

REPORT FOR: **CABINET**

Date of Meeting:	21 May 2015
Subject:	Exercising option to extend existing contract with Quality Heating for 4 years
Key Decision:	Yes
Responsible Officer:	Lynne Pennington, Divisional Director of Housing Services
Portfolio Holder:	Councillor Glen Hearnden, Portfolio Holder for Housing
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

This report asks Cabinet for authority to exercise the option to extend the Quality Heating contract for domestic gas boilers repairs, servicing and installation to Council homes by up to 4 years. Officers will review whether the contract is still delivering excellent services and value for money 2 years into the extended contract.

Recommendations:

That Cabinet:

Give authority to extend the Quality Heating contract for up to 4 years when it expires in June 2016.

Reason (for recommendation):

In 2012 the Council let a 4 year contract to Quality Heating to undertake the repairs, servicing and renewal of domestic gas heating systems. The contractor provides good value for money and performance is excellent. The contract included an option to extend for 4 years, taking us to June 2020. The existing contract expires in June 2016 but we wish to exercise the right to extend it for a further 4 years

Section 2 – Report

Introductory paragraph

Quality Heating have delivered an excellent service to Council tenants since 2012 which provides good value for money and all key performance indicators have significantly improved since the contract began, including customer satisfaction which is 99%. This is a particularly important contract because of both the statutory obligations in relation to gas safety and the impact on customers, many of whom are vulnerable, if their heating and/or hot water system breaks down and the partnership that has developed between contractor, tenants and the Council is working exceptionally well.

Options considered

The alternative to extending the contract is to undertake a procurement exercise. Although this would be quite a lengthy procurement exercise, both because of the value of the contract and the need to ensure that significant improvements in service delivery are protected, it is usual practice to test the market in this way when a contract comes to an end. However Quality Heating are performing exceptionally well and customers are very happy with the service improvements they have seen since 2012. The recommended option is to extend the existing contract to both protect the excellent service levels and save money in undertaking the procurement exercise.

1. Background

In 2012 the Council changed the way it delivered responsive repairs services to the housing stock by moving away from using a single contractor that provided both responsive repairs and major works on the capital programme. As part of this process a 4 year contract was awarded to Quality Heating to undertake the repairs, servicing and renewal of domestic gas heating systems. The contract has an option to extend for 4 years, taking us to June

2020. The existing contract expires in June 2016 and we wish to exercise the right to extend it for a further 4 years.

1.2 There are a number of reasons why this is the recommended option. Firstly Quality Heating have been providing a high quality service, that demonstrates good value for money since 2012. Performance has been monitored through Contractor Appraisal panels that are attended by the contractor, officers and residents who work in partnership to ensure that a consistently high quality service is delivered. This is done by residents robustly monitoring performance and challenging anything that has not gone so well. Originally held monthly these panels have moved to bi-monthly because performance is consistently good, and this has freed up time to concentrate on closer monitoring of smaller contracts. Residents have visited Quality Heating's offices to undertake audits to ensure that performance figures are robust. Examples of the excellent performance are as follows:

- 100% of repairs attended within target time
- 99.53% of repairs resolved at first visit
- Formal complaints at an all time low and all queries resolved on the day they are raised
- Resident satisfaction is 99%
- Resident representatives are consistently impressed with the service - no issues of concern reported during 2014/15
- Quality Heating call centre is well managed and as customers call direct (rather than through Access Harrow) some issues can be resolved over the phone, rather than by an engineer visit
- Capital projects are managed professionally with targets consistently achieved, and sometimes exceeded on planned installations

1.3 One of the most important issues for Harrow is for the gas contractor to play their part in enabling us to meet our statutory obligation to ensure gas safety certificates are held for 100% of properties. Access issues have always made this difficult to achieve and prior to 2012 performance was 98.6 %. When Quality Heating took over they identified a problem which meant our gas servicing figures were actually worse than this because a number of certificates had not been issued correctly.

1.4 Putting things right took a few months but since then figures have consistently improved, and despite delays with the court issuing warrants to force entry where necessary compliance is better than it has ever been. We have hit the elusive 100% twice this year-the first time we have ever achieved this. Quality Heating introduced a prize draw for residents who arranged their annual gas servicing visit promptly, at their own expense, to support our drive to improve these figures.

1.5 Secondly the contract for repairs and servicing is a three star contract, the terms of which are highly competitive. This means that as well as ensuring we continue to provide an excellent service to tenants we know that the contract offers excellent value for money. We have renegotiated basket rates during the course of the contract and this has improved unit costs. Quality Heating have also provided improvements to the service, over and above the original contract specification at no additional cost including taking all repair

calls direct from the customer, rather than through Access Harrow which has ensured more accurate diagnosis and faster response.

1.6 Thirdly we are embarking on a major procurement exercise to award contracts for the Responsive Repairs contracts that also expire in June 2016 and this will be a time consuming exercise. Having one of our key contractors as a constant will help to ensure continuity of service through a difficult time.

1.7 The fourth important service improvement is that Quality Heating have supported the void service to ensure turnaround times are consistently achieved on essential repairs and upgrades and there is successful collaborative working with repairs contractors and the Council voids team. Together our partners have helped us win accreditation through Housemark as the most improved Council on void turn- around times.

1.8 There are a number of social value benefits from the contract. Quality Heating have employed 4 apprentices and ensure a high percentage of their supplier spend is in Harrow. They have provided upgraded appliances in communal kitchens free of charge and sponsored local community events such as Estates in Bloom and supported Tenant Associations events and estate action days. They supported youth centres by providing sports equipment free of charge and have also supported other Council projects, such as warmer homes by installing boilers under the Green Deal arrangements in the homes of vulnerable home owners. All of these will continue in the extended contract.

1.9 All of the above points are important and add value to Harrow, but perhaps overwhelmingly the best aspect of the Quality Heating contract has been true partnership working, which is hard to quantify and place a value on. This is a particularly important contract as we are not only managing Health and Safety issues and compliance with gas safety regulations, but a loss of heating and/or hot water by our tenants, many of whom are vulnerable is a major concern for them. Having a contractor that goes the extra mile to ensure 99.53% of these cases are fixed at the first visit means a much improved service to tenants. Generally our customer's satisfaction with us as a landlord will be influenced by the last repairs problem they had, and how effectively it was dealt with. Our gas contractor is the only one who is required to enter every property annually to undertake the gas service so the added value of a caring contractor who will report back on any concerns regarding the condition of the property, or the welfare of the household is invaluable.

1.10 In addition Quality Heating recently agreed to step in when our communal boiler contractor withdrew at short notice. This left us with a serious problem, just before Christmas in colder weather, when the risk of us being unable to respond to any breakdowns on communal boilers, which largely provide heating and hot water to older people in sheltered housing was unacceptably high. They have worked exceptionally hard to resolve some quite difficult issues, in particular a project to replace an unsafe communal boiler with individual boiler installations to flats at Milmans Close. In summary a contractor who cares about both the quality of the service provided and the welfare of our customers has a very high value to Harrow.

1.11 Our residents value excellent customer service very highly. A workshop was held with residents who have been active in monitoring the performance of the main contractors since 2012 on 17th February 2015. 10 tenants and leaseholders attended, and a number of these had been actively involved in the 2012 procurement exercise. The outcome of the workshop was that residents fully support the proposal to extend the Quality Heating contract for 4 years because they consider they are receiving an excellent service, there is a high level of trust between all stakeholders (Council, Contractor and Customers) and they want that to continue.

1.12 All these proposals have been discussed and agreed at the Housing Contracts Board

2. Proposals and reasons

2.1 This report seeks Cabinet approval to extend the existing contract with Quality Heating up until 2020, with an officer review taking place at the 2 year point of the extended contract.

2.2 Discussions have been held with the contractor to ensure that we continue to receive excellent value and customer service during that period. Quality Heating put a high value on the opportunity to continue working in partnership with Harrow, and so have offered the following commitments, in addition to everything they currently provide if we extend the contract:

Value for Money

Quality Heating will:

- Providing the economic climate remains constant hold all prices at a constant level throughout the duration of the contract.
- Introduce a power-flushing and dosing programme which will help prolong the life expectancy of older appliances. This will also assist with component failure ensuring an increased level of service to our residents and reduced costs to the Council.
- Service Interval Timers will be fitted on all new boiler installations at no extra cost – this will be a saving to Housing of over £100 per unit and will assist with compliance on annual servicing. This is a significant added value as an average of 300 new installations take place each year.

Service Quality and partnership working

Quality Heating will:

- Provide Energy Advice to tenants and attend functions in conjunction with charitable associations such as Age Concern/Citizen Advice Bureau to spread the word more widely in Harrow.
- Regularly attend resident events promoting gas safety and the importance of annual gas servicing.
- Deliver gas awareness training for all housing staff, tenant representatives and Ward Councillors

- Inform the Council of any innovative products that are either new to the market or could be of interest in order to embrace new technologies and support VFM service delivery, and work in partnership to make best use of any opportunities they present

Social Value

Quality Heating will:

- Employ an additional apprentice from the local area (this will bring the total number of apprentices employed on the contract to 5) By the end of the contract in 2020 the apprentice should be a fully qualified gas engineer.
- Continue to support community events such as Estates in Bloom, and provide equipment and update facilities for community use free of charge.

Gas Service Initiative

Quality Heating will:

- Continue with campaign to maintain 100% compliancy by continuing to fund the Quarterly Prize Draw for residents who have had their boiler serviced on the first programmed appointment.
- Work with leaseholders especially those within communal blocks to promote annual gas servicing, and protect both people and properties

Gas Repairs

Quality Heating will:

- Ensure that spares for the appliances installed are included in impressed van stock increasing first time fix rates even further.
- Assist residents with managing energy efficiency, reducing fuel costs as a regular feature of all visits.
- Improve facilities for on line reporting of repairs via the website.

New Installations

Quality Heating will:

- Install room thermostats that can be controlled via the internet or smart phone app, to assist with tenant fuel bills.
- Ensure that disabled or vulnerable residents receive assistance with any disruption that is caused whilst the installation is in progress.

New Initiatives

Quality Heating will:

- Visit vulnerable and disabled tenants during winter months to ensure their heating works well and they are using it efficiently.
- Continue to work with Housing to support sustainability of tenancies by reporting any issues of concern with tenant welfare/safeguarding etc.

- Ensure that carbon monoxide detectors are fitted to all properties where a gas appliance is fitted. This will greatly assist us to comply with new legislation coming in to effect in 2016.
- Work with the Council to develop an offer to the private rented sector through commercialisation.

3. Performance Issues

3.1 As detailed above contractor performance is excellent. The table below summarises what has been achieved since the contract was awarded in 2012. We are 100% confident of the accuracy of the figures because of commitment of our residents in undertaking validation audits.

Measure	Performance in May 2012 (N.B. figures are for all repairs as all one contract)	Performance now
Customer Satisfaction with Gas contractor performance	86%	99%
100% of properties with a valid gas safety certificate	98.6	99.8
Repairs completed at first visit	87.46	99.53%
Repairs completed on time	Not recorded	100%

4. Environmental Implications

4.1 The delivery of this contract will continue to assist in the achievement of the Council's objectives around social, economic and environmental sustainability. We want to do all we can to ensure that we support Harrow's economy by buying locally wherever practical and maximise opportunities for local people in employment and training, as well as reduce our carbon footprint, and reduce tenants fuel bills through energy efficiency measures. Quality Heating have already demonstrated they can achieve this but have committed to do more if the contract is extended in the following ways:

- Employ an additional apprentice from the local area (this will bring the total number of apprentices employed on the contract to 4) By the end of the contract the apprentice would be a fully qualified gas engineer.
- Continue to support community events such as Estates in Bloom, club sponsorship for the young, trips for the elderly and disabled.
- Do more to promote energy efficiency by installing room thermostats that can be controlled via the internet or smart phone app, offering a courtesy visit to vulnerable and disabled tenants during winter months to ensure there are no issues with their heating and that they are using them efficiently, undertake training sessions on energy efficiency and continue to support delivery of the warmer homes strategy.

5. Risk Management Implications

5.1 Risk included on Directorate risk register? Yes

5.2 Separate risk register in place? No

5.3 The key risk is the inability to deliver a high quality gas service that meets all statutory requirements within budget. Whilst everything is currently on track if we do not extend the existing contract the risk will increase as we get closer to 2016 and a specific risk register will be developed, and reported to Housing Contracts Board as the procurement progresses.

Legal Implications

The Quality Heating contract was originally awarded in 2012, following a procurement process that complied with all legal requirements and the Council's procurement rules.

The option to extend the contract for another 4 years was included in both the OJEU Contract Notice and the Contract so the council can lawfully extend the contract for a further 4 years.

The council has statutory obligations to its tenants including the maintenance of gas appliances and the provision of gas safety certificates under the Gas Safety (Installation and Use) Regulations 1998. This Contract enables the council to meet these statutory responsibilities.

There are no TUPE implications.

Financial Implications

The anticipated maximum value of the contract is £6 million over 4 years.

The current service handles work to an estimated value of £1,225,000 a year. The breakdown between revenue and capital expenditure is £410,000 for servicing and repair with renewals up to a further £815,000 a year.

Whilst renewals are likely to reduce over the 4 years as more modern boilers are installed, offering a service to the private rented sector through commercialisation, and to our leaseholders to promote the health and safety benefits of annual gas servicing is an option we will look to utilise during the life of the contract. We therefore wish to increase the existing contract maximum value to allow sufficient space for these initiatives.

There is sufficient budget within the HRA business plan going forward to 2020 to award the contract and meet the cost of the elements of the contract that will be funded from the HRA (ie gas servicing and repair and the installation of new boilers in Council property). Other elements that may be introduced during the life of the contract (i.e. offering a service to the private rented sector through commercialisation, and to our leaseholders to promote the health and safety benefits to all residents of annual gas servicing) will be

funded separately and work to establish the income stream and associated costs would need to be completed before this could progress.

There is considerable social value from this contract, which is detailed in the body of the report.

Extending the contract is recommended because it would avoid incurring the costs the Council would incur associated with a large scale procurement exercise.

Equalities implications / Public Sector Equality Duty

Extending the contract will ensure we continue to deliver existing policies and strategies maintaining the current level of equality in service provision. The contract documentation will be very clear on the equalities related duties on contractors, given the wide range of needs of our customers.

An initial Equality Impact Assessment has been prepared specifically for the proposal to extend the contract. This identified no need for a full assessment because it did not identify any potential for unlawful conduct or disproportionate impact and all opportunities to advance equality to all tenants and leaseholders are being addressed through the existing contract specification and contractor appraisal process.

Council Priorities

This report incorporates the administration's priorities to:

- Making a difference for the most vulnerable
- Making a difference for communities
- Making a difference for local businesses
- Making a difference to families

The gas repairs and servicing contract is provided to all the Council's tenants who have a domestic gas heating system –many of whom are vulnerable. Quality Heating have demonstrated their commitment to delivering an excellent service to these customers and if we extend the contract are offering more in terms of assisting with the reduction of tenants' fuel bills by providing energy advice and ensuring they understand how to use their heating efficiently. They will also continue to work with us on delivery of the warmer homes strategy to all residents, regardless of tenure.

Section 3 - Statutory Officer Clearance

Name: Dave Roberts	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 5 May 2015		
Name: Stephen Dorrian	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 11 May 2015		

Ward Councillors notified:	NO, as it impacts on all Wards
EqIA carried out: EqIA cleared by:	No, but an initial Equality Impact Assessment was carried out (see above)

Section 4 - Contact Details and Background Papers

Contact: Maggie Challoner
Head of Asset Management
020 8424 1473
Maggie.challoner@harrow.gov.uk

Background Papers: None.

Call-In Waived by the Chairman of Overview and Scrutiny Committee	NOT APPLICABLE (Call-in applies)
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