

SCRUTINY MANAGEMENT BOARD – 25TH OCTOBER 2017

Report of the Head of Strategic Support

ITEM 6 DECENT HOMES CONTRACT SCRUTINY PANEL – FURTHER UPDATE REPORT

Purpose of Report

To enable the Board to further consider the implementation of the decisions 7-12 taken by the Cabinet following its consideration of the report of the Decent Homes Contract Scrutiny Panel and what, if any, further action may be required.

Recommendation

That the Board consider the information provided in respect of the implementation of the decisions 7-12 taken by the Cabinet following its consideration of the report of the Decent Homes Contract Scrutiny Panel and for each decision determine whether:

- the implementation is complete or sufficiently complete and no further monitoring is required;
- the implementation is not complete and a further update for the Board is required, or
- the implementation is not complete or other issues with the implementation are identified and a recommendation or advice to the Cabinet is required.

Reason

To enable the Board to be satisfied that decisions taken following scrutiny recommendations are being implemented satisfactorily, take or recommend any further action that is necessary and ensure the effectiveness of the scrutiny function.

Policy Justification and Previous Decisions

On 18th February 2016, the Cabinet considered the findings and recommendations of the Decent Homes Contract Scrutiny Panel.

As part of the process for ensuring the effectiveness of the scrutiny function the Board receives a report setting out the Cabinet's responses to scrutiny recommendations and a later report on the implementation of the decisions taken by the Cabinet. These later reports are usually considered by the Board 6 months after the Cabinet decisions are made.

On 23rd March 2016, the Board considered a report setting out the Cabinet's responses to the Decent Homes Contract Scrutiny Panel's recommendations. On 26th October 2016, the Board considered a report on the implementation of those Cabinet decisions and resolved as follows:

1. *that it be noted that implementation is complete in respect of the Cabinet decisions 1-6 and no further monitoring is required;*

2. *that it be noted that implementation is not complete in respect of Cabinet decisions 7-12 and a further update on those be submitted to the Board at its meeting in October 2017.*

Reasons

1. *The Board was satisfied that the decisions had been satisfactorily implemented.*
2. *Decisions 7-12 required actions in the future, therefore it was appropriate to monitor implementation of those in 12 months' time."*

Decisions 7-12 taken by the Cabinet are set out in the Appendix to this report, and also include the current status of the actions undertaken following those decisions, set out in the form of a table.

Implementation Timetable including Future Decisions and Scrutiny

There would not normally be any further reports to the Board on the implementation of decisions taken following scrutiny recommendations. The Board may however decide that further updates are necessary or may choose to make further recommendations to the Cabinet.

Report Implications

Implications are as set out in the appended table where relevant.

Background Papers

1. Scrutiny Management Board 26th October 2016 – Item 8 and Minute 23
2. Scrutiny Management Board 23rd March 2016 – Item 13
3. Cabinet 18th February 2016 – Item 6 and Minute 100
4. Scrutiny Management Board 27th January 2016 – Item 10 and Minute 35
5. Decent Homes Contract Scrutiny Panel Agendas and Notes:

Meeting 1 (Informal) – 28th September 2015; Meeting 2 – 26th October 2015;
Meeting 3 – 23rd November 2015; Meeting 4 – 7th December 2015;
Meeting 5 – 11th January 2016; Meeting 6 – 24th May 2016;
Meeting 7 – 18th October 2016

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Cabinet Decisions Following Consideration of Panel Report	Actions Taken to Implement Decisions (including estimated completion date if appropriate)	Status
<p>Minute 100-7</p> <p>(i) That in order to implement Panel recommendation 7, the Council should monitor the retention of project management staff by Wates.</p> <p><i>REASON</i></p> <p><i>(i) To enable the Council to be aware of issues which may affect the delivery of the contract.</i></p>	<p>Response of the Head of Landlord Services</p> <p>(i) & (ii) The Divisional Manager and Project Manager posts have been stable for the last few months.</p>	<p>This is an area of risk. The contract is scheduled to end on the 31st March 2018. Staff may leave before the contract ends. To mitigate against this risk key work streams have been programmed for completion by December 2017. Regular meetings are in place with both the Divisional Manager and the Project Manager to review works progress and deliver an effective closedown.</p>
<p>(ii) That it be noted that this will be monitored and that there has been stability in recent months.</p> <p><i>REASON</i></p> <p><i>(ii) To acknowledge the comments of the Head of Landlord Services.</i></p>		

Cabinet Decisions Following Consideration of Panel Report	Actions Taken to Implement Decisions (including estimated completion date if appropriate)	Status
<p>Minute 100-8</p> <p>(i) That in order to implement Panel recommendation 8, when tendering for the new contract, the possibility of using more than one contractor to carry out work-streams be considered.</p> <p><i>REASON</i></p> <p><i>(i) To introduce an element of competition into the contract and enable the Council to reward good performance.</i></p>	<p>Response of the Head of Landlord Services and the Head of Finance and Property Services</p> <p>(i) & (ii) Echelon Consultancy Limited was commissioned to provide advice and produce a report on contract packaging and lot separation.</p> <p>Options were evaluated and an approach based around a single contractor was recommended as the preferred procurement route.</p> <p>The Member Reference Group on the 20th February 2017 endorsed the recommendation that there would be one contract and one contractor.</p>	<p>Complete.</p>
<p>(ii) That it be noted that this will be considered and evaluated at the time and recommendations submitted to Members for approval. The value of the contract will be much smaller and this will need to be taken into account. The Charnwood Standard will have been reached and only newly arising properties will need improvement.</p> <p><i>REASON</i></p> <p><i>(ii) To acknowledge the comments of the Head of Landlord Services.</i></p>		

Cabinet Decisions Following Consideration of Panel Report	Actions Taken to Implement Decisions (including estimated completion date if appropriate)	Status
<p>Minute 100-9</p> <p>That in order to implement Panel recommendation 9, when tendering for the new contract, financial incentives for providing good performance, such as only releasing payment when there are no snags, performance bonuses for no snags, retention to cover the remedying of snags and the requirement of a complaints procedure under which the contractor must provide financial remedies, should be considered.</p> <p><i>REASONS</i></p> <p><i>(i) To ensure that options for introducing a greater ability to reward good performance are considered as part of the new contract, while acknowledging that other.</i></p> <p><i>(ii) To acknowledge the comments of the Head of Landlord Services.</i></p>	<p>Response of the Head of Landlord Services and the Head of Finance and Property Services</p> <p>A key performance indicator (KPI) handbook forms part of the contract. Within the commercial model, contractors have a variable profit percentage that is linked to performance against KPIs. For each incentivised KPI there will be a Minimum Level of Acceptable Performance (MLAP), below which none of the allocated profit will be paid. There will be a target for each KPI and if the target is achieved, or exceeded, the full amount of profit will be paid.</p> <p>Arrangements for complaints and compliments are detailed in the General Specification (which forms part of the contract) as follows:</p> <p>Where a complaint is upheld the Contractor shall be wholly liable for any amounts due. Any amount due shall be paid in full within 14 calendar days. When addressing compensation issues the Contractor shall use their best endeavours to ensure that the inconvenience to the tenant is minimised notwithstanding insurance and other remedies.</p> <p>Through the invitation to tender (ITT process) contractors were asked to respond to the following question: How you will manage customer complaints, outlining your resolution process and details of any compensation/redress scheme you intend to implement. Should the contract be awarded the contractor's responses will form part of the contract.</p>	<p>Complete.</p>

Cabinet Decisions Following Consideration of Panel Report	Actions Taken to Implement Decisions (including estimated completion date if appropriate)	Status
<p>Minute 100-10</p> <p>(i) That in order to implement Panel recommendation 10, when tendering for the new contract, the Council should choose reference sites from lists of locations where companies operate and consider speaking to councillors at reference sites to seek their views on how the contract is operating.</p> <p><i>REASON</i></p> <p><i>(i) To help in identifying any issues that have arisen at other locations.</i></p> <hr/> <p>(ii) That the importance of the Council choosing which sites to visit to evaluate a contractor's performance, rather than the contractor choosing, to ensure a robust assessment of performance, be noted.</p> <p><i>REASON</i></p> <p><i>(ii) To acknowledge the comments of the Head of Landlord Services.</i></p>	<p>Response of the Head of Landlord Services and the Head of Finance and Property Services</p> <p>(i) & (ii) Contractors were asked to propose three reference sites, and the Council selected a site from each contractor to visit.</p> <p>As part of the site visits tenants of the Council have met with other tenants that have received works from the prospective contractors.</p> <p>Member interviews at reference sites have not been pursued. This is due to the likely difficulties that contractors would face in obtaining (via their client) members with appropriate knowledge that would be available within the tightly defined procurement schedule.</p>	<p>Complete.</p>

<p>Minute 100-11</p> <p>(i) That in order to implement Panel recommendation 11, the drafting of the next contract should be more rigorously overseen by the Council during the procurement stage to ensure that corporate aims of quality and customer service are written more explicitly into the contract's terms.</p> <p><i>REASON</i></p> <p><i>(i) To ensure its content exactly meets the Council's requirements and there is effective communication of those requirements with and between any external advisors that are used.</i></p>	<p>Response of the Head of Landlord Services, the Head of Finance and Property Services and the Head of Strategic Support</p> <p>(i) & (ii) There is one lead external advisor responsible for the procurement (Echelon Consultancy Limited). The contract components have been tailored to meet the Council's aims around high quality and customer service standards.</p> <p>Through the ITT process, contractors were asked to respond to specific questions around Quality Control and Performance and Customer Care and Communication. These are high scoring elements of the ITT process and should the contract be awarded the contractor's responses will form part of the contract.</p> <p>A Corporate Project was established to manage the procurement process. The Project comprises a Project Board and Project Team. The Project Board is made up of the Lead Member for Housing, the Strategic Director of Housing, Planning, Regeneration and Regulatory Services, and the Chair of the Housing Management Advisory Board. The Project Team is led by the Head of Landlord Services and made up of key members of staff from across the authority, with heavy tenant representation.</p> <p><u>Member Reference Panel</u> A member reference panel was set up in January 2017 to examine the following:</p>	<p>Complete.</p>
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(ii) That it be noted that the procurement process and contract drafting process will be overseen as a corporate project and this will be built into the work plan.

REASON

(ii) To acknowledge the comments of the Head of Landlord Services.

“Does the process for procuring the new Housing Capital Programme contract put tenants at the heart of the process and ensure that the contract satisfies the expectations of the Council for it?”

The Panel is chaired by the Lead Member for Landlord Services, with an additional 7 members sitting on the Panel.

Key recommendations to the Project Board in relation to the development of the procurement process and contract have been endorsed by the Panel.

On 20th February 2017 the Panel considered the type of contract to be used and the contract packaging. Devonshire’s solicitors attended the meeting to provide expert legal advice.

The following recommendations to the Project Board were endorsed by the Panel:

- The form of contract used.
- That there would be one contract and one contractor.
- Key considerations for contractual terms.
- The quality questions and their weightings.

The Panel has received updates at key stages of the procurement process. Most recently the Panel received a progress update on the on the 12th September 2017 to enable them to consider the position prior to Cabinet.

<p>Minute 100-12</p> <p>(i) That in order to support Panel recommendation 12, the drafting of the next contract should make the mechanism for any price uplifts for later years of the contract clear and transparent, for example by reference to an appropriate indicator.</p> <p><i>REASON</i></p> <p><i>(i) To ensure that there is certainty and clarity about this issue.</i></p>	<p>Response of the Head of Landlord Services and the Head of Finance and Property Services</p> <p>The schedule of amendments to the contract details the following term:</p> <p>The Contractor's Tendered Prices shall remain fixed for the first 24 months following the commencement of the Contract Period. Thereafter they may be adjusted on the second anniversary of the Contract Period and each anniversary date thereafter ("Inflation Date") by the adjusted increase or decrease to the Contractor's Tendered Prices in accordance with the Consumer Price Index ("CPI")...</p>	<p>Complete.</p>
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