

Item No. 12.	Classification: Open	Date: 19 July 2011	Meeting Name: Cabinet
Report title:		Response to the Housing and Community Safety Sub-committee's Review of unfinished security works on Four Squares Estate	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management	

FOREWORD – COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING

The unfinished security works at Four Squares Estate has prompted widespread complaints from residents of the estate. This culminated in residents presenting a deputation to Cabinet on 19 October 2010. Rightly, given the long and complex history, it was agreed that the whole matter should be investigated by the Housing Scrutiny Committee for its consideration.

I am very pleased that the Housing Scrutiny Committee considered this matter with due diligence, determination and in great detail. It took evidence from a wide range of relevant parties before arriving at its conclusions.

I am delighted to present the recommendations of the Housing Scrutiny Committee together with the action plan from the Housing Services Department. I fully support and endorse all recommendations and actions as they will go a large way in re-establishing the trust and confidence of residents. The actions to be taken will also give greater transparency to the whole process of managing, monitoring and delivering major works and ensure that residents are put at the heart of the process.

I am also very pleased to report that since Housing Scrutiny Committee's report the Cabinet has agreed, as part of the five year investment programme, to complete the unfinished security works to Layard and Marden Squares on Four Squares. Work is due to commence in 2012-13.

RECOMMENDATIONS

1. Note and agree the response to the recommendations of the Housing and Community Safety Scrutiny sub-committee's investigation into the unfinished security work on the Four Squares Estate.
2. Agree that the ongoing monitoring of action plan and progress takes place at the Major Works Monitoring Group chaired by the Strategic Director for Housing Services.

BACKGROUND INFORMATION

3. In April 2011, the Housing and Community Safety Scrutiny sub-committee completed its investigation into the unfinished security work on the Four Squares Estate. Overview and scrutiny committee considered and agreed the final scrutiny report at its meeting on Monday 18 April 2011. The report was presented to Cabinet by the Cabinet Member for Housing on 17 May 2011 where it was

resolved that the Cabinet Member would report back in more detail to a future Cabinet.

4. As part of their review the sub-committee interviewed all the relevant parties to the previous works involved in the contract.

Report summary

5. The sub-committee identified significant issues with the contract management of the scheme and made a series of key recommendations.
6. The quality of the contract management of major works is an issue that concerns both tenants and leaseholders. The primary concern of residents at Four Squares was that they felt that a commitment had been reneged upon because of cost-overruns on earlier works which meant that the security works could not be delivered. In addition, there had been a lack of communication with residents about changes to the programme.
7. The report sets out a number of recommendations, not only to address the immediate concerns of Four Squares residents about the security works, but also to improve the contract management arrangements moving forward.
8. All the recommendations made by the sub-committee have been accepted by the housing services department. This report contains a detailed response to each of the recommendations and a summary action plan is included in Appendix 1.

Response to recommendations

9. The report complements the work which is already ongoing in the new housing services department to improve the processes around the delivery of major works. The 5 year housing investment programme, recently approved by Cabinet, will give every Council resident certainty over the future works to be carried out to their home. As well as providing the detail of major works at estate, block and property level, the monitoring of the programme delivery will be open and transparent.
10. Officers are required to present to the Cabinet Member on a quarterly basis progress reports to identify expenditure against budget, timing of the phasing of the programme and contractor performance. Cabinet will receive an annual review to ensure that there is openness and transparency and that any changes to the programme are considered in the public eye.
11. At the same time, the quality of contract management is one of the key actions in the departmental service plan. The restructure of the housing department separates out day to day repairs and maintenance from major works and a new Head of Major Works is being appointed to drive forward change. A new major works team is being put in place to improve the delivery of major works on site.
12. Working groups with tenants and leaseholders have been set up to review contract management processes and a series of reviews are underway to look back at previous major works schemes and forward to current programme delivery to refine our current arrangements. The sub-committee's recommendations reflect the need for ongoing service improvements to be shaped by residents in receipt of those services. The report charges the housing services department to build services around resident's priorities and aspirations rather than the requirements of contractors, and in this regard resonates and complements the findings of the sub-committee's review of repairs key performance indicators.

13. The review process has identified key operational and strategic actions required to transform the contract management service. We know that the quality and delivery of major works is a key cause for concern for residents, particularly leaseholders in terms of their financial contribution to the investment in their homes. Moving forward, the 5 year housing investment programme will give residents clarity over the timing of works and will enable homeowners to financially plan. It will also require officers to closely monitor the phasing of works, including slippage and expenditure to budget, and to rigorously challenge contractors on an ongoing basis on quality and value for money.
14. To ensure that the recommendations of the report are met in full, the Strategic Director of Housing has created a Major Works Monitoring Group. Made up of senior officers, this operational group will closely monitor the delivery of major work, and will sign off the quarterly reports to the Cabinet Member for Housing and annual reports to Cabinet. This group will not replace the strategic core group process but will tightly manage the programme, anticipating issues and directing solutions to resolve them. This group is important for a number of reasons:
 - the partnering contracts are still at an early stage and require hands on review to embed customer focus, ways of working and value for money
 - the scale of the programme is enormous and ongoing strategic overview is required to keep it on track
 - regular performance review will help to support more responsive, efficient contract management arrangements with an emphasis on value of money, quality and right first time.
15. Each of these actions is complementary to the issues identified by the sub-committee and should assist in the rapid improvement of the delivery of major works.

Recommendations from sub-committee/ response

16. The sub-committee made 10 recommendations, the response to which is set out below.
 - a) **All Cabinet Members whose responsibilities cover contractor works ensure that they are receiving regular updates on any additional or unexpected spending on the contract. Project managers should be required to submit a written report to cabinet members detailing the reasons for the overspending and describing the knock-on effects that this will have on the delivery of the project.**

Response

Agreed. Quarterly monitoring reports will be provided to the Cabinet Member for Housing. The first report is due in July 2011. In addition, an annual report will be presented to Cabinet on the 5 year housing investment programme, which includes major works to make every Council home warm, dry and safe, fire risk assessment works, and works to comply with landlord obligations.

- b) **All additional spending on contractor works (over and above the original budget) in excess of £50,000 must be signed off by the Cabinet Member. Every Cabinet member should be encouraged to set up early warning systems to alert him/her to the likelihood of the formal threshold being reached.**

Response

The principle of engagement with Cabinet Members in significant spending decisions is agreed. Changes to contract standing orders were agreed by

Council Assembly in May 2011 to strengthen the arrangements in place regarding contract variations, by introducing lower thresholds at which such decisions must be notified to Members of the Cabinet.

The impact on works contracts is to require the Finance Director to take all variation decisions where the contract value (including any previous variations and the proposed one) is £1 million or more and the proposed variation is more than 10% of the contract value. These decisions are notified to all Members of the Cabinet. Previously, these arrangements applied only where the contract value was over the EU threshold, i.e. over £3.9 million.

These arrangements will be kept under review.

- c) All major works in excess of £50,000 which have reached Gateway 2 status should be itemised in the Quarterly Capital Monitoring Report and should be subject to Contract Standing Orders in relation to capital virements.**

Response

Noted. All major works are subject to contract standing orders. Financial standing orders make clear requirements for capital virements and these will also be applicable. All housing major works additional expenditure items over £50,000 will be specifically highlighted to the Cabinet Member in the quarterly monitoring report.

- d) The sub-committee notes that since the overspending in phase 1 of the Four Squares Security works there have been numerous changes in Southwark's handling of major works. The sub-committee recommends that work continues to embed a professional and rigorous approach to contract management which demands the highest standards from contractors and protects Southwark Council from unacceptable levels of contract overspend.**

Response

Agreed. A new major works monitoring group has been set up by the Strategic Director for Housing. Its remit will be to rigorously monitor the delivery of the housing capital programme in terms of expenditure, performance and timeliness of delivery. This group has agreed terms of reference and meets on a monthly basis.

- e) Any Cabinet Member who becomes aware of a significant overspend on a major works contract which will impact on the council's ability to deliver on the scheme should take immediate and decisive action to deal with the situation. Either the Cabinet Member should take steps to secure the allocation of the required additional funds or ensure that ambitions for delivery should be scaled down.**

Response

Agreed. The additional rigour of monitoring introduced through the quarterly report to the Cabinet Member for Housing and the monthly review by the Strategic Director of Housing Services, will ensure that issues are identified early and appropriate action taken.

- f) In addition the cabinet member should take steps to ensure that any changes to the scheme should be communicated to affected residents in a sensitive and timely fashion.**

Response

Agreed. A communication plan will be included with the reports to the Cabinet Member for Housing to ensure residents are advised quickly and clearly about the reason for changes, the impact and the proposed plan of action with timescales.

- g) Major works schemes should, where ever possible, set up project boards which incorporate the residents of the proposed work areas. This would assist in lending context to planned work and help with the prioritisation of tasks. A project board with this configuration would also ensure that information filters down to the residents and help maintain project continuity.**

Response

Agreed. Under the new partnering contracts every new major works scheme has a project team (or partnering team) made up of a cross section of residents, officers and the contractor. Its key purpose is to ensure residents are involved in the initial design through to contractor monitoring on site.

- h) The programme of works to be funded through the Capital Investment in Housing should be a member level decision, be it council assembly, cabinet or cabinet member and no longer be the subject of delegated officer powers.**

Response

Agreed. Cabinet, on 31st May 2011, approved the draft five year capital programme and this will be agreed following further consultation with residents at Cabinet in October 2011. Once agreed, any subsequent changes will require member approval and will be included with other capital virements in the quarterly monitoring reports.

- i) The sub-committee recommends that the Cabinet ask Southwark Standards Committee look at the member-officer protocol to see if it could be revised in the light of issues uncovered during this scrutiny. The Standards committee may wish to make recommendations for revision. Clearly, any change to the member officer protocol would need to be agreed by full council.**

Response

The Strategic Director of Communities, Law & Governance will prepare a report for the consideration of the next meeting of the Standard Committee.

- j) The sub-committee recommends that that the Cabinet Member for Housing does everything in his power to identify resources that will lead to the completion of works on Marden and Layard in as short a period as possible**

Response

Agreed. Resources of £5m were identified by Cabinet on 31st May 2011 to complete security works at Marden and Layard Squares commencing in 2012/13.

Community impact statement

17. The implementation of major works is a universal service that is offered to all tenants and residents of the Borough. The proposed changes to the way the service is monitored and delivered will ensure that residents receive a more customer focussed service.

Resource implications

18. There are no resource implications to delivering the recommendations of this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance (SC052011)

19. With regard to recommendation 16 (b) as the report states changes to Contract Standing Orders were agreed by Council Assembly this year to strengthen the arrangements in place regarding contract variations, by introducing lower thresholds at which such decisions must be notified to Cabinet Members. Any further changes to Contract Standing Orders are required to be agreed by Council Assembly.
20. With regard to recommendation 16(c) as the report makes clear capital virements are subject to Financial Standing Orders.

Finance Director

21. This report sets out a number of recommendations to improve contract management arrangements for housing major works moving forward. All the recommendations made by the sub-committee have been accepted by the housing services department. The Finance Director notes that there are no resource implications arising from the delivery of these recommendations.
22. Strengthening and improving contract management across the authority is a priority for the Council. Council assembly in May 2011 agreed changes to contract standing orders, to strengthen arrangements in place with regard to contract variations, by introducing lower thresholds at which such decisions must be notified to Members of the Cabinet. The impact on works contracts is to require the finance director to take all variation decisions where the contract value (including any previous variations and the proposed one) is £1 million or more and the proposed variation is more than 10% of the contract value. These decisions are notified to all Members of the Cabinet. Previously, these arrangements applied only where the contract value was over the EU threshold, i.e. over £3.9 million.
23. In addition Council Assembly agreed amendments to financial standing orders on major overspends and underspends on capital. The threshold has been reduced from 15% to 10% so that schemes which are forecast to overspend or underspend by 10% or more compared to the approved budget (where the over- or underspending is £250,000 or more) must be reported by the strategic director to the finance director and by him to cabinet. All these new arrangements will be kept under review.
24. Robust monitoring procedures are essential for effective contract management. Last year capital monitoring reports to cabinet moved from half yearly to quarterly. This will facilitate the reporting and approval of changes to the housing major works programme, in accordance with constitutional approval levels.

Head of Home Ownership

25. There are currently 26 leaseholders in Layard Square (16.7% of the 156 flats) and 49 leaseholders in Marden Square (26.5% of the 185 flats). Given that most of the £5 million budget mentioned in this report will be spent on communal works, these leaseholders can expect service charges in the region of £14,700 each (a total of just over £1.1 million). This compares with services charges of about £12,300 that

were invoiced to leaseholders in Lockwood and New Place Squares under previous phases of the security works.

26. This report details Scrutiny recommendations around overspends on budget. Where a contract affects leaseholders and either additional works are required or additional costs are incurred or likely to be incurred, it is imperative that the Home Ownership Unit is informed at the earliest opportunity in order to ensure that the relevant statutory notices consultation is served;

(a) If additional costs are incurred that are rechargeable to leaseholders then the Council must serve a notice under section 20B of the Landlord and Tenant Act (as amended) in order to safeguard its ability to collect the whole service charge. Details of the additional costs and justification for the expenditure must be provided to the Home Ownership Unit in order for this to be done at the earliest possible stage.

(b) If additional, previously unspecified, works are required under the contract then further statutory consultation must be carried out with the leaseholders under section 20 of the Landlord and Tenant Act 1985 (as amended). The consultation should be carried out prior to the additional works being authorized if at all possible. Depending on the nature and justification of the works their start may not need to be delayed while the observation period is in effect, especially if this is likely to increase costs further. However, it is necessary to serve the notices at the earliest possible stage in order to inform leaseholders and protect the Council's ability to recharge the costs.

27. The Home Ownership Unit has processes and procedures in place to deal with these situations.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Housing and Community Safety Scrutiny sub-committee investigation into unfinished security works on Four Squares Estate	160 Tooley Street London SE1 2QH	David Lewis 0207 525 7836

APPENDICES

No.	Title
Appendix 1	Contract Management Action Plan

AUDIT TRAIL

Cabinet Member	Councillor Ian Wingfield, Deputy Leader and Housing Management	
Lead Officer	Gerri Scott, Strategic Director of Housing Services	
Report Author	David Lewis, Head of Asset Management and Investment Planning	
Version	Final	
Dated	8 July 2011	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Officer		8 July 2011