

Housing Scrutiny Committee

7 September 2015

Capital Programming – Witness Evidence

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1A) The different types of work carried out

| <u>PROGRAMME</u> | <u>DESCRIPTION</u> |
|--------------------------------------|--|
| <u>CYCLICAL IMPROVEMENT</u> | Properties inspected every 7 years and only included when works are required (could be 7 / 8 / 9+ years). Works include: external repair, communal decorations and any 'life' expired building components, i.e. roofs / windows. |
| <u>STREET PROPERTIES</u> | As above. |
| KITCHENS | Replace according to Islington standard over 20 years old (Decent Homes standard = 30 years). May need to review. |
| BATHROOMS | Replace according to Islington standard over 30 years old (Decent Homes standard = 40 years) May need to review. |
| <u>MECHANICAL WORKS</u> | |
| DOMESTIC GAS | Replace life expired individual boilers with new energy efficient boilers |
| COMMUNAL BOILERS | Replace life expired components based on Technical Officers recommendations |
| COMMUNAL VENTILLATION | Replace life expired components based on Technical Officers recommendations |
| <u>ELECTRICAL WORKS</u> | |
| DOMESTIC ELECTRICS (RE-WIRES) | Replace life expired components based on Technical Officers recommendations |
| COMMUNAL LIGHTING | Replace life expired components based on most vulnerable blocks first (high rise). Based on recommendations from Lakanal report recommendations |
| ESTATE LIGHTING | Replace life expired components based on Technical Officers recommendations |
| CCTV MAINTENANCE | Replace life expired components based on Technical Officers recommendations |

| | |
|---------------------------------------|---|
| DOOR ENTRY MAINTENANCE | Replace life expired components based on Technical Officers recommendations |
| LIFT PROGRAMME | Replace life expired components based on Technical Officers recommendations |
| <u>WATER</u> | |
| DRY RISERS | Replace life expired components based on Technical Officers recommendations |
| BOOSTED WATER SETS | Replace life expired components based on Technical Officers recommendations |
| SPRINKLERS | Replace life expired components based on Technical Officers recommendations |
| WATER TANKS | Replace life expired components based on Technical Officers recommendations |
| <u>OTHER</u> | |
| SMOKE DETECTORS | Replace life expired components based on Technical Officers recommendations |
| TV AERIALS | Replace life expired components based on Technical Officers recommendations |
| TENANT COMPACT / ENVIROMENTALS | Decentralised budget for Housing Panels to decide on environmental works |
| FIRE SAFETY WORKS | Upgrade or replace Front Entrance Doors, based on most vulnerable blocks first (high rise and complex layout blocks). Based on recommendations from Local Government Association report following Lakanal House and Shirley Towers fire incidents |

1B) How capital works contractors are procured

The Capital Programme Delivery team carries out the large cyclical works, which includes the renewal of life expired components, to the Council's housing stock using the BREYERS Group and MEARS Projects as our two main capital contractors.

These two contractors were selected following an extensive and highly competitive selection process in 2010 which involved placing an advert following the OJEU rules*.

Tenants, leaseholders and officers were all involved in the subsequent interviewing and assessment of the presentations submitted by all of the contractors.

As part of this process the tendered rates were given a weighting of 70%, with the quality of the submission making up the remaining 30%. As part of the process all contractors were required to submit their prices on a schedule of items devised by the Council to reflect the most commonly reoccurring items of works, this schedule then became their schedule of rates, and this is what each contractor was judged on under the Value For Money part of the process.

The current capital works contracts allow for us to award contracts with BREYERS and MEARS up to a maximum 10 year period; however this is split into 3 different sections. The first period is for a 4 year term, the second period is for a 3 year term with the third period for another 3 year term.

Extensions to the second and third term are dependent upon the contractor carrying out the capital works to a satisfactory standard, the Council can then choose to extend the contract for a further two 3 year periods, so the contractors could possibly benefit if they work to a satisfactory standard to a 10 year contract.

Since these two contractors were successful their submitted schedule of rates became the agreed rates that we now pay them, this is of course subject to an annual indexation clause within the contract to reflect inflation, which is calculated by using the September's General Index of Retail Prices (RPI) figure released by the Office of National Statistics.

We therefore do not tender each contract as we have already carried out this exercise, the contractors are at liberty to use their own supply chain and achieve the best value they can for themselves against each schedule of rates item. There is of course a "swings and roundabouts" effect to this: if the contractors are unable to carry out the works for the agreed schedule of rates then that is a loss that they will have to suffer by themselves, i.e. the Council does not subsidise the contractor when there are unable to make a profit.

* The European Union Procurement Directives establish public procurement rules throughout the European Union and apply to any public purchases above the defined thresholds. The purpose of the directives is to open up public procurement within the European Union and to ensure the free movement of supplies, services and works. The directives are enacted in the UK by The Public Contracts Regulations.

Public projects must comply with the regulations if the value of contracts is above specified thresholds. Aggregation rules apply to projects tendered in parts to prevent clients from avoiding the requirement of the regulations by simply dividing projects up into contracts that are below the thresholds.

Private projects may be required to comply with the regulations if they are publicly subsidised e.g. Lottery funded projects.

The regulations set out rules requiring that such contracts must be advertised in the Official Journal of the European Union (OJEU). This is of particular importance because, unless OJEU rules are considered in the very early stages of a project, the time taken to advertise contracts can cause significant delays (up to 52 days).

1C) The roles of the Council acting as a Client and a Delivery team

Islington Council's Capital Works Programme is currently delivered using a Term Partnering Agreement, following an extensive procurement exercise carried out in 2010 two contracts were awarded to the BREYERS Group and MEARS Projects.

These contracts determine the cost of works by using the rates tendered by BREYERS and MEARS in their submissions, but it does not give any guarantees as to quantity of the works to be instructed to the contractors, it does identify the blocks/estates to be worked on and the anticipated types of works to be carried out, which were set out in the original tender documents.

Each project is contractually described as a 'task order' under this contract. Within each project a scope of works are drawn up based on the Council's 7-year inspection programme. Works are identified which, in the Council's technical staff's opinion, need to be carried out to ensure the optimal condition of the fabric of the building for a further 7 year period.

During the pre-contract phase the Council consults with tenants and leaseholders in order to build up a view of which works are required to each block/estate. We also undertake statutory consultation under Section 20 of the Landlord and Tenant Act, which is necessary in order for the Council to recharge leaseholders a relevant portion of the works.

Owing to our particular contractual arrangement, the Council is only in a position to consult on the scope of works proposed in any 'task order'. Costs used in the 'task order' are taken from the Schedule of Rates which was agreed in the award of the Term Partnering Contract.

Both tenants and leaseholders were involved in the tendering exercise carried out in 2010.

When consulting on proposed works, it is sometimes suggested that the costs of works can be confusing to tenants and leaseholders, or that the capital works programme is not as transparent as tendering each project individually. However, the system currently in use offers a number of benefits which are considered to outweigh these concerns. These include:

i) – All leaseholders pay according to the same costs.

This method protects leaseholders from particularly high tender costs, which could occur due to particular activity in the market or a lack of interest in particular projects. This would be particularly true of low-rise blocks (under 4-stories) and street properties. This is due to the way in which rates for access are defined under

the National Schedule; an industry standard for defining rates which the Council uses.

ii) – Significant efficiency gains in tendering activities.

Tendering under public procurement rules is an onerous and time-consuming task. The use of a Term Partnering Contract simplifies this considerably by using one major tender action, instead of several hundred smaller ones. The consequence of not using this would probably be a need to increase the professional fees charged against each contract.

Three key strands of information are used to draw up a scope of works. These are:

- a) – Information gained from resident consultation meetings,
- b) – Review of the repairs history and other existing technical information relating to the building,
- c) – Carrying out of technical surveys.

It is important to note that the main reason for carrying out these works is that the Council wishes to invest in maintaining the quality and value of its housing stock. It can never be expected that the works carried out entirely meet all of the beneficiary groups' expectations, as these may conflict with the ambitions of the Council, as the freeholder, the tenants (who are the majority tenure), the leaseholders, any leaseholder sub-tenants and also those living in the local area.

If a leaseholder wishes to challenge individual costs, i.e. the rates used on each project, they must do so by challenging the award of the Term Partnering Contract.

There is a risk that by focusing overly on costs during the consultation period, we are in fact detracting away from the actual subject of consultation which is about the works we propose to carry out.

1D) How works are communicated to tenants and leaseholders

See attached examples sent out to tenants and leaseholders,

Appendix A – Resident Consultation Meeting for the Andover Estate.

Appendix B – Section 20 Consultation Meeting for Levison Way and Archway.

1E) The overall costs of the service

| <u>Programme</u> | <u>Ave £M's per year</u> |
|-------------------------------|--------------------------|
| <u>Cyclical Improvement</u> | 20.0 |
| <u>Street properties</u> | 1.0 |
| KITCHENS | 2.0 |
| BATHROOMS | 2.350 |
| <u>MECHANICAL</u> | |
| DOMESTIC GAS | 2.500 |
| COMMUNAL BOILERS | 2.0 |
| COMMUNAL VENTILLATION | 0.350 |
| <u>ELECTRICAL</u> | |
| DOMESTIC ELECTRICS (RE-WIRES) | 0 |
| COMMUNAL LIGHTING | 0.550 |
| ESTATE LIGHTING | 0.400 |
| CCTV MAINTENANCE | 0.300 |
| DOOR ENTRY MAINTENANCE | 0.450 |
| LIFT PROGRAMME | 1.250 |
| <u>WATER</u> | |
| DRY RISERS | 0.200 |
| BOOSTED WATER SETS | 0.100 |
| SPRINKLERS | 0.100 |
| WATER TANKS | 0.100 |
| <u>OTHER</u> | |
| TC / ENVIRONMENTAL | 0.500 |
| FIRE SAFETY WORKS | 1.500 |
| TOTAL | 35.65 |

The above figures are exclusive of 11% professional fees charged for each project by the Capital Programme Delivery team.

2) Supporting Information:

Examples of Guarantees received by the Capital Programme Delivery team.

Appendix C – Cavity Wall Insulation guarantee for works carried out to a property in Andover Road.

Appendix D – Roof guarantee for works carried out to Lexfield House.

Appendix E – Window guarantee for works carried out around Tufnell Park Road.

3) Key Performance Indicator data:

An example of the discussions Between the Capital Programme Delivery Team with BREYERS and MEARS

Appendix F – Minutes of the Core Group meeting held with BREYERS and MEARS dated 26th May 2015.