



Overview and Scrutiny Report

Study in to the Joint Venture Agreement



March 2012

1. Executive Summary

- 1.1 The Joint Venture Working Group was established by the Council's Overview and Scrutiny Committee to examine the effectiveness of the Council's joint venture agreement with Kier North Tyneside.
- 1.2 The Council had entered the joint venture because its housing repairs and maintenance service was judged to be fair with uncertain prospects for improvement. Following an appraisal of the options available to the Council a joint venture company, Kier North Tyneside was established with the aims of improving the quality of the housing repairs and construction services, delivering value for money and establishing a long term relationship with a private sector partner to facilitate the regeneration of North Tyneside and promote the employment and training of staff. During the course of 2011 the working group met to examine and assess whether the joint venture company, Kier North Tyneside (KNT) had achieved that which the Council intended and to report its findings to the Cabinet.
- 1.3 The working group found that an improvement in service quality is demonstrable for example, the percentage of properties with a landlord's Gas Safety Certificate has increased, the percentage of Priority 1 repairs completed on time has increased and the time taken to re-let empty homes has fallen. Overall satisfaction among customers has risen, although the capacity of KNT to respond quickly and effectively when things go wrong needs to be improved. Whilst the time taken to repair empty homes has improved, in some instances this may have compromised the quality of the works and delivery of the Council's empty homes lettings standards. There have been long delays in repairing guttering damaged during the winter of 2010/11 and this has raised doubts about Kier North Tyneside's capacity to respond to unforeseen service demands.
- 1.4 Value for money can be demonstrated with reference to the extensive procurement process undertaken in selecting Kier Group plc as the Council's partner and with reference to the unit rates offered by Kier Group plc, compared with the in-house and the previous partner's rates. The Council continuously judges value for money in relation to the joint venture in a variety of ways. The overheads charged by KNT to the Housing Revenue Account have increased significantly. This is because the value of work within the capital workstreams has fallen and a greater proportion of the overheads have had to be charged to the housing repairs budget. The working group notes and supports the action taken to reduce overheads.
- 1.5 Whilst there have been reductions in KNT's workforce, its continuing recruitment and training of apprentices is welcomed together with its commitment to place orders with local companies.
- 1.6 Councillors and tenants should be more involved in the governance of the joint venture. Tenants should be represented at all levels of the governance structure with appropriate remuneration, training and support. KNT should

establish more direct lines of communication with councillors using a variety of methods to suit their needs and focussed on providing local information.

- 1.7 This report sets out in detail the working group's findings on how well the joint venture agreement is delivering that which the Council intended and makes the following recommendations for the Cabinet's consideration aimed at strengthening the joint venture arrangements, improving the quality of the service provided and enhancing value for money:-
- R1 Cabinet ask the Strategic Director of Community Services to negotiate with Kier North Tyneside the inclusion of an additional key performance indicator to measure the number responsive repairs which exceed their target timescale for completion.
- R2 Cabinet ask the Council's Strategic Director of Community Services to undertake a review of the weightings to be attached to the profit fee mechanism in 2012/13 to ensure that the profit fees payable reflect the improvements in the quality of the service experienced by tenants.
- R3a Cabinet asks the Head of North Tyneside Homes and Kier North Tyneside to review their customer service standards with the aim of strengthening the processes to receive and report day to day enquiries received from tenants and customers.
- R3b Cabinet asks the Head of North Tyneside Homes and Kier North Tyneside as part of the review recommended in R3 above, to consider the designation of named persons to be responsible for dealing with each individual complaint and strengthening customer care training to emphasise the importance of taking individual responsibility to address issues as they arise, rather than passing them on to another.
- R4 Cabinet asks the Head of North Tyneside Homes and Kier North Tyneside to review and strengthen the arrangements for taking corrective action when things go wrong, including consideration of establishing a rapid response squad.
- R5 Cabinet asks the Head of North Tyneside Homes and Kier North Tyneside to review and strengthen the processes for learning from customer feedback and putting in place preventative action so that there is no re-occurrence of the problem.
- R6 Cabinet ask the Head of North Tyneside Homes to work in conjunction with Kier North Tyneside to ensure that when empty homes are re-let, all the essential works agreed with the tenant have been completed in accordance with the Council's empty homes letting standard.
- R7 Cabinet ask the Head of North Tyneside Homes to liaise with Kier North Tyneside to ensure that when the tenant has agreed that essential works can be carried out after occupancy, these details should be set out in writing together with timescales, signed by the tenant and the tenant should be provided with the contact details of an officer responsible for completion of the works.

- R8 Cabinet ask the Head of North Tyneside Homes to take appropriate action to maximise the recovery of the increasing level of repair costs rechargeable from current and former tenants as a result of wilful damage and neglect.
- R9 The Economic Prosperity and Housing Sub-Committee be asked to examine the total level of rechargeable repairs raised and the recovery rate during 2011/12 compared to previous years at its meeting in June/July 2012.
- R10 The Cabinet asks the Head of North Tyneside Homes, in conjunction with Kier North Tyneside, to undertake a review of the action taken in response to the demand for guttering repairs during 2011 to ensure that in future any programmes of works that need to be devised and implemented to meet unforeseen demands are timely and effective in meeting customers needs.
- R11 In the light of increased demands on the housing repairs service, the Cabinet review the Council's repairs policy to ensure there is clarity and understanding among tenants and customers on
- a) those repairs that will be completed as part of the North Tyneside Homes repairing obligations;
 - b) those repairs that will be undertaken only as part of a programme of works; and
 - c) repairs which are considered to be the tenants' responsibility and those which are considered to be rechargeable.
- R12 Cabinet asks the Strategic Directors of Community Services and Finance and Resources to continue to work in conjunction with Kier North Tyneside to (a) reduce the cost of overheads associated with the joint venture and ensure that the overheads are reduced by £2m in 2011/12, as planned, and (b) review the system of charging for overheads to ensure there is a fair and transparent apportionment in future years.
- R13 Cabinet ask the Strategic Director of Community Services to work in conjunction with Kier North Tyneside to ensure that all their sub-contractors comply with Kier's policies and procedures regarding the presentation of identification to customers.
- R14 Cabinet encourage Kier North Tyneside to continue to place emphasis within its procurement policies and procedures on contracting with local suppliers.
- R15 Cabinet ask the Strategic Director of Community Services in consultation with the Head of North Tyneside Homes to amend the Governance Framework for the partnership between North Tyneside Council and Kier North Tyneside so that it provides for tenant representation at the senior level of the governance arrangements.
- R16 Cabinet ask the Head of North Tyneside Homes to formulate a scheme setting out the arrangements to be put in place for the appointment, remuneration, training and support for the tenant representative(s).
- R17 Cabinet undertake a review of the Council's current arrangements for the management of the joint venture agreement to place greater emphasis on the

needs of tenants and with the aim of accelerating the rate of improvement in the performance of the housing repairs service and value for money.

- R18 The Cabinet ask Kier North Tyneside to review its communications plan with the aim of improving communication with councillors. The review should include consideration of a) surveying councillors as to their preferred means of communication; b) providing contact details of local supervisors and project managers who could be contacted by councillors in the event of local problems; c) ensuring officers attend meetings when invited to do so by councillors; d) raising awareness and creating a better understanding of the role of elected members and their importance in protecting the reputation of the service; e) responding promptly and effectively to members' enquiries; and f) designating a contact officer responsible for liaising with councillors on their members' enquiries.
- R19 The Cabinet ask the Strategic Director of Community Services to provide a regular briefing for all councillors on the performance of the joint venture and that at the first briefing members be provided with an explanation of the current arrangements including the relationship between pay and performance.
- R20 The Cabinet ask the Strategic Director of Community Services to investigate the possibility of regularly providing all members of the Council with joint venture performance data relating to their ward.
- R21 The Cabinet receive an annual report from Kier North Tyneside to provide a public account of performance and value for money.
- R22 Cabinet asks the Head of Finance in consultation with the Head of North Tyneside Homes to review the governance arrangements in relation to the transfer of funds between the housing repairs budget and the Housing Revenue Account reserves to ensure the decision making process continues to be transparent, provides accountability and takes into account current customer needs.
- R23 The Cabinet ask the Head of North Tyneside Homes, in conjunction with Kier North Tyneside, to undertake a review of the interfaces between the existing information communication technology systems used by both organisations to ensure they are meeting their needs and adequately support work management.

2. Background to the study

- 2.1 The Council's Overview and Scrutiny Committee is made up of councillors from all political parties. The committee has no decision making powers itself but examines the delivery of services and seeks to influence decision makers to ensure they meet the needs, and improve the lives, of people in North Tyneside. It does this by
- a) reviewing and challenging the impact of decisions and actions taken by the Mayor, Cabinet and partner organisations;

- b) carrying out investigations into services and policy areas of interest and concern to communities in North Tyneside;
- c) involving communities in its work and reflecting their views and concerns; and
- d) supporting and assisting the Elected Mayor, Cabinet and partner organisations in the formulation of their future plans, strategies and their decision making by making evidence based recommendations to them on how services can be improved.

2.2 In setting their work programmes for 2010/11, the Overview and Scrutiny Committee and its sub-committees identified different aspects of the joint venture agreement for scrutiny, including the effectiveness of the housing repairs service, the impact of the joint venture on local businesses and the financial implications to the Council of the partnership with Kier based on its first full year of operation. In September 2010 the Overview and Scrutiny Committee agreed that a single exercise be undertaken to encompass all these aspects of proposed scrutiny into the housing repairs service and the contractual arrangements with Kier.

2.3 The Overview and Scrutiny Joint Venture Working Group (“the working group”) was appointed in December 2010 made up of members from each of the interested committees to undertake the exercise. The working group agreed the following objectives and key questions as the basis for its study, to:-

- a) examine, at the conclusion of its first year of operation, whether the joint venture company, Kier North Tyneside (KNT) has achieved that which the Council intended;
 - Why did the Council enter a Joint Venture agreement?
 - What did the Council set out to achieve?
 - Has the partnership achieved these aims?
 - What evidence is there to demonstrate this?
- b) assess the partnership’s performance and the performance management arrangements;
 - What are the performance reporting and monitoring arrangements within the Council?
 - What are the results?
 - How does this compare with any best in class comparisons?
 - What methods are available to tenants to feedback to the Council on the performance of the housing repairs service?
- c) consider the financial implications to the Council of the joint venture agreement;
 - How will the partnerships profit/losses be accounted for within the Council’s accounts?
 - What will be the financial implications to the Council if there are redundancies within Kier North Tyneside, including any liabilities?
- d) assess whether the Council, tenants and other customers are satisfied with the service and whether they are getting value for money; and
 - Are tenants satisfied with the quality of the housing repairs service?
 - What are the key issues from a tenant’s perspective?

- What has been the impact of the joint venture on the delivery of the Council's strategic investment plan?
 - since the commencement of the partnership, has the opportunity for local small and medium sized enterprises to obtain business from the Council been enhanced or has it diminished?
 - What has been the impact of the joint venture in terms of the anticipated wider social benefits?
- e) report its findings and, if necessary, make any recommendations to the Cabinet.

3. Methodology

- 3.1 A work plan was compiled in conjunction with the working group and relevant officers and this was regularly reviewed and revised during the course of the study. The working group adopted various evidence gathering techniques, including regular meetings of the whole working group, site visits, focus groups and the receipt of documentary evidence.
- 3.2 The membership of the working group was:-
 Councillor Ray Glindon (appointed by the group as its Chair)
 Councillor Mrs Joan Bell
 Councillor Chris Croft
 Councillor Stuart Hill
 Councillor Frank Lott
 Councillor Norma Peggs
 Councillor Bruce Pickard
 Councillor David Sarin

4. Background and aims of the Joint Venture

- 4.1 In order to assess whether the joint venture has achieved that which the Council intended, the working group began its study by considering why the Council had entered into a joint venture agreement and what had been its aims and objectives.
- 4.2 The Council's Housing Repairs and Maintenance Service had been inspected by the Audit Commission in 2002 and had been judged to be a fair service with uncertain prospects for improvement. At that time the Audit Commission had recommended that the service should produce a strategy to maximise value for money. This view had been reiterated by the lead Housing Inspector for the North East in 2005. The Housing Repairs and Maintenance Service had been re-inspected in 2005 by the Audit Commission and it was again judged to be a fair service with uncertain prospects for improvement and the lack of a value for money strategy in its repairs and maintenance service was again a key criticism. The Housing Quality Network (HQN) were subsequently employed to assess the options available to the Council regarding the future delivery of the repairs and maintenance service.

- 4.3 In May 2006 the Cabinet had agreed that a procurement exercise should commence with the aim of establishing either a joint venture company or a strategic alliance. A subsequent review of these options recommended a joint venture company approach.
- 4.4 In December 2006 it was agreed that the scope of the procurement process be widened to capture the remaining elements of the in house construction partnership. This was to allow the Council to issue a more attractive contractual proposition to the market and to provide an increased potential to secure a longer term, business partnership that would deliver cost-effective, high quality housing and construction services across the borough.
- 4.5 The key success factors for the procurement project, which was titled the Construction and Housing Repairs Integrated Services (CHRIS) Project, were defined in the final business case as follows:-
- a) demonstrable improvements in the quality of service delivery across all service areas;
 - b) demonstrable value for money in all works or services; and
 - c) to establish a long term relationship with a private sector partner to facilitate the economic and physical regeneration of North Tyneside promoting the employment and training of both existing and new staff.
- 4.6 These key success factors were further defined through the procurement process into the following project deliverables:-
- a) a high quality (3 star) housing repairs and maintenance service with demonstrable value for money, and upper quartile performance;
 - b) to meet and exceed the Decent Homes Standard for all properties;
 - c) to provide a high quality construction partner to meet the long term needs of the Council's capital plan which can clearly demonstrate value for money; and
 - d) to secure the long-term future employment, training and promotion opportunities for the existing workforce and to develop opportunities for expansion.
- 4.7 In April 2009, the Cabinet agreed to form a joint venture company with Kier Group plc to provide a construction and housing repairs integrated service. On 7 September 2009 the joint venture company, Kier North Tyneside (KNT) came into operation.
- 4.8 The core services provided by KNT are categorised into five workstreams as follows:-
- Workstream 1 - Housing Repairs and Maintenance
 - Workstream 2 - Housing Investment Programme (Decent Homes)
 - Workstream 2a – Chronically Sick and Disabled Persons Adaptations
 - Workstream 3 - Strategic Investment Programme
 - Workstream 4 - Corporate Property Repairs & Maintenance (including schools)
 - Workstream 5 – Third party works

- 4.9 The Council's Final Business Case was based on evidence that the productivity of the housing repairs service, and thus cost efficiency, would improve under the joint venture. The business case envisaged the following areas of significant service improvement:-
- a) increased customer liaison and customer choice;
 - b) greater use of customer satisfaction surveys;
 - c) improvements in the void lettable standard (reduced time between lettings);
 - d) repairs right first time ethos;
 - e) multi skilled operatives with greater flexibility;
 - f) increased operative training;
 - g) provision of a high quality service for all North Tyneside tenants;
 - h) improved productivity and reduction of down time;
 - i) improvements in quality and reduced cost of supply chain;
 - j) performance reporting across all services that include performance indicators and key performance indicators;
 - k) improved repair response times.

The business case also sought to provide increased choice and better quality of products coupled with cost savings achieved through the successful bidders purchasing activities.

- 4.10 Having established what the Council's key success factors, project deliverables and expectations were, the working group then went on to examine the actual operation of the joint venture to assess the extent to which these intentions have been achieved. In doing so the working group gave careful regard to the remit set by the Overview and Scrutiny Committee (set out in paragraph 2.3). The working group were particularly interested to examine whether the anticipated improvements to the housing repairs and maintenance service had materialised as they believed this service had been the Council's key driver for the creation of a joint venture and as such it was a priority.
- 4.11 The remainder of this report sets out the working group's findings, conclusions and commentary on how well the joint venture agreement is delivering that which the Council intended, based on the three key success factors set out in paragraph 4.5 regarding, quality, value for money and the economic and physical regeneration of North Tyneside. The report also sets out a series of recommendations for the Cabinet's consideration aimed at strengthening the joint venture arrangements, improving the quality of the service provided and enhancing value for money.

5. Performance

- 5.1 The first of the key success factors considered in this report is whether there has been a demonstrable improvement in the quality of service delivery across all service areas.
- 5.2 The quality of service delivery in respect to the repairs and maintenance workstreams (1, 2a, 4 and 5) is measured using a set of around 80 key performance indicators (KPIs) relating to time, quality, cost, customer satisfaction and health and safety. An improvement in service quality is

demonstrable from the data produced by the key performance indicators. For example:-

- a) the percentage of properties with a landlord's Gas Safety Certificate has increased from 98.49% (bottom quartile) in July 2009 to 100% (top quartile) in December 2011;
- b) the percentage of Priority 1 (within 24 hours) repairs completed on time has increased from 98.23% (third quartile) in July 2009 to 98.50% (Third quartile) in December 2011; and
- c) the time taken to re-let empty homes has fallen from 70.45 calendar days in 2009/10 to 35.88 calendar days in (bottom quartile) in December 2011. (See also section 7 of the report.)

5.3 KPIs for the other workstreams (2 and 3) are set for each individual project. Workstream 2 (Housing Investment and Decent Homes) KPI's were set and have been reported on during the project and upon project completion. These projects were all completed on time and within budget.

5.4 The level of profit fees payable by the Council to KNT varies according to performance against the KPIs. Each year, the Council and KNT agree on a selection of KPIs to be used as the basis for the profit fee calculation together with performance band targets for each of these indicators. The scores derived from the KPIs are also weighted depending upon their significance to the Council, KNT and tenants/customers. The maximum level of profit fee is 3.75% of KNT's annual turnover, payable when performance exceeds expectations, the standard profit fee is set at 2.5% payable for acceptable performance and the minimum fee is 0% payable for unacceptable performance. The profit fee therefore reflects the level of performance.

5.5 The table below summarises the profit fee KNT would be due at the end of the financial year 2011/12 given current performance outputs (as at Oct 2011) for workstreams 1, 2a and 4, compared with the profit fee paid in 2010/11.

	Profit Fee (based on Performance)	
	2010 / 11	2011 / 12 (projected to year end)
Workstream 1 Housing Repairs & Maintenance	2.70%	2.37%
Workstream 2a Aids + Adaptations	1.94%	1.81%
Workstream 4 Public Buildings Repairs & Maintenance	3.68%	2.88%

5.6 The working group recognises that there are demonstrable improvements in the quality of the service from the data produced by the KPIs. Furthermore the working group acknowledges the importance of the KPIs in driving improvements in performance through the profit fee mechanism, even though the level of profit fee is expected to fall in 2011/12 because more challenging targets were set.

- 5.7 In examining the scope of the KPIs the working group identified one aspect of the housing repairs service that is not currently covered. Whilst KNT measures the number of responsive repairs completed on time, there is not a KPI in relation to the number of repairs that exceed their target completion date. There is therefore no incentive in terms of the profit fees for KNT to prioritise repairs once they have exceeded their target date.
- 5.8 In examining the weightings attached to the KPIs the working group concludes that the gearing built into the system may derive financial benefits for KNT greater than the benefits experienced by tenants and users in terms of improvements in the quality of the service. For example, performance in relation to emergency repairs to public buildings receives a greater weighting than performance in relation to routine housing repairs. Therefore KNT can be financially rewarded for performing well in those areas where there are relatively few customers whilst the majority of KNT's customers (tenants) may not be experiencing improvements in the quality of the service provided to them. The working group believes that the weightings should be reviewed to ensure that the profit fee mechanism is effective in driving improvements in those areas of the service that are of priority to the Council.

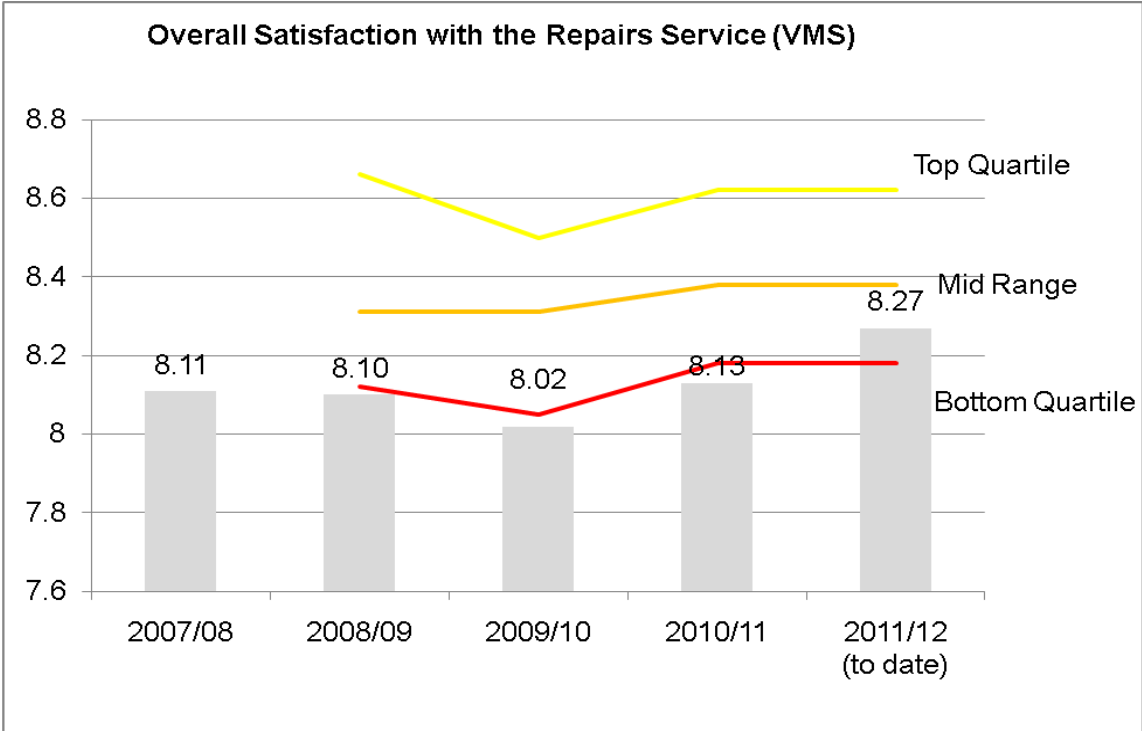
Recommendations

- R1 Cabinet ask the Strategic Director of Community Services to negotiate with Kier North Tyneside the inclusion of an additional key performance indicator to measure the number responsive repairs which exceed their target timescale for completion.**
- R2 Cabinet ask the Council's Strategic Director of Community Services to undertake a review of the weightings to be attached to the profit fee mechanism in 2012/13 to ensure that the profit fees payable reflect the improvements in the quality of the service experienced by tenants.**

6. Customer Satisfaction

- 6.1 Whilst the working group noted the demonstrable improvements in service from the KPIs, this did not accord with the anecdotal evidence councillors had received, particularly from tenants with regards to workstream 1, the housing repairs service. The working group were therefore interested to examine other sources of evidence on which to judge the performance of the joint venture, such as customer satisfaction.
- 6.2 The working group assessed the levels of customer satisfaction with the housing repairs and maintenance service. Satisfaction was originally measured by North Tyneside Homes using the Standardised Tenant Satisfaction Survey, also known as the "Status" survey. The Status survey had been sent to all tenants every two years and it showed that overall satisfaction with the repairs service had risen from 73% in 2007/08 to 78% in 2009/10. The Status survey has now been replaced by the STAR survey (the Survey of Tenants and Residents for the Social Housing Sector) although this is undertaken on a voluntary basis.

6.3 The Council also uses the Vision Management System (VMS) which is based on the use of a short questionnaire containing 10 questions to continuously capture customer satisfaction levels on an ongoing basis. The tenants selected are those who have recently used the service and respondents are asked to rate performance in key areas. The table below shows the level of overall satisfaction with the housing repairs service, compared with other organisations that use the VMS.



6.4 The main themes to emerge from the feedback received via the VMS are the time taken for the contact centre to respond to calls, the ability of the contact centre to correctly diagnose the problem, demand for more repairs by appointment and the need for KNT to keep to appointments.

6.5 The working group undertook its own qualitative research into what tenants thought of the repairs service. The working group held two focus groups, one with tenants already engaged by the Council as part of its network of tenant panels and the other with tenants who had complained to councillors about the quality of the service they had received.

6.6 The Council’s Repairs Panel is made up of tenants from across the borough. Its role is to work with officers from North Tyneside Homes and KNT to develop and monitor service delivery across a range of key service areas and ensure continuous improvement. Some of the panel’s key achievements have been to agree performance targets and monitor performance, review repair response times and agree improvements and to develop a local offer on repairs in response to concerns regarding KNT’s performance in relation to priority 2 and 3 repairs. The panel had examined KNT’s overall performance and feedback from other tenants. The main concerns to emerge from this work were to get more repairs right first time, to have more appointments and to improve the performance of the contact centre. Panel members stated that whilst tenants wanted shorter timescales for each priority category of repair it

was just as important that when KNT made appointments they then kept to those appointments.

- 6.7 The working group recognises and endorses the variety of mechanisms in place to gather the views of tenants and customers and notes how this is used to influence future service improvements.
- 6.8 Having examined how tenants have the opportunity to express their views and influence the development of the service over a longer term the working group were also interested to test the responsiveness of KNT to immediate feedback from individual tenants, particularly when they were dissatisfied with the service. Consequently, the working group invited all Councillors to refer to them, from the thousands of jobs completed by KNT each year, individual cases where tenants had been dissatisfied with the housing repairs service, to investigate what went wrong and what action was taken by the joint venture to remedy the problems.
- 6.9 The working group investigated 18 individual cases. From this sample the working group met 4 tenants to hear directly from them about their experiences. The working group heard reports of poor workmanship, poor customer care, tasks being carried out of sequence, delays in programming and completing works, distress and disruption experienced by tenants and delays and inconsistencies in responding to complaints.
- 6.10 KNT provides a service to people in their homes and the majority of tenants take great pride in the condition of their homes. As rent payers they should expect to receive high standards from the repairs service and to receive a service which is responsive to their needs. Where tenants have expressed dissatisfaction with the service, the response from KNT has sometimes been unsatisfactory and in some instances has even exacerbated the problems. The working group heard that in some cases, tenants' dissatisfaction with the service has become a "saga", when despite repeated requests and/or complaints to KNT and North Tyneside Homes, the issues have not been resolved in a timely manner. The working group concludes this is often attributable to one part, or individual, within the organisation, passing an issue on to another with no one accepting ownership of the issue or taking responsibility for ensuring the matter is addressed. The working group suggests that KNT should introduce working practices to ensure that when a complaint is received, a named officer is designated as being responsible for ensuring the matter is addressed and the contact name of the person together with contact details should be shared with the complainant. It is also suggested that the issue of officers accepting ownership of complaints should be incorporated and emphasised within KNT and North Tyneside Homes' customer care training programmes.
- 6.11 A failure to respond promptly and effectively to complaints has a demoralising effect on tenants who sometimes begin to feel exposed and vulnerable in having to continually complain. The working group believes that an effective complaints system is an essential component in any organisation's approach to managing performance and maintaining quality. The joint venture's arrangements for learning from customer feedback and responding promptly when things go wrong need to be strengthened. It is important that corrective

action is put in place as soon as possible and that preventative action is also taken to ensure there is no re-occurrence.

Recommendations

- R3a Cabinet asks the Head of North Tyneside Homes and Kier North Tyneside to review their customer service standards with the aim of strengthening the processes to receive and report day to day enquiries received from tenants and customers.**
- R3b Cabinet asks the Head of North Tyneside Homes and Kier North Tyneside as part of the review recommended in R3 above, to consider the designation of named persons to be responsible for dealing with each individual complaint and strengthening customer care training to emphasise the importance of taking individual responsibility to address issues as they arise, rather than passing them on to another.**
- R4 Cabinet asks the Head of North Tyneside Homes and Kier North Tyneside to review and strengthen the arrangements for taking corrective action when things go wrong, including consideration of establishing a rapid response squad.**
- R5 Cabinet asks the Head of North Tyneside Homes and Kier North Tyneside to review and strengthen the processes for learning from customer feedback and putting in place preventative action so that there is no re-occurrence of the problem.**

7. Empty Homes Repairs (Voids)

- 7.1** The working group paid particular attention to performance in relation to empty homes (also known as voids). Performance has significantly improved since the commencement of the joint venture agreement. In 2009/10 it took on average 70.45 calendar days to re-let empty homes, this fell to 47.86 in 2010/11 and 30.74 between April and December 2011. (The average across the top performing authorities is 23.87 days.) This improved performance is reflected in the time taken by KNT to complete repairs to empty homes which has fallen from an average of 34.74 days in 2009/10, to 22.17 in 2010/11 and 20.49 days between April and December 2011.
- 7.2** The working group also examined the results of the feedback received from customer satisfaction surveys. This indicated that overall satisfaction of the new tenant's service had improved. In 2010/11 the average score had been 7.65 out of 10 compared with the figure of 6.74 in 2009/10. The customer satisfaction surveys revealed that the key issues among new tenants were the cleanliness of properties and how well repairs were dealt with once tenants had moved into their homes.
- 7.3** The working group welcomes the improved performance in terms of the reduction in the number of days it takes to re-let empty properties and recognises that this has been achieved through effective partnership working

between North Tyneside Homes and KNT in setting shared targets to reduce not only the time taken to repair the properties, but also the time taken to re-let them.

7.4 However, anecdotal evidence presented to the working group suggests that this may have coincided with a deterioration in the quality of works and an increasing number of repairs being carried out after the tenant has occupied the property. The working group met one tenant who had been advised that in order for repairs to be carried out to the property she first had had to sign and commence her tenancy of the property. Whilst she had acted on this advice and commenced her tenancy she had not occupied the property until 10 weeks later because of the time taken to undertake essential repair works.

7.5 The Council's empty homes lettings standard states that:-

- a) it is the Council's aim to re-let empty homes as quickly as possible to a standard agreed with its tenants;
- b) the Council will inspect every home that becomes empty and decide what essential work has to be done before the tenant moves in;
- c) the tenant will be informed of any minor works that will be done after they move in; and
- d) the tenant will view the property to ensure it meets the standard before they sign up for the new tenancy.

The working group notes that in some instances North Tyneside Homes agrees with tenants not to carry out all essential works where this does not fit in with the tenant's own home improvement plans.

7.6 The working group are concerned that in some cases properties may be signed off as meeting the empty homes lettings standard, when essential works have yet to be completed. All tenants have a right to a safe home on commencement of their tenancy and North Tyneside Homes, working in conjunction with KNT, must be very clear about the nature of works that must be undertaken ahead of occupancy and those that could be carried out after occupancy. In circumstances when the tenant has agreed that essential works can be carried out after the commencement of the tenancy, the working group concludes that these details should be set out in writing together with timescales, signed by the tenant and the tenant should be provided with the contact details of an officer responsible for ensuring that the works are completed.

7.7 The Council has in place a system of recovering the costs of repairs from current and former tenants due to wilful damage or neglect. Historically the level of costs recharged to tenants has been low. North Tyneside Homes has worked with KNT to improve procedures for the identification of rechargeable costs. Consequently the total of rechargeable repairs raised has increased from £27,908 in 2010/11 to £38,051 in the first 5 months of 2011/12. The working group welcomes the new procedures but these improvements must be matched with similar improvements in the collection rate which had fallen from 46% in 2009/10 to 35% in 2010/11.

Recommendations

- R6 Cabinet ask the Head of North Tyneside Homes to work in conjunction with Kier North Tyneside to ensure that when empty homes are re-let, all the essential works agreed with the tenant have been completed in accordance with the Council's empty homes letting standard.**
- R7 Cabinet ask the Head of North Tyneside Homes to liaise with Kier North Tyneside to ensure that when the tenant has agreed that essential works can be carried out after occupancy, these details should be set out in writing together with timescales, signed by the tenant and the tenant should be provided with the contact details of an officer responsible for completion of the works.**
- R8 Cabinet ask the Head of North Tyneside Homes to take appropriate action to maximise the recovery of the increasing level of repair costs rechargeable from current and former tenants as a result of wilful damage and neglect.**
- R9 The Economic Prosperity and Housing Sub-Committee be asked to examine the total level of rechargeable repairs raised and the recovery rate during 2011/12 compared to previous years at its meeting in June/July 2012.**

8. Guttering

- 8.1 The replacement of guttering was another particular aspect of performance which was brought to the attention of the working group by tenants and councillors during the course of its study. Towards the end of November 2010 North Tyneside experienced significant levels of snowfall which led to an unprecedented and unforeseen demand for repairs to be undertaken to damaged guttering. In response, the Council agreed in February 2011 to allocate an additional £140,000 of capital funding so that KNT could undertake a programme of guttering repairs. Despite this investment, the working group were made aware of complaints among tenants at the delays in completing repairs to guttering.
- 8.2 From November 2010 through to February 2011 there were a significant number of properties that incurred damage to their gutters and fascias. In total 4,145 properties have had some form of gutter repair. This included 1,652 repairs being completed before 29 September 2011, with the remaining properties consisting of 2,493, being completed from 29 September 2011 through to end of January 2012, as part of a programme of works.

Recommendation

- R10 The Cabinet asks the Head of North Tyneside Homes, in conjunction with Kier North Tyneside, to undertake a review of the action taken in response to the demand for guttering repairs during 2011 to ensure that in future any programmes of works that need to be devised and**

implemented to meet unforeseen demands are timely and effective in meeting customers needs.

9. Value for Money

- 9.1 Having examined the quality of the service, the working group turned its attention to the second key success factor associated with the formation of the joint venture company, that it should provide demonstrable value for money in all works or services. The Council's final business case for the formation of the joint venture was based on evidence that the productivity of the housing repairs service, and thus cost efficiency, would improve under these arrangements.
- 9.2 Value for money can be demonstrated with reference to the extensive procurement process undertaken in selecting Kier Group plc as the Council's partner. From an initial field of in excess of 30 potential bidders the pool was progressively de-selected initially to six bidders, then through outline solutions to four bidders and eventually through detailed solutions to the two strongest bids. This was a complex and detailed evaluation covering a wide range of selection criteria designed to ensure the remaining two bidders were market leaders across the entire range of services on offer and as well as value for money.
- 9.3 The level of service required by the Council was demonstrated to the bidders within the selection process and the commercial bids submitted analysed to identify the most economically advantageous bid to the Council. An example of the unit rates offered by Kier Group plc, compared with the in-house and the previous partner's rates is set out below.

	In-house rates £	Previous partner's rates £	Kier Group's rates £
Kitchen	3,200	3,100	2,703
Bathroom	1,500	1,400	1,318
Heating	n/a	1,200	1,138
Rewire	2,600	2,600	1,592
Doors and windows	4,075	2,700	3,988

- 9.4 The working group recognises that the joint venture was established as a result of a competitive process and as such it demonstrated value for money against the existing service and the market place. However, this was tested in 2009 and circumstances have changed since then, for example the anticipated turnover of the business has reduced. The working group were therefore interested to examine how the productivity of the housing repairs service, and thus cost efficiency, had improved since the joint venture had been established, especially as when the Council had entered the joint venture, there had been an expectation that it would either deliver the same number of repairs for less cost or an increased number of repairs for the same cost.
- 9.5 The Council continuously judges value for money in relation to the joint venture in a variety of ways. The working group examined the data produced by the joint venture's payments process, the annual cost and performance toolkit and the benchmarking data produced by housemark.

- 9.6 The payments process associated with the joint venture breaks down the work undertaken by KNT into “activity codes”. Each activity code has a target cost competitively identified through the procurement process. The number of activity codes claimed by KNT in a month is multiplied by the target cost for that activity code and a workstream target cost is established. KNT also records the actual costs (eg labour, materials and overheads) of delivering the service at a workstream level to establish a workstream actual cost. The Council pay the lower of workstream actual or target cost. KNT’s calculations to date show that for the level of works completed KNT’s actual costs will be below the target costs for that level of work. The Council is charged this lower level.
- 9.7 KNT is also obliged to produce an annual benchmarking report giving an indication of how the service delivered to the Council compares nationally. This cost and performance toolkit (CAP) provides an overall summary for the service. The first CAP was completed at the end of the “bedding in period” in March 2010 when it was concluded the general trend of the cost and performance information was positive, with some good improvement made. This judgement was supported by the Audit Commission’s inspection of the housing service in September 2010 which concluded that “the average cost of repairs is reasonable for 2009/10 at £59.98”.
- 9.8 The Council is a member of Housemark, who prepare an annual benchmarking report comparing the performance of the Council’s housing service with other local authorities who have retained their housing stock. The table below is drawn from the latest benchmarking report published in December 2011 and shows the total cost per property of various elements of the housing repairs service, divided between service provision (contractor costs) and management (client costs) compared with others.

Measure		Upper Quartile	Median	Lower Quartile	North Tyneside 2009/10	North Tyneside 2010/11
		£	£	£	£	£
Total costs per property for major works	contractor	706	1,049	1,225	1,964	2,311
	client	52	80	111	83	81
Total costs per property for cyclical maintenance	contractor	163	222	279	101	93
	client	18	28	45	21	12
Total costs per property for responsive repairs	contractor	296	384	454	418	402
	client	70	89	141	75	49
Total cost per property for void works	contractor	113	148	211	206	291
	client	26	32	40	32	23

- 9.9 The above table shows that the costs per property on major works are in the lowest quartile and show a worsening position on 2009/10. The figures for

North Tyneside reflects the fact that 2010/11 was the final year of the backlog decent homes programme in which it achieved its highest level of spend. In comparison the cost per property on cyclical maintenance achieved top quartile on service delivery and management. Three of the four indicators in relation to responsive repairs and void works have moved positively whilst the data indicates that the Council is spending too much on turning around empty homes.

- 9.10 In order to judge whether the joint venture was delivering the same number of repairs for less cost or an increased number of repairs for the same cost the working group asked to be provided with the following table which shows the number of repairs completed in each of the last 5 years compared to the total housing repairs budget.

	Service delivered by North Tyneside Homes			Service delivered by Kier North Tyneside			
	2006/07	2007/08	2008/09	2009/10		2010/11	2011/12 (to end of Sept)
Budget	£11.975m	£11.076m	£11.541m	£5.295m	£5.723m	£11.719m	£11.488m
				£11.018m			
Number of responsive repairs completed*	N/A	61,405	59,295	22,063	31,761	54,948	24,087
				53,824			
Number of empty homes repaired	1,505	1,365	1,034	1,097		1,176	550

*excluding annual gas safety inspection service and out of hours emergency service

- 9.11 The comparison between the number of repairs completed is not however a true 'like for like' comparison as the new activity codes used by KNT to raise the repairs are not the same as the old schedule of rate codes the Council used. Some of the new activity codes introduced are more composite so may include a number of smaller tasks as one big job rather than raising smaller individual repairs. The working group therefore sought further comparative evidence to judge the extent to which the joint venture is driving down costs and achieving greater value for money.
- 9.12 The tables below show the average costs for gas servicing, empty homes (voids) repairs and responsive repairs both before and after the creation of the joint venture.

	Service delivered by North Tyneside Homes		Service delivered by Kier North Tyneside			
	2007/08	2008/9	2009/10		2010/1	2011/2 (Estimated)
Gas costs prime	£1.297m	£1.321m	£0.529m	£0.701	£1.270m	£1.421m
			£1.230m			
Number of gas services	14,902	14,667	14,638		16,009	15,927
Average cost	£87	£90	£84		£79	£89
Average cost 2007/8 as a base	£87	£90	£94		£98	£97
Inflation rates		3.60	3.90		5.00	-1.40
Responsive repair costs prime	£4.342m	£4.018m	£1.604m	£2.426m	£3.608m	£3.907m
			£4.030m			
Number of jobs	64,563	62,453	23,663	33,361	58,106	57,970
Average cost	£67	£64	£68	£73	£62	£67
Average cost 2007/8 as a base	£67	£70	£72		£76	£75
Inflation rates		3.60	3.90		5.00	-1.40
Empty homes repair costs prime	£1.907m	£2.624m	£1.067m	£1.190m	£2.821m	£1.600m
			£2.257m			
Number of empty homes	1,365	1,034	1,097		1,176	1,183
Average cost	£1,397	£2,539	£2,058		£2,399	£1,354

9.16 The table in paragraph 9.10 shows that the demand for repairs has grown. It was anticipated that the quantity of repairs undertaken would have diminished as a result of the investment in the Decent Homes Standard. The Council needs to understand the reasons for the increased demand and in the light of the finite financial resources available, review its repairs policy to clarify and communicate what will be repaired, what will be done as part of a programme of works and what will be considered to be a tenants responsibility.

Recommendation

- R11 In the light of increased demands on the housing repairs service, the Cabinet review the Council's repairs policy to ensure there is clarity and understanding among tenants and customers on**
- a) those repairs that will be completed as part of the North Tyneside Homes repairing obligations;**
 - b) those repairs that will be undertaken only as part of a programme of works; and**
 - c) repairs which are considered to be the tenant's responsibility and those which are considered to be rechargeable.**

10. Overheads

10.1 During its consideration of value for money, the working group's attention was drawn to the level of overheads payable to the joint venture, particularly those chargeable to the Housing Revenue Account (HRA) for housing repairs and how this compared with the level of overheads previously paid to the in-house service as set out below. The table below shows the level of overheads charged to the HRA from 2006 to 2012.

	Service delivered by North Tyneside Homes			Service delivered by Kier North Tyneside			
	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m		2010/11 £m	2011/12 (to end of Sept)
Overheads	3.465	3.532	3.574	1.996	1.503	4.019	4.956
Prime Cost (Labour, materials and sub contractors)	8.510	7.544	7.967	3.299	4.220	7.700	6.532
Total	11.975	11.076	11.541	5.295	5.723	11.719	11.488
				11.018			

10.2 The table shows that the overheads chargeable to the Housing Revenue Account have increased from £3.4m in 2006/07 to £4.9m in 2011/12. This is because the value of work within the capital workstreams has fallen and a greater proportion of the overheads have had to be charged to the housing repairs budget. Whilst work is ongoing to reduce the costs of the overheads, the rate at which the value of the capital works has fallen has been quicker than the reduction in overheads. In 2010/11 the joint venture's overheads totalled £14m which had been reasonable against the total revenue of £60m, but anticipated revenue has now fallen to £38m.

10.3 Action has been taken to reduce overall overheads by £2m and further action is due to be taken to reduce them by another £2m. Particular attention will be focussed on the rent payable by KNT for the use of the Killingworth Site and restructuring the unencumbered payment from KNT to the Council which has

been built into the joint venture agreement to offset the loss to the Council of internal charges.

- 10.4 The working group is concerned that the Housing Revenue Account is having to bear an increasing proportion of overheads because of the diminishing capital programme. As a result there is less money available for the labour and material costs of repairs thereby compromising the quantity and quality of repairs.
- 10.5 The working group also noted that as it is very difficult to apportion overheads to each individual job, they are charged across all the work at flat rates. In accordance with the joint venture agreement, KNT charge for the cost of overheads at pre-determined rates, which can be set by the Council ranging from 18.5% to 22.5% depending on the workstream. Members were particularly interested in examining the impact of the system used for apportioning overheads. The system was designed for a business with an anticipated £60m turnover, but it was now being applied to a business delivering a significantly smaller capital programme of works. The working group believed that in some cases the system had resulted in a disproportionate and unfair amount of overheads being charged to some customers, for example schools undertaking minor capital works.

Recommendation

R12 Cabinet asks the Strategic Directors of Community Services and Finance and Resources to continue to work in conjunction with Kier North Tyneside to (a) reduce the cost of overheads associated with the joint venture and ensure that the overheads are reduced by £2m in 2011/12, as planned, and (b) review the system of charging for overheads to ensure there is a fair and transparent apportionment in future years.

11. Employment

- 11.1 The third key success factor, on which the working group based its study, was to establish a long term relationship with a construction partner which would promote the employment and training of both existing and new staff and facilitate the economic and physical regeneration of the borough.
- 11.2 The working group met trades union representatives within KNT to discuss employment and training within the organisation. They stated that the joint venture arrangements had been welcomed with optimism and enthusiasm with the prospect of 10 to 15 years of work. However, during the first 18 months of operation, two HR1 notices had been issued by KNT. It was stated that the original workforce of 506 had reduced to 450 and there were plans for further reductions. The trades unions are therefore anxious to ensure that KNT secures sufficient work and income to maintain the current workforce and conditions of employment.
- 11.3 The working group examined the progress made by KNT in delivering the targets agreed as part of the joint venture agreement in relation to training and development. The Council has worked closely with KNT over the past 18

months to deliver the targets. Notable achievements have included access to Train to Gain and Construction Skills funding to deliver the training programme, providing work experience opportunities and the continuing employment and recruitment of apprentices.

- 11.4 In addition to the 20 apprentices who were transferred to KNT from the Council upon the commencement of the joint venture, KNT proposed to employ a further 10 apprentices from September 2011. The group welcomes KNT's commitment to recruit, employ and train apprentices despite the current economic climate.

12. Sub Contracting

- 12.1 During the course of its study the working group were approached by a local company critical of KNT's use of national supply chains which in their opinion was to the detriment of local suppliers and the local economy. In response, KNT stated that they are committed to developing local supply chains. Of the 135 companies engaged by KNT, 87 are based in the Tyneside area accounting for £35m of KNT's spend since September 2009. In terms of the proportion of KNT's work sub contracted, in the year up to 31 March 2011, £23.5m worth of work had been sub contracted from an overall budget of £40m. This was attributable to the completion of the Decent Homes Standard programme. Following the completion of the programme, the rate of sub contracting was anticipated to fall significantly, although sub contracting will be used to cover peak periods of work such as the 40 school schemes undertaken during the summer holiday period.
- 12.2 Where possible, all works are carried out by the in-house employees. However, in instances where specialist works are required, the employment of specialist sub contractors is considered and the best possible commercial deal is struck before any orders are placed. KNT always seek a minimum of 3 quotations from its list of suppliers for sub contracted work. Sub contractors are subject to a performance measurement framework which assesses their performance over five different criteria, not solely concerned with cost. There is a commitment to place orders with local companies thereby giving as many opportunities to local people and local companies as possible. The working group welcomes this commitment and would encourage KNT to continue to place an emphasis within its procurement policies and procedures on contracting with local suppliers.
- 12.3 KNT do not add a "mark up" to the cost of sub contracted works. The amount payable by the Council is always at the standard rate determined by the terms of the joint venture agreement. KNT have taken a commercial risk in entering the agreement so for example if works are costed at £1000 according to the agreement, the Council will pay a maximum of £1000 even if a sub contractor charges KNT £1,200 to execute the works. Furthermore if KNT can sub contract the works for £800, the Council would pay the lower rate of £800. These transactions are checked through the reconciliation and open book procedures built into the joint venture agreement.

12.4 Tenants, including members of the Council's Repairs Panel, reported their concerns to the group in relation to the conduct of sub-contractors working on behalf of KNT, who sometimes fail to present identification on arrival at tenants' homes.

Recommendations

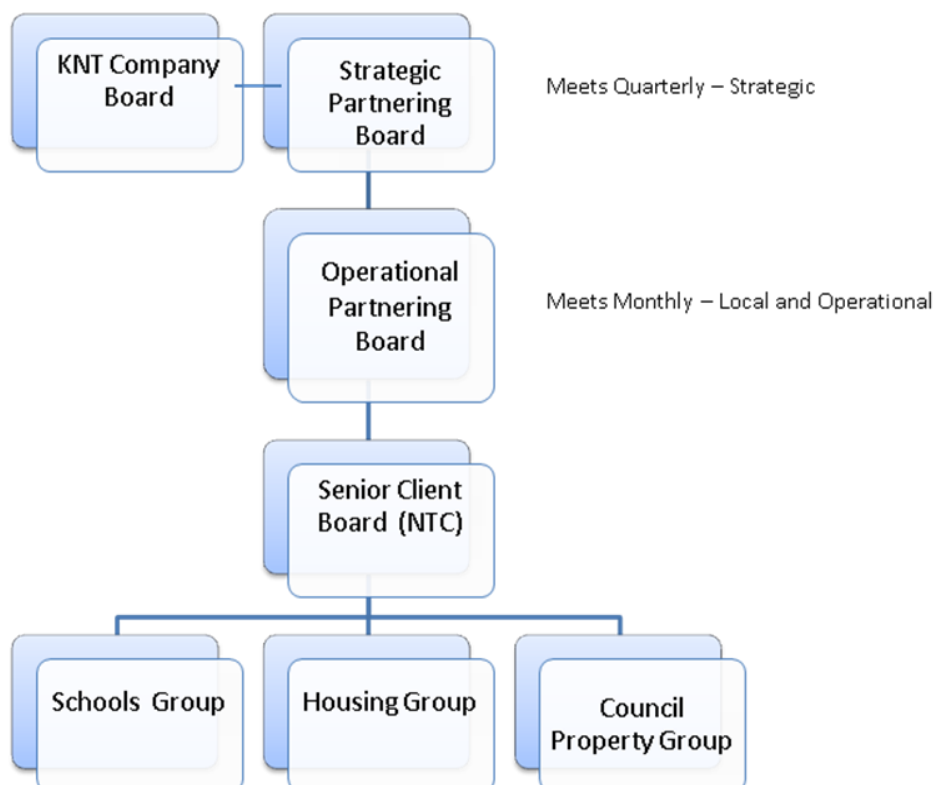
R13 Cabinet ask the Strategic Director of Community Services to work in conjunction with Kier North Tyneside to ensure that all their sub-contractors comply with Kier's policies and procedures regarding the presentation of identification to customers.

R14 Cabinet encourage Kier North Tyneside to continue to place emphasis within its procurement policies and procedures on contracting with local suppliers.

13. Governance

13.1 In addition to the three key success factors previously covered in this report, the working group also examined other important aspects of the joint venture arrangements, which had been the cause of concerns among councillors prior to the commencement of the study. One such aspect had been the extent to which councillors and tenants were engaged in its governance arrangements.

13.2 The diagram below summarises the governance structure of the joint venture.



13.3 The Strategic Partnership Board involves the Council's Strategic Directors for Community Services and for Finance and Resources meeting the Regional Directors of KNT and Directors of its parent company on a quarterly basis and

serves as a forum to review at a strategic level issues relating to the joint venture. The Kier North Tyneside Company Board oversees the management of the joint venture company's affairs; including compliance with Companies Act requirements; budget monitoring; business planning and financial matters. There are five Directors appointed from Kier and one from North Tyneside Council, currently the Strategic Director of Community Services. The Council has a range of minority shareholding protections.

- 13.4 An Operational Partnership Board meets monthly to review issues and performance at a workstream and cross workstream level. This is chaired by the Strategic Director for Community Services and involves relevant Heads of Service and the KNT management team. The Operational Partnering Board receives reports from the KNT Management Team and the Senior Client Board. The Senior Client Board co-ordinates and represents the different client groups within the Council organised into three separate groups, housing, council buildings and schools. Each client group is led by a senior manager from the relevant client area of the Council and involves senior KNT managers.
- 13.5 The Strategic Partnerships Team track all issues raised throughout the governance of KNT to ensure issues are progressed in a timely manner and to co-ordinate issues across workstreams.
- 13.6 During the working group's discussions, members highlighted the need to involve key stakeholders such as elected members, headteachers and tenants in the governance arrangements. As part of the changes to the governance framework in 2011, the Cabinet Member for Housing has joined and attended meetings of the Strategic and Operating Partnership Boards. Furthermore, a headteacher representative has been appointed to the schools client group and the Senior Client Board. The working group welcomes the recent inclusion of the Cabinet Member for Housing and headteachers in the arrangements.
- 13.7 The working group paid particular attention to how tenants are involved and how various stakeholder activities feed into the governance arrangements. Around 130 tenants are involved in serving on various panels focussed on different aspects of the service, including repairs, investment and products. Members of the working group met members of the repairs panel. These subjective panels are overseen by an Overview Panel who regularly meet the Cabinet Member. Representatives from KNT regularly attend Area Housing Forum's, when locality issues are considered.
- 13.8 The working group acknowledges the structures in place which allow tenants to have an involvement and an influence on the development of the housing service. However, the working group believes that tenants should be represented at all levels of the governance structure and that representation should be included at the top of the hierarchy.
- 13.9 Furthermore, if tenants are to be involved in the governance arrangements they should be remunerated, trained and supported. If officers and elected members receive remuneration for attending partnership meetings then tenants should be no different and should not be expected to fulfil the role on a voluntary basis. The working group recognises that the role of tenant

representative can be challenging and believes that any person appointed to the role should be offered relevant training to ensure they have the necessary knowledge, skills and confidence to take an active part in proceedings and perform the duties expected of them. Finally representatives will require support in establishing mechanisms to communicate with receive feedback from and effectively represent other tenants.

Recommendations

R15 Cabinet ask the Strategic Director of Community Services in consultation with the Head of North Tyneside Homes to amend the Governance Framework for the partnership between North Tyneside Council and Kier North Tyneside so that it provides for tenant representation at the senior level of the governance arrangements.

R16 Cabinet ask the Head of North Tyneside Homes to formulate a scheme setting out the arrangements to be put in place for the appointment, remuneration, training and support for the tenant representative(s).

14. Contract Management

14.1 In looking at the overall governance of the joint venture, the working group examined how the contract was managed. It noted that the original arrangements had reflected the broad scope of the joint venture with the establishment of a strategic client team reporting to the then Strategic Director of Commercial Services, to act as a single gateway to and from KNT.

14.2 With changing personnel and the shift in the financial basis of the joint venture, the working group were briefed by the Strategic Directors of Community Services and Finance and Resources on their personal responsibilities and how they had revised contract management arrangements.

14.3 The changes in governance described above, had been a response to evidence that the connection between the end service user and KNT was too long and sometimes compounded operational issues. The three senior managers responsible for the maintenance of the Council's own buildings, its education estate and its housing stock now had the direct accountability for the performance management of the relationship and a Strategic Client Board, chaired by the Strategic Director of Community Services, allowing the Council to consider its overall position before engaging with KNT on priorities and performance issues.

14.4 The working group concludes that the original contract management arrangements, the payment mechanism and the processes for establishing value for money provide too little focus on the needs of tenants and the housing service.

14.5 Given that the joint venture has not demonstrated improvements in value for money and performance at the expected rate the working group believes the management arrangements should be reviewed. Particularly to ensure the

needs of the housing service are sufficiently reflected in decision making and performance management.

Recommendation

R17 Cabinet undertake a review of the Council's current arrangements for the management of the joint venture agreement to place greater emphasis on the needs of tenants and with the aim of accelerating the rate of improvement in the performance of the housing repairs service and value for money.

15. Communication

- 15.1 The working group were interested to examine KNT's communications plan in view of criticisms from both tenants and councillors that KNT's communications were poor. The group were provided with a briefing note which had been considered by the Joint Venture Operational Partnership Board setting out progress in relation to a joint venture communications plan.
- 15.2 The working group believes KNT does not promote itself enough. During the course of the study, the working group discovered many examples of good performance and success which they would not otherwise have been made aware of.
- 15.3 The working group raised with the senior management team of KNT their concerns at the failure of KNT officers to attend meetings with tenants organised by councillors. KNT apologised for the absence of representatives at meetings held between tenants and councillors but stated that KNT had sometimes been excluded from some events and this matter had been addressed through strengthened partnership processes.
- 15.4 Councillors deal with many enquiries from tenants about the housing repairs service. These are recorded and, if necessary, referred to KNT through the members' enquiries system. KNT's response to members' enquiries is sometimes unsatisfactory both in terms of the time taken to respond and the quality of the reply. Councillors are often frustrated when they are advised to refer an enquiry already logged on the members' enquiry system through the housing repairs contact centre. The working group acknowledges the benefits of maintaining a central record of all enquiries but this sometimes has to be balanced against finding the most effective method of resolving an issue. The working group believes that if councillors were provided with the contact details of key staff within KNT, they could build relationships and often resolve local issues quickly and effectively.
- 15.5 The working group concludes that KNT should establish more direct lines of communication with councillors using a variety of methods to suit their needs and focussed on providing local information. For example it is suggested that ward councillors be provided with the latest performance data relating to their wards so that they can understand the local context within which they may receive complaints about the quality of the service in their area and compare

the service provided in their area with others to be aware of any locality issues.

- 15.6 With reference to sections 9 and 13 of this report regarding value for money and governance, the working group believes that Kier North Tyneside should publish and submit an annual report to the Cabinet, to provide a public account of performance and value for money.

Recommendations

- R18 The Cabinet ask Kier North Tyneside to review its communications plan with the aim of improving communication with councillors. The review should include consideration of a) surveying councillors as to their preferred means of communication; b) providing contact details of local supervisors and project managers who could be contacted by councillors in the event of local problems; c) ensuring officers attend meetings when invited to do so by councillors; d) raising awareness and creating a better understanding of the role of elected members and their importance in protecting the reputation of the service; e) responding promptly and effectively to members' enquiries; and f) designating a contact officer responsible for liaising with councillors on their members' enquiries.**
- R19 The Cabinet ask the Strategic Director of Community Services to provide a regular briefing for all councillors on the performance of the joint venture and that at the first briefing members be provided with an explanation of the current arrangements including the relationship between pay and performance.**
- R20 The Cabinet ask the Strategic Director of Community Services to investigate the possibility of regularly providing all members of the Council with joint venture performance data relating to their ward.**
- R21 The Cabinet receive an annual report from Kier North Tyneside to provide a public account of performance and value for money.**

16. Financial Implications

- 16.1 As part of the remit agreed by the Overview and Scrutiny Committee, the working group were set the task of examining how the partnership's profit or losses are accounted for within the Council's accounts. KNT is a limited company, owned 80% by Kier Group and 20% by the Council. As a limited company, KNT must produce its own audited accounts and file these with Companies House. The joint venture agreement provides for open book access to the accounts and financial records of KNT by the Council's officers at any time.
- 16.2 Under the joint venture agreement, KNT is obliged to pay its shareholders a management fee of 2.5% of annual turnover (split in the ratio 80:20 i.e. 2% to Kier Group and 0.5% to NTC) and for the first five years of the agreement it also pays the Council an unencumbered payment (£1m) and a partnership

advice charge (£700k). Profits or losses generated by KNT would be held in the company, profits being used to support the working capital of the company and to provide it with a retained earnings fund. Up to 33% of retained earnings can be distributed to shareholders in the form of dividends. There is a cap on the amount that can be paid to Kier Group and this is linked to the performance of the company as measured by the KPI's. For excellent performance the maximum level of profit distribution to Kier Group is 3% of annual turnover and this would be correspondingly reduced for poor KPI performance. To date the company has not paid any dividends.

- 16.3 Any losses generated would be set against any retained earnings in the company. After that, Kier Group, and not the Council, would be responsible for putting in additional working capital funding. In the Council's books dividends received will be accounted for on a cash received basis.
- 16.4 The working group considered the financial implications to the Council if there were redundancies within KNT, including any liabilities. Kier were aware at the point of negotiating the joint venture agreement that redundancies were likely to be incurred, unless the joint venture could generate significant third party work to compensate for the drop-off in work once Decent Homes Standard was delivered. As part of the Council's negotiations with Kier it was agreed that costs for a number of redundancies in April 2010 would be passed to the Council to the extent that this was compensated for by improved efficiencies in service. No adjustment was made to the target values or the guaranteed maximum price, both of which limit the amount the Council pays to KNT and act as a means of guaranteeing value for money.
- 16.5 The working group also examined how the Council's housing repairs and maintenance budget is determined and managed. The money the Council spends on repairs and maintenance is contained within the Housing Revenue Account and the amount is set according to a government formula. In 2011/12 the repairs base budget amounted to £10.4m.
- 16.6 The group noted that at the end of the financial year 2010/11 there had been a contribution from the Housing Revenue Account (HRA) to balances of £1.064m, which had been £0.549m higher than budget. £0.131m of the overall contribution had been from the repairs budget. Members sought clarification on whether this funding could have been made available for repairs, such as the outstanding works to replace damaged guttering. It was reported that the financing of repairs was not impaired by the end of a financial year and that any contributions to reserves could be drawn upon to fund future repairs within the HRA financial plan. The group considered the decision making process in respect to the transfer of funds between reserves and the repairs budget within the HRA. Such matters are approved by Cabinet and reported to the Finance Sub-Committee as part of the financial management reports. The working group highlighted the need for any such decisions to be taken in the light of current demands on the repairs service and they should be transparent in terms of information in relation to the decisions, the reasons for the decisions and who took the decision being available to stakeholders.

Recommendation

R22 Cabinet asks the Head of Finance in consultation with the Head of North Tyneside Homes to review the governance arrangements in relation to the transfer of funds between the housing repairs budget and the Housing Revenue Account reserves to ensure the decision making process continues to be transparent, provides accountability and takes into account current customer needs.

17 Information Technology

- 17.1 During the course of the study, members were made aware of criticisms of the information technology used by the Council and KNT and the challenges of integrating the IT systems of two different organisations. As a result the working group examined the systems used and how they interfaced with each other.
- 17.2 The working group concludes that in the majority of cases the interfaces between the systems work effectively and checks are in place to identify any errors. For example during a visit to KNT's call centre, councillors had witnessed the practical difficulties caused by jobs having to be raised in one system, using the Council's Northgate software, and then scheduled using a different system, Callsys, operated by Kier. Since then the interface between these systems had been improved and consequently the call handling performance had also improved.
- 17.3 Whilst the different functions associated with the joint venture could be performed by a single system to remove the interfaces and such comprehensive systems are available, none of them perform all the functions perfectly as each have their strengths and weaknesses and very few authorities use a single system.
- 17.4 There are options available in terms of reconfiguring the interfaces between systems. The working group suggests that a review be undertaken of the interfaces between the existing systems. Any review should seek to ensure that the systems are effectively meeting the needs of the Council and KNT. The working group also consider that the IT systems appear to be configured with an onus on producing financial information focussed on managing the costs of the joint venture. Any review should therefore also assess the effectiveness of the systems in supporting work management and if necessary reconfigure the interfaces to ensure that relevant information is produced to drive improvements in the quality and productivity of the service.

Recommendation

R23 The Cabinet ask the Head of North Tyneside Homes, in conjunction with Kier North Tyneside, to undertake a review of the interfaces between the existing information communication technology systems used by both organisations to ensure they are meeting their needs and adequately support work management.

18 Background Information

The background papers and research reports listed in Appendix A have been used in the compilation of this report and copies of these documents are available from the contact officer.

19 Acknowledgements

The working group would like to place on record its thanks and appreciation to those Council officers, staff from Kier North Tyneside, councillors and tenants for their assistance, openness and patience in providing the evidence on which this report is based. A full list of all those individuals who helped the working group with its work is set out in Appendix B.

20 Implication Statements

20.1 Financial Implications

As part of its remit, the working group was asked to consider the financial implications to the Council of the joint venture agreement, in particular how the partnerships profit/losses would be accounted for within the Council's accounts and what the financial implications to the Council would be if there were redundancies within Kier North Tyneside, including any liabilities. These points are addressed in section 17 of the report. The report also addresses the financial implications to the Council of the joint venture company in terms of value for money and apportionment of overheads. See sections 9 and 10.

20.2 Legal Implications

This report, and the recommendations contained within it, have been prepared and are submitted to Cabinet in accordance with the powers conferred on the Overview and Scrutiny Committee by Section 21 of the Local Government Act 2000.

In accordance with Section 122 of the Local Government and Public Involvement in Health Act 2007, this report gives written notice of the Overview and Scrutiny Committee's recommendations. Cabinet are required to consider the report and recommendations and provide a response to the Overview and Scrutiny Committee within 2 months of receipt. In providing this response Cabinet are 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.

20.3 Consultation/community engagement

In order to assess whether tenants are satisfied with the housing repairs service provided by Kier North Tyneside, the working group met with two groups of tenants and considered the data already available from North Tyneside Homes from its range of community engagement activities.

20.4 Human rights

The working group did not identify any human rights implications arising from the operation of the joint venture company.

20.5 Equalities and diversity

The working group did not specifically consider the impact on equalities and diversity of the operation of the joint venture company as this was not included in its remit. It is acknowledged however that the promotion of equalities was taken into account during the selection of Kier Group plc and there is evidence of KNT's commitment to equalities and diversity in its ten year plan, People and Places, delivering our social responsibilities.

20.6 Risk management

The working group have not specifically considered the joint venture company's risk management framework.

20.7 Crime and disorder

The working group have commented in section 12 of this report on reports that sub-contractors working on behalf of KNT sometimes fail to present identification on arrival at tenants homes. This can lead vulnerable people to feel insecure in their own homes.

20.8 Environment and sustainability

The working group did not identify any environment and sustainability implications arising from the study.

20.9 The following officers and Members have been sent a copy of the report for their comments and information:

- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Chief Executive
- All those listed in Appendix B

List of Background Papers

The following background papers have been used in the compilation of this report and copies of these documents are available from Michael Robson, Democratic Services, e-mail michael.robson@northtyneside.gov.uk Tel 643 5359, unless they are exempt from publication under Paragraphs 1 and 3 of Part 1 of Schedule 12a of the Local Government Act 1972 as indicated with (E).

- Joint Venture Working Group Terms of Reference and Project Plan
- Notes of the Joint Venture Working Group meetings
- Various Presentation Slides viewed at meetings of the Working Group
- Introductory Briefing Note to the Working Group – January 2011
- Agenda and associated papers for the Joint Venture Operational Partnership Board – 11 July 2011
- Empty Homes Lettings Standard
- North Tyneside Homes/Kier North Tyneside Local Offer
- Joint Venture Governance Framework
- Records relating to member enquiries on behalf of tenants dissatisfied with the housing repairs service (E)
- Briefing note to the Joint Venture Operational Partnership Board regarding the JV Communications Plan
- Audit Commission Report – Housing Repairs and Maintenance 2002
- Audit Commission Report – Housing Repairs and Maintenance 2006
- Housing Quality Network Reviews of Procurement Options 2006 (E)
- Anthony Collins Review of Procurement Options 2006 (E)
- CHRIS Project Final Business Case (E)
- Cabinet minutes relating to the establishment of the Joint Venture Company dated 15 November 2005, 16 May 2006, 12 December 2006 and 20 April 2009.
- Audit Commission Report into the Housing Service 2010
- Kier North Tyneside Training Plan and Report
- Kier North Tyneside Performance Reports November 2010 and October 2011
- Kier North Tyneside Cost and Performance Report (E)
- Kier North Tyneside People and Places – Delivering our social responsibilities 2010-2020
- Kier North Tyneside Procurement Policy and Procedures
- KPI Performance Bands 2011/12
- Workstream 1 Performance and Customer Satisfaction Information by Housing Forum Area
- Briefing Note on Joint Venture IT systems
- Briefing Note to all Councillors on Guttering Repairs – September & November 2011

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The working group would like to place on record its thanks and appreciation to the following individuals for their assistance to the working group:-

North Tyneside Council

Paul Hanson, Strategic Director of Community Services
Fiona Rooney, Strategic Director of Finance and Resources
Ian Conway, Head of North Tyneside Homes
Jon Ritchie, Head of Finance
David Foster, Property Services Manager
Jeff Green, Strategic Partnerships: Senior Manager
Andrew Gate, Senior Manager: Strategic Projects
James Roff, Strategic Partnerships, Programme Manager
Ray Pringle, Strategic Partnerships, Improvement Programme Manager
Davina Brain, North Tyneside Homes
Lee Nesbitt, Housing Investment Manager
Alison Campbell, Financial Business Manager
Sarah Heslop, Solicitor
Andrea Ward, Senior Manager, Skills and Employability
Michelle Cameron, Performance and Quality Officer

Kier North Tyneside

Mike Furze, Regional Director
David Straw, Finance Manager
Paul Leadbitter, Commercial Manager
John Norton, Operations Director
Robin Cairns, Business Development Manager
Charles Rayner
Neil Peverley
Tony Ormston
Mick McManus
June Moore
Kevin Young

Trades Union Representatives:-

Peter Hewitt, Michael White, Ian Lapsley, Alan Stansfield, John Geddes, Paul Tampin, Bill Walton, Mark Page and Paul Hedley.

Tenants

Members of the Council's Repairs Panel and other tenants who kindly gave their time to share their views and experiences of the repairs service with members of the working group.

Councillors

D Charlton, N Clothier, S Cox, C Croft, I R Grayson, M Huscroft, N Redfearn and J Wallace.