will be discretely re-charged to the Council, it is therefore in our interests to ensure they are carefully specified and sanctioned by the Council. However, initiatives such as teaching basic DIY decorating skills to residents have always been well received (and help residents to care for their homes), providing careers insight to local schools about the construction industry has been gratefully received, providing reduced hours paid employment for a small number of young people with severe learning difficulties is also something that has a modest price tag but is very valuable to those who benefit from the scheme.

4.5 **Recommendation 4**
Given the financial challenges facing the council, all procurement options be explored to ensure that best value is achieved when the capital works contracts are due to be re-tendered. The council should consider if the greatest value can be obtained through term partnering agreements, procuring works in smaller lots, or carrying out certain works in-house.

All the points raised under within this recommendation are very pertinent and have formed an important part of our discussion and analysis. We are still in the decision making process, but to summarise our findings to date, please see table overleaf:

<u>Option for greatest VFM</u>	<u>Pros</u>	<u>Cons</u>
<p>Use of Partnering Contracts and long term agreements, as opposed to individual traditional forms of contract.</p>	<p>The value and benefits to the Council of using Partnering Contracts is considered to vastly outweigh advantages of traditional individual tender arrangements. The Council benefits hugely from utilising the Contractors' experience and knowledge during the design stages of the contract.</p> <p>Collaborative working is an extremely cost effective and economic way of working, money and time is not wasted on litigation.</p> <p>Our recent experience undertaking emergency work at Braithwaite House was only possible because we had a very good partnering relationship with Breyer Group.</p> <p>Partnering contracts give cost certainty over the life of the contract (possibly up to 10 years).</p>	<p>The pre-contract period and start on site date are often harder to predict than when using an individually tendered traditional contract.</p> <p>Very few other tangible benefits to a traditional contract for this type of work.</p>
<p>Use of smaller lots</p>	<p>More but smaller lots will give smaller contractors an opportunity to work with us.</p> <p>We are currently considering this model for the street properties rather than estate based properties.</p>	<p>Smaller contractors often experience cash flow problems with large contracts.</p> <p>Smaller contractors will not have the infrastructure or be able to cope with the huge amount of work and expenditure that is required in some projects on some of our estates (e.g. Bemerton or Girdlestone) nor some of the complex problems posed by tower blocks (use of mast climbers).</p> <p>Unlikely to achieve value for money as numerous tenders are expensive for both Islington and for contractors.</p> <p>Smaller contractors are often unable to quickly adapt to changing situations/work flow etc.</p> <p>Using a greater number of smaller lots will result in numerous contracts which will be more labour intensive to manage, and generate greater difficulty in achieving uniformity.</p> <p>Smaller contractors all making much smaller profit margins will have far less scope to assist with Social Value initiatives.</p>

Undertaking certain works in-house	No management company overheads and profit to pay.	<p>The skills and experience of the in-house team do not readily lend themselves to the level of site management, tendering, organisation and supervision that this model would require.</p> <p>Islington Council is almost certainly unable to compete competitively with large specialist Building Contractors, driven and experienced in making profit.</p> <p>This model would require the use of smaller “subcontractor” type companies who would be required to follow Islington’s exacting procurement procedures, which, are likely to be difficult to achieve.</p> <p>This option carries significant health and safety and financial implications.</p>
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4.6 Recommendation 5

To assist in the future procurement of capital works, consideration be given to establishing a benchmarking club with other London local authorities, to ensure best practice on contractual, financial, and performance matters.

We are currently in the process of resurrecting this with colleagues from the London Boroughs of Haringey and Redbridge.

4.7 Recommendation 6

In order to continue gauging satisfaction and identifying performance issues, the council should continue and expand the pilot survey of residents before, during and after capital works.

The pilot monitoring of satisfaction before and during works was successful in that it demonstrated numerous problems, the two most significant being that residents reported problems and issues with work that was not linked to the capital works, or found fault with work that was only partially completed. We are currently looking into ways to gauge resident satisfaction upon completion of projects which is something we are very committed to doing as thoroughly and as meaningfully as possible.

We intend to incorporate a detailed monitoring of defects exercise at the end of 12 months from completion of projects and may incorporate some form of resident satisfaction survey at this point.

4.8 Recommendation 7

That further work be carried out to increase the accessibility and transparency of leaseholder service charges for capital works, and the council seek to discontinue the use of commercial sensitivity clauses relating to the schedules of rates when tendering for future capital works contracts.

We are currently looking seriously at the option of using nationally recognised Schedules of Rates rather than a bespoke schedule of items which our current contracts use. This would overcome the above mentioned problem with leaseholders.

Over the last 12 months we have developed a much better template for the dissemination of information to leaseholders around costs incurred as a result of capital works, far fewer enquiries are being received as a result.

- 4.9 **Recommendation 8**
With a view to increasing resident engagement and transparency, resident inspectors be appointed to review capital works as they are being carried out. It is suggested that the council engage with TRAs, TMOs and other resident groups on this matter.

We always encourage residents via their TRAs and TMOs to join professional staff on the final estate walk about and this will continue. Our Project Liaison Officers are always very keen to assist residents in setting up Steering Groups at the beginning of cyclical works and we will be continuing to do this as they form a very useful channel for two way communications. We would like to develop this further to ensure full resident engagement through the steering groups and transparency.

- 4.10 **Recommendation 9**
The seven-year basis of the cyclical improvement programme be reviewed to ensure that the greatest value for money is achieved. It is suggested that the basis of any capital works programme should be flexible and based on the life-cycles of components.

This initiative has already been introduced. Contract documentation for our new contracts will reflect this way of working.

- 4.11 **Recommendation 10**
Following previous resident involvement in the selection of capital works contractors, tenants and leaseholders should continue to be involved in decisions about procurement and the future of the service.

Tenants and leaseholders will be consulted on this procurement exercise. However, procurement is highly technical and complex and we are working to a tight programme, it is not always appropriate to include residents in tender assessments.

- 4.12 **Recommendation 11**
To improve the response to capital works consultations, the council seek to engage further with tenants and leaseholders, particularly those in areas without TRAs which tend to have a lower response rate to consultations.

Agreed. A recent Service Review Group made up of Leaseholders and tenants have provided some very helpful feedback with regards the delivery of cyclical works that we are very grateful for and will be taking on board. Amongst an array of suggestions, we have been asked to provide tenants with information about the cost of cyclical works, which we shall be very happy to do, we have been asked to provide a quick, easy to read summary at the beginning of correspondence that contains a lot of detailed information, thus assisting residents with limited time, which we shall endeavour to provide and we have been asked specifically to provide residents with more information on time frames.

- 4.13 **Recommendation 12**
The council seek to use the capital works programme to increase the quantity and quality of local employment opportunities and implement the findings of the Employment Commission.

Agreed, this will be included in the procurement documents (see response to recommendation 4 above).

- 4.14 **Recommendation 13**
Consideration be given to establishing an in-house capability to carry out a proportion of planned maintenance works, subject to consultations with labour unions.

As discussed in response to recommendation 4 above.

- 4.15 **Recommendation 14**
Future capital works contracts should require property data compiled by contractors to be held in an accessible format to enable integration into the council's own ICT systems. The contracts should stipulate that all such data is owned by the council.

This is already in place.

- 4.16 **Recommendation 15**
The service explore opportunities for income generation, such as providing contractors with on-site facilities on a commercial basis.

Agreed, this is already in hand.

5. Implications

5.1 Financial Implications:

Some of the recommendations mentioned above will/could have financial implications, and these have been alluded to in the response.

5.2 Legal Implications:

As part of the procurement exercise advice will be sought from colleagues in the legal department as well as the procurement team at all relevant stages.

5.3 Resident Impact Assessment:

The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

Resident Impact Assessments (including assessment of equalities implications) will be undertaken as part of the re-procurement exercise. Assessments will also be carried out where proposals have equalities implications and other implications for residents.

5.4 Environmental Impact Assessment:

Procurement documents will contain specific requirements relating to the recycling of the majority of waste materials from site, the use of vehicles, local suppliers. The nature of the cyclical works will, wherever possible, combine the renewal of life expired components with new components that are environmentally friendly, reduce carbon emissions.

6. Conclusion and reasons for recommendations

- 6.1 The Committee is asked to note progress made with implementation of the recommendations.

Background papers: None

Appendices: None

Final report clearance:

Signed by:

Simon Kwong

6th November 2017

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Date:

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