

North Tyneside Council Report to Cabinet 12 September 2016

ITEM 6g
Response to Future
Constructions Options –
Report of Overview, Scrutiny
and Policy Development
Committee

Portfolio(s): Housing and Transport

Cabinet Member(s): Councillor John Harrison

Report from Service Areas: Environment, Housing and Leisure / Commissioning and Investment

Responsible Officer: Phil Scott, Head of Environment, Housing and Leisure **Tel: (0191) 6437295**

Mark Longstaff, Head of Commissioning and Investment **Tel: (0191) 6438089**

Wards affected: All

PART 1

1.1 Executive Summary:

The purpose of this report is to seek Cabinet's approval to a proposed response to the recommendations of the Overview, Scrutiny and Policy Development Committee in relation to the work undertaken by its sub-group on the Kier North Tyneside Joint Venture and the Authority's Future Construction Options presented to Cabinet on 11 July 2016.

Cabinet is also asked to note the proposed approach and timetable for progressing the recommendation made within the Overview, Scrutiny and Policy Development Committee report. In accordance with Section 21B of the Local Government Act 2000, Cabinet is required to provide a response to the recommendations of the Overview, Scrutiny and Policy Development Committee within two months.

In providing this response Cabinet is asked to state whether or not it accepts the recommendation. Cabinet must also indicate what action, if any, it proposes to take.

1.2 Recommendations:

It is recommended that Cabinet

1. Agrees the response to the recommendation of Overview, Scrutiny and Policy Development Committee detailed in Appendix A, and
2. Accepts the proposed approach, and timeline, for completing this complex piece of work.

Cabinet may also wish to acknowledge the work done by the members of the sub-group.

1.3 Forward Plan:

Twenty eight days notice of this report has been given, and it first appeared on the Forward Plan that was published on 25 July 2016.

1.4 Council Plan and Policy Framework

This report supports all themes (Our People, Our Places, Our Economy and our Partners) within the 2014 – 2018 Our North Tyneside Council Plan.

- Our People: Provide an opportunity to influence significant change
- Our Places: Offer a good choice of quality housing
- Our Economy: Grow our skills and create the right conditions to support and deliver investment, create jobs, especially apprenticeships
- Our Partners: Work with partners to provide opportunities across all sectors

1.5 Information:

1.5.1 Background information

Involvement of Overview, Scrutiny and Policy Development Committee

- 1.5.2 Since it began in November 2009, Kier North Tyneside has been subject to supportive examination by members of the Overview, Scrutiny and Policy Development Committee. Significant work was done in 2010/11 that led to changes in governance and the way tenants were involved in the operation of the Joint Venture. The Committee has also continued to pay close attention to the performance of the Joint Venture both in terms of services to customers (particularly Council Tenants) and in terms of value for money.
- 1.5.3 On taking office in 2013, the Cabinet had concerns that the Joint Venture was not yet performing as well as was intended. Cabinet therefore asked Cllr John Harrison to work with the officer team to challenge the senior team within Kier to ensure performance continued to improve and value for money was secured for the Authority and the tax payer.
- 1.5.4 Work was done through late 2013 into 2014 to sharpen Key Performance Indicators particularly to measure and incentivise “right first time”: A priority identified by tenants. In addition, work was done to plan for improvement and to see those plans included in 2014/15 Service Plan.

Specific work agreed with the Cabinet Member

- 1.5.5 In 2014, the Cabinet Member for Housing and Transport attended an Overview and Scrutiny Committee meeting and delivered a presentation on his portfolio responsibilities. At the meeting he asked if the Committee would consider carrying out a study into the future of the Kier North Tyneside Joint Venture (JVCo) partnership in two parts.
- 1.5.6 At its meeting in July 2014, the Overview, Scrutiny and Policy Development Committee considered and agreed its work programme to carry out two studies around the Joint Venture;

- Firstly, to **Review Performance Priorities for the second half of the Kier North Tyneside Joint Venture** to shape priorities for the remaining term of the contract through to March 2019
- Secondly, to consider the **Long Term Construction requirements of North Tyneside Council and what delivery options should be considered post 2019** as well as those issues which would be important for Cabinet to consider when it weighed those options.

1.5.7 Cabinet received a report on 13 July 2015 detailing the recommendations of the Overview, Scrutiny & Policy Development Committee in relation to the work undertaken by its sub-group on the Performance Priorities for the second half of the Kier North Tyneside Joint Venture with Cabinet accepting the 10 recommendations made within the report. Those recommendations were incorporated into service planning with the Joint Venture for 2016/17 onward and are shaping activity in the second half of the contract term.

1.5.8 Since July 2015 the Sub-Group was focused on understanding the Long Term Construction requirements of North Tyneside Council and what delivery options should be considered post 2019. This culminated in Cabinet receiving a report on 11 July 2016 detailing recommendations.

1.5.9 As part of the review the Sub-Group received information and briefing from a variety of stakeholders. Officers worked with the Group to provide an extensive background to

- Consider the performance of Kier and the Joint Venture reflecting the wider involvement of Kier in the Borough
- Understand the Council's construction requirements and opportunities in the coming years
- Understand what commitments are included in the existing contract that surround any potential extension
- Explore procurement timelines and routes
- Understand how other organisations (particularly other Local Authorities) are structuring themselves to deliver construction and maintenance activity
- Consider the views of the Kier Management Team to understand their aspirations for the Joint Venture and North Tyneside
- Consider the views of our Tenants to discuss their thoughts and needs of the service
- Consider the view of Trades Union representatives to understand workforce consideration
- Consider a wide range of future delivery options; and
- Understand TUPE implications for the workforce across the various options.

1.5.10 In summary, the report considered the future construction needs of the Authority, the likely changes in the market and the options open to the Authority as Cabinet considers

the way forward. Alongside this, the Sub-Group outlined the issues that will be important in evaluating the construction options and, indeed, took the time to consider a wide range of choices that will face Cabinet.

1.5.11 Those issues were seen to be

- Strong customer involvement
- Careful consideration of the impact on the workforce
- Visibility of the supply chain and its employment practices; and
- Value for money.

The approach to considering the options

1.5.12 The Kier Joint Venture Contract requires the Authority to enter into a six month period of evidence-based discussion beginning in April 2017 and concluding on 30th September 2017 when the Authority and Kier will agree on the approach to be taken from 2019. The decision on what will happen from 2017 covers a number of complex and inter-related issues. The options available to the Authority are very different and have different timetables and resource requirements.

1.5.13 Subject to Cabinet approval, it is therefore proposed to create a working group of Cabinet Members and Officers to work through the options available to the authority, paying particular attention to the work of Overview, Scrutiny and Policy Committee. That working group will be required to consider in more detail the contractual position and process through to 2017 and then on to 2019. The legal, financial, HR and service delivery considerations will need to be further explored and there will be a need to understand the sensitivity and commercial aspects of the future delivery options. These need to be reviewed alongside an effective communications plan and management of the associated risks.

1.5.14 The Working Group will need to build on the work already carried out and tackle any specific issues that arise. It is envisaged that, as the work develops, it will be appropriate to seek further challenge and support from Overview, Scrutiny and Policy Development Committee.

Working Group and Indicative Timetable

1.5.15 It is envisaged that the Working Group will include the Deputy Mayor, Cabinet Member for Finance, Cabinet Member for Housing and Transport, members of the Senior Leadership Team, alongside representatives of Environment, Housing and Leisure, Commissioning and Investment, Law and Governance, Human Resources and Organisational Development, Finance and Business and Economic Development as required. Other Cabinet Member and stakeholder involvement will be required as thinking develops. For example the Cabinet Member for Children, Young People and Learning and Head Teachers and Governing Bodies when it comes to the construction needs of our schools.

1.5.16 It is important to note that this work is happening in clear sight of the Kier senior team. At the invitation of the Cabinet Member and the Chief Executive, Kier have been considering the Our North Tyneside Plan and the proposed operating model for the

Authority. They are working up their own view of what might be required after 2019 for consideration during the discussions.

1.5.17 It is also important to note that Cabinet Members have specifically asked that there is sufficient time to give careful consideration to the issues. They have been clear that the 18 months that will remain of the contract between 2017 and March 2019 would not be long enough to handle any change. To that end, discussions began in 2015.

1.5.18 At present the following milestones are understood

- September 2016 - First Working Group session
- 1st April 2017 – Beginning of contract-mandated 6 month discussion period to consider the option to extend or alternatives
- 30th September 2017 – End of discussion period
- 31st March 2019 – End of main contract term
- 31st March 2024 – End of extension option if exercised.

1.5 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Cabinet accepts the responses to the recommendation as set out in Appendix A of this report and notes the officers' suggested actions and suggested additional activity to support their implementation.

Option 2

Cabinet approves some of the recommendations in this report, and requests officers to look at other options and suggest additional activity to support progress.

Option 3

Cabinet rejects the recommendations and suggests additional work to be undertaken.

Option 1 is the recommended option.

1.6 Reasons for recommended option:

Option 1 is recommended for the following reasons:

The creation of a Working Group and project team to undertake more detailed work around the options put forward by Overview, Scrutiny and Policy Development Committee will help ensure the Council takes account of the Key considerations.

It will take some time for the Council to fully consider this complex issue and ensure Cabinet achieves the best outcome for our tenants, residents and customers.

1.7 Appendices:

Appendix A – Proposed Cabinet response to Overview, Scrutiny and Policy Committee recommendation.

1.8 Contact officers:

Paul Hanson, Deputy Chief Executive, tel: 0191 6437000

Phil Scott, Head of Environment, Housing and Leisure, tel: 0191 6437295

Mark Longstaff, Head of Commissioning and Investment tel: 0191 6438089

David Foster, Senior Manager – Housing Property & Highways Investment tel: 0191 6437801

Iain Betham, Senior Manager – Strategic Investment & Property tel: 0191 6438092

Alison Campbell, Senior Business Partner, tel: 0191 643 7038

1.9 Background information:

The following background papers/information has been used in the compilation of this report and are available at the office of the author:

- (1) [Overview, Scrutiny & Policy Development Report: 6 July 2015 Kier North Tyneside Joint Venture – Future Priorities](#)
- (2) [Cabinet Report 13 July 2015](#)
- (3) [Overview, Scrutiny & Policy Development Report: 5 July 2016 Future Construction Options Sub – group Report](#)
- (4) [Cabinet Report 11 July 2016](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As we create the Working Group and Project Team to take forward the detailed work on the recommended options, there is likely to be a call on some finance to support the necessary resources.

It is likely that most of the work in this financial year will be carried out using internal staffing resources already built into existing budgets. The dividend paid by the Joint Venture to the Authority has been held in reserves to fund activity required to deal with the consideration and implementation of the options.

2.2 Legal

In accordance with Section 21B of the Local Government Act 2000, Cabinet is required to provide a response to the recommendations of the Overview, Scrutiny and Policy Development Committee within 2 months. In providing this response Cabinet is asked to state whether or not it accepts each recommendation and the reasons for this decision. Cabinet must also indicate what action, if any, it proposes to take.

Any Legal considerations that arise from further exploration of future delivery options will be considered by the Working Group and Project Team and brought together to help influence Cabinets final decision in summer 2017.

2.3 Consultation/community engagement

2.3.1 The Cabinet Member responsible for Housing and Transport has been consulted in relation to the proposals. The sub-group of Overview, Scrutiny and Policy Development Committee heard from Tenants, Kier North Tyneside and the Trades Unions as well as receiving information from other Local Authorities considering the same issues.

2.4 Human rights

There are no direct issues relating to human rights arising from this report.

2.5 Equalities and diversity

There are no direct issues relating to equalities and diversity arising from this report.

2.6 Risk management

There are no risk management implications directly arising from this report.

2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

There are no environment and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive
- Head of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy

Cabinet Response to Overview and Scrutiny Recommendations Completed Action Plan

Kier North Tyneside Joint Venture

In accordance with Section 21B of the Local Government Act 2000, Cabinet is required to provide a response to the recommendations of the Overview and Scrutiny Committee within 2 months. In providing this response Cabinet is asked to state whether or not it accepts each recommendation and the reasons for this decision. Cabinet must also indicate what action, if any, it proposes to take.

Overview and Scrutiny Recommendation	Officer Commentary	Cabinet Decision (Accept or reject)	Action to be taken (if any) and timescale for completion
<p>Recommendation: That Cabinet instruct officers to undertake further detailed appraisal of 3 options selected by the Scrutiny Group as the most appropriate future options available, and to have regard to concerns raised within the report. The 3 options are identified below:</p> <ol style="list-style-type: none"> 1. Extend the current Joint Venture partnership incorporating variations to the existing contract (with no material change) 2. Re-tender the service on the basis of multiple non-exclusive framework contracts 3. Bring the Repairs and Maintenance service back in house supported by a non-exclusive framework arrangement for major capital works 	<p>Officers will work closely with Cabinet Members and the Senior Leadership Team in undertaking more detailed work around the options put forward by Overview, Scrutiny and Policy Development Committee alongside other wider considerations.</p> <p>The approach taken to the work will be agreed with Cabinet as part of this report.</p>	<p>Accept</p>	<p>Cabinet have already asked the Officer Team to consider the full range of options open to the Authority including those identified by the sub group.</p> <p>Cabinet will also have reference to the issues regarded as important by the sub group:</p> <p>Strong customer involvement</p> <p>Careful consideration of the impact on the workforce</p> <p>Visibility of the supply chain and its employment practices; and</p> <p>Value for money.</p>