

REPORT FOR: **CABINET**

Date of Meeting:	4 April 2012
Subject:	Award of Gas Servicing and Repair Contracts
Key Decision:	Yes [Value of works £4 million over 4 years across most wards in borough]
Responsible Officer:	Paul Najsarek, Corporate Director Community, Health and Wellbeing John Edwards, Divisional Director Environmental Services
Portfolio Holder:	Councillor Bob Currie, Portfolio Holder for Housing Councillor Thaya Idaikkadar, Portfolio Holder for Property and Major Contracts Councillor Graham Henson, Portfolio Holder for Performance, Customer Services and Corporate Services
Exempt:	No, except for Appendix II which is exempt under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains financial and business information relating to the proposals received from bidders and the Council.
Decision subject to Call-in:	Yes
Enclosures:	Appendix I - Key Performance Indicators Appendix II - Exempt Part Two Analysis of tenders received

Section 1 – Summary and Recommendations

This report sets out the results of the tender process for the provision of gas servicing and repairs together with the renewal of council house gas heating systems.

Recommendations:

Cabinet is requested to:

- 1 Approve the award of the Domestic gas heating contract to Quality Heating Systems, delegating any final contractual matters to Corporate Director Community Health and Wellbeing in consultation with Portfolio Holder for Housing;
- 2 Approve the award of the Commercial gas heating systems to T Brown Ltd Delegating any final contractual matters to the Director of Environment in consultation with Portfolio Holder for Property and Major Contracts and Portfolio Holder for Housing;
- 3 That once the contracts commence they should be monitored quarterly (including customer scrutiny) the results of which to be reported to the relevant Improvement Boards and Tenant and Leaseholder Consultative forum (TLCF)

Reason: These recommendations are based on the contractors that are offering to meet the quality requirements and have provided the best prices.

Section 2 – Report

2.0 Introductory paragraph

2.1 The current contract with Kier for repairs and maintenance encompasses the servicing and repair of gas appliances in Housing and corporate buildings. This contract is due to end on the 30th June. The 8th September Cabinet meeting endorsed a procurement strategy that involved re tendering this work separately from the main repairs contract. This procurement is aimed to promote value for money and where possible support local employment and sustainability.

2.2 The contracts referred to in this report will sit alongside the contracts previously agreed at the Cabinet meeting on the 8th March for responsive day-to-day repairs.

2.3 A Project Board, made up of cross party Members, senior officers, and specialists from relevant departments has overseen the procurement project. This board met monthly giving overall direction, monitoring progress and agreeing changes.

2.4 The project team to deliver the project was made up of officers from both Housing and Property Services and supplemented by specialists (Legal services, Finance, Procurement and Risk Management).

The Project Board has approved the Project Team's recommendations. The legal officer has confirmed that the procurement has been conducted in compliance with public procurement law.

3.0 Options considered

3.1 The current contract with Kier will expire on the 30th June 2012 having been in place for 5 years. This contract was based on a Partnering concept that never fully matured between the council and Kier. While a number of improvements to service have been delivered particularly over the later years of the contract it was felt that a fresh approach focusing on customer care and where possible encouraging local supply chain involvement would produce financial benefits in the current economic climate.

4.0 New contract structure

4.1 Prior to the recommendation to Cabinet in September 2011 an analysis was done of the value chain relating to the current contract. This revealed potential scope for lower overheads by using smaller contractors. A review undertaken subsequent to the cabinet decision resulted in a delegated decision being taken that corporate repair and maintenance should be procured alongside housing work. Efforts have been made to encourage smaller and particularly more local bidders to compete for this current tender and the resultant bidders do reflect this. Other objectives that were set out in the tender strategy included improved customer satisfaction, greater use of local labour, improving the accuracy of invoicing and use of improved technology in service delivery. The proposed contractors together with an internal restructure and streamlining of procedures will meet the objectives set out.

4.2 With this contract in particular the need to ensure that contractors are both competent in service and repair and also competent in administration is vital. The contractor will need to deliver the council's statutory obligations ensuring that appropriate servicing is maintained on an annual basis.

4.3 The current contract allows for gas repairs to be charged on the basis of works undertaken and for each annual service to be priced according to the range of appliances in the property. The contract includes both domestic boilers and larger commercial boilers as found in schools, sheltered Housing Schemes and larger offices. There are approximately 4,400 properties that receive an annual gas service and 83 sites with communal boiler facilities, including sheltered Housing, schools and other corporate buildings.

4.4 As an alternative contract arrangement two contracts were tendered one for domestic works and one for commercial boilers. The contract for domestic boilers is based upon a “three star” service whereby the contractor prices to undertake all repairs to the existing systems short of complete replacement for one annual price which includes the provision of the annual gas safety inspection and certification (CP12). In addition a price is provided for the renewal of heating systems, which if installed efficiently should minimise the contractor’s ongoing liability to maintain. For the larger boiler installations prices are based on quarterly and annual servicing requirements with repairs being priced on schedule of rates or quotations.

4.5 Both contracts have been set out to commence for a four-year period with the Council having an option to extend at the end of this period for a further period up to 4 years.

4.6 In relation to servicing of gas appliances Quality Heating Services have indicated a willingness to offer this service to leaseholders for a small additional administrative charge, thus allowing leaseholders to access the benefits brought by this larger contract.

5.0 Implications of the Recommendation

5.1 By opting for an all inclusive 3 star contract for domestic works there should be a considerable saving on the administration of the contract as there are currently numerous orders raised to inspect and check systems with subsequent follow up work authorised separately. In addition it is in the contractor’s interests to maintain the system efficiently to minimise future breakdown calls. However, as the council will be responsible for the cost of replacing obsolete appliances or items that are not economically capable of repair the contract administration will need to be vigilant to scrutinise requests for replacement.

5.2 The separate contract for communal / commercial heating allows for specialists in this area of work or domestic work to price competitively and not to have to subcontract areas where they lack expertise.

5.3 Both the recommended contractors have made commitments relating to training based on turnover of the contract. At the level of £1.5m this equates to:

- 1 apprentice
- 1 Long term jobless start
- 1 placement position
- 5 Taster positions
- 1 Work experience position

5.4 Both contractors have undertaken to prioritise opportunities for Harrow residents, ex-offenders and those with learning difficulties, within any recruitment relating to these contracts. In addition both have given strong commitments to make staff and tradesmen available for visits to local educational establishments, to promote training and employment opportunities. As with the responsive repair contracts agreed previously

discussion about how this will be delivered will be apart of the mobilisation process prior to July.

6.0 Financial Implications

6.1 Housing (HRA)

The approved revenue budget for repairs (including gas works) in 2012 –13 is detailed below:

Repairs	£2,436,612
Voids	£689,250
Cyclical	£542,280
Total	£3,668,142

The budgets detailed above include elements of gas works as the budgets have historically been built on the volume of jobs at an assumed unit cost rather than by types of work ie; gas. It is estimated, that the gas element within the above budget is in the region of £980k, however this cannot be accurately calculated given the data available in this respect.

Based on the tender for Quality Heating it is anticipated that there will be a reduction of around 14% in relation to the revenue spend. Further savings are anticipated in respect of the capital spend, and spend on heating and boiler replacement programmes for Council dwellings is anticipated at £650k for 12/13. The rates quoted for new boiler and whole system installations are competitive with recent market rates obtained and with those currently provided under the Kier contract. As a result, this will enable a higher level of capital works to be completed than would previously have been anticipated under the current contract.

6.2 The staffing of the Housing Asset Management Team has been reviewed and a restructure is in the process of implementation. This includes a gas Safe qualified engineer to enhance the monitoring and management of this service. The restructure provides capacity to adequately manage the new contractual arrangements and the additional staffing costs have been funded by the anticipated savings across the re-procurement of both the repairs and gas contracts, as well as enabling an increased volume of response repairs to be carried out.

6.3 Property Services (GF)

The estimated annual spend for Corporate Repairs / servicing 2012 /13 is £529.3k and includes £301.3k for schools. This is an indicative amount and is dependent on schools opting for the Council to provide these services and number of corporate properties to service. Therefore the level of annual spend is not guaranteed.

6.4 The assumptions and the schedule of rates used in the tender evaluations indicate that the successful bidder price will lead cost of works for Corporate maintenance below £500k. The savings expected from this contract will

contribute towards the £85k already factored into the 2012/13 budget. The budgets for these services are held in individual service budgets across the council and consequently any savings will also be allocated to individual budgets.

6.5 The Property Services team is also being restructured and as a result there will be capacity to adequately manage the new contractual arrangements.

7.0 Performance Issues

7.1 The procurement strategy adopted aimed to produce a result that would deliver both a cost effective repairs service and support the local economy. The procurement fits within the continuing transformation programme. This project started with a thorough analysis of the procurement options and the inclusion of works, within this and other repair contracts that have been managed in a more disparate way is part of enhancing the procurement process.

7.2 Thus the following council priorities are supported through this procurement;

Keeping Neighbourhoods clean green and safe, by operating an area based housing repairs service better integrating repairs and estate management,

United and involved communities, by consulting with residents about what was required in their repairs service and involving resident representatives in the tender evaluation process,

Supporting our Town Centre, our local shopping centres and businesses, local businesses were consulted about the tender strategy and encouraged to bid for a share of the works.

7.3 Within the tender document was a suite of performance indicators designed to allow focus on the key areas of service and for the Council to agree with contractors a continuous improvement approach, with a focus on the most pressing performance areas and routine monitoring of other areas that are seen to be delivering to an acceptable standard. These indicators are set out in Appendix 1

7.4 The new contracts will aim to deliver better performance against the related indicators within the Corporate Scorecard and the measures in use for this purpose will be reviewed to coincide with the contract commencement.

7.5 Discussions are ongoing with leaseholder and tenant representatives to establish scrutiny panels across the whole range of housing services. For repairs and asset management a specific sub group is proposed to scrutinise contractor performance on a quarterly basis. This follows on from the detailed analysis and scoring of the Customer Care quality submissions by a range of leaseholder and tenant representatives.

8.0 Environmental Impact

8.1 The contract itself does not directly impact upon the environmental issues concerning the stock or heating assets. This first part of the Housing contract and all of the Corporate contracts are designed to maintain existing installations rather than to effect improvements. There are therefore limited opportunities to impact upon energy efficiency or carbon reduction. However routine maintenance has a vital role in ensuring that the equipment that is already installed operates efficiently.

8.2 Within the Housing contract, where boiler replacement is required, we already specify high efficiency boilers and will continue to do so while monitoring the opportunities to specify higher efficiency models as they become available. Where new materials are identified that can be incorporated into repairs that will deliver these efficiencies at reasonable cost they will be adopted. For example it is our intention to explore with the new contractor the potential savings and benefits that might be derived from the use of plastic piping in future.

8.3 Part of this procurement exercise required bidders to submit details of how their service provision would be made on a sustainable basis with specific reference to minimising their environmental impact. Within the suite of KPIs are specific measure for ongoing monitoring and means of demonstrating improvement. As this has not been done in such a detailed way previously we have no real baseline assessment of these factors.

9.0 Risk Management Implications

Risk included on Directorate risk register? Yes

Separate risk register in place? Yes

9.1 The procurement project identified a number of opportunities that could flow from the procurement strategy, these included;

- Supporting the local economy
- Establishing a pricing mechanism that incentivises contractors to maintain systems to the highest standards and heighten efficiency.
- Encouraging innovation in service delivery

9.2 The risks from the procurement exercise flow from the potential that appointing a new supplier can result in;

- Service disruption during a transition period
- New contractors bid at prices that are not sustainable
- Client side structure does not have sufficient skills to manage the contract(s) put in place
- The need to communicate effectively with multiple contractors places a strain on the IT resources.

10.0 Equalities implications

10.1 At the start of this procurement project an Initial Equalities Impact assessment was conducted to inform the Cabinet report in September 2011. This concluded that there would be no change to service delivery impacts as this was a proposed change in service provider and not of the service provided. However, during the course of the procurement exercise bidders were asked to explain how they would meet the needs of all service users as well as provided information on the equality and sustainability of their bid. This review has been used to update the initial assessment and no adverse impact is seen from appointing the proposed contractors. Within the suite of KPIs attached are measures to monitor future employment practices and individual resident satisfaction with service provision will be analysed by a post within the new client structure.

11.0 Corporate Priorities

11.1 As described in the Performance section of this report the recommendations will support all the Corporate Priorities. However, by delivering enhanced services to council tenants and leaseholders we will impact on some of the most vulnerable in the community and the particular thrust of supporting local employment and business through our contractors contributes significantly to another key objective.

Section 3 - Statutory Officer Clearance

Name: Donna Edwards	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 22 March 2012		
Name: Stephen Dorrian	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 20 March 2012		

Section 4 – Performance Officer Clearance

Name: Martin Randall	<input checked="" type="checkbox"/>	on behalf of the Divisional Director Partnership, Development and Performance
Date: 19 March 2012		

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker



on behalf of the
Divisional Director
(Environmental
Services)

Date: 20 March 2012

Section 6 - Contact Details and Background Papers

Contact: Derek Stewart, Head of Asset Management Community Health and Wellbeing 020 8424 1075 Derek.Stewart@harrow.gov.uk

Background Papers: Cabinet Report – September 2011

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]