

EAST AYRSHIRE COUNCIL

HOUSING COMMITTEE – 21 MARCH 2007

IMPROVING HOUSING REPAIRS SERVICE IN EAST AYRSHIRE

Report by the Executive Director of Neighbourhood Services

1. PURPOSE

1.1 The purpose of this report is to seek approval to progress arrangements for:

- (i) a Best Value contract with Building and Works for Housing and Property Maintenance; and
- (ii) the procurement of a kitchen and bathroom replacement programme to be completed by the financial year ending 31 March 2013.

The report also seeks to inform elected members of progress on implementing the agreed plan to improve the housing repairs service.

2. BACKGROUND

2.1 At the Housing Committee Meeting held on 17 May 2006, elected members agreed to a series of proposals put forward by a joint working group comprising officers and tenant representatives to address concerns around performance and levels of tenant satisfaction with the current housing repair service. Committee also agreed to proposals to review existing business processes within the service and implement any actions needed to improve service efficiency and cost effectiveness.

2.2 In May 2006, the Corporate Management Team agreed to extend the remit of the proposed Building and Works Best Value Service Review to include a wider cross cutting best value service review of property maintenance, including housing and non housing repairs. This wider review was considered necessary to secure the housing repairs improvement agenda identified in the Accounts Commission report on the Audit of Best Value and Community Planning in East Ayrshire (2006), reported under Action Plan Number 8 to Policy and Resources Committee on 7 February 2007.

2.3 At the Policy and Resources Committee Meeting held on 19 September 2006, elected members agreed to engage Vanguard Limited for the provision of consultancy and training services in respect of working being undertaken in the cross cutting service review.

2.4 At the Policy and Resources Committee Meeting held on 14 November 2006, elected members agreed to the appointment of SKG Associates Limited to provide independent professional advice to the Council's Chief Executive on property related matters.

3. PROGRESS

- 3.1 A robust Cross Cutting Property Maintenance Best Value Service Review project plan is in place and progress is monitored on an ongoing and regular basis by a Lead Officers Group comprising the Executive Head of Finance, as project sponsor on behalf of the Chief Executive, together with the Heads of Service for Building and Works and Housing. The Lead Officers have also been supported by the advisor to the Chief Executive on property related matters.
- 3.2 The Cross Cutting Property Maintenance Best Value Service Review presents an opportunity to rationalise the various existing contract arrangements for housing and non housing repairs into a best value contract. Detailed proposals for the development and management of future building maintenance and kitchen and bathroom replacement contracts are set out in the appended report by the adviser to the Chief Executive, Stewart Gilchrist of SKG Associates Limited (Appendix 1).
- 3.3 Following the report to this committee on 1 November 2006, the re-designed service “experiment” was launched on 15 January 2007 with an initial focus on the Kilmarnock South area. The experiment covers both housing and property maintenance and is guided by the Vanguard Project Team, supported by Building and Works operatives working from the Burnside Street Depot in Kilmarnock. The aim of the experiment is to streamline back office systems, reduce costs and deliver a better service to customers. Since January 2007, the experiment has been extended to cover Bonnyton, Crosshouse, Gatehead and Knockintiber, New Farm Loch, Kilmaurs, Stewarton, Lugton and Dunlop, and most recently North West Kilmarnock. The roll-out of the experiment to cover these additional areas is intended to ensure that appropriate levels of pressure exist within the system to test the new work processes. Results are encouraging, with evidence of improved productivity, better response times and significantly increase levels of customer satisfaction being recorded. It is proposed to continue with the operation of the extended experiment for some weeks yet both to measure the impact of the additional demand and extend the scope of the experiment to include void and new tenants work within the affected areas. We will consider the further expansion of the project area during this time as necessary taking into account the need to optimise Building and Works resources. The experiment will then be evaluated and a report on the outcomes will be reported to a future meeting of the committee.
- 3.4 The revised cyclic maintenance programme is being piloted in the Knockinlaw and Muirkirk areas as agreed by Housing Committee on 1 November 2006. All repair works identified by the cyclic maintenance survey in Knockinlaw are due to be completed by end of March, although some follow on painterwork will continue beyond that date. Works are ongoing in Muirkirk and should be complete by end of April. The pilot will then be evaluated and a report on the outcomes will be reported to a future meeting of the committee.

4. FINANCIAL IMPLICATIONS

- 4.1 Funding for the external consultancy and training services being provided by Vanguard Limited is being met from underspend in the current year within Miscellaneous Services. The costs associated with the services provided by SKG Associates Limited is being met from existing budgetary provision within Development and Property Services employee costs. Funding for the additional resources required in Technical Services to progress the recommendations set out in the report by the external adviser will be funded from fee income generation derived from the Council's Capital Programme for 2007/08.

5. LEGAL AND PROCUREMENT IMPLICATIONS

- 5.1 The identification of an appropriate contractor to advance this proposal will require that the Council embarks upon a new procurement exercise. Whilst the procurement process will be fully compliant with all current statutory requirements and therefore similar to the standard process it is intended that the contract itself will be a term partnering contract which would be regulated under a standard set of terms and conditions known as TPC2005.
- 5.2 Whilst the Council has not previously utilised a contractual arrangement such as that conceived by TPC2005 internal analysis of the use of such arrangements in other analogous local authority settings have demonstrated the significant benefits which can be achieved ranging from the timeous completion of repairs to an overall increase in tenant satisfaction.

6. POLICY IMPLICATIONS

- 6.1 Implementation of the proposals for the development and management of future building maintenance and kitchen and bathroom replacement contract will help the Council deliver the necessary improvements in housing and property repairs, strengthen capacity to respond to the issues of challenge and review, and trading and competitiveness highlighted in the 2006 Audit of Best Value and Community Planning in East Ayrshire.
- 6.2 The Council and its Community Planning Partners are committed to tackling the links between poverty, housing, ill health and opportunity. The policy initiatives set out in this report will, if approved, enhance these links and are intended to lead to improved outcomes for our property users.

7. RECOMMENDATIONS

- 7.1 Members are asked to:
- (i) approve the recommendations for the development and management of future building maintenance and kitchen and bathroom replacement contracts as detailed in Appendix 1;

- (ii) note that following conclusion of the experiment, a full report on the outcomes of the Vanguard Project will be submitted to a future meeting of the committee;
- (iii) subject to members approval, authorise the Acting Executive Director of Development and Property Services, in conjunction with the Head of Personnel, to submit the staffing proposals as outlined in Appendix 1 for approval by the Corporate Governance Committee; and
- (iv) otherwise, note the contents of the report.

Williams Stafford

Executive Director of Neighbourhood Services

13 March 2007

CMCA/LA

LIST OF BACKGROUND PAPERS

Nil

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EAST AYRSHIRE COUNCIL

DEVELOPMENT AND MANAGEMENT OF FUTURE BUILDING MAINTENANCE AND
KITCHEN & BATHROOM REPLACEMENT CONTRACTSReport by Stewart Gilchrist, Associate Consultant, SOLACE Enterprises, Adviser to the
Chief Executive on Property Related Matters**1. PURPOSE**

- 1.1 The purpose of this report is to seek approval to progress arrangements for:
- a Best Value Contract with Building and Works for Housing and Property maintenance.

and

 - the procurement of a kitchen and bathroom replacement programme to be complete by the financial year ending 31 March 2013.

2. BACKGROUND

- 2.1 At its meeting on 14 November 2006, Policy and Resources Committee agreed to the appointment of SKG Associates Limited to provide independent professional advice to the Council's Chief Executive on property related matters.

3. PARTNERING CONTRACTS

- 3.1 A key feature of the building industry's 'Constructing Excellence Programme' is the promotion of Partnership Working, using Partnering Contracts as the framework for any agreements to carry out future maintenance and upgrade work, particularly in Housing.
- 3.2 Whilst the initial procurement route for a Partnering Contract is similar to that of a traditional contract, the period between selecting a partner and the awarding of a contract is much longer. The reason for this is that, provided you select the correct partner, you can spend time at the beginning of your contractual relationship agreeing some form of resolution for potential areas of dispute. This will result in the ability during the life of the contract to concentrate on delivering the agreed efficiency and customer satisfaction targets, which can be included as part of the formal partnering agreement and monitored and reviewed during its lifetime.
- 3.3 The feedback from the industry using this type of contract arrangement indicates that below inflation increases are regularly achieved.

3.4 A Partnering Contract is considered to be an ideal procurement route for both the contract arrangements set out at paragraph 1.1 in this report, but it requires a dedicated quantity surveying resource to develop and manage this initiative.

4. BEST VALUE CONTRACT FOR BUILDING MAINTENANCE

4.1 The Council is committed to the duty of securing Best Value as required by the Local Government in Scotland Act, 2003 and wishes to demonstrate continuous improvement in the performance of all of its functions and activities.

4.2 The Accounts Commission, in its September 2006 report on the Audit of Best Value and Community Planning in East Ayrshire, identified housing repairs as an area of “weaker performance” and further identified the following improvements to be carried out in the medium term:

- **“Housing Repairs:** *improve response times and the quality of work carried out to address customer dissatisfaction.”*
- **“Challenge and Review:** *increase the deployment of the best value review programme around cross-cutting priorities and implement more systematic use of benchmarking and other comparative analyses.”*
- **“Trading and Competitiveness:** *effectively use review, benchmarking and option appraisal to improve competitiveness.”*

4.3 The Council has also decided that the Building and Works Service should remain a Significant Trading Operation (STO), and in addition, be able to demonstrate Best Value in relation to the service provided.

4.4 At present, the Council is undertaking a Cross Cutting Property Maintenance best value service review. This is examining the issues of housing repairs as well as extending the review to include all property repairs (housing and non-housing). This review gives the opportunity to identify and propose an all encompassing solution for ‘repairs’, resulting in my recommendation to the Cross Cutting Property Repairs Working Group, to take the opportunity to rationalise the various existing contract arrangements with Building and Works into a Best Value Contract, recognising the service improvements that are already emerging and will continue to develop as the Cross Cutting Review runs its course.

4.5 One of the key elements to the future continued success of Building and Works and its ability to meet the service delivery and performance targets (financial and operational) set by the Council, is the performance of its people including its Craft employees. In order to achieve the goal of being able to demonstrate Best Value, employees will require to adapt to change on existing working practices and conditions, and to give a clear demonstration that they are prepared to change. In securing such an operating regime, it is reasonable for the Council to give a long term commitment to these employees in the form of a 10 year contract. This would bring significant stability into

the process and allow everyone to focus on the improvement agenda, whilst still requiring Building and Works to meet the targets set for it as a STO.

- 4.6 Should the Council agree, in principle, to awarding a 10 year Property Maintenance contract to Building and Works, any such contract must be subject to external review every three years to confirm that the performance targets set are being met. It will take some months yet to resolve fully all the issues required to be put in place before a best value property maintenance contract can be recommended to Members, including the conclusion of the Cross Cutting Property Best Value Service Review, but a date of 1 November 2007 has been set as a target date for the commencement of a new approach of managing and delivering property repairs across the Council's asset base.
- 4.7 In taking forward any recommendations for introducing a best value property maintenance contract, it is especially important that the elements of 'challenge and review' and 'trading and competitiveness' are addressed, in order to comply with the medium term Improvement Agenda priorities agreed with the Accounts Commission as part of its September 2006 report on the Council's Best Value arrangements.

5. KITCHEN AND BATHROOM REPLACEMENT PROGRAMME

- 5.1 Under its Standard Delivery Plan for Housing, the Council intends replacing 8,300 kitchens and bathrooms over six years commencing April 2007, with completion by 31 March 2013. This would require installation of around 1,380 combined units per annum. Around 700 kitchens and bathrooms were installed last year (2005/06) and 1,000 are due to be installed this year (2006/07).
- 5.2 The current programme is carried out by three contractors, including Building and Works and contractors have a choice of two different ranges from five different kitchen suppliers when pricing work. The contractor then determines the kitchen range and supplier which will be offered to the tenants. Currently, there are no kitchen suppliers under formal contract. In my view, this is too wide a supply chain and action needs to be taken to reduce the number of contractors and suppliers to ensure a more consistent level of service and to minimise the range of units making maintenance more efficient. If a Partnering route is chosen, this should be achieved along with built in and agreed, efficiency/productivity targets.
- 5.3 However, as stated above, setting up a Partnering Agreement, particularly where external suppliers and contractors would be involved along with Building and Works, will require a relatively long lead in time (approx. 12 months). Therefore in order to deliver the required number of kitchens and bathrooms over the six year period, the existing contract arrangements should be maintained over the next financial year with the Partnering Agreement commencing in April 2008.
- 5.4 A decision will require to be taken as to the number of kitchens and bathrooms to be delivered under the Partnership. This could be left flexible meantime to obtain a wider policy decision and also to allow the Council to determine any future surplus capacity currently being assessed under the Vanguard Consultancy 'Lean Systems Approach' exercise for identifying improvements in the Council's existing property maintenance arrangements, as approved at Policy and Resources Committee on 19 September 2006. It is also assumed that any future contract will be for the

replacement of kitchens, bathrooms, rewiring and any other associated builder work, just as it is currently.

- 5.5 In the meantime, a decision should be taken to limit the choice of kitchens to one supplier and if possible further reduce the choice available. Information available indicates that over the past three years, all contractors have used one kitchen supplier, i.e., JTC Kitchens and a range called 'JTC Craftsman'. Tenants have a choice of 6 door colours, 8 worktops and 3 door handles. This year tenants have tended to select the neutral/lighter door colours with dark worktops.
- 5.6 At present, the materials for the bathrooms are procured through a contract won by Plumbing Trade Suppliers (PTS), which is due to end on 7 November 2010 and as a result, discussions will require to take place with them to see if they are prepared to join the Partnering Agreement or if they will remain outside of the agreement. This would also require to be resolved before the Partnering Agreement is concluded.
- 5.7 To facilitate best value and the smooth running of the Kitchen and Bathroom contract, the Partnering Agreement should be limited to the two significant contractors, i.e. Building and Works and one other. So also should the material suppliers be limited to one supplier for Kitchens, and one for Bathrooms.

6. TECHNICAL SERVICES

- 6.1 As can be seen from the above, the input of the Council's Technical Services Division is critical to the successful preparations for, and delivery of the two major contracts. Technical Services is committed to delivering the Council's 2006/07 and 2007/08 Capital Building Programmes and it is imperative that nothing is allowed to detract them from this key task. However, the delivery of a successful maintenance contract is equally important and therefore should be given equal priority and resourced accordingly.
- 6.2 The key input required from Technical Services for these contracts is Quantity Surveying. The current structure for this section is 8 posts, comprising:
- Chief Surveyor
Senior Quantity Surveyor
Quantity Surveyor (2)
Assistant Quantity Surveyor (4)
- 6.3 They are delivering a capital programme of £22m for 2006/07 and an anticipated programme of £40m for 2007/08. They also have one Quantity Surveyor vacancy, which they are attempting to fill. Technical Services is also in the process of outsourcing 11 projects valued at £15.75m to Framework QS Consultants to ensure that the current programmes can be delivered. This also brings an additional management burden on the Chief Surveyor.
- 6.4 If the Council is committed to developing Partnering Agreement contracts, particularly with its in house contractor, it is vital that it controls the process using its own resources, all within a best value framework. A great deal of work would be required at the initial stages of the contract and the actions set out in this report would also require

this to be ongoing to move on from the development of the Best Value contract to the procurement of the Kitchen and Bathroom contract. This would take the requirements to 2008 and beyond and if successful, could lead to other contracts being developed.

- 6.5 My review indicates that two posts (a Senior Quantity Surveyor and a Quantity Surveyor) be added to the establishment and that the senior post be filled immediately using, if possible, any candidates from the most recent recruitment exercise to reduce the overall recruitment timescale. The Quantity Surveyor post could be left vacant until progress has been made on the Best Value Contract and until there is a clear commitment to developing partnering as a concept for future procurement.
- 6.6 The funding required for these posts is:

Senior Quantity Surveyor	£39,711
Quantity Surveyor	£37,758
TOTAL	£77,469

It is proposed that the posts are funded from fee income generation. Wider issues connected with these two posts have been discussed at the Cross Cutting Property Repairs Working Group and the matter is being given further consideration.

7. RECOMMENDATIONS

- 7.1 To ensure the successful delivery of a Best Value Contract with Building and Works, and the procurement of a more efficient and simplified kitchen and bathroom contract, I would recommend:
- i. Using the concept of Partnering for both the Best Value Contract for Property Maintenance and the Kitchen & Bathroom Contract.
 - ii. Agreeing in principle to award a 10 year Property Maintenance contract to Building and Works, subject to a three year external review and to the tests of competitiveness required under Best Value and the targets set for Significant Trading Operations.
 - iii. That Elected Members request that a further progress report be submitted to the relevant Service Committee(s), prior to the deadline of 1 November 2007 for commencement of any new contract arrangements.
 - iv. That Elected Members confirm Technical Services key role in taking matters forward, including the approval of the additional resources set out at section 6 of the report.

Stewart Gilchrist

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Adviser to the Chief Executive on Property Related Matters
12 March 2007