

Report of	Team	Job Title
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Name of Report	Date of Report	Agenda Item	Status
Quarterly PFI performance report to London Borough Islington	April 2010		Scrutiny

## **Performance of PFI 1 and PFI 2 Contractor - Partners for Improvement in Islington**

### **1. Synopsis**

This report provides information about the performance of Partners in delivering the PFI1 and PFI 2 contracts for the refurbishment, maintenance and housing management services to 6,436 Council owned dwellings across the borough.

### **2. Recommendations**

2.1 That LBI notes the information provided in this report.

### **3. General Performance – HFI Performance Basket**

3.1 Partners scored 8.51 in the PFI 1 February performance basket for their overall service and 6.83 on a year to date basis from 1 April 2009. Scores between seven and nine are rated good, and between five and seven are rated satisfactory.

3.2 In the February PFI2 performance basket Partners achieved 8.72 for their overall service and 7.39 on a year to date basis.

3.3 The lower year to date scores in PFI 1 stem from underperformance in December for re-letting voids and handling complaints within the 10 day turnaround time. This is being closely monitored by HFI to improve performance.

### **4. General Performance – All performance Indicators and deductions**

4.1 Partners continue to meet their targets for contractual Key Performance Indicators (KPIs) for both PFI 1 and PFI2 contracts.

- Partners' rent collection performance continues to lag behind HFI with a reduction of 0.8% in average arrears per tenant compared to 7.3% for HFI in the year April 2009 to February 2010. Partners' average arrears at £187.71 per tenant was 36% higher than HFI's.
- Up to the end of February 2010, the average relet time for revenue voids on a year to date basis was 13 calendar days in PFI 1 and 18 calendar days in PFI2. The contract target is 27 calendar days.
- Since April 2009 there have been deductions of £480.78 in PFI1, as a result of the failure to respond to a member's enquiry (a 2008-09 case) within the target

period of 10 working days. In February 2010 there was a deduction of £354.01 for failure to answer a complaint within 10 working days.

- In PFI 2 since April 2009 there have been deductions of £1550.30 for complaints not responded to within 10 working days, £522.91 for late responses to two members' enquiries and £2,750 for over-running the contractual time to complete refurbishment works in one tenanted home. This remains unchanged since the last report.

## **5. Complaints**

5.1 HFI is continuing to monitor closely the number of complaints and the escalation rate. The repairs teams' complaints have fallen significantly from a high in December 2009 of 20 to 4 in January and February 2010. The repairs team has redelivered training and replaced a member of staff who responds to letters in order to address quality issues. Standard practice is now to telephone every complainant and they intend to hold repairs surgeries. Of the 36 complaints from the previous quarter from October 2009 to January 2010, 53% were upheld. The majority were attributed to the Helpdesk relocation in November and the reduction in complaints since January may indicate that these teething problems have been satisfactorily addressed.

5.2 For the period April 2009 to February 2010 the escalation rate from Stage One to Stage Two for PFI 1 and 2 combined had fallen from 15% in September 2009 to 10%. PFI 1's rate has fallen from 25% in September 2009 to 15% and PFI 2's rate has fallen from 10% to 8% over the same period. The HFI escalation rate for stage 1 complaints to stage 2 is currently 9.8%.

5.3 HFI will seek new targets for the reduction in the escalation rate from stage 1 to stage 2 complaints in April 2010. Partners report they are beginning to use their monitoring sheets which should enable more consistent reporting on learning from complaints.

## **6. Refurbishment Works**

6.1 The PFI1 programme has now been completed and 96% of tenanted dwellings reach the decent homes standard. Around 70 tenanted homes could not be refurbished because of the age and vulnerability of the residents and will be refurbished as they become vacant. Five of these have been completed since the end of the works period.

6.2 Partners continue to make good progress in refurbishing properties in the PFI 2 contract and are well ahead of the contractual milestones. At the end of March 2010 they had completed the full works to 1866 tenanted homes and 681 leasehold units. Although the contract requires Partners to finish works by 31 March 2012, they anticipate that they may complete works in 2011.

6.3 HFI carries out quality checks on Partners' refurbishment works and completed the planned 72 checks by the end of March 2010. Tenants have been interviewed at the same time as the checks and they have scored an average of 6.09 out of 10 in response to a range of questions about their experience of the works and customer care. HFI's inspector scored an average of 6.95 out of 10 for the quality of work in progress and health and safety. The main issue has been the failure to insulate lofts to the required standard.

6.4 Partners agreed to re-inspect and rectify lofts to all 1077 properties refurbished

since the commencement of the contract. There are 262 lofts remaining to re-inspect and HFI are having monthly call over meetings to monitor this progress.

6.5 HFI have also carried out loft insulation checks to properties which have recently been completed. All of the lofts checked had been insulated to 200mm thick meeting the contract standards but in some cases the loft hatches were not done properly. Partners have agreed to return to these properties and rectify this.

6.6 In Partners' surveys on refurbishment works, tenants' satisfaction is shown to be at high levels with the quality of works and the service provided by Partners. For the quarter October to end of December 2010, 88% of tenants were satisfied with the quality of works and 87% were satisfied with the service they received from Partners. This is consistent with the previous quarter. The contract target is to achieve satisfaction levels in excess of 69%.

6.7 In 2009 Partners started carrying out surveys to measure PFI2 leaseholders' satisfaction with refurbishment works. Survey results achieved between September and December show a small rise in satisfaction with the works from 81% to 85% and satisfaction with the service provided by Partners remained constant at 93%.

## **7. Cyclical redecorations**

7.1 HFI has carried out 12 checks on the cyclical decoration works this year. Tenants were asked to give a score out of 10 for a range of questions including contractor's customer care, communication and satisfaction with overall completed job. HFI gave a score for the overall quality of the finished job. The average score from residents and HFI was 6.6 and 7 respectively. Partners have moved from a 5 year to a 7 year cyclical decorations programme and as a result there will not be any further cyclical decorations carried out in 2010. They will resume in 2011.

## **8. Subsidence and Leasehold Insurance**

8.1 A number of properties have been identified by Partners with major structural / subsidence problems that were not found in the survey of properties carried out before the start of the contract. HFI is considering each case in detail before accepting liability for these works and their extent.

8.2 Three urgent cases have had funding agreed by LBI capital finance. These are:  
4 Alington Street – on site with underpinning works started.

36 Highbury Hill – due to start on 26 April costs have increased due to leaseholders starting legal action. This case demonstrates that predicted costs could increase if more cases become litigious.

507 Caledonian Rd – works and costs have been agreed with the PFI team and we are awaiting a start date and programme of works.

8.3 The PFI team are continuing to assess the remaining defects and insurance cases where Partners say we have a liability. We have made a provisional estimate of the likely liability and the council is considering how to fund these liabilities. A working group has been set up with a project manager to coordinate the response to these problems in both Partners and HFI properties.

## **9. Deconversion and Overcrowding Works**

9.1 The Council has funding from the Government to ease overcrowding by the provision of larger family sized units through the deconversion of smaller flats into bigger homes and/or through the incorporation of unused rooms. Partners and HFI are working together on this project.

9.2 So far three schemes have been completed, creating three additional bedrooms and one larger 6 bedroom unit from two smaller flats. There are currently two schemes on site. These first will create a 4 bedroom, 8 person unit from 3 smaller units and the second will create a large 5 bedroom, 10 person unit from a 2 bedroom and 1 bedroom property. There are two further schemes to go on site in April which will create a large 3 bedroom property from a house that has never been self contained and a further 3 bedroom, 6 person unit from de-converting two smaller flats into one.

9.3 There are a further 4 schemes in the feasibility stages and another where the specification is being prepared.

**10. Leasehold issues**

10.1 Lateral conversions – All PFI 1 leaseholders living in a laterally converted building in non-spanning flats have been written to, to advise them that their lease has an error and offering to rectify this free of charge. 10 leaseholders out of 58 have taken up this offer and deeds of variation are being drawn up by legal. A recent meeting with LBI has agreed that the PFI 2 properties with the same issues will be contacted by end of May. Partners will invoice the leaseholders as if the lease is correct unless the leaseholder challenges. At pre-assignment enquiry and resale Partners will advise the leaseholder and solicitors that the lease is wrong.

10.2 Agreed Maximum Price – The PFI team have drafted a variation to close down the claim Partners have made as a result of the introduction of Agreed Maximum Price policy, and to clarify the position for future bills. It is expected that the PFI 1 variation should be finalised soon.

**11. Best Value Review of PFI 1 Contract**

11.1 The review focused on methods to raise customer satisfaction and meet customer priorities. The recommendations of the review were fed into a Best Value Plan and HFI monitors its implementation. The table below depicts the latest progress.

**Summary of Progress on PFI Best Value Review Action Plan**

Status	Progress
Number of actions complete with evidence	27
Actions complete but target date not due	8
Actions cancelled	1
Actions outstanding pending evidence	2
Total number of actions	38

11.2 The last report indicated some of the key improvements and HFI continues to monitor the progress of these.

11.3 The review is therefore complete with the exception of two items where Partners need to provide evidence. There are also eight actions that we are unable to measure whether they have been successfully completed until the results of HFI's Status survey are known. These results will indicate whether satisfaction has risen in the key areas of repairs and overall satisfaction.

11.4 The success of the Best Value Review will be evaluated in September 2010 when all the survey results will be known and recommendations from audits either implemented or in progress. Lessons will be learnt for the Best Value review which will be due in 2011/12 for PFI 2.

## **12. Benchmarking and Market Testing**

12.1 The PFI 1 contract, before the end of its seventh year, requires a benchmarking exercise to test the quality and competitiveness of the tenancy and leasehold management services and the ordering of repairs. The benchmarking, through comparison of standards, performance and costs with other leading service providers, is intended to show whether the current price of the PFI1 contract is value for money and could lead to market testing of the services.

12.2 Partners have appointed consultants to benchmark the quality and cost effectiveness of these services and they have produced a draft report.

12.3 HFI has considered the latest draft report and after discussion with the council, Partners have been requested again to provide more information on the benchmarking to support its conclusions or alternatively to offer proposals for a reduction in the unitary charge. Unless this is carried out within the next month, the council may consider that this element of the PFI 1 contract should be Market Tested.

## **13. Conclusion**

13.1 Performance indicators show that Partners continue to provide a good housing management and repair service.

13.2 The refurbishment of homes in PFI1 has been successfully completed and the refurbishment programme for PFI 2 is ahead of plan. Satisfaction with improvement works remains high.

13.3 HFI is awaiting a decision from LBI about the funding of structural works to properties in PFI2 where the council holds the liability for their repair.

Background papers:

Partners for Improvement in Islington contract documents.

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