

# North Tyneside Council

## Report to Cabinet

### Date: 25 November 2019

#### Title: Construction Project – Delivery and Benefits Realised

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**Portfolios:** Finance and Resources  
Housing and Transport  
Deputy Mayor

**Cabinet Members:** Cllr Steve Cox  
Cllr Ray Glindon  
Cllr Bruce Pickard

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**Report from:** Housing Property and Construction Manager

**Responsible Officer:** David Foster, Housing Property and Construction Manager      **Tel:** (0191) 643 7801

**Wards affected:** All

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#### **PART 1**

##### **1.1 Executive Summary:**

1.1.1 At its meeting on 27<sup>th</sup> September 2017, Cabinet agreed not to extend the agreement with Kier and bring delivery arrangements back into the direct management of the Authority from 1<sup>st</sup> April 2019.

1.1.2 In making this decision Cabinet agreed a set of policy objectives which apply to all the construction needs of the Authority. The agreed policy priorities were

- Having taken a view on the delivery of the rest of the Authority's construction work, the majority of the requirement is about housing
- Value for money; and
- Flexibility

1.1.3 A project team was subsequently created on 10 October 2017 to develop and deliver the correct arrangements to deliver the construction needs of the Authority from 1 April 2019.

1.1.4 Following a 2 year delivery period, the project has now successfully concluded and the repairs and maintenance and construction services have transferred back to the Authority. This report provides details on the objectives achieved, lessons learned and the benefits realised through the project.

##### **1.2 Recommendations:**

It is recommended that Cabinet note the content of this report.

### **1.3 Forward Plan:**

Twenty-eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 18 October 2019.

### **1.4 Council Plan and Policy Framework**

This report relates to the following priorities in the 2016/19 Our North Tyneside Plan.

Our People will:

- Be listened to, and involved by responsive, enabling services
- Be ready for work and life – with the skills and abilities to achieve their full potential, economic independence and meet the needs of local businesses
- Be cared for and safeguarded if they become vulnerable

Our Place will:

- Be great places to live, and attract others to visit or work here
- Offer a good choice of quality housing appropriate to need, including affordable homes
- Provide a clean, green, healthy, attractive and safe environment

Our Economy will:

- Grow by building on our strengths, including our existing world-class companies, and small and growing businesses
- Have the right skills and conditions to support investment, and create and sustain new, good-quality jobs and apprenticeships for working-age people

### **1.5 Information:**

#### **1.5.1 Background**

1.5.2 At its meeting on 12 September 2016, Cabinet agreed to establish a Working Group to consider the future construction needs of the Authority and the options available to meet those needs. At the time this work was being done in line with the process outlined in Clause 3.2 of the Agreement made with Kier Group plc (“Kier”) in September 2009.

1.5.3 Following a period of comprehensive review by the Working Group, at its meeting on 27 September 2017, Cabinet agreed not to extend the agreement with Kier and bring delivery arrangements back into the direct management of the Authority from 1 April 2019.

1.5.4 In considering the future construction requirement, the Cabinet Working Group agreed a set of policy objectives which apply to all the construction needs of the Authority. The agreed policy priorities were

- Having taken a view on the delivery of the rest of the Authority’s construction work, the majority of the requirement is about housing
- Value for money; and
- Flexibility

- 1.5.5 To oversee the successful implementation of the agreed recommendations against the policy priorities Cabinet also agreed to establish a Steering Group consisting of the Deputy Mayor, the Cabinet Member for Finance and Resources, the Cabinet Member for Housing and Transport, the Deputy Chief Executive (now Chief Executive), the Head of Environment, Housing and Leisure, the Head of Commissioning and Investment, and the Head of Law and Governance.
- 1.5.6 A project team was subsequently created on 10 October 2017 to develop and deliver the correct arrangements for the construction needs of the Authority from 1 April 2019.
- 1.5.7 In delivering the policy priorities the project was required to deliver seven objectives:
- Prepare for and manage the TUPE transfer of around 400 colleagues landing those colleagues in an overhauled housing organisation
  - Source and prepare an appropriate range of IS/IT services
  - Source a set of supporting logistics
  - Source and prepare a delivery supply chain
  - Organise the right accommodation
  - Work across the financial landscape to shape the books and resource the work; and
  - Work across both organisations to begin creating the right culture for our customers.
- 1.5.8 In order to successfully deliver the project objectives the project was divided between 8 work streams, with associated expected outcomes. In turn, each work stream lead was accountable to a Project Manager. The identified work streams were
- People
  - Technology
  - Logistics
  - Supply Chain
  - Accommodation
  - Design for non-housing construction work
  - Finance
  - Culture
- 1.5.9 Project Delivery
- 1.5.10 The Construction Project formally concluded on 31 October 2019 having successfully established the correct arrangements to ensure the smooth transition of services between Kier and the Authority.
- 1.5.11 During the delivery period of the project a number of key decisions were made by the established Steering Group to enable the Authority to deliver services which align with the policy priorities agreed by Cabinet.
- 1.5.12 Prepare for and manage the TUPE transfer of around 400 colleagues landing those colleagues in an overhauled housing organisation

This was completed. Over 360 staff successfully transferred to the Authority on 1 April 2019 and a further 30 were migrated into the service from existing North Tyneside Council teams. All transferring staff were auto-enrolled on to the Local Government Pension Scheme and successfully paid on 15 April 2019. In addition, all staff underwent comprehensive induction training on the Authority's corporate policies and procedures.

#### 1.5.13 Source and prepare an appropriate range of IS/IT services

This was completed. A new ICT system solution, AccuServ, was procured and implemented to manage the repairs and maintenance and construction business. Training was provided to all system users with over 600 individual ICT devices (i.e. desktops, laptops, tablets and mobile phones) issued to staff to enable them to deliver services in an agile manner. The service will continue to review and develop the procured system solution to meet business and customer needs.

#### 1.5.14 Source a set of supporting logistics

This was completed. A fleet of circa 130 vehicles was established with a further 10 electric vehicles being piloted. All service area staff were provided with new uniform and protective equipment. Alongside the purchase of new plant and equipment hire arrangements were established to ensure the team have the necessary tools for the job. It was also determined that the in-house stores solution would be retained and this was mobilised to ensure the smooth transition of services on the 1 April, including a full audit over the last weekend in March.

#### 1.5.15 Source and prepare a delivery supply chain

This was completed. Comprehensive soft market engagement was undertaken with supplier and stakeholders to allow a better understanding of how businesses of all sizes could be engaged in procurement. Frameworks were successfully established and appointed to, including a Dynamic Purchasing System which provides greater opportunities for smaller, local businesses to deliver work on behalf of the Authority. The service area will continue to monitor the supply chain to ensure that it represents value for money and meets business requirements.

#### 1.5.16 Organise the right accommodation

This was completed. Refurbished staff welfare and training facilities were provided at Block E of the Killingworth Depot site. This includes the provision of catering services. Ongoing work to modernise the Killingworth Depot will continue with the service area contributing to the design and delivery of this.

#### 1.5.17 Work across the financial landscape to shape the books and resource the work

This was completed. The 30 year Business Plan was reviewed and reprofiled. Further detail on the benefits realised can be found at paragraphs 1.5.43 to 1.5.49 of this report.

### 1.5.18 Work across both organisations to begin creating the right culture for our customers

This was completed. During the transfer a series of staff engagement events were held to provide regular project updates. Staff were successfully inducted into the Authority's policies and procedures and have continued to be consulted regarding continuous service improvements. Customers were also engaged in a review of the service offer to ensure it met customer expectations, with a revised Repairs Handbook being created. The necessary Safety, Health and Environment frameworks in place and gas and electric accreditations secured to ensure the service is compliant and that staff can be safely put to work.

1.5.19 A full log of all achieved milestones can be found at Appendix 1.

1.5.20 In delivering the project the established Policy Objectives were also achieved. The following sections provide detail in to how they were realised.

### 1.5.21 About housing

Customers and service users were engaged throughout the project to ensure that services continued to reflect customer demands. As part of this customers were involved in a review of the service offer. Based upon their feedback changes to the repairs and maintenance service were made to provide services with greater flexibility. Improvements included:

- Provision of AM/PM appointment slots
- No appointment required for external works (unless requested)
- Provision of online self-help tools
- Provision of text messaging notifications

1.5.22 Table 1 provides a summary of work delivered by the Housing Property and Construction Service since transfer (to 31<sup>st</sup> August 2019).

Table 1 – Summary of works

<b>Measure</b>	<b>Total</b>
Number of repairs completed	15,701
Number of calls answered	29,076
Number of empty homes ready to be re-let	480
Number of gas services completed	7,597
Adaptations completed	1,288
Number of planned housing improvement schemes	4 Completed 9 On Site 23 Still to commence
Number of public building improvement schemes completed	11
Number of schools improvement schemes completed	21

1.5.23 Whilst it has been possible to draw comparisons between service level performance prior to the transfer and post transfer, it is important to note that due to a number of factors, such as the agreed changes to job priorities and appointments slots, like for like comparisons are more difficult.

1.5.24 Following the transfer of a £40m service, circa 400 staff and the successful implementation of new ICT and supply chain arrangements it would be reasonable to expect changes in performance. However, the early indications are that despite such a significant change and transfer the Service continues to deliver a high performing service offer and this should be recognised.

1.5.25 Table 2 provides a comparison of Kier’s 2018/19 year performance and North Tyneside Council performance since transfer. Year To Date (YTD) refers to 1<sup>st</sup> April 2019 to 31<sup>st</sup> August 2019. It demonstrates a strong start for the new service and in some instances is already performing the same or better in some areas after under 6 months. The teams will continue to focus performance levels with our customers as we move into the business as usual phase of the project.

Table 2 – Performance comparison

Measure	Performance			
	2018/19 Target	2018/19 Actual	2019/20 YTD	August 2019
Percentage of properties with a valid gas servicing certificate	100%	100%	100%	100%
Percentage of emergency repairs completed on time	99.79%	100%	98.87%	99.52%
Percentage of repair appointments made and kept	96.62%	99.33%	93.75%	96.16%
Average number of calendar days to repair empty homes	18.01 days	14.73 days	15.26 days	16.61 days
Percentage of empty homes repairs completed right first time	77.50%	85.59%	85.21%	79.25%
Percentage of contact centre calls answered within 20 secs	85.00%	84.08%	94.80%	94.21%
Percentage of contact centre calls lost/abandoned	3.00%	1.61%	0.63%	0.50%

1.5.26 The table above shows that prior to transfer Kier North Tyneside was meeting or exceeding the key performance indicators, as set out in the Agreement between Kier and North Tyneside Council in September 2009.

1.5.27 Where year to date performance is lower than the 2018/19 performance target reference should be made to the August 2019 data. This monthly snapshot data suggests that performance has improved and shows a positive trend towards meeting the targets.

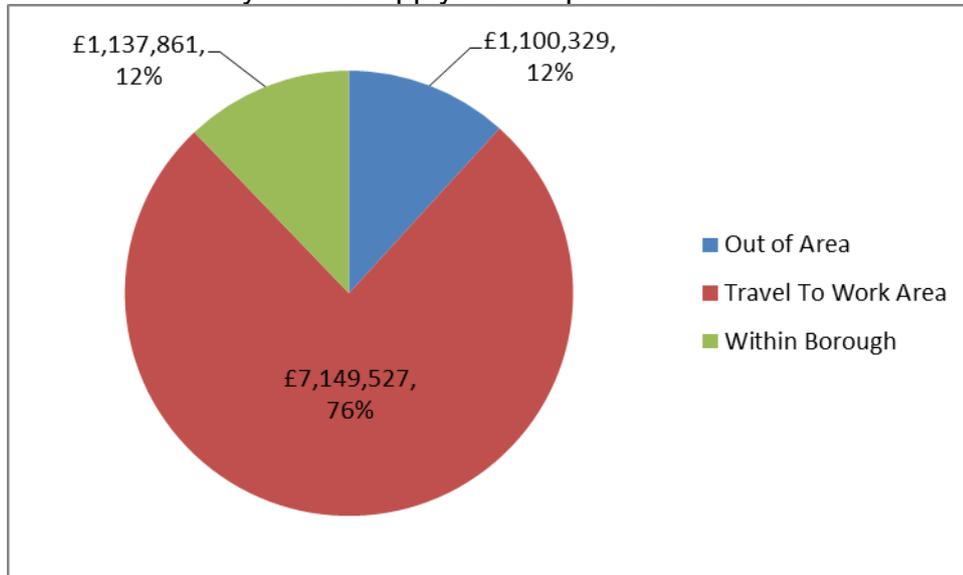
1.5.28 It is particularly worth noting that performance data indicates that more calls are being answered within target time, with fewer lost or abandoned. Customers will have experienced an improvement in the level of customer service they are receiving from the in-house contact centre.

#### 1.5.29 Flexibility

As mentioned, the Authority undertook a significant procurement exercise to establish frameworks of suppliers and subcontractors to deliver the business’ needs.

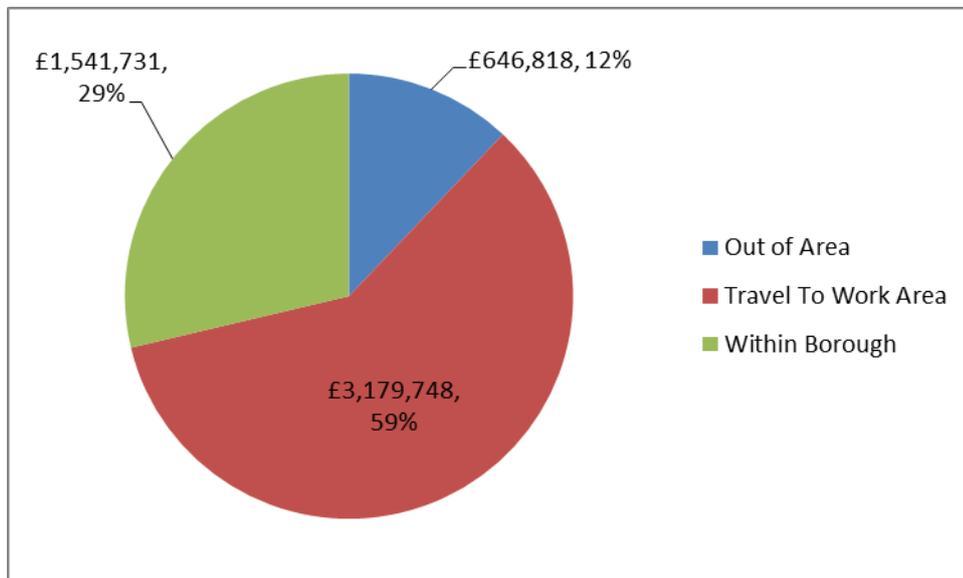
1.5.30 The following graph (Graph 1) shows the total Kier North Tyneside spend for all supplier and subcontractors for the 2017/18 financial year. It shows that 12% was Out of Area, 76% fell within the Travel To Work Area, and 12% was within the borough.

1.5.31 Graph 1 – Kier North Tyneside supply chain spend for 2017/18



1.5.32 In comparison to this, Graph 2 shows North Tyneside Council's spend for the year to date.

1.5.33 Graph 2 – North Tyneside Council supply chain spend to date (to 31 August 2019)



1.5.34 Out of Area spend has remained consistent at 12%, this is largely due to the majority of manufacture for materials suppliers being out of area. However, through the Authority spend within the Borough has increased from 12% to 29%.

1.5.35 This upward trend is expected continue for the rest of the year and significantly increase next year as the procurement strategy is further refined.

1.5.36 Further to this, additional service flexibility was provided by the establishment of a Dynamic Purchasing System. This allows for smaller subcontractors and suppliers to engage with the Authority and tender for smaller works, providing further opportunity for local businesses to deliver services.

#### 1.5.37 Value for Money

In October 2017 a project budget of £8.332m was established to provide the required revenue and capital funding.

1.5.38 At the closure of the project in October 2019 an efficiency of £2.830m was achieved against the allocated budgets, across both revenue and capital provision within the HRA.

1.5.39 Over the life of the project revenue costs came in £1.795m under budget, with in-year HRA savings for 2019-20 forecast at £0.710m. This position will be reported as part of the Council's budget monitoring process for 2019-20 and the Statement of Final Accounts for 2019-20.

1.5.40 The capital budget for 2019-20 generated savings totalling £1.035m. These savings resulted from efficiencies relating to both the capital expenditure on fleet and ICT. The majority of this saving (£0.790m) is being offered up as a saving via the Council's budget monitoring process and Final Accounts process for 2019-20 and will be carried forward in the HRA Business Plan allowing for the redirection of budgets to meet the future needs of our HRA Investment priorities, as Cabinet see fit.

1.5.41 In establishing the service, a baseline budget for the 2019/20 financial year was created. From the inception of the Construction project back in October 2017 through to the end of the 2019-20 financial year, it is forecast that total savings of £6.395m will have been achieved. These are a combination of one-off capital and revenue savings totalling £4.895m over that period, along with a total of £1.500m of revenue savings in 2019-20 which will be a permanent adjustment to the base HRA budget moving forward.

1.5.42 The circa £1.500m of permanent revenue savings per year will be recognised over the lifetime of the 30 year HRA Business Plan, and this equates to somewhere approaching a total forecast revenue saving of £60.000m over the 2020-50 HRA Plan period.

1.5.43 Further to this, the HRA Asset Management Plan has been reworked to build in the impact of potential capital savings of circa £1.000m per year. Again, over the lifetime of the 30 year Business Plan including indexation assumptions this equates to forecast capital savings of over £40.000m, which will be re-directed to meet Cabinet and tenant priorities including new build.

1.5.44 Hence, over the lifetime of the 30 year HRA Business Plan, taking into account the one-off savings, forecast revenue savings and forecast capital savings, savings of the best part of £100.000m should be achievable over the lifetime of the 30 year Business Plan which can be re-profiled and re-invested back in to the service to meet Cabinet and tenant priorities.

1.5.45 The service area will continue to review and benchmark where possible to ensure that services provided represent value for money. Any further benefits will be reported as part of the Council's budget monitoring process.

1.5.46 Total benefits and savings in 2019-20 across both service delivery in the first year of operations and the bringing of the Construction project to a conclusion, will total circa £5.311m. This along with tables of benefits and savings realised during the project can be found at Appendix 2.

#### 1.5.47 Lessons Learned

Following the completion of the project a comprehensive lessons learned exercise has been undertaken. This exercise has now concluded and identified a number of lessons which will be of benefit to the Authority should a similar project be undertaken in the future. A log of high level themes and associated lessons can be found at Appendix 3.

### 1.6 **Decision options:**

The following decision options are available for consideration by Cabinet:

#### Option 1

To note the findings of the report.

### 1.7 **Reasons for recommended option:**

Option 1 is recommended for the following reasons:

- The report is for information and noting.

### 1.8 **Appendices:**

Appendix 1: Log of achieved milestones

Appendix 2: Benefit Realisation

Appendix 3: Log of lessons learned

### 1.9 **Contact officers:**

Phil Scott, Head of Environment, Housing and Leisure, tel. (0191) 643 7295

David Foster, Senior Manager Housing Property and Construction, tel. (0191) 643 7801

Adam Hagg, Customer Interface and Service Improvement Manager, tel. (0191) 643 6684

Darrell Campbell, Senior Business Partner, Finance

### 1.10 **Background information:**

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

(1) 12<sup>th</sup> September 2016 Cabinet Report

- (2) 27<sup>th</sup> September 2017 Cabinet Report
- (3) Construction Project - Project Brief
- (4) Construction Project Lessons Learned Report

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

- 2.1.1 The financial implications are documented within sections 1.5.17 to 1.5.46 as well as appendices 1 and 2

### **2.2 Legal**

- 2.2.1 There are no direct legal implications.

### **2.3 Consultation/community engagement**

#### 2.3.1 Internal Consultation

The project team consulted with a wider range of officers including the Kier North Tyneside team. Overview, Scrutiny and Policy Development Committee and Housing Sub-Committee were provided with progress updates throughout. Trades Union representatives were regularly and engaged and consulted throughout the TUPE process. Consultation was also undertaken with the Senior Leadership Team, Cabinet Members and Steering Group.

#### 2.3.2 External Consultation/Engagement

In delivering the project and transferring services the existing Kier North Tyneside workforce was regularly updated and consulted regarding progress. More detailed engagement work was undertaken with service managers to ensure the smooth transition of service from Kier to North Tyneside Council.

The project team also ensured that it learned lessons from others who had recently delivered similar projects; partners included Stoke City Council, Sheffield City Council and Gateshead City Council.

Customers were also comprehensively consulted to ensure that the service offer continued to meet customer expectations. Any changes were consulted on, with customer sign off being sought before making amends.

### **2.4 Human rights**

There are no direct human rights implications.

### **2.5 Equalities and diversity**

There are no direct equalities and diversity implications.

## 2.6 Risk management

Throughout the project a risk register was monitored and managed. As the project closes any remaining risks will continue to be subject to appropriate risk management in line with the agreed arrangements of the Authority.

## 2.7 Crime and disorder

There are no direct crime and disorder implications.

## 2.8 Environment and sustainability

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

### PART 3 - SIGN OFF

- Chief Executive  X
- Heads of Service  X
- Mayor/Cabinet Members  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Head of Corporate Strategy  X

## Appendix 1 – List of high level milestones achieved

### Prepare for and manage the TUPE transfer of around 400 colleagues landing those colleagues in an overhauled housing organisation

- Successfully TUPE transferred circa 360 staff to North Tyneside Council from Kier North Tyneside
- Migrated circa 30 existing North Tyneside Council staff into the new service area from the client team to establish a structure to reflect business need, including comprehensive consultations and briefing sessions
- Developed an operating structure with full consultation and involvement with Trade Unions
- Successfully auto-enrolled transferring staff on to the Local Government Pension Scheme
- Successfully paid transferring staff on 15<sup>th</sup> April

### Source and prepare an appropriate range of IS/IT services

- Procured a new systems solution, AccuServ
- Developed, tested and implemented systems solution, including interfaces with existing housing management and finance systems
- Provided new hardware to workforce to enable agile working, including laptops, tablets and smartphones
- Delivered systems training to all service staff
- Delivered further upgrades to the system solution

### Source a set of supporting logistics

- Established a fleet of circa 130 North Tyneside Council branded vehicles to support operational delivery
- Established a pilot of 10 electric vehicles
- Procured and provided new plant and equipment to meet service need
- Established new hire arrangements with plant and tool providers
- Established contracts for site set up and safety equipment to allow for early implementation of housing schemes
- Provided new North Tyneside Council branded uniform and PPE to circa 400 staff
- Reviewed and retained the in-house stores solution for the provision of materials

### Source and prepare a delivery supply chain

- Undertook soft market testing with the market to raise awareness of procurement activity
- Established supplier and subcontractor frameworks to deliver business requirements
- Raise initial orders to suppliers and subcontractors
- Established contractual review mechanisms to monitor supply chain performance

### Organise the right accommodation

- Delivered a refurbished staff welfare facility at Block E, Harvey Combe

### Work across the financial landscape to shape the books and resource the work

- Reviewed and updated 30 year business plan
- Developed and implemented an ICT solution, including interfaces with council's finance system, to support the collection of all costs (labour, plant, materials, sub-contract, etc).
- Developed a benefits realisation framework to capture benefits flowing from the project

### Work across both organisations to begin creating the right culture for our customers

- Successfully implemented a Safety, Health and Environment system across internal service area and subcontractors
- Successful induction of staff to North Tyneside Council policies and procedures and continued on the job training with a focus on a changing culture
- Consulted with customers to reviewed our repairs offer, aligning it with customer need
- Consulted on, reviewed and published a Repairs Handbook
- Successfully secured gas and electric accreditation to ensure compliance
- Successfully delivered a staff survey to capture culture with a 48% return rate

## Appendix 2 – Benefit Realisation

### HPC Service Budgets – Benefits Realised 2019/20

<b>Description</b>	<b>£000</b>
Kier NT Profits (no longer applicable)	1,188
Management Fee on Turnover	1,355
Management Fee (contractual)	700
Goodwill payment (contractual)	683
New Vehicle Fleet (annual savings)	211
Non-Housing Investment Plan delivery savings	600
Plant Provision - initial estimated savings p.a	108
Initial Staff Savings identified	221
<b>Total Initial Savings identified</b>	<b>5,066</b>
Additional HRA Management savings from integration of Housing Client and Support recharges into HPC budgets	1,000
<b>Revised Savings</b>	<b>6,066</b>
Additional Costs borne from 1 April regardless of decision to transfer:	
Pension contributions for all staff joining LGPS	-2,000
Additional Central Support recharges to the HRA	-500
<b>Revised Forecast Savings 2019-20</b>	<b>3,566</b>

### Construction Project Budget Savings 2017-20

	<b>Budget</b>	<b>Actual/Forecast</b>	<b>Variance</b>
<b>2017-19</b>			
Revenue	2,382	1,297	-1,085
Capital	3,150	3,150	0
<b>Total</b>	<b>5,532</b>	<b>4,447</b>	<b>-1,085</b>
<b>2019-20</b>			
Revenue	1,300	590	-710
Capital	1,500	465	-1,035
<b>Total</b>	<b>2,800</b>	<b>1,055</b>	<b>-1,745</b>
<b>Total Project budget savings 2017-20</b>			
Revenue	3,682	1,887	-1,795
Capital	4,650	3,615	-1,035
<b>Total</b>	<b>8,332</b>	<b>5,502</b>	<b>-2,830</b>

### Total Benefits and savings 2019-20

	<b>£000</b>
Benefits Realisation	3,566
Construction Project Budget Savings	1,745
<b>Total Benefits and savings 2019-20</b>	<b>5,311</b>

### Appendix 3 – High Level Lessons Learned by Theme

Theme	Lesson
Resourcing	<ul style="list-style-type: none"> <li>• It is important that the project team are released from their substantive posts quickly to allow work to start in earnest</li> <li>• If the appropriate resource doesn't exist internally a timely decision should be made to seek support from external parties</li> <li>• It is important that the demobilisation team are given sufficient time away from business as usual to support the project. This should be formally agreed</li> <li>• Additional resource should be planned for during mobilisation to support the increase in workload</li> <li>• It is important that the other party makes the necessary resources available to respond to information requests and complete tasks in a timely fashion</li> </ul>
Engagement	<ul style="list-style-type: none"> <li>• It is important that customers are regularly consulted and are involved in any service reviews that take place</li> <li>• It is important that engagement activity is regular to ensure continued buy in from stakeholders</li> <li>• It is important that staff at all levels have the time and opportunity to engage and shape services</li> <li>• The rules of engagement with other parties need to be formally agreed to ensure commitment from all parties</li> </ul>
Communications	<ul style="list-style-type: none"> <li>• It is important that communication is structured and consistent across the business.</li> <li>• It is important that appropriate channels of communication are open across all levels to ensure messages reach all staff</li> <li>• It is important that changes and opportunities are clearly communicated to manage expectations</li> <li>• It is important that feedback to comments and suggestions are provided in a timely manner</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>• Engage with the market early to tailor the procurement activity according to size of supplier or subcontractor</li> <li>• Team involved in evaluation and award need to be released from business as usual to produce documentation and review tenders</li> <li>• Introduce word limit on tender submissions</li> <li>• Establish KPI capture mechanisms as soon as possible to inform reviews</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• It is important that the Steering Group is established from the outset to provide the initial steer for the project</li> <li>• It is important that the Project Brief provides a clear mandate to progress at pace</li> <li>• It is important that when presented with options the Steering Group are able and do make prompt decisions</li> <li>• It is important that the Project Team regularly review progress against the critical path and adjust plans accordingly</li> </ul>