

10 July 2018		ITEM: 8
Housing Overview & Scrutiny Committee		
Gas Servicing, Repair and Renewal		
Wards and communities affected: All	Key Decision: Key	
Report of: Richard Birchett, Interim Assistant Director of Housing		
Accountable Assistant Director: Richard Birchett, Interim Assistant Director Housing		
Accountable Director: Roger Harris, Corporate Director Adults, Housing and Health		
This report is Public		

Executive Summary

This report sets out the proposals for the procurement of both the domestic and commercial gas servicing, breakdown and repair and new installation contracts which are due to expire on the 31 March 2019. As a landlord we have a statutory obligation to ensure each domestic and commercial dwelling has a safe gas supply and therefore, we carry out an annual gas safety check of every relevant property.

We are proposing to amalgamate the two contracts into one contract with a single contractor maintaining the whole of the council's stock. This is to ensure continuity of the management of the contracts and obtain the best possible value for money for our residents.

1. Recommendation(s)

Housing Overview and Scrutiny Committee is recommended to:

- 1.1 Comment on the process set out in this report to commence procurement of a combined domestic and commercial gas servicing, breakdown, repair and installation contract for a period of three (3) years with the option to extend for a further two (2) years in any period combination,**

2. Introduction and Background

- 2.1 The current domestic gas contract is based on a price per property for the annual servicing and repair of approximately 8,700 council owned properties**

with three levels of priority based on severity of problem and vulnerability of the dwelling occupants. The current contract is approximately £1.3m per year comprising £915k servicing and included repairs, £57k excluded repairs and £330k installation of new boiler and central heating systems.

- 2.2 The price per property contract covers general operating components of the boiler, however, more serious repairs fall outside of the price per property scope and are classified as exclusions. These items are carried out under fixed rates contained within the contract.
- 2.3 The current contract is a 3 year fixed term with the option to extend for a further 2 years, the original commencement date of the contract was 1 April 2015.
- 2.4 Commercial gas servicing and repair services are currently split into two elements, and includes Council buildings across the borough, including the Civic Offices and Thameside Complex. Officers consider that this much smaller element, valued at c. £25k per annum would be more effectively delivered as part of a “one stop shop” for gas services, and therefore the contract will be combined with the domestic component.
- 2.5 In accordance with the terms of the original contract, a twelve month extension was awarded to our incumbent contractors which took effect from the 1 April 2018. This twelve month extension was awarded to allow the Council to undertake a procurement exercise for the tendering and award of a new domestic and commercial gas services and repairs contract. The planned commencement of the new contract will be the 1 April 2019.

3. Issues, Options and Analysis of Options

- 3.1 The harsh winter weather resulted in an overload on all gas servicing contractors but it highlighted a number of concerns with the council’s current contractor. These included difficulty contacting them through their call centre, failings in completing repair works on first visit and missing agreed response times. Members have reported that their constituents have experienced poor levels of service and although any cases where the contractor has failed to undertake the work properly are promptly addressed the retendering of the gas contract will give us an opportunity to build in higher quality standards and greater penalties for poor performance in future.
- 3.2 The council has considered bringing the gas contract work in-house. This would require considerable financial outlay including the establishment of parts and equipment suppliers, the creation of a contract delivery team, the employment of appropriately skilled and trained gas engineers, the creation of a stores facility, the creation of a contact centre facility to respond to customer requests, an increase in insurance to cover all liabilities associated with supplying gas services and an external gas auditing team to ensure our work was up to standard. It is considered to be the least cost effective option and will not be pursued.

- 3.3 It is proposed that the selection criteria will be weighted more highly on quality (60%) rather than price (40%) and will include evidence of a robust call centre/telephony system to ensure call handling times are met, the contractor's proposals for dealing with spikes in demand such as that experienced earlier this year, their data handling and storage to ensure that all vulnerable and "at risk" groups are properly identified and how the contractor will keep tenants informed of progress with their repair request.
- 3.4 It is proposed to retain three priority levels based on the seriousness of the problem and assessed vulnerability of the occupant(s). These priorities are in line with industry standards across social landlords and they have been benchmarked with surrounding local authorities. These contract priorities are as follows;

Immediate – 2 hours	Gas Escape
Emergency – maximum 24 hours	No Heating/hot water where the tenant or other occupant is known to us as vulnerable or where there are children under 5 years of age
Urgent – 72 hours	Small containable water leak, no heating and/or hot water (due to breakdown or repair of controls) non-vulnerable. Partial loss of heating
Standard – 10 days	Replacement of defective radiators Non-essential repairs, i.e. replacement of a Thermostatic Radiator Valve (TRV).

- 3.5 We contacted our gas services framework provider and asked them to look at the priority timescales set out in our contract and compare them with other landlords in the social housing sector. The provider has confirmed that no other local authority or housing association that uses their frameworks offer anything faster than a maximum 24 Hour response for a loss of heating and hot water for vulnerable occupants.
- 3.6 We have contacted other framework providers used by the council to establish if they have Gas contractors who can be called off their framework to streamline the procurement process. Unfortunately, none of the framework providers had suitable contractors registered with them who could undertake our comprehensive domestic and commercial gas contract requirements.
- 3.7 The current contract includes an obligation on the contractor to supply temporary heating in the event of heating failure under specific circumstances. The contractor is obliged to provide an electric fan/convector heater which provides a sufficient source of space heating as a temporary measure whilst the necessary repair is undertaken.
- 3.8 A single 2kW heater will provide sufficient heat for a room with average insulation and 2.8m ceilings up to 16 square meters in area. This is the size of an average modern living room or bedroom. A 2kW fan heater run

continuously for 1 hour would cost approximately 28 pence per hour based on average unit cost. We will consider individual cases of hardship caused by any increases in heating costs caused by these temporary arrangements.

- 3.9 The evaluation of submitted tenders will be on a 60/40 split between quality and price. This will ensure that our industry standard priority timescales are met, the successful contractor will provide emergency heating in cases of system failure and the updated selection criteria outlined above are met.

4. Reasons for Recommendation

- 4.1 To ensure we meet the council's statutory obligation to carry out an annual gas check on each council dwelling and commercial property.
- 4.2. To ensure we are delivering the optimum level of service to our residents whilst maintaining effective cost control, and best value for money.
- 4.3 The contract will be evaluated on a 60/40 quality/price split as set out above to ensure that response times and workmanship meet the council's desired standards.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 This report includes feedback from members and comments made at the Tenants Excellence Panel.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The maintenance of the Council's housing assets is linked to the following key corporate priorities:
- Creating a great place for learning and opportunity
 - Encourage and promoting job creation and economic prosperity
 - Building pride, responsibility and respect
 - Improving health and well-being

7. Implications

7.1 Financial

Implications verified by: **Julie Curtis**
HRA and Development Accountant

The budget for the housing domestic and commercial sites is funded via the HRA with an annual spend of approximately £1.3 Million, with the overall contract value being £10 million, this is funded from HR303 600.

The budget for the non-housing commercial sites are funded from general fund with an overall contract value £100,000.

7.2 Legal

Implications verified by: **Kevin Molloy**
Locum Contract Lawyer

This report is seeking approval from Cabinet to tender the contract noted in the report. The proposed procurement being considered is estimated at above the relevant EU threshold for contracts of this type, and this means that there is a legal requirement to competitively tender the contract via the Official Journal of the European Union (OJEU) and Legal Services note that this tender will be conducted in accordance with the Public Contract Regulations 2015 ('the Regulations').

Taking the above into account, on the basis of the information in this report, the proposed procurement strategy should comply with the Regulations and Council's Contract Rules.

The report author and responsible directorate are advised to keep Legal Services fully informed at every stage of the proposed tender exercise. Legal Services are on hand and available to assist and answer any questions that may arise.

7.3 Diversity and Equality

Implications Verified by: **Natalie Warren**
Community Development & Equalities Manager

A full impact assessment has been undertaken of the implementation of the delivery of the housing investment programme across both responsive repairs and major works.

The programme principles take into account the individual needs of tenants and makes adjustments for vulnerability. The diversity considerations include adherence to the Equality Codes of Practice in Procurement which require consideration of the equality arrangements of all companies any works on behalf of the Council; that they have relevant policies on equal opportunities and are able to demonstrate commitment to equality and diversity.

The significant investment required to deliver this service represents an opportunity to secure additional social value to the local communities in the borough.

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None

9. **Appendices to the report:**

None

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