



Report to:
Northwards Housing Board –
14.06.2006

Item No:
9c

Title:	Novation of Consultancy Services for Eastlands Homes		
Date:	14.06.2006		
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Confidential:	No		
For: (Please tick action required)	NOTING	DISCUSSION	APPROVAL √

PURPOSE OF REPORT

To explain the background to Northwards Housing providing a Technical Services Consultancy to Eastlands Homes. To decide on whether to accept the novation of the contract.

RECOMMENDATION

That the Board approves the Procurement & Property Sub Committee recommendation that the Eastlands Homes contract is novated from Manchester City Council to Northwards Housing.

IMPLICATIONS

Equality & Diversity:	No direct implication
Financial:	There would be a loss of income and staffing resources of the contract's not novated
Staffing:	Some staff are dependant on this source of funding
Decency Target:	To deliver Decent Homes for Eastlands Homes
Governance:	No implication

Equality & Diversity Implications (Please tick where relevant):

- | | | | |
|------------|--------------------------|----------------------------------|--------------------------|
| BME | <input type="checkbox"/> | Lesbian/Gay/Bisexual/Transgender | <input type="checkbox"/> |
| Elderly | <input type="checkbox"/> | Single Parents | <input type="checkbox"/> |
| Young | <input type="checkbox"/> | Domestic Violence | <input type="checkbox"/> |
| Disability | <input type="checkbox"/> | Alcohol / Drug Mis-users | <input type="checkbox"/> |

Consultation/Consideration

	Yes, No or N/A:	Name:	Date:
Sub-Committee:	Yes	Procurement & Property	24.05.06
Area Panel:			
Ward Councillors:			

Rewards and Risks of Consultancy Services for Eastlands Homes Partnership Ltd

1. Background

- 1.1 Prior to the establishment of Eastlands Homes in 2003, Manchester Housing Technical Services was commissioned to procure the £43 million investment programme on behalf of the then not yet formed housing company. Subsequently this work was transferred to Eastlands Homes following the stock transfer in 2003. To ensure a seamless handover, Housing Technical Services continued to provide the consultancy service for a 12 month period at a fee rate agreed with the Director of Property Services of Eastlands Homes.
- 1.2 On the successful completion of this commission, Manchester Housing Technical Services were approached to further extend their contract with emphasis being on an open book approach in line with Egan principles.
- 1.3 After consideration, Manchester Housing Technical Services agreed to enter into a contract until 2008, under the Public Sector Partnering Contract (PSPC). The partnering rationale behind the open book approach was to ensure flexibility in service delivery could be maintained in difficult fast track projects. Staff could be seconded and/or recruited when needed to ensure a high quality service was maintained and the Client would only pay for the actual resources deployed on the project.
- 1.4 This contract has always been managed from the Parkside Centre.
- 1.5 This report was considered by the Procurement & Property Sub Committee on 24th May and recommended for approval to the Board.

2. Transfer to Northwards

- 2.1 In December 2005 the Housing Services Technical Services team based at the Parkside Centre transferred to Northwards Housing and continued to deliver the existing contract with Eastlands Homes.

3. Professional Fees

- 3.1 The fee charging process is fully transparent with overheads and profit broken down to establish an agreed hourly rate, currently recharging at £38.50 per hour. The staffing position is routinely monitored by ourselves and Eastlands and reviewed periodically in line with the works programme. Financial statements and individual officer timesheets were prepared via Manchester Housing Technical Services, Project Planning Section then sent through to Finance section for invoicing. That work is now done within Northwards Housing

4. Successful Project Delivery

- 4.1 To date, Northwards Housing and its predecessor have been successful in the delivery of a difficult programme, working closely with Eastlands Homes and their two partnering contractors with all aspects of the contract closely monitored through the KPI process.
- 4.2 Due to efficiency drives Northwards Housing has now revised Eastlands Investment programme from 5 years to 4 years with an anticipated completion date of the end of 2007.

5. Professional Indemnity Insurance (PII)

- 5.1 As with any construction project, there are risks and, in the two and a half years to date, no claims against our Professional Indemnity Insurance have been made. Given our experience and knowledge of this type of property stock, risks are minimised. However it must be acknowledged that errors can be made and we envisage, these in the main being limited to the areas of design and survey.

Examples of potential risk would include:

- Electrical designs – insufficient circuit loadings
 - Mechanical designs– insufficient boiler capacity, wrong sized radiators
 - Roofing – wrong tiles specified – loading, pitch
 - Window configurations / designs – meet building regulations
 - Specifying materials not fit for purpose
 - Inaccurate diagnosis of building defects
 - Overpayments to contractors
- 5.2 Northwards Housing hold sufficient PII to continue this contract, subject to a £20,000 excess.

6. Novation of Contract

- 6.1 Eastlands Homes have confirmed their willingness to novate the existing contract from the Council to Northwards Housing.

7. Risks & Rewards

- 7.1 There is the risk of PII claims, and excess payments, if Northwards Housing proceeds with this commission.
- 7.2 There is also the risk of damage to Northwards Housing's reputation both if we proceed and if we do not.
- 7.3 One manager and six agency staff depend on the Eastlands' income for their livelihood.

7.4 The service is fully funded through the fee charged to Eastland Homes.

8. Summary

8.1 Northwards Housing Technical Services has an excellent working relationship with all parties and, given that the technical staff engaged on the Eastlands project have, in the main, remained consistent from the start, we are confident we can see the investment programme through to a successful outcome. The experience and lessons learned in this commission have already been beneficial to Northwards Housing in the delivery of its own Decent Homes programme.

9. Recommendation

9.1 That the Board approve the Procurement & Property Sub Committee recommendation that the Eastlands Homes contract is novated from the Council to Northwards Housing.