

## **Report to the Cabinet**

**Report reference: C/103/2006-07.**  
**Date of meeting: 5 February 2007.**



**Epping Forest  
District Council**

**Portfolio: Housing.**

**Subject: Outcome of the 2003-06 Decent Homes Contract for Kitchen, Bathroom and Rewire Programme.**

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### **Recommendations/Decisions Required:**

**That in accordance with Contract Standing Order C29(2) – Contract Monitoring of Contracts in excess of £250,000 - the following key outcomes of the Decent Homes Kitchen, Bathroom and Rewire Partnering Contract be noted:**

- (a) By accelerating the contract, the Contractor's preliminaries were reduced, resulting in £185,400 being available to recycle into the contract;**
- (b) Through the reduced Contractor's preliminaries, an additional 62 properties benefited from having a new kitchen, bathroom or electrical rewire through the programme;**
- (c) Tenants benefited from receiving their improvements up to 2-years earlier than originally planned;**
- (d) The contractor achieved very good tenant satisfaction results for the programme overall with 92.5% of tenants pleased with the works; and**
- (e) From the lessons learnt, (employing specialist sub-contractors for electrical rewiring direct), the Council could realise significant cost savings on future electrical rewiring works by as much as £3,050 per typical 3-bed house.**

### **Background Information:**

1. In September 2003 the Cabinet approved the tenders for a 5-year kitchen and bathroom renewals programme with Apollo London Ltd. The works were separated into a 1-year pilot programme and an extension for a further 4-years. Following the success of the pilot phase, in July 2004 the Cabinet agreed to accelerate the programme to complete the works in 3 years rather than 5 years. The aim of accelerating the works was to maintain the continuity of contractor resources, reduce contractor overheads and preliminary costs (thereby the costs to the Council), leading to a greater number of properties meeting the Decent Homes standards as part of the contract.

2. The benefits of using a Partnering Contract was such that the contractor's costs were fixed at the outset and scope of work could then be trimmed to suit both the need and the budget.

### **Pilot Contract:**

3. The Capital Programme for 2003-04 included a budget provision of £450,000 (including fees) for kitchen, bathroom and re-wiring works, as part of the Council's commitment to meeting the Decent Homes standard. This amount is part of the overall

budget provision for the kitchen and bathroom renewal programme included within the Capital Programme of £4,237,024, for works and fees over a 5-year period.

4. The works commenced on 9 February 2004. However, as the pre-works surveys progressed, the scope of the work originally identified from the stock condition database (using cloned data) did not truly reflect the actual work required on the housing stock. In particular there were far fewer properties in need of replacement bathrooms, but an increase in the amount of electrical re-wires and the amount of builder's work associated with the kitchen replacement. Consequently an additional 30 properties were added to the programme, extending the contract by 12 weeks.

5. The figures in table 1 below show the breakdown of expenditure for the works carried out on the Kitchen, Bathroom and Re-wire programme for the pilot contract.

<b>Table 1: Kitchen, Bathroom and Rewire Pilot Contract</b>	<b>Expenditure £,000s</b>	<b>Percentage of Contract Total</b>	<b>No. of Properties Completed</b>
<b>Consultant Fees</b>	53	9%	
<b>Contractor's overheads and profit</b>	74	13%	
<b>Preliminaries</b>	177	32%	
<b>Kitchen Works</b>	99	17%	31
<b>Electrical Works</b>	175	29%	107
<b>Bathroom Works</b>	3	< 1%	3

#### **Phase II Contract Extension:**

6. Upon completion of the pilot phase, the Council's Consultant Building Surveyors, Hayward's Property Services, recommended that the Council accelerate the works for Phase II, in order to make efficiency savings. This meant completing the 5-year programme in 3-years rather than 5-years (including the pilot year). The Cabinet agreed this recommendation at its meeting in July 2004.

7. Table 2 below shows the breakdown of expenditure for the works carried out on Phase II of the contract. It can be seen that the proportion spent on contractor's preliminaries has reduced and the amount spent on actual works has increased. This meant that more properties were able to receive improvements compared to the pilot phase.

8. As the contract works progressed and the Decent Homes assessments were carried out, further budget provision was included with the Capital Programme through the Capital monitoring process and the Capital Programme was updated at the appropriate reviews. Consequently, an additional 32 properties were added to the programme. However, these were contained within the accelerated contract period.

<b>Table 2: Kitchen, Bathroom and Rewire Phase II Contract Extension</b>	<b>Expenditure £,000s</b>	<b>Percentage of Contract Total</b>	<b>No. of Properties Completed</b>
<b>Consultant Fees</b>	346	9%	
<b>Contractor's overheads and profit</b>	483	13%	
<b>Preliminaries</b>	634	17%	
<b>Kitchen Works</b>	788	19%	252
<b>Electrical Works</b>	1,543	42%	934
<b>Bathroom Works</b>	11	< 1%	15

### **Final Account:**

9. The combined budget (including works and fees) for both the pilot contract and phase II was £4,237,024. However, the final account has been agreed in the sum of £4,386,000. The increase of £148,976 meant that 62 additional properties benefited from these improvements and were made decent under the contract that would have been included in a future contract.

10. From the final account, it can be seen that in the pilot contract the Contractors' preliminary costs made up 32% of the total expenditure or £1,607.00 per property. The Contractor reduced his preliminary costs to 17% of the contract sum or £1,307.00 per property in phase II. This meant that an additional £185,400.00 was recycled into the programme, resulting in more properties receiving works as part of the programme. This was as a direct result of the programme being accelerated and completing early.

11. The contractor achieved very good tenant satisfaction results for the programme overall with 92.5% of tenants pleased with the works.

### **Conclusion:**

12. It is clear that substantial cost savings in Phase 2 were achieved by accelerating the kitchen and bathroom programme. The main contractor was able to reduce its preliminary costs, and the Council was able to increase the number of properties that were made decent.

### **Lessons Learnt:**

13. The main Contractor employed specialist sub-contractors to undertake the electrical testing and rewire works. This meant that the Council paid additional overheads and profits to the Contractor for coordinating the electrical works. Whilst this is quite common practice, for any future contracts, savings in main Contractor's overheads and profits could be realised if specialist works are tendered separately. Based on a recent tender exercise, the tendered rate of rewire works to a typical 3-bedroom house submitted by the specialist sub-contractor was £1,746 as opposed to £4,796, which was the rate within this contract.

14. Therefore, wherever specialist sub-contract works can be identified and removed from the main contract in future, these works should be tendered separately and carried out directly with the specialist sub-contractor.

### **Statement in Support of Recommended Action:**

15. It is a requirement of Contract Standing Order C29(2) that on completion of contracts in excess of £250,000, a review should be carried out and reported to the Council, the Cabinet, a Cabinet Committee or a Portfolio Holder as appropriate in order to provide a means of accountability and to enable the Council to learn from experience.

**Other Options for Action:**

16. Not applicable.

**Consultation undertaken:**

17. No external consultation undertaken.

**Resource implications:**

**Budget Provision:** None.

**Personnel:** None.

**Land:** None.

**Community Plan/BVPP Ref:** None.

**Relevant Statutory Powers:** None.

**Background papers:** Contract Completion Report - Kitchen and Bathroom Programme.

**Environmental/Human Rights Act/Crime and Disorder Act Implications:** None.

**Key Decision Reference (if required):** N/A.