

## **WEST DUNBARTONSHIRE COUNCIL**

### **Report by the Executive Director of Housing, Environmental and Economic Development**

**Housing, Environment and Economic Development Committee:  
2 November 2011**

---

**Subject: Housing Capital Programme 2012/15**

#### **1. Purpose**

- 1.1** The purpose of this report is to provide elected members with an update on the progress that has been made in longer term HRA capital planning.
- 1.2** The report sets out the work that requires to be done to meet SHQS over the period 2012 to 2015. It makes recommendations on the contractual arrangements that need to be put in place to deliver this programme of work, including changes to the existing Measured Term Contract with the Council's in house contractor - Maintenance and Repairs (DLO).

#### **2. Background**

- 2.1** At the Housing, Environment and Economic Development Committee meeting of 2 February 2011, Members agreed in principle to the approach set out in a report entitled "HRA Capital Planning". The report advised Members of the method that would be used to deliver the HRA Capital Programme up to 2015 by moving towards carrying out larger scale projects over longer periods of time to ensure that the 2015 SHQS deadline is achieved.
- 2.2** At the Council meeting of 30 March 2011, Members agreed a report entitled "HRA Capital Programme 2011/2012". Members authorised the Director of Housing, Environmental and Economic Development to extend existing contracts using rates that had recently been tendered to carry out additional work where that was possible and desirable. The report also authorised the Director of Housing, Environmental and Economic Development to utilise the existing Housing Measured Term Contract (MTC) with the DLO where possible for additional work subject to best value criteria being satisfied.
- 2.3** At the Housing, Environment and Economic Development Committee meeting of 7 September 2011, Members agreed a report entitled "Housing Capital Investment Programme 2012-2015". The report set out the revised resource assumption for years for financial years 2012 to 2015 taken from an updated business plan based on the stock condition survey and stage 2 structural surveys carried out in 2010.

### **3. Main Issues**

- 3.1** In accordance with the approved recommendation by Members, existing contracts have been extended and the contract works carried out by the DLO using the MTC has been fully utilised to ensure continuity of progress.
- 3.2** The planned changes in the procurement and progression of Capital projects using longer term contracts have been based on the following aims and objectives.
1. Establish a three year investment programme of work that meets all the investment requirements of the Council's housing stock based on information from stock condition surveys and validation by staff.
  2. Establish a procurement strategy for implementing the three year investment programme of work using a mixture of suitable longer term Measured Term Contracts (MTC) and specialist contracts.
  3. Put in place a range of suitable contracts to establish the contractual capacity necessary to deliver all the work required to meet the Council's investment requirements for the period up to 2015, both SHQS and non-SHQS, and to ensure that SHQS is delivered on time taking into account potential changes in ownership resulting from stock transfer.
  4. Ensure that the documentation required to provide evidence to the Scottish Government for claiming exemptions and abeyances from SHQS compliance is in place.
- 3.3** The investment programme includes all of the Council's current housing stock, including houses identified for possible transfer as set out in the Council's stock transfer policy. Any contracts must be sufficiently flexible to cope with a number of different scenarios that may result from the stock transfer ballots, ranging from no transfer to full partial stock transfer. They should also allow any transferring landlords to carry out work in the houses that are transferred to them. This can be done by the RSLs acting directly with any or all of the contractors that have been appointed, including the DLO, using a suitable contract assignment arrangement. Alternatively they can use the contractors via the Council acting as their agent if that is what they prefer.
- 3.4** As mentioned in previous reports, it is important to remember the limitations of data based on a sample stock condition survey. Whilst it is sufficiently accurate to carry out high level business planning, data must be verified by individual surveys prior to any work being carried out. Consequently, the capital project plans for this year have been the subject of robust validation by staff prior to work commencing. Additional resources have allocated to this work through the Departmental re-structure and validation work will continue in parallel with the new contracts, the result being used to incrementally update the stock condition database.

**3.5** The following contracts will be required to deliver the various “packages” of work contained in the three year investment programme. They will be of a size and duration to cover the period in question and they will be awarded to suitable and sufficient contractors to suit the volume of work that needs to be done:

1. Contract package 1: Contract(s) with suitably qualified specialist contractors for the structural over-cladding of non-traditional constructed high rise properties. Where required the work will also include the provision of new windows, the replacement or renewal of the roof and the replacement of external doors/screens - see appendix 1
2. Contract package 2: Contract(s) with suitably qualified specialist contractors for the upgrade/replacement of passenger lifts in medium and high rise blocks - see appendix 2
3. Contract package 3: Contract(s) with suitably qualified specialist contractors for the replacement of obsolete gas central heating systems, the replacement of obsolete electric and oil heating systems with gas central heating systems and the installation of electric ‘wet’ central heating systems. This contract will also include the installation of any “wet” central heating systems using sustainable heat sources such as ground source heat pumps - see appendix 3
4. Contract package 4: Contract(s) with suitably qualified specialist contractors for the repair or replacement of render or roughcast on low rise properties. The contractor will also liaise with the Council’s specialist insulation contractor to carry out checks on the provision of cavity wall insulation in houses included in the overall programme and ensure that they are up to required standard - see appendix 4
5. Contract package 5: Contract(s) with suitably qualified specialist contractors to carry out all the work required to bring landlord services such as electrical switchgear, communal ventilation, pumps and water tanks, and lightning conductors in high and medium rise blocks up to standard as set out in the stage 2 structural survey carried out by Curtin.
6. Contract package 6: Most of the remaining work that needs to be done is already included in the Measured Term Contract currently in place with the DLO. It is proposed to add the following work into the contract subject to the best value regime described later in the report; see appendix 5
  - The installation of door entry systems
  - Small scale adaptations

- The replacement of roofs on low rise properties. Where this work overlaps with work required to repair or renew render or roughcast, this work should also be carried out at the same time to take advantage of combined scaffolding costs. The contractor will also liaise with the Council's specialist insulation contractor to carry out checks on the provision of loft and/or cavity wall insulation in houses included in the overall programme and ensure that they are up to the required standard.

- 3.6** The existing Measured Term Contract with the DLO covers both the revenue repairs service and work funded from the HRA capital programme. Additional roof replacement work has been carried out as part of this contract this year in line with previous approval of members and subject to best value benchmarking.
- 3.7** The proposals put forward in this report in terms of the “packages” of work and contractual arrangements are based on the assumption that the Measured Term Contract with the DLO remains in place in the period up to 2015.
- 3.8** The contract was last tendered in 2006/7, subsequently extended for a period of two years in 2010 and is due to end in June 2012. There is no legislative requirement for this work to be tendered, but, as with all council services, it must satisfy best value. Conversely, the Council is free to subject the service to Voluntary Competitive Tender (VCT) if it considers that option will provide better value. The evidence considered by Council in deciding to extend the contract for a further two years in 2010 suggested that the case for VCT did not exist at that time. Since the contract extension, the Housing DLO has been recognised by the Association for Public Service Excellence (APSE) as one of the best performing DLO's in the UK and won the most improved performer award at their latest awards ceremony. In April 2012 the Housing DLO will further discount their rates in accordance with the Council decision of 31 August 2011 resulting in a reduction in charge to the HRA revenue account of £437,000 and a reduction in charge to the HRA capital account of £367,000. Given that performance has been sustained and in some instances improved the current arrangement should be continued in the form of a Service Level Agreement (SLA) coupled with a robust value for money regime as set out below.
- 3.9** The performance of the SLA will be measured against similar organisations by way of extensive benchmarking to ensure that the Council and customers are receiving a quality, high performing and value for money service. This will be achieved by participating in recognised industry standard benchmarking activities with the Association of Public Service Excellence (APSE), Housemark and Scottish Housing Best Value Network (SHBVN). Activities benchmarked will include key performance indicators on performance, costs and staffing.

The outcome will allow identification and understanding of controllable costs, reveal extent of any inefficiencies and provide a driver for improved performance. Additional bespoke benchmarking will take place with members of the Scottish region APSE benchmarking group to gauge performance against local similar organisations.

- 3.10** Customer satisfaction with the service will be measured/monitored by a combination of requesting customers to indicate their level of satisfaction on completed worksheet, by carrying out up to 30% onsite quality audits of completed jobs, daily customer satisfaction surveys by telephone on up to 30% of work completed the previous workday and an annual customer satisfaction survey. This will allow underperforming areas to be identified, action plans established and implemented to show year on year service improvement. A similar regime will also be included in the contracts procured on the open market.
- 3.11** If at any time in the future the value for money regime set out above highlights an unacceptable level of performance, there are a number of improvement options available to the Council including a reversion to VCT.
- 3.12** For contracts that will be procured on the open market, further discussion will take place to decide how many contracts will be needed and what areas they will cover, based on an analysis of the amount of work that needs to be done, where it is and the overall cost.
- 3.13** Discussions are on-going with the registered social landlords that have expressed an interest in the Council's stock transfer options with a view to forming an agreement to use the contracts outlined above post transfer, including work carried out by the DLO. These talks have been positive to date and early indications are that potential receiving RSLs would be interested in participating in existing service delivery mechanisms. Such an arrangement would have the potential of helping them to deliver SHQS in the transferred stock. It would also ensure continuing employment in the Council with the best value benefits to both the RSL's and Council.

#### **4. People implications**

- 4.1** Resources will be allocated within Consultancy and Legal Services to develop the contract packages outlined in this report contracts with the Organisational Review allocating additional resources to data validation.

#### **5. Financial Implications**

- 5.1** The financial implications are set out in table 2 of the September Housing, Environment and Economic Development report and are taken from the revised Business Plan. The table is repeated below for reference.

<b>Capital expenditure</b>	<b>Year1 2011/12</b>	<b>Year 2 2012/13</b>	<b>Year 3 2013/14</b>	<b>Year 4 2014/15</b>
Other Capital expenditure Allocations and New Builds	£890,000	£718,000	£735,000	£754,000
Major Component Replacement	£10,150,000	£12,892,000	£13,227,000	£13,570,000
Void Capital	£927,000	£984,000	£995,000	£1,006,000
Demolitions			£2,826,000	
Contingencies	£109,000	£259,000	£267,000	£275,000
Structural and environmental	£7,992,000	£10,237,000	£10,451,000	£10,715,000
<b>TOTAL</b>	<b>£20,067,000</b>	<b>£25,089,000</b>	<b>£28,502,000</b>	<b>£26,320,000</b>

*(extract from Arneil Johnston data - assuming full stock retention)*

**5.2** As stated previously, the investment identified above is planned to achieve the requirements of the SHQS by 2015. The revenue budget of the HRA will, therefore, require to be set via future annual rent setting processes to meet the revenue costs associated with this investment. Any agreement to proceed with stock transfer will have the effect of reducing the Council's future investment requirements as these will be the responsibility of the receiving RSLs.

## **6. Risk Analysis**

**6.1** The proposals set out in this report are designed to reduce risk by putting in place sufficient contractual capacity to enable the Council to meet the requirements of SHQS as far as practicable and provide sufficient flexibility to accommodate the outcomes of the partial stock transfer ballot once known.

**6.2** The robust benchmarking and performance review provisions inserted into SLAs and contracts will allow the Council to manage risk of underperformance.

## **7. Equalities, Health & Human Rights Impact Assessment**

**7.1** No significant issues were identified in a screening of potential equality impact of this report.

## **8. Strategic Assessment**

**8.1** The Council has identified for main strategic priorities namely, social and economic generation, financial strategy, asset management strategy and fit for purpose services, all of which are met by the content and purpose of this report.

**8.2** In establishing these framework contracts every opportunity will be taken to optimise the direct contribution made by partners to supporting delivery of strategic priorities and in particular delivering community benefit as well as economic benefit.

## **9. Conclusions and Recommendations**

**9.1** The report sets out the HRA investment programme for the period 2012 to 2015 designed to meet SHQS compliance taking into account potential stock transfer. A procurement strategy is set out for how the work should be packaged into suitable contracts for external tender and what work should be retained in-house. The resource assumptions are taken from the Council's revised business plan and are based on full stock retention. Any agreement to proceed with stock transfer will have the effect of reducing the Council's investment requirements as these will be the responsibility of receiving RSLs.

**9.2** It is recommended that the Committee:

- (i) note the three year programme of work set out in the report;
- (ii) agree the procurement strategy set out in section 3.5 of the report;
- (iii) agree the continuation of the existing MTC arrangement with the DLO until 30 June 2015, in the form of a Service Level Agreement (SLA) coupled with a robust value for money regime; and
- (iv) note that reports will be provided to future meetings of the Council in relation to capital budgets and planning.

**Elaine Melrose**

**Executive Director of Housing, Environmental and Economic Development**

**Date: 6 October 2011**

---

**Person to Contact:** Helen Turley - Head of Housing and Community Safety, Garshake Road, Dumbarton, telephone: 01389 737598, e-mail: [helen.turley@west-dunbarton.gov.uk](mailto:helen.turley@west-dunbarton.gov.uk)

Stephen McGonagle - Maintenance and Repair Manager, Overburn Avenue, Dumbarton, telephone: 01389 608338, e-mail: [stephen.mcgonagle@west-dunbarton.gov.uk](mailto:stephen.mcgonagle@west-dunbarton.gov.uk)

**Appendices:** Appendix 1 - Contract package 1  
Appendix 2 - Contract package 2  
Appendix 3 - Contract package 3  
Appendix 4 - Contract package 4

Appendix 5 - Contract package 5

**Background Papers:** None

**Wards Affected:** All