




ISLINGTON

Reintegration Programme of PFI 2 Services

FINAL REPORT OF THE HOUSING SCRUTINY COMMITTEE

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London Borough of Islington
3 February 2022

EXECUTIVE SUMMARY

The Committee wished to scrutinise the Council's work in relation to bringing the management of PFI properties back in-house from April 2022.

The Committee received evidence from witnesses and was assured that good progress is being made to ensure a successful transfer. The Committee's recommendations are detailed below.

1. Introduction

- 1.1 The Committee commenced the review in 23 November 2020, with the overall aim to ensure that there are robust processes in place, that there is an orderly and effective transfer of Partner properties in 2022, and that the properties are transferred in an acceptable manner in terms of repairs.
- 1.2 The Committee also agreed to the following objectives:

To scrutinise the capacity of the Council to administer the direct management /maintenance of properties and to ensure that the necessary data required is in place for the transfer of such properties.

2. Recommendations

- 2.1 That the transfer of PFI 2 properties from April 2022 be communicated to residents as soon as possible, to ensure that they are aware of the transfer, and for relevant contact details of Council officers post April 2022 for the reporting of repairs/issues to be made available
- 2.2 That the Council ensure that an effective scaffolding plan is put in place, in order to ensure that scaffolding is available for works to PFI 2 properties, and ensure this is linked in to cyclical maintenance, and net zero carbon 2030 works, to ensure efficiency and value for money
- 2.3 That staff transferring under TUPE be informed of their pension entitlements, and given suitable advice on transfer of pensions and options available
- 2.4 That regular updates be submitted to the Executive Member Housing and the Executive on the digital information transfer plan which is being put in place to transfer information from Partners to the Council, and that the system is ready for transfer from April 2022. In addition it should be ensured that historic data is transferrable for use by Housing management
- 2.5 That the Committee welcome the excellent work to date that has taken place on the PFI 2 transfer by the EM Housing and officers, in order to ensure a smooth process takes place for residents and the Council

- 2.6 That a progress report on the PFI2 transfer be submitted to the Committee, prior to transfer, to identify any outstanding issues and to assess progress of the transfer to date

3. Main Findings

- 3.1 The Committee received evidence during the review, and considered documentary evidence

3.2 Evidence from Octavia Housing Association

- 3.2.1 The Committee also received evidence from Octavia Housing Association, a Housing Association that had similar experience of dealing with street properties of the type that would be returning to the Council, following the transfer of PFI2 properties from Partners
- 3.2.2 Octavia informed the Committee that in relation to their street properties, issues such as sub-letting, lack of communication with residents, and lack of keys being available in order to get access for works had been experienced. Properties were also often not suitable for disabled access, as often properties were not on the ground floor.
- 3.2.3 Octavia had a 7/8 year cyclical programme, and it was found that this is more cost effective than day to day repairs, and there were two main contractors engaged to carry out the works. Victorian properties are difficult to carry out repairs on for a variety of reasons. In addition, with regard to planned cyclical maintenance this could provide an opportunity to provide external wall insulation, however it was noted that effective communication with Planning is required in this regard.
- 3.2.4 The main problems encountered with street properties include roofing works, costs of scaffolding, thermal efficiency, cold/dampness and condensation, and ensuring that staff were trained in responding to condensation issues, and advice was offered to tenants through the Green Energy Doctor service. Often there were also structural issues as many of the properties had been built on London Clay, and there are often issues with external party walls. Noise is also often a problem and whilst Octavia had installed floating floors these had not proved particularly effective
- 3.2.5 The cost of scaffolding was raised as an issue, as it is often more difficult to erect this on Victorian properties, especially where there is no side access. There is also a high cost to retrofitting homes, and this could be in the region of £20/30k per flat. There would also need to be compliance with fire regulations, which meant that flats had to be accessible. Octavia would be installing a front lobby system in properties so that access can be obtained for works, where necessary
- 3.2.6 Octavia stated that there were not any significant problems with heating in street properties, as they all had gas boilers. Communal heating tends to be installed on newer schemes, and in supported housing blocks

- 3.2.7 The Committee examined the transfer of the PFI Partner properties in April 2022, in order to ensure that there is a smooth transfer back to the Council and that all measures are in place to facilitate this
- 3.2.8 The Committee heard evidence that the PFI Integration Board met regularly and this included the Executive Member Housing, the Director of Housing, Director of Homes and Communities, Property Services, Housing Needs and Strategy and Integration Programme Manager, Heads of Service, representatives of other key partners, including legal, finance and IT. The Committee noted that there were 9 work streams and a Programme Manager had been appointed to whom the workstreams reported to, in order to ensure milestones and delivery targets are met.
- 3.2.9 As stated above the PFI 2 Contract ends with Partners in April 2022, and the properties would come back to the Council. Consultation had taken place, and 92% of residents had been in favour of the properties reverting back to Council control
- 3.2.10 The Committee were also informed that a survey of properties was taking place, to ensure that these properties were handed back in a good state of repair, as tenants had stated that Partners often did not complete satisfactory repairs. The Council had engaged an expert contractor to carry out the condition survey to ensure that work was of a satisfactory standard. Whilst Partner properties should have been completed to the Decent Homes Standard, there is a need to ensure that such information is provided, in order to ensure that qualitative repairs had been carried out by Partners, as well as having quantitative data available
- 3.2.11 The Committee expressed their concern that Partner tenants have had a number of issues with Partners repairs. The Committee were informed that some cyclical repairs had not been undertaken, 3 years after they had been scheduled, and that when repairs had been undertaken the quality of repairs was not satisfactory, and the Committee felt that this situation should be monitored

3.3 Evidence on Partners Handback Survey – Saf Khan LBI Housing and Richard Hand, Ridge Consultants

- 3.3.1 The Committee heard evidence that there are 2 PFI street properties contracts with Partners for Improvement, referred to as PFI 1 and 2
- 3.3.2 PFI 1 began in 2003, and is a 30 year contract, which will end in 2033. PFI 2 began in 2006, and is a 16 year contract and will end in April 2022
- 3.3.3 PFI 2 contract contains 1831 Street properties or blocks with 4002 homes, 2788 tenanted homes, and 1224 leasehold homes. The handback survey was measured against contractual standards
- 3.3.4 The Committee were informed that a Handback survey that had been carried out which enabled the Council to ensure properties are returned in line with contract

requirements, and that any repairs identified are carried out by Partners before the end of the contract period. The value of the repairs are held in a retention fund until the repairs are completed. The Council clerk of works signs off repairs on a monthly basis, and the value of completed repairs reimbursed to Partners. The value of any repairs not completed will be retained by the Council

- 3.3.5 The Committee noted that Ridge Consultancy was procured to undertake the surveys on behalf of the Council, and the period of the survey was 6 months. Ridge employed a specialist team to undertake the stock condition survey, and worked with a number of varied clients
- 3.3.6 314 basement flats were surveyed, and 940 other flats and homes were surveyed. Nearly all 1831 roofs, and external surveys, were completed by the end of April
- 3.3.7 The Committee was informed that 5% of external surveys identified a repair, 9% of roof surveys identified a repair, 46% of internal surveys had identified a repair, and no repairs had been found in 56% of homes surveyed. The total value of repairs identified were £446k
- 3.3.8 A schedule of rates was used to price the repairs, and 41 homes related to £151k of the total value of the repair costs, 53% of repairs cost less than £100, and 75% of repairs cost less than £250. The Committee noted the breakdown of costs per repair
- 3.3.9 The Committee also noted the 3 key categories of repairs identified for repairs, as repairs to windows, dampness problems and roof repairs/renewals
- 3.3.10 Window repairs account for 398 individual works at 270 homes, including missing window restrictors, stays, locks, catches, handles, draught seals and other significant repairs include ease and adjust windows, rot, sash cords and renewal/overhaul of windows. The overall value of window repairs amounts to £70537.77 or £177 per repair
- 3.3.11 Damp repairs were carried out in 265 homes, with one instance spotted externally. In addition to damp repairs there will also in some cases the need to redecorate repair, damp survey costs, issues of condensation, temporary repairs, and these accounted for 203 of the 497 repairs identified. Penetrating damp, high meter readings, and water ingress are clear signs of damp/water penetration, and account for 36% of the damp related issues found. Damp issues are predominantly found in basement and ground floor properties, and 21% of homes surveyed identified damp of some kind
- 3.3.12 Roof repairs – most repairs identified on the roofs related to missing, slipped or broken tiles and account for 70% of repairs. The roof photographs show the roofs to be in generally good condition. The largest single costs are scaffolding costs, which account for 79% of the total roof repair costs.
- 3.3.13 The Committee noted that the next steps to be taken included writing to tenants of basement homes, where access had not been provided, to encourage tenants to

raise damp issues, continue to monitor repairs being conducted by Partners, and hold them to complete works to the required standards, focus on all high value repairs and get them signed off, delay payment on high value damp works to ensure all issues fully resolved, and to continue to monitor volumes of repairs being carried out, and timescale for completion by Partners to the end of the contract. In addition, work with Property Services will take place in order to ensure Council retained repairs identified are completed

- 3.3.14 The Committee were informed that Ridge Consultants who had undertaken the surveys were specialists in undertaking stock condition surveys, and had carried out an onsite visual assessment of year of installation, quantity, remaining life and +PFI specific repairs and combined these with schedule of rates and lifecycles and put these into the LBI SAM database
- 3.3.15 Ridge consultants had a 30 year business plan, aligned to other LBI stock had been undertaken and data cloned to provide a 100% output with first renewal and lifecycle repeats
- 3.3.16 Ridge had also undertaken a stock profile, and this consisted of 2663 dwellings, of which 1231 surveyed, 1432 cloned. 1387 blocks (100%) plus review of upshot images were carried out in an extremely challenging year due to the pandemic and access issues
- 3.3.17 The Committee noted that the common issues found were typical of London street properties, better than average condition, evidence of works undertaken, and there is need to continue to maintain such properties. Some issues with dampness, subsidence, window repairs, removed window restrictors etc, that is internal decorations had been found
- 3.3.18 The survey findings also estimated that there would be £162m of costs over 30 years, including leaseholder block costs, low catch up total, and these improvements included £32.4m of wall insulation, excluding revenue allowance, and this equates to £60.8k per unit, however this reduced to £48.7k if wall insulation was excluded. These surveys were conducted free of charge for tenants and leaseholders
- 3.3.19 The Clerk of Works is responsible for signing off repairs, and Partners were providing detailed photographic evidence of completed repairs. The Committee noted that monies were retained in a retention fund until the Council were satisfied repairs had been completed satisfactorily, and this included dampness works
- 3.3.20 Where roofing works were deemed necessary for Health and Safety reasons these would be carried out by Partners, otherwise if they were minor they would be dealt with as part of the future cyclical maintenance programme
- 3.3.21 The Committee therefore recommend that an effective scaffolding plan be put in place by the Council, in order to ensure that scaffolding is available for works to PFI 2 properties, and that this is linked into cyclical maintenance, and net zero carbon 2030 works, to ensure efficiency and value for money

3.3.22 The problem of draughty homes was also considered. It was noted that this was an issue the Council would need to address in the future with its net Zero carbon targets, however this had not been raised as a specific issue in the survey. There had been issues with window defects that could contribute to draughty homes, and some issues with boiler pressure had been raised. The Committee noted that Green Homes funding has been obtained for a pilot scheme, and this would look at the issues with street properties, in conjunction with University College London . The Committee was also informed that Partners were providing information on boiler replacement and CP12 certification

3.4 Evidence from Property Services and Capital Projects

3.4.1 The Committee also received evidence from Matt West Assistant Director of Property Services, and Robert Matthison Interim Head of Capital Projects

3.4.2 The Council are preparing to purchase an additional 30 vans, and vehicles to service new staff. Contracts will include clauses to include PFI stock, and discussion were taking place about transfer of work

3.4.3 It was noted that a large number of boilers are at the point of reaching end of life, so there will be considerable boiler replacement in the first few years of transfer. PFI 2 properties will be integrated into the newly formed street properties, team and there will be a dedicated in house team to manage the works

3.4.4 There will be an initial pilot for 5 street properties in July 2021, and information and data will be used to formulate a programme for future years

3.4.5 Members were of the view that the transfer of PFI 2 properties from April 2022 should be communicated to residents as soon as possible, in order to ensure that they are aware of the transfer, and that relevant contact details of officers to report repairs/other issues are made available

3.4.6 The Committee would also like to recognise the excellent work up to date that has taken place on the PFI2 Partner properties by the Executive Member Housing and Council officers to ensure that a smooth transfer takes place

3.5 Evidence from Digital Services and Law and Governance

3.5.1 The Committee received evidence from Jon Cumming, Director of Digital Services on Digital Transformation and from Rob Willis, Law and Governance in respect of the TUPE transfer of TUPE staff

3.5.2 The aim of the Digital Transformation project is a project to migrate the records, and data from Partner organisations into the equivalent systems in LBI by 4 April 2022 These partner organisations were United Living for Gas, Rydon for repairs, Hyde for management of service charges

- 3.5.3 The Committee was informed that it is important to ensure the systems accommodate the growth in transactions, with no loss of performance. The key PFI contract end date is the 4 April 2022, but there is a need to factor in other significant dates, and allow for a long 'run in'. It is also necessary to provide incoming staff with Islington IT equipment in order to transfer effectively
- 3.5.4 Digital services recognises the importance of this project to the Council, the PFI2 partners and particularly residents. Dedicated resource in the form of a project manager, and a data analyst, has been put in place. In addition, technical specialists will be working with the vendor community to ensure a successful transition. The Committee were advised of the Data migration conceptual plan timeline, and the high level summary of data matching activity
- 3.5.5 The Committee noted that there were a number of challenges, such as the issue of time drift, where data captured by Partners has drifted from LBI roots over 15 years. In addition, the contractual end terms of the PFI2 contract requirements for data are dated, and do not include enforceable standards for repatriation. Partners are working with Digital Services to deliver a good standard of data transfer
- 3.5.6 Digital Services is confident that the system data will be in place by time of transition. There are concerns about how some scanned documents within the repairs system are stored, and how easily they can be migrated into Council IT systems, and linked to the right property. Members noted that although these are mainly historic documents, which should not affect ongoing repairs, it would be useful to track back on specific property issues. This will need to split scanned documents, with tenancy files to support information and storage and access standards. This restructuring will require manual work over some time
- 3.5.7 The Committee was informed of the progress so far, that it has successfully engaged key internal and external stakeholders, communicated key data items and documents identified to Partners, and work has commenced to transfer these into Council core systems. A Universal property number has been identified, as the key latching point against which all data and documents required from external partners should be indexed, in order to facilitate loading. Commitments have been obtained from Partners against LBI timescales, and details of the plans to achieve this within the stated timescale have been provided by some of the Partner sub-contractors
- 3.5.8 Initial test data has been received from United Gas repairs and reviewed by Digital Services
- 3.5.9 In terms of resource planning, consultancy days have taken place with the providers of LBI core systems, in order to prepare the systems for bulk loading. Additional capacity and new servers, staff to assist with data and document loads/testing to match, and process unstructured documents, separation of amalgamated documents and e-filing of the separated documents will be provided. A key unknown will be need to be resolved in the coming months – how to separate historic/closed data versus live data, dynamic loading and processing of active cases into Council

systems, completion of overdue clarifications from Partners regarding record types and volumes, in order to allow the technical Solution Design to be completed

- 3.5.10 The Digital Services component is on track, and progressing on schedule. This is highest priority of the Leadership team recognising the importance to the Council and residents, and the merging of 3 sets of data into a fourth will be challenging, and will require compromise. Digital Services will retain everything in case of emergency, and there will always be the information 'haystack'. Systems are perfectly capable of scaling to meet the load, and expert advice will be taken. Data migrations are never easy, and understanding the data is as important as transferring it. Success will come from the strong collaboration between Digital Services, Housing staff and Partners. The Committee noted that with regard to the data to be in-putted onto the system, housing staff would be involved in the process to ensure relevant data is inputted
- 3.5.11 It was also noted that there was a recovery plan in place especially if the migration to the new system developed problems, that a large amount of testing will have been carried out prior to migration. In relation to data that needed to be provided on gas safety checks, arrangements were in place to ensure regulations were complied with
- 3.5.12 The Committee noted that as the transfer of digital information is vital to ensure the success of the transfer, that the Executive Member Housing and Executive receive regular updates on the transfer information plan from Partners, and that the system is ready for transfer from April 2022, and that historic data is transferrable for use by Housing management

3.6 TUPE transfer of staff

- 3.6.1 The Committee was informed that a TUPE transfer happens when an organisation, or part of it, is transferred from one employer to another, or a service is transferred to a new provider for the same client – a service performed in-house is contracted out, an already contracted out service is moved to a new contractor, a contracted service is taken back in-house
- 3.6.2 Employees automatically transfer to a new employer, and the transfer is on existing terms and conditions. This includes the transfer of accrued rights, pension rights – additional protection under separate legislative provisions, and employees can object to a transfer, in which case they are treated as resigning, and will not transfer. An employer will inform and consult with recognised trade unions, or elected representatives, about the transfer and any measures – measures are changes to working practices, and there is a requirement for compensation of up to 13 weeks gross pay for each employee for failures
- 3.6.3 Prior to transfer there needs to be employee liability information provided, and the new employer needs to plan for incoming employees to minimise disruption, good

practice considerations – induction and orienteering, equipment and working areas check, training needs

- 3.6.4 With regard to Employee Liability information, this details the identities of transferring employees, terms and conditions of employment, information on any disciplinary procedure or grievance procedure within the previous 2 years, information on any legal action, and information about any collective agreement
- 3.6.5 TUPE protects against changes to employment terms and conditions, and harmonisation, unless these improve terms and conditions. This ensures that the new employer cannot amend terms of employment to the detriment of employees, if the sole or principal reason is the transfer. It can also not dismiss employees where the sole or principal reason is the transfer. There is limited scope to vary terms of employment, or dismiss transferring employees where there is an economical, technical or organisational change in the workforce. For economic, technical or organisational change reasons, there must be a change in the workforce, for example a restructuring or redundancies
- 3.6.6 The Committee was informed that discussions would be taking place with Trade Unions on the transfer, and it was expected that about 30/35 staff would transfer over
- 3.6.7 The Committee recommend that staff transferring under TUPE be informed of their pension entitlements, and given suitable advice on transfer of pensions and options available
- 3.6.8. The Committee also received evidence from Portia Msimang a tenant at Charteris Road co-operative, where repairs were undertaken by the Council. A number of issues were raised including the length of time scaffolding was erected and poor communication with tenants on repairs and that this should be improved in future

4. Conclusions

- 4.1 The Committee noted the evidence given to the review and that the handover of Partner PFI 2 properties appeared to have been handled effectively and efficiently by the Executive Member Housing and Council officers. In addition, the handback survey has identified the majority of the issues that the Council will need to be aware of following the transfer to plan effectively for the future. The Digital transfer of information is essential to the smooth transfer and the Committee feel that this should be kept under regular review and testing to ensure that this is completed in time for the transfer and is effective
- 4.2 The Committee would like to thank witnesses that gave evidence in relation to the scrutiny and The Executive is asked to endorse the Committee's recommendations.

MEMBERSHIP OF HOUSING SCRUTINY COMMITTEE – 2021/22

Councillors:

Mick O’Sullivan – Chair
Marian Spall – Vice Chair
Troy Gallagher
Phil Graham
Gulcin Ozdemir
Jason Jackson
Theresa Debono
Valerie Bossman-Quarshie
Osh Gantly

Resident Observers:

Rose Marie McDonald – PFI Managed Tenants
Dean Donaghey – Directly Elected Tenants

MEMBERSHIP OF THE HOUSING SCRUTINY COMMITTEE – 2020/21

Councillors:

Councillor Michael O'Sullivan (Chair)
Councillor Marian Spall (Vice-Chair)
Councillor Theresa Debono
Councillor Troy Gallagher
Councillor Phil Graham
Councillor Mouna Hamitouche MBE
Councillor Gary Heather
Councillor Gulcin Ozdemir

Resident Observers:

Rose-Marie McDonald – PFI Managed Tenants
Dean Donaghey – Directly Managed Tenants

Acknowledgements:

The Committee would like to thank all the witnesses who gave evidence to the review.

Officer Support:

*Karen Lucas / Ian Swift – Interim Director & Director- Housing Needs and Strategy
Hannah Bowman – Head of Strategy, Improvement and Partnerships
Ola Adeoye/Peter Moore – Democratic Services*

Witnesses

Octavia Housing

Hannah Bowman – Head of Strategy, Improvement and Partnerships

Portia Mssimminga – Charteris Road Co-operative

Harry Weston TMO

Jon Cumming – LBI, Director of Digital Services

Rob Willis – LBI, Law and Governance

Ridge Consultants – Richard Hands

Saf Khan, Matt West, Robert Matthieson – LBI, Homes and Neighbourhoods

SCRUTINY REVIEW INITIATION DOCUMENT (SID)
Review: Reintegration Programme of PFI 2 Services
Scrutiny Review Committee: Housing Scrutiny Committee
Director leading the review: Ian Swift
Lead Officer(s): Hannah Bowman
<p>Overall aim: To ensure that there are robust processes in place to ensure that there is an orderly and effective transfer of Partner properties in 2022 and that properties are transferred in an acceptable manner in terms of repairs</p>
<p>Objectives of the review:</p> <ul style="list-style-type: none"> • To scrutinise the capacity of the Council to administer the direct management /maintenance of properties and to ensure that the necessary data required is in place for the transfer of such properties
<p>How is the review to be carried out:</p> <p><u>Scope of the review</u></p> <p>The review will focus on:</p> <p>To examine the survey being carried out in relation to the current state of repair of Partner properties and measures that Partners have taken during the contract to undertake necessary repairs The principles behind the transfer of Partners staff under TUPE arrangements The risks and experience needed to manage Partner properties given that street properties require a different management skills to those of Estate properties An assessment to undertake whether copy keys to Partner properties need to be held centrally by the Council for emergency purposes An assessment of future planned maintenance works and implications on HRA funding due to termination of the PFI contract</p> <p>Types of evidence:</p> <p>PFI Interim Board Partners Other Local Authorities/organisations with experience of management/maintenance of Local Authority properties Karen to determine remainder of witnesses</p>

Programme	
Key output:	To be submitted to Committee on:
1. Scrutiny Initiation Document	23 November 2020
2. Draft Recommendations	21 September 2021
3. Final Report	3 February 2022