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| Subject: | Repairs & Improvement Partnership - Update | | |
| Date of Meeting: | 21 September 2016 | | |
| Report of: | Acting Executive Director Economy Environment & Culture | | |
| Contact Officer: | Name: | Glyn Huelin | Tel: 01273 293306 |
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| Ward(s) affected: | All | | |

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report provides an update on processes in place within the Repairs & Improvement Partnership with Mears Ltd to manage quality and avoid overpayments following the results of an internal audit review of overpayments identified by the council in respect of contracted housing repairs.
- 1.2 This follows an Internal Audit report to Audit & Standards Committee on 12th January 2016 and Housing & New Homes Committee on 13th January 2016 that concluded that mechanisms put in place by Mears to identify overcharging were not operating as intended. There was significant evidence that a particular subcontractor had routinely overcharged Mears and that these costs had been passed onto the council.
- 1.3 Mears Ltd provide a comprehensive responsive repairs, planned maintenance and major works service for council homes across the city under a 10-year contract. Around 20% of the annual contract is responsive repairs and approximately 4% of the annual cost relates to subcontracted responsive repairs. The overcharging was isolated to a single subcontractor working on a small proportion of responsive repairs.
- 1.4 The subcontractor involved with the overpayments no longer works with Mears and the council is continuing to work with Mears to strengthen processes and procedures to prevent any reoccurrence.

2. RECOMMENDATIONS:

- 2.1 That the Housing & New Homes Committee notes the updates on progress following the initial report to both Audit & Standards Committee and Housing & New Homes Committee in January 2016.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Housing & New Homes Committee received a report of the Acting Director Finance & Resources summarising the results of an internal audit review of overpayments identified by the council in respect of contracted housing repairs delivered via the Repairs & Improvement Partnership on 13 January 2016. The same report was also discussed at Audit & Standards Committee on 12 January 2016.
- 3.2 Members asked that a report be presented to the Committee on a biannual basis, demonstrating that the council and Mears have robust processes in place to avoid any further overpayments.
- 3.3 The Housing & New Homes Committee requested a workshop to look at the operation of the contract between the council and Mears. This workshop was held on the 23rd February 2016.
- 3.4 Following the identification of the issue by council officers within the Housing Property & Investment team the council has been meeting with senior management at Mears on a weekly basis to review progress with quality assurance on the contract and undertake, monitor and complete agreed actions.

Agreed actions undertaken

- 3.5 The council has received a total repayment of £513,113 related to the overcharge. This is made up of a sum of £274,866 for repairs post April 2014 and a sum £238,247 relating to the repairs undertaken by this subcontractor before April 2014.
- 3.6 The contractual mechanism allows for retrospective review and adjustment of all valuations on a monthly basis. The total credit for repairs post April 2014 represents 0.7% of the total valuations for the period.
- 3.7 Mears recruited a Quality Assurance Manager for the contract shortly after this issue came to light. This has had a positive impact in terms of implementing robust new post inspection and audit procedures and delivering cultural change.
- 3.8 Mears have reduced reliance on subcontractors for the responsive repairs service. This has reduced from an annual expenditure of £1.7 million to £0.872 million as at end of July 2016. This represents 12% of repair orders. There was an increase in subcontracted jobs in February to April 2016 due to increased roofing and drainage issues however there were still considerably less jobs subcontracted than in the same period in 2015 and the overall trend is still a reduction in subcontractor usage. This will continue to be monitored on a quarterly basis and is detailed in the table below:

| | Projected annual subcontractor spend | Projected annual subcontractor jobs | Projected annual spend with subcontractors (%) | Projected annual jobs with subcontractors (%) |
|------------------|--------------------------------------|-------------------------------------|--|---|
| Feb 15 to Apr 15 | £1,690,401.96 | 7,040 | 56% | 20% |
| May 15 to Jul 15 | £1,553,365.31 | 6,962 | 52% | 20% |
| Aug 15 to Oct 15 | £1,330,288.71 | 6,359 | 44% | 18% |
| Nov 16 to Jan 16 | £973,207.42 | 5,439 | 32% | 15% |
| Feb 16 to Apr 16 | £1,105,884.87 | 6,239 | 39% | 15% |
| May 16 to Jul 16 | £872,290.92 | 4,820 | 31% | 12% |

- 3.9 The following trades have moved from subcontractor delivery to directly employed operatives over the last six months; roofing, flooring, plastering, drainage, general building. Fourteen additional locally recruited and directly employed operatives have been appointed to deliver work in house. The following are the main areas of the repairs service that are supported by specialist subcontractors; glazing, large scale drainage.
- 3.10 As part of the review of quality assurance Mears post inspected the work of all other large volume responsive repair subcontractors working on responsive repairs to establish whether the overcharging was isolated to the one subcontractor or not. In total 1,002 targeted inspections and re-inspections were completed. Aside from nominal coding errors and minor quality issues, no concerns were highlighted as part of this exercise.
- 3.11 Mears are funding an additional council resource to work alongside the existing team of three Quantity Surveyors in sample checking the post inspection process detailed in 3.10.
- 3.12 The Mears responsive repairs team is now producing more reliable, consistent, structured and timely data to ensure that a robust view of the quality of work and accuracy of valuations is gained. Examples of this are providing staff with in-depth, property specific repair history prior to inspection and ensuring that comprehensive post inspection records are received by return.
- 3.13 Mears have overhauled inspection documentation to accurately reflect and record findings. The new post inspection form ensures that there is suitable levels of focus on the measurement and valuation of works, as well as the quality. A suite of reports has been produced detailing findings from post inspection data on a weekly and monthly basis. These reports cover all areas of data captured at inspection stage and identify any incorrect coding
- 3.14 Next Steps**
- 3.15 The council and Mears will continue to meet on a weekly basis to discuss progress with quality assurance within the partnership.

- 3.16 The council will be undertaking a review of the partnership to identify further improvements that would benefit the partnership, residents and stakeholders.
- 3.17 Alongside this the council will continue work with Mears to pro-actively monitor and review other areas of the contract including planned works and major projects for contractual compliance.
- 3.18 A further report will come to Housing & New Homes Committee in six months time.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 None considered.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 An initial update on overcharging was provided to Area Panels in July 2016 as part of the “Blue Pages” responses.
- 5.2 A copy of this report has been provided to the September 2016 round of Area Panels for information.

6. CONCLUSION

- 6.1 This report sets out the progress made following the identification of a subcontractor overcharging on the repairs partnership in 2015.
- 6.2 A further report will follow in six months in line with the recommendations made by Housing & New Homes Committee on 13th January 2016.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The HRA revenue budget outturn for 2015/16 included the recovery of the over payments totalling £513,113, as detailed in this report, which increased the overall HRA revenue budget underspend for 2015/16. The HRA provisional outturn for 2015/16 was included in the council’s Targeted Budget Management (TBM) provisional outturn report to Policy, Resources & Growth Committee in June. It should be noted that any HRA net underspend will be transferred to the HRA general reserves and will be available for future reinvestment within the HRA.
- 7.2 A small element of the entire over payment for both periods estimated at £6,500 related to leaseholders. This is a total amount across all leaseholders and not an individual amount per leaseholder. This will have been included in leaseholder service charges and therefore a reimbursement for any overcharge will be included in the 2016 service charge statement.

Finance Officer Consulted: Susie Allen, Principal Accountant
Date: 27/08/16

Legal Implications:

- 7.3 The measures outlined in this report will help ensure that the council is protected from similar overcharging in the future

Lawyer Consulted: Liz Woodley

Date: 23/08/16

Equalities Implications:

- 7.4 None

Sustainability Implications:

- 7.5 None

Any Other Significant Implications:

- 7.6 None

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents

None

