

Report of	Team	Job Title
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Name of meeting	Date of meeting	Agenda Item	Status
Performance Management Committee	7 February 2011		Scrutiny

**Subject of Report:** Performance of PFI1 and PFI2 Contractor - Partners for Improvement in Islington

## 1. Synopsis

This report provides the Committee with information about the performance of Partners in delivering the PFI1 and PFI2 contracts for the refurbishment, maintenance and housing management services to 6,433 Council owned dwellings across the borough.

## 2. Recommendation

- 2.1 That Performance Management Committee notes and comments on the information provided in this report.

## 3. General Performance – HFI Performance Basket

- 3.1 In the PFI1 November performance basket, Partners scored 7.92 for their overall service rating and 7.65 on a year to date basis from 1 April 2010. Scores between seven and nine attract a good rating and those between five and seven are rated satisfactory.
- 3.2 In the November 2010 PFI2 performance basket, Partners achieved 8.71 for their overall service and 8.68 for the year to date.
- 3.3 Since February 2010 when performance was last reported to this committee, year to date scores for PFI 1 have remained constant and are still rated as good. Year to date scores for PFI2 have improved by 1.63 points and are rated good and are only 0.32 points away from an excellent rating.

## 4. General Performance – All performance Indicators and Deductions

- 4.1 Partners' performance is generally good and they continue to meet the majority of their targets for contractual Key Performance Indicators (KPIs) for both PFI 1 and PFI 2 contracts. This includes PIs for carrying out repairs on time and repairs satisfaction, re-letting empty properties, collecting rent, complying with tenancy changes and tenancy audit amongst other operational requirements.

- 4.2 Partners did not meet the contractual PFI2 target to respond to 96% of correspondence within 10 working days in April 2010 and as a consequence a deduction of £310.51 was made in July. A second PFI2 deduction of £552.53 was made in August when Partners did not meet the target to reply to 96% of complaints within 10 days of receipt. All other KPIs for the PFI2 contract have been met since the start of the financial year.
- 4.3 In March and August a total deduction of £6,000 was levied for Partners' failure to comply with the annual 2009-10 KPI target for handling cases of anti-social behaviour.
- 4.4 In PFI 1 Partners did not meet the contractual target to respond to 96% of correspondence within 10 working days in November and a deduction of £889.37 was made in January. All other KPIs for the PFI1 contract have been met since the start of the financial year.

## 5. Rent Arrears

Although Partners continue to meet contractual targets in collecting rent in both contracts, their performance relative to HFI indicates some opportunity to maximise the Council's collection of rent income.

Although the relative performance has been variable over the course of the year, performance indicators (PIs) for the period April to November point to some noticeable differences, see the table below.

<b>Rent arrears performance, November 2010</b>			
	Partners PFI1 & PFI2	HFI	% difference
Current rent arrears per tenant, R150	£165.14	£121.09	+ 36%
Rent arrears as a proportion of the rent roll, R155	3.1%	2.4%	+ 29%
The percentage of debt pool reduction, R175	-6.5%	-11.7%	- 44%
Rent collected as a proportion of rent due (current year only), R110, YTD	100.2%	100.2%	+ 0%

Whilst Partners have reduced rent arrears significantly and in 2010/11 are matching HFI in terms of rent collected as a proportion of rent due, the amount of arrears is significantly higher than HFI as measured by the two most relevant PIs. Partners' rent arrears as a proportion of the rent roll is 29% higher than HFI. Arrears per tenant was 29% higher than HFI in 2009/10 and is 36% higher so far in 2010/11. Partners have been asked for their proposals to reduce their rent arrears to match HFI's level.

## 6. Refurbishment Works

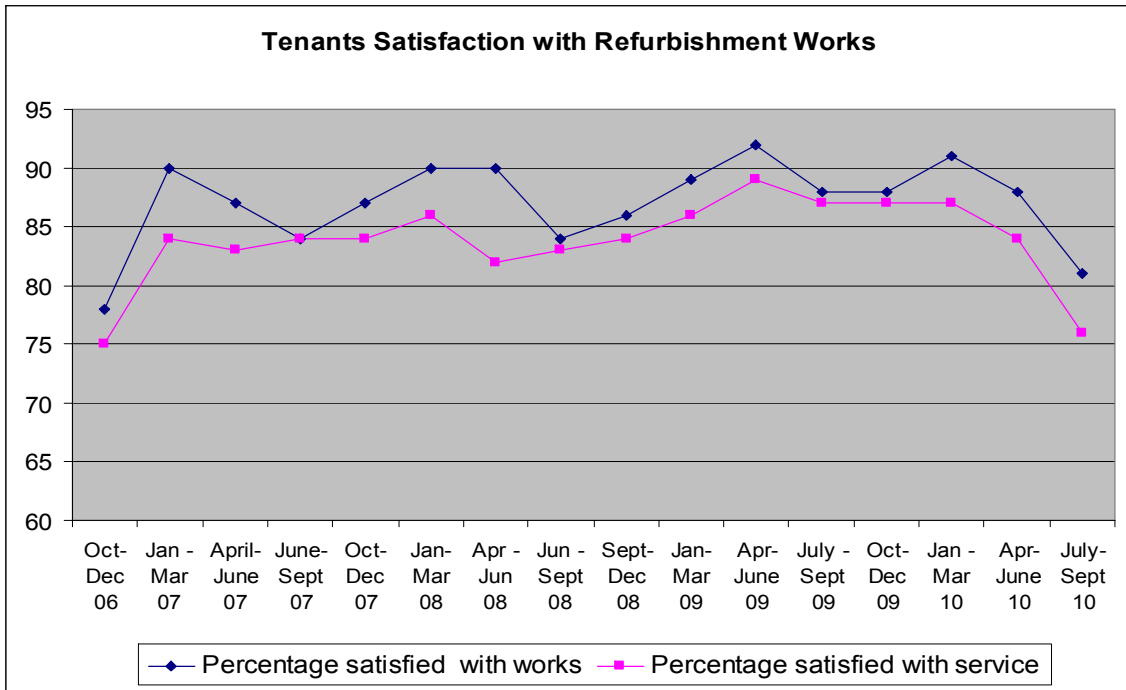
- 6.1 The refurbishment programme for PFI1 has finished.
- 6.2 Partners refurbishment of PFI2 properties exceeds the contractual milestone. At the end of November 2010, internal improvement works to 2,672 tenanted

homes had been completed and 874 leasehold dwellings had reached the full availability standard. Partners aim to complete the works by the end of 2011. During 2011, Partners will be refurbishing a pool of properties which have subsidence or structural problems.

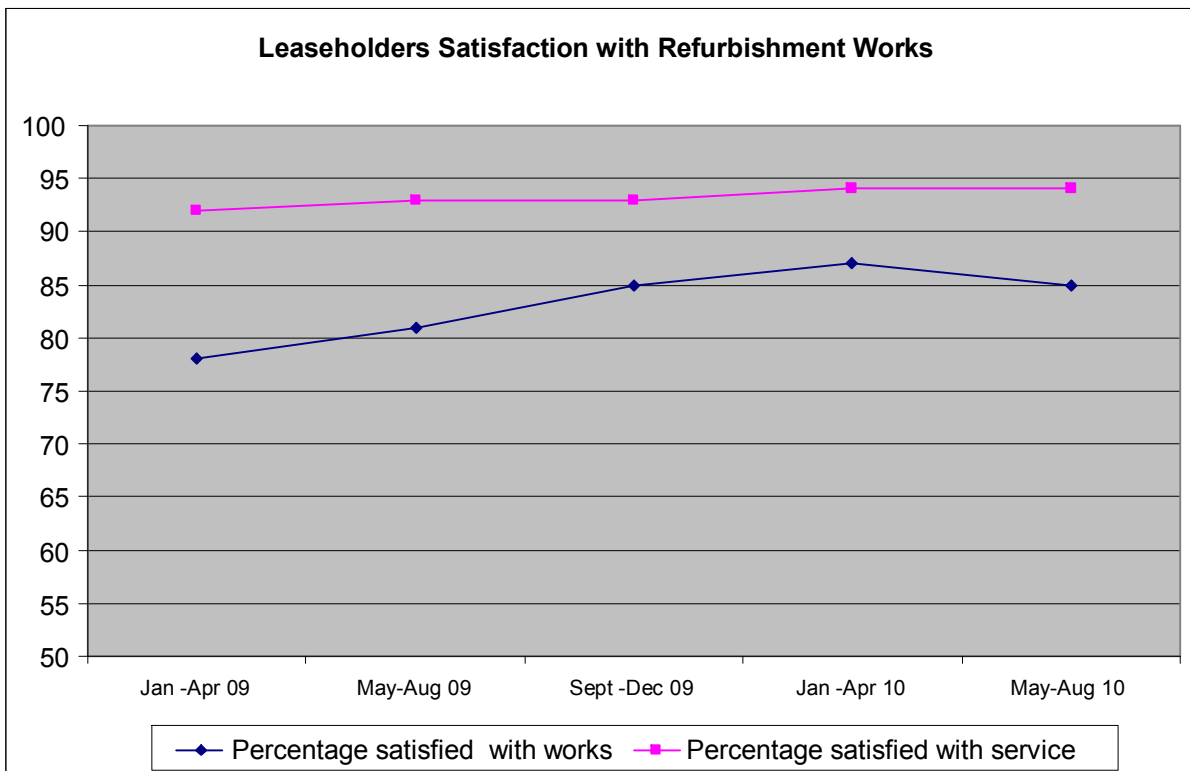
- 6.3 Quality checks of refurbished properties continue to be carried out by Martin Church, Technical Contract Manager with HFI. 72 checks are due to be carried out in 2010/11, 36 quality checks have been completed up to December 2010. Residents scored an average of 6.8 out of 10 on their experience of the refurbishment work and HFI scored an average of 7.0 out of 10 for the quality of works and health and safety. The table below shows the average scores for the year to date.

<b>Quality checks of refurbished properties 2010/11</b>	
<b>Residents' Scores</b>	
Keeping the resident's our home clean and tidy	6.5
Keeping appointments	7
Progressing the work properly	6.1
Not caused any leaks or water penetration	7.4
Looking after the resident in terms of customer care and communication	7.2
Average	6.8
<b>HFI Inspector Scores</b>	
Quality of works in progress	7.2
Quality of finished works	6.6
Compliance with Health and Safety Arrangements	7.3
Average	7.0

- 6.4 HFI continues to monitor issues found during the quality checks and there are currently twenty properties with fifty outstanding issues which have accumulated since April 2010. These issues are sent to Partners to investigate and resolve. The issues are not removed from the list until HFI receives confirmation in writing from Partners and are satisfied that they have been fully resolved. In some cases this means that HFI contacts the resident involved or carries out further site visits.
- 6.5 Recent surveys of tenants by Partners whose homes have been refurbished show continuing high levels of satisfaction with the refurbishment works and with the service provided by Partners. For the quarter July to September 2010, 81.8% of tenants were satisfied with the quality of works and 76% were satisfied with the service they received from Partners. These figures show a drop from 88% and 84% respectively from the previous quarter but are well above the contractual target of 69%. Partners have been alerted to the decline in satisfaction and their commitment to resurrecting performance to previous higher levels has been sought.



6.9 The latest available figures (for May to August) show that 85% of leaseholders were satisfied with works to their homes and 94% were satisfied with Partners' service.



## **7. Loft Insulation**

- 7.1 Partners agreed to re-inspect and where necessary rectify the loft insulation to 1077 properties refurbished since the start of the PFI2 contract, after it was discovered that Partners had not installed loft insulation properly in some properties. Partners have nearly completed this process. However there are 181 properties where they have not been given access by the residents. Partners will include inspection of these lofts as part of their annual gas servicing visit which should ensure access to all the tenanted homes over the coming year. Access to lofts in leasehold properties may remain a problem. HFI will continue to monitor loft insulation work to ensure that it is installed to all remaining properties.
- 7.2 The PFI1 contract omitted the provision of loft insulation in the properties. HFI has sought the assistance of the council's Energy Team to find ways of funding this work. The council is considering the need for insulation schemes across the borough and is evaluating the likely costs of this work.

## **8. Deconversion and Overcrowding Works**

- 8.1 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.
- 8.2 Since this scheme commenced in summer 2008 nine schemes have completed creating a total of 15 bedrooms and 21 bed spaces. There are currently six schemes on site that will create a total of 16 bedrooms and 18 bed spaces and there are three currently being commissioned that will create a total of six bedrooms and eight bed spaces.
- 8.3 The schemes are progressing well and HFI meets regularly with Partners to monitor progress.

## **9. Leasehold Issues**

- 9.1 Lateral conversions – All PFI 1 and PFI 2 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. There has been a low level of interest and take up of the offer to change leases. 29 residents out of 240 have asked for their lease to be changed.
- 9.2 Agreed Maximum Price – The variation to finalise the introduction of Agreed Maximum Price policy and to clarify the position for future bills on PFI 1 has been signed. The PFI 2 variation is under negotiation.

### 9.3 Leasehold Charges Audit

9.4 In 2010 LBI undertook an internal audit reviewing leaseholder charges for works carried out by Partners under the PFI1 and PFI2 contracts. This was following a number of complaints from leaseholders and allegations of fraud.

9.5 The audit did not identify any cases of fraud perpetrated by Partners or its subcontractors against the council or its leaseholders. However the work identified a number of control weaknesses, two of which are high in priority, as follows:

- Two out of the 20 leaseholder properties randomly selected for testing (10% of the sample) appear to have been incorrectly certified as having met the full availability standard. This could have resulted in overpayments from HFI to PFI of £4,861.60.
- In one case a final account had been revised following a leaseholder challenge but revisions had not yet been applied to the accounts of other leaseholders in the building affected by the same issues.

9.6 Medium priority issues were identified relating to the failure to pass on sub-contractor discounts to leaseholders, work items being removed from final accounts following leaseholder challenge on the basis of works not done and the length of time taken to formally resolve one leaseholder challenge.

### 9.7 Audit Update

9.8 Certification - Partners investigated the one PFI 1 property where there was potentially an incorrect certificate. This was not the case and no adjustment to the unitary charge was necessary. Eight PFI 2 properties were incorrectly certified because of an incorrect setting in their IT system and Partners have refunded £14,000 to the council. Partners have checked that no other properties were subject to the system error and have disabled the function to prevent it happening again.

9.9 HFI audited another 30 tenanted and 30 leasehold properties to verify the validity of the certification process. All certificates were identified, were correct and corresponded with the dates when Partners applied the appropriate uplift in the unitary charge. As a result the risk that the council may have been charged incorrectly is considered low.

9.9 Partners now have a procedure in place to review all leaseholder accounts in a block where one dwelling has had an adjustment to their account following a leaseholder challenge. All relevant leaseholders received adjusted accounts by the end of August 2010. Partners carried out their own audit and evidenced that the procedure had been correctly followed in all cases.

9.10 Prompt payment discounts – following legal advice it is likely that some leaseholders will be entitled to a small refund as a result of prompt payment discounts passed onto United House. HFI will work with Partners to calculate the refunds and arrange repayment.

9.11 The audit identified some areas for improvement in the processes involved in responding to and monitoring leaseholder challenges. Partners have made

improvements including carrying out 100% post inspections to all blocks containing leaseholders before sending out bills. They hold monthly meetings to review and monitor challenges and an HFI Commissioning Manager attends this meeting. Target deadlines have been set for dealing with challenges and a guidance leaflet for leaseholders explaining the challenge process is being reviewed by the Residents Forum in January before being finalised.

- 9.12 In February HFI will start an audit to look at leaseholder challenges to ensure the process is appropriate, the result is fair and adjustments have been made in a timely manner to the bills of any other affected leaseholders.

## 10. Complaints

- 10.1 Partners have been trialling the council's new two stage complaints policy since 6 September 2010 subject to agreement on costs and a contract variation. Partners have also introduced a "Service Alert" system to give residents an opportunity to raise concerns about a service issue with a shorter response time of 10 working days without making a formal complaint, although residents are entitled to do this if they wish.

- 10.2 Since 6<sup>th</sup> September 2010 Partners have received 49 service alerts and 95 stage 1 complaints broken down as follows:

<b>Complaints received, September to December 2010</b>		
	Service Alert	Stage 1
PFI 1	22	28
PFI 2	27	67

- 10.3 Given the stock numbers the combined total of PFI 1 and 2 stage 1 complaints (excluding service alerts) is broadly comparable with the number received by HFI.

- 10.4 Most of the service alerts and complaints concern the repairs team on PFI 1 and the Works team for PFI 2. This may be due in part to the difficult weather conditions experienced in December 2010.

- 10.5 There have been two stage 2 or chief executive complaints that the council has decided to investigate further.

- 10.6 At this point it is difficult to draw any meaningful conclusions on these figures as they represent the first quarter that has been measured and HFI do not have an equivalent service alert stage. HFI will continue to monitor this area.

## 11. Partners' Annual Service Plan 2010/11 - Mid Year Review

- 11.1 There has been good progress against the plan. Of the incomplete actions five of the six are leasehold items and progress in this area has been slower than anticipated because of the actions that were required from the PWC

audit earlier in the year. The only other incomplete issue is the welcome card in the void properties; this card has been designed and will be implemented very soon. There is satisfactory progress on the 11 partially complete actions.

<b>Summary of Annual Service Plan 2010/11 Actions</b>
42 completed actions
11 partially complete
6 incomplete
17 not due
3 cancelled

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

- 12.1 The PFI 1 contract requires a benchmarking exercise after seven years to test the quality and competitiveness of the housing management services and the ordering of repairs. It is intended, through a comparison of performance and costs with other leading service providers, to test if the price of those services is value for money and enable an adjustment in price if necessary.
- 12.2. As previously reported the council and HFI did not agree with Partners' benchmarking report. The next step would normally be a market testing (procurement) exercise but it was decided to explore whether Partners would agree reasonable efficiency savings instead. However those negotiations have failed and HFI is now taking its claim that Partners should carry out market testing to a formal adjudication.
- 12.3. Benchmarking and market testing of housing management services in the PFI2 contract are also scheduled to take place in 2011. HFI believes that sufficiently accurate benchmarking is not possible and has asked Partners to move straight to market testing. Partners refused that and have stated their intention to carry out benchmarking. It is due to be completed by May.

## **13. Anti-Social Behaviour Audit**

- 13.1 In April 2010 the HFI PFI Commissioning Team carried out an audit of Partners' ASB cases. The team looked at three cases drawn from 13 that had been subject to complaints or members enquiries in the period 2009/10.
- 13.3 In two out of the three cases the HFI team judged that the KPI had not been met. Although procedures had been followed there was not swift enough evidence gathering and follow up action to stop the ASB and prevent the complainant suffering longer than was necessary.
- 13.4 As a result Partners produced an action plan to address the shortcomings identified in the audit. This includes:
- High level review of all live cases – completed;

- ASB accreditation training for all case officers and team leader – slipped, now due Q1 2011/12;
- More robust and systematic monthly team leader review – implemented;
- Improved proactive evidence gathering – implemented;
- 3 month programme of tool kit talks – for better use of powers – part implemented;
- Regular meetings with ASB solicitors – implemented;
- Quarterly internal audits to pick up any issues – slipped, due Jan 11.

13.5 Following the ASB audit, Partners and HFI carried out further analysis of cases and the 09/10 KPI for ASB has been finalised. Three cases out of 166 have been agreed as not meeting the required standards. A fourth case is still the subject of dispute. A contract deduction of £6,000 was levied on Partners for this KPI failure.

13.6 HFI sees this as a high priority issue for improvement and will be monitoring the action plan to ensure improvements are achieved. HFI is also concerned about the low level of resident satisfaction for recipients of the ASB service which had been static at around 36% satisfaction over the last two years. Partners expect that the improvements from their action plan will feed through to more effective case management and customer satisfaction and have committed to raising the satisfaction rate to 55% by 31 March 2011. Latest figures up to the end of November show an increase in satisfaction to 44% this is encouraging, however there is still room for further improvement.

## **14. Conclusion**

14.1 The Key Performance Indicators show that Partners continue to provide a good housing management and repair service.

14.2 The refurbishment programme for PFI 2 is ahead of plan. Satisfaction with improvement works remains high.

14.3 There is scope for improvement in the handling of anti-social behaviour cases.

14.4 There is scope to reduce the level of rent arrears.

14.5 HFI is continuing to check Partners' leaseholder charging processes following recommendations made by internal audit.

## **Background papers**

Partners for Improvement in Islington contract documents.

