

28 November 2013		ITEM: 10
Standard and Audit Committee		
2012/2013 - Housing Capital Programme Audit		
Report of: Councillor Val Morris-Cook, Portfolio-Holder for Housing		
Wards and communities affected: All	Key Decision: Non - Key	
Accountable Head of Service: Kathryn Adedeji – Head of Housing – Investment and Development		
Accountable Director: Barbara Brownlee – Director of Housing		
This report is Public		
Purpose of Report: To provide an overview of the background to 12/13 Housing capital programme audit along with an update on actions taken since.		

EXECUTIVE SUMMARY

This report covers a period when the Housing Capital programme was delivered via the SSP with Serco nominated sub-contractor Europa. The Housing Capital Programme delivered by Europa Services included the management of projects for Decent Homes works. The budget for the Kitchen and Bathrooms scheme for 2012/13 was approximately £2.3m for approximately 200 dwellings across the borough as agreed by Cabinet in December 2011.

In August 2013, following detailed negotiations with Serco and by agreement the services related to procurement, development and delivery of Housing programmes were transferred back to the Council.

In parallel with the transferring of services, the Council also took a more involved approach to delivery of services and as such a number of key changes have taken place in support of this.

1. RECOMMENDATIONS:

1.1 To Note the contents of the report

2. INTRODUCTION AND BACKGROUND:

2.1 In October 2013 Housing undertook a review of value for money that was being obtained on Housing contracts delivered through the SSP. This found

that a number of these contracts did not represent value for money. In addition to this the criteria for establishing programmes in the first instance did not show a correlation to the needs of the asset.

- 2.2 Because of the value for money results the Council asked for an audit, which is the subject of this report, to be carried out. The results of this are set out in 3.1.
- 2.3 Despite a further investigation following this audit, little progress was made in addressing the findings and as a result the work was brought back in house and appropriate control where put in place.

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

3.1 The audit report identified the following key issues:

- Comprehensive project management information was lacking between April and October 2012, other than surveyors monthly reports.
- Budgets and associated outturn against these budgets were not reported on a regular basis between April and November 2012.
- Saffron transaction reports did not reconcile to Oracle Financials.
- Key performance indicators were not adequately supported, other than by customer surveys.
- Contract management was not sufficiently developed to report property costs, emerging issues, risks, design requirements or additional works that might impact upon budgets.
- Contractor and project meetings were not minuted although email evidence and surveyor's weekly reports supported some level of monitoring.
- Sample testing showed that invoices were presented for payment before orders had been approved in some cases.
- Additional works/variations were not managed and budgets were affected.
- Document retention was not evident with regard to the evaluation of the tenders for Decent Homes works.

3.2 The issues identified by this audit report formed part of the information that necessitated the negotiation with Serco regarding the transfer of these functions and associated staff from the nominated sub-contractor Europa back to the Council. This was successfully completed at no additional cost to the Council on 2nd August 2013

CONTROL MEASURES

3.3 As part of the transfer to the council a number of additional controls were put in place prior to the commencement of the 13/14 programme. A summary of some of the key controls are outlined below:

Project Management Control:

- New three tier governance structure at strategic, operational and site level, all of which are minuted and used to ensure that the programme is delivered on target and to budget.
- Pilot properties undertaken ahead of main works setting workmanship standards and confirm any specification queries
- Detailed survey validation mechanism to ensure that all works being undertaken in individual properties meets the requirements of New Thurrock standard only as applicable.
- Request for instructions are issued by wider team however variations that have cost implications must be signed by specified PM formal instructions which ensures that cost escalations do not occur from site level without appropriate authorisation.
- Client team including commissioned management consultants undertake a percentage of handovers after the 100% pilot visits to ensure works undertaken in accordance with contractual obligations.

Cost Control:

- Two stage ordering mechanism ensures that client control is maintained at survey stage before works are carried out limiting client liability.
- Measured term contract route allows maximum flexibility in the redistribution of works in the event of contractor failure which is measured by regular KPI reporting.
- Detailed Monthly cost reports are issued tracking costs against each property as the works proceeds. Also an outline cost report is issued to track costs in overall terms
- Interim valuations are carried out monthly, aligned to the submission of cost reports to ensure that the client has the most up to date cost forecast
- Contractors will submit their cost projections / cashflow forecasts each month to act as a 'cross check' against the cost consultant financial projections
- Composite rates are applied to place risk for remeasurement onto the contractors and enable simplified post contract administration.

4. REASONS FOR RECOMMENDATION:

4.1 This report is for information only there are no recommendations attached.

5. CONSULTATION (including Overview and Scrutiny, if applicable)

5.1 Not applicable

6. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

- 6.1 The implications of the controls now in place should ensure the Council continues to achieve substantially greater value for money from, and more effective governance of the new Housing Capital programme when compared to the 12/13 programme that was the subject of this report.

7. IMPLICATIONS

7.1 Financial

Implications verified by: **Sean Clark**
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sclark@thurrock.gov.uk

There are no financial implications associated with this report as it is simply a report for information. However, one of the main issues was centred on value for money and this report shows the steps to improve the value being obtained.

7.2 Legal

Implications verified by: **Maria Oshunrinade**
Telephone and email: **0208 724 8461**
Maria.Oshunrinade@BDTLegal.gov.uk

No Legal implications associated with this report other than those arising from the report. Reference should be made to the statutory guidance for Decent Homes and Building Regulations should be complied

7.3 Diversity and Equality

Implications verified by: **Samson DeAlyn**
Telephone and email: **01375652472**
Sdealyn@thurrock.gov.uk

No Diversity implications associated with this report

BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):

- No Background papers were used in the formulation of this report

APPENDICES TO THIS REPORT:

- Appendix One – 12/13 Housing capital programme audit report

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