



Referral from Audit Committee

13th March 2012

Report of Internal Audit Manager

PURPOSE OF REPORT				
To request Cabinet to consider a recommendation from the Audit Committee in relation to the Council Housing RMS partnering contract and the Hala Flats pebbledashing project.				
Key Decision		Non-Key Decision	Referral from Audit Committee	X
This report is public				

RECOMMENDATION OF AUDIT COMMITTEE

- (1) That having considered in detail a report to Audit Committee, and having had the opportunity to raise concerns with officers at the meeting, Members are satisfied that sufficient assurance has been provided regarding the RMS partnering contract and the outcome of the Hala Flats pebbledashing project, and that no further action or analysis is recommended to Cabinet.
- (2) That the Internal Audit Manager liaise with managers to develop an action plan arising from this report and that progress be reported to a future meeting of the Audit Committee in accordance with established procedures.

1.0 Introduction

- 1.1 At its meeting on 6th December 2011 Cabinet considered a report by the Head of Environmental Services which provided information on the Council Housing Planned Maintenance Partnering arrangement.
- 1.2 The report was for noting and comment and provided information on:-
 - Experience of partnering to date
 - Hala rendering project
 - Leaseholder issues
- 1.3 It was noted that an internal audit report into the partnering agreement was due to be considered by the Audit Committee in January 2012.
- 1.4 Cabinet resolved: *That Cabinet notes the report and requests that the Audit Committee look more closely at the Hala project specifically and this may entail the need for expert independent advice with regard to the pricing of the Hala project.*

2.0 Report

- 2.1 In light of this resolution, internal audit undertook further work in connection with the Hala flats rendering project and produced a second report which was submitted to Audit Committee on 15th February 2012, the meeting scheduled for 18th January 2012 having been postponed.
- 2.2 The Internal Audit Manager's report, produced jointly with the Head of Environmental Services, sought to address those questions raised by Cabinet as well as further questions raised by Budget and Performance Panel Members, and points raised by other Councillors following the issuing of the initial internal audit report. . The agenda item and report is available for online viewing via the Mod.Gov system.
- 2.3 At the meeting on 15th February 2012, members of the Audit Committee considered an in-depth presentation of the internal audit report's findings and conclusions in the following areas:
- The form of partnering contract used;
 - Pricing and payment mechanisms;
 - The Hala pebbledashing project and leaseholder charges;
 - Training;
 - Quality of work;
 - Preliminary costs; and
 - Benefits of the partnership.
- 2.4 Following discussion, the Committee resolved as follows:
- (1) That, having considered the report and appendices in detail, and having had the opportunity to raise concerns with officers at the meeting, Members are satisfied that sufficient assurance has been provided regarding the RMS partnering contract and the outcome of the Hala Flats pebbledashing project, and that no further action or analysis be recommended to Cabinet.
 - (2) That the Internal Audit Manager liaise with managers to develop an action plan arising from this report and that progress be reported to a future meeting of the Audit Committee in accordance with established procedures.
- 2.5 A copy of the Audit Committee's full draft minute is attached to this report as Appendix A.

RELATIONSHIP TO POLICY FRAMEWORK
Not applicable
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)
None identified in relation to this report

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

None arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Reports to Audit Committee, 15.02.12

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AUDIT COMMITTEE 15TH FEBRUARY 2012

Draft Minute

25 COUNCIL HOUSING CAPITAL PROGRAMME - HALA FLATS PEBBLEDASHING PROJECT

Committee received the report of the Internal Audit Manager and Head of Environmental Services, which provided details into the conduct of the Hala Flats Pebble-dashing contract, with particular reference to the costs of the work and the value for money obtained.

The report had been prepared to address questions raised by Cabinet and members of Budget & Performance Panel (B&PP) and points raised by other Councillors following the issuing of the internal audit report.

Members were advised that in July 2007, Cabinet had given approval for Council Housing Services (CHS) to develop a three to five year partnership with an external partner for the delivery of the Council Housing Capital Programme. The work was to be split between the Council's in-house Repairs and Maintenance Service (RMS) and the external partner, Herbert T. Forrest (HTF), who had been appointed following a competitive tendering exercise to deliver the Council Housing Five-Year Capital Programme, commencing on 1st April 2010.

Committee considered the report's response to questions raised by Members in the following areas:

- The form of partnering contract used;
- Pricing and payment mechanisms;
- The Hala pebbledashing project and leaseholder charges;
- Training;
- Quality of work;
- Preliminary costs; and
- Benefits of the partnership.

Members were advised that the PPC2000 was a standard form of partnering contract already in use by the RMS for other programmes (Rota Painting and Gas Servicing), and provided an appropriate framework for the partnership. Whilst the PPC2000 was designed to cope with complex, project-based and multi-party arrangements, it was also suitable for a simpler client and constructor relationship. Regarding the scope of the agreement, Members were advised that HTF had not been required to carry out preconstruction work and had not been paid for any.

A key feature of the PPC2000 contract was the integration of members of the partnership and a team-based approach to the project. The Audit review suggested that whilst the scope for integration and sharing was limited under a two party partnership, each team member had been given clearly defined roles and responsibilities.

Members were advised that Internal Audit had found no evidence that any of the circumstances applied under which the Council could contractually seek to terminate the agreement.

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Set out comprehensively in the report, and considered at length at the meeting, were details relating to the pricing mechanism for the partnership and leaseholder charges, together with information, which Members had requested, regarding costs per property for work carried out on the Kingsway Estate by VMC Developments Ltd. as part of the 2009/10 programme of works.

Members were advised that Internal Audit had not encountered any evidence to suggest there were any difficulties or shortcomings regarding the measurement and pricing of the Hala re-rendering project. Sufficient evidence had been produced for Internal Audit to conclude that the RMS officers' management of the projects demonstrated appropriate levels of diligence and professionalism to protect the Council's interests and secure value for money.

It was reported that training, including a workshop session, funded by HTF, had been scheduled for Council and HTF staff, and appropriate arrangements had been established to monitor the quality of the work and identify and remedy any defects. Working practices would be reviewed to ensure that future arrangements were as efficient and effective as possible.

It was proposed by the Chairman and seconded by Councillor Newman-Thompson:

- "(1) That, having considered the report and appendices in detail, and having had the opportunity to raise concerns with officers at the meeting, Members are satisfied that sufficient assurance has been provided regarding the RMS partnering contract and the outcome of the Hala Flats pebbledashing project, and that no further action or analysis be recommended to Cabinet.
- (2) That the Internal Audit Manager liaise with managers to develop an action plan arising from this report and that progress be reported to a future meeting of the Audit Committee in accordance with established procedures."

Resolved unanimously:

- (1) That, having considered the report and appendices in detail, and having had the opportunity to raise concerns with officers at the meeting, Members are satisfied that sufficient assurance has been provided regarding the RMS partnering contract and the outcome of the Hala Flats pebbledashing project, and that no further action or analysis be recommended to Cabinet.
- (2) That the Internal Audit Manager liaise with managers to develop an action plan arising from this report and that progress be reported to a future meeting of the Audit Committee in accordance with established procedures.