

CABINET

Council Housing Planned Maintenance Partnering Arrangement 6th December 2011

Report of Head of Environmental Services

PURPOSE OF REPORT					
To provide information on the Council Housing Planned Maintenance Partnering arrangement as requested by a Cabinet Member					
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Cabinet Member	<input checked="" type="checkbox"/>
Date Included in Forward Plan	N/A				
Project Appraisal Undertaken	N/A				
The main part of the report is public. However, Appendix B is exempt from publication by virtue of paragraph 3, of Schedule 12A of the Local Government Act 1972					

RECOMMENDATIONS OF HEAD OF ENVIRONMENTAL SERVICES

(1) That Cabinet notes the report.

1.0 Introduction

- 1.1 This report is provided in response to a request from Councillor Barry.
- 1.2 The Council spends approximately £ 3.5 million per annum on undertaking a planned maintenance programme on its council housing stock. The Council's repairs and maintenance service has responsibility for managing and delivering planned and responsive repairs to the Council's housing stock.
- 1.3 The current model for undertaking these works was agreed by Cabinet in July 2007.
- 1.4 At that meeting Cabinet agreed the following-

- *That the Repair and Maintenance Section (RMS) within Council Housing Services continues to deliver the responsive repairs service via its own in-house provision*
- *That the Head of Council Housing Services ensures that the appropriate targets and actions for RMS (as identified within the KPMG Report) are incorporated within the Council Housing Services Business Plan.*

- *That the Head of Council Housing Services be authorised to develop the establishment of a three-five year partnership with RMS plus one external contractor for the future delivery of the Housing Revenue Account Capital Programme, plus any other relevant capital works.*

1.5 The reason for this decision was-

'Since the amalgamation of services in 2004, the Council has been able to clearly display continuous improvement in responsive repairs. Both performance and tenant satisfaction has increased significantly over the past three years, and further improvements in service delivery are scheduled to take place in the coming months. The retention of the service in-house, as recommended following an independent evaluation by KPMG, is therefore proposed. The establishment of a long term partnership for capital works will also provide an opportunity to potentially deliver further cost benefits.

Although the Council has been able to demonstrate continuous improvement, until this exercise, we have not been able to demonstrate that we have given adequate consideration to the relative costs and benefits of alternative procurement options (as recommended by the Audit Commission Inspection Service). Having now undertaken a thorough evaluation with the assistance of experienced consultants, the Council is now in a position to move forward with a preferred value for money procurement model. '

1.6 This model in operation as a result of that decision is one where a proportion of the planned maintenance work is undertaken by the Council's own in-house team and the other proportion by a contractor under a partnering arrangement. Other specialised services such as gas servicing and painting are provided via a variety of other arrangements. The majority of responsive repairs are delivered in house.

1.7 Partnering is a management approach used by two or more organisations to achieve specific business objectives by maximising the effectiveness of each participant's resources. Partnering requires considerable effort to set up and hard work to maintain. It requires that the parties work together in an open and trusting relationship based on mutual objectives, an agreed method of problem resolution and an active search for continuous measurable improvements. Importantly it is founded on an attitude of mind together with a set of procedures and it cannot succeed without both.

1.8 When managed effectively partnering can provide the following benefits-

- Duplication eliminated
- Better predictability of time and cost
- Shorter overall delivery period
- Stability which provides more confidence for better planning and investment in staff and resources
- Increased customer satisfaction
- Better value for the client
- Recognition and protection of profit margin for contractors and suppliers
- Staff development and satisfaction
- Creation of an environment that encourages innovation and technical development

- Better understanding between partners and driving down of real costs
- Design integration with specialists in the supply chain
- Improved 'buildability' through early involvement of the contractors

1.9 This report will provide information on -

- Experience of partnering to date
- Hala rendering project
- Leaseholder issues

2.0 Experience of Partnering to date

2.1 The repairs and maintenance section already has established partnering arrangements in place for gas servicing and painting. These operate successfully and deliver the intended results.

2.2 Previously general planned maintenance not done in-house had been undertaken on traditional client / contractor lines with jobs being tendered on a job by job basis. Further to findings from the Audit Commission an independent report by KPMG had provided evidence that this way of working was not the most efficient, economical or effective.

2.3 Following a tendering exercise through the official journal of the European Union (OJEU) H T Forrest were selected as being the preferred partner of the Council for delivering a general planned maintenance program to the value of £8 million over a five year period. The partnering agreement with Forrest began on 10th May 2010. The agreement is set out in a standard form of contract for partnering known as PPC2000.

2.4 Running parallel to this have been a number of organisational restructures that resulted in Environmental Health merging with Council Housing to form Health and Housing. Health and Housing have overall responsibility for the management of the Council Housing and at the time of merger were also responsible for the provision of the repairs and maintenance service.

2.5 In November 2010 Cabinet recommended that Environmental Services take responsibility for the repairs and maintenance of Council Housing. This decision was implemented in May 2011. The Head of Environmental Services has since then been undertaking a comprehensive review of the service. This review resulted in proposals for a two phased approach to restructuring and modernising the service being approved by Personnel Committee on October 11th 2011. Phase 1, which is being implemented, introduces a new line management structure for the service.

2.6 This new partnering arrangement did result in some concerns being identified by staff and other stakeholders. Therefore, Internal Audit were commissioned by the Head of Service to complete a piece of work to provide managers with reassurance and confidence in arrangements for the ongoing management of the arrangement by reviewing the following-

- Financial and operational performance of the arrangement
- The robustness and effectiveness of contract management arrangements within the repairs and maintenance service
- The effectiveness of the partnering arrangement as a means of service delivery

2.7 The report provided assurance as to these areas and also provided an action plan of areas where improvements can be made. The action plan is currently being implemented.

- 2.8 The report from the internal audit is attached as appendix A and is due to be considered by Audit Committee in Jan 2012
- 2.9 In terms of controls for specific projects the arrangement works as follows. Lancaster City Council provide a specification to Forrest to price. Forrest price all items net of overheads, profit and preliminaries. Overheads and profit are added to the bottom line of a cost plan. Cost plans are then developed on an open book basis. All subcontract and supply chain prices are supported by quotations wherever possible. Forrest provide a full labour, plant and material breakdown for any directly delivered trades. Preliminary costs are demonstrated by a fully detailed and priced schedule. Subject to agreement the cost plan will be the agreed maximum price. Any savings made will be passed to the Council.
- 2.10 The cost plans submitted are scrutinised by the relevant Council Planned Maintenance Officer with regard to accuracy and value for money. The arrangement is designed to be flexible and there have been specific examples where things like reductions in time taken to deliver a contract through employment of more direct labour have been agreed which has resulted in a reduction in costs.
- 2.11 A set of key performance indicators are in place with performance being measured on an annual basis. Reported performance in relation to 2010/11 indicates a high level of customer satisfaction with the work carried out, with high scores being achieved in relation to environmental, equality, diversity and health and safety issues. In relation to the percentage of directly employed staff working in the partnership living locally, a target of 80% has been set to be achieved by the end of 2011/12. At the time of writing this target has already been surpassed
- 2.12 The arrangement is designed to allow the Council's own in-house delivery of planned maintenance to be compared with that of HTF. On a number of like for like projects Forrest's costs have compared favourably with those of the Council's in-house team.
- 2.13 As referred to in the introduction the intention of a partnership arrangement is to provide for continuous improvement over the life of the agreement.
- 2.14 The internal audit has already identified some of these areas. Furthermore, the general review of the repairs and maintenance service also identified there is an issue of officers coming to terms with operating in a very different arrangement than before where we just operated in a traditional tender per job way. This is one of the issues the implementation of the wider review, as outlined above, will address.
- 2.15 Further improvements continue to be made. Examples include-
- Discussions are taking place with Forrest to set up apprenticeships.
 - Staff from both the Council and Forrest are due to meet to discuss progress on the partnership to date and establish where improvements can be made.
 - A training package to help staff from the Council and Forrest realise the benefits of partnering that has been used by other Councils with similar arrangements is being assessed for suitability here.

3.0 Hala Rendering Project

- 3.1 The latest major project undertaken with Forrest has been the re-rendering of the flats on Hala estate. Forrest have previously already undertaken rendering works on Newton estate and prior to the partnering arrangement

submitted a tender for works on Kingsway, Heysham.

- 3.2 The methodology for pricing of the works for the Hala project was as described above.
- 3.3 Based on the first specification and period of works a maximum price was provided by Forrest.
- 3.4 Council officers revised the original specification and worked with Forrest to reduce the period of works. As would be expected Council officers closely scrutinised the costings of the works and worked with Forrest to reduce costs where appropriate. This scrutiny was based on objective assessment of the costs provided. This resulted in an agreed maximum price that was much lower .
- 3.5 The costs that make up this price are set out in Appendix B which is exempt for commercial reasons.
- 3.6 The majority of work has now taken place and the actual costs of the project are being agreed.

4.0 Leaseholders

- 4.1 There are approximately 130 leaseholders of Council properties.
- 4.2 There are statutory requirements for how landlords should deal with leaseholders. These include the need for formal consultation on larger works.
- 4.3 The Council has a clearly defined policy that sets out what leaseholders can expect from the Council. This is attached at appendix C.

RELATIONSHIP TO POLICY FRAMEWORK

NA

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

NA

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

OTHER RESOURCE IMPLICATIONS

Human Resources:

NA

Information Services:

NA

Property:

NA

Open Spaces:

NA

SECTION 151 OFFICER'S COMMENTS

Given the nature of the report, the s151 Officer has no further comments at this stage

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

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