

Executive

25 March 2008

Report of the Director of Housing and Adult Social Services

Gas Servicing - Future Procurement.

Summary

1. This report presents the recent procurement exercise undertaken and suggested future direction for the gas servicing and maintenance service to council dwellings.

Background

2. In November 2003 the Housing Executive Member agreed a two-fold approach to this service with an external contractor undertaking all works in the City area and Neighbourhood Services (NSO) undertaking all works in the Acomb area under a partnering agreement based on the contract specification for the external contract. The external contract expires on March 31st 2008 and hence this report presents the future direction.
3. The majority of all other maintenance type repairs are carried out by NSO under the Housing Repairs Partnership agreed by the Executive in November 2004. This partnership was established to remove the traditional adversarial roles of client and contractor and promote a joint responsibility by both parties for the success of the partnership. This change has fostered a close working relationship that has made significant strides of improving performance to customers whilst reducing duplication in processes and also the management structure. This Partnership is based upon a charging mechanism of the actual cost to the authority of the works and does not include any profit.
4. In January 2003 the Authority signed up to a Service Procurement Strategy which included a Service Procurement Hierarchy against which procurement decisions could be made. With reference to this report it provides a framework within which to consolidate all of the works under a single contracting process using NSO as 'in-house provision with an improvement plan'. Hence it is the recommendation that the Housing Repairs Partnership be amended to include this gas servicing and maintenance service.
5. A period of evaluation was undertaken in the Autumn of 2007 to assess both NSO's performance and costs relating to gas servicing to ensure any expansion in service would be achievable, provide value for money and satisfy procurement regulations.

6. Neighbourhood Services undertook a cost analysis of the works. Benchmarking of this was then undertaken against a range of external providers available to the Authority through a procurement route via the Northern Housing Consortium. Whilst NSO's costs were not the cheapest they were within the range of the external providers. (See confidential Annex A). It is considered that if the whole service is brought together under the Housing Repairs Partnership efficiencies can be delivered across the whole end to end process that will significantly reduce cost and increase performance. These efficiencies would not be deliverable under a traditional contract.
7. The councils procurement roles state that where a contract that does not offer the Most Economically Advantageous Tender (MEAT) this must be formally approved by the Executive Member. Where a contract is being awarded to an internal partner this decision must be made by the Executive.

Consultation

8. Officers in Neighbourhood Services and Procurement have been consulted in producing this report.

Options

9. Option 1 - Approve the amendment to the Housing Repairs Partnership to include the whole of the gas servicing for the city. This is the recommended option.
10. Option 2 – Not approve the amendment to the Housing Repairs Partnership and request officers to undertake a formal tendering process for the servicing and maintenance of the Councils gas heating appliances in it homes.

Analysis

Option 1

11. The contract with the external provider is due to expire on the 31st March 2008. As part of the procurement process alternative options including external provision were considered. The Northern Housing Consortium, of which the City of York Council is a member, have a procurement arm aimed at developing consortium based procurement where members can achieve efficiencies as a result of bringing together their buying power. The costs of partnering with NSO have been benchmarked against the rates set out within the consortiums gas servicing contract and found to be in the range of external contractor costs, albeit at the higher end.
12. It was clear from this benchmarking process that the renewal of this contract would result in an increase in expenditure on this area of service due to above inflation increase of costs in the heating sector since this service was last procured. A growth bid for this increase in costs was approved by members as part of the 2008/09 budget process.

13. Managing external contractors requires a strong technical client presence and a significant amount of administration to administer the terms of the contract, manage performance and administer staged and invoiced payments. Bringing this service into the Housing Partnership allows for immediate efficiencies in terms of officers time on contract administration and payment processes. Management of the service will be undertaken by a single team with responsibility for both the traditional client and contractor roles, reporting to the repairs partnership board.
14. In order to reduce job role duplication for both HASS and NSO staff there will be the requirement to redefine a number of officers duties. A single co-located team will be operationally resourced to manage this area of service made up of officers from both HASS and NSO, this will to speed up decision making and reduce duplication. Following evaluation of this trial period (which will include implementation of the new City area) it is expected there will be a permanent establishment recommendation through the appropriate channels. Adopting this approach will result in streamlining the processes, stripping out duplication from the system and increase the quality of the service that we provide to our customers.
15. The provision of the service by a single provider will remove the potential for different service levels to customers as a result of employing 2 providers. NSO have constantly provided a level of higher customer satisfaction than external contractors including issues such as communication and reliability.
16. No direct customer satisfaction surveys are undertaken for the NSO heating team however the Annual Housing Monitor shows improved satisfaction levels with the repairs service globally of which NSO undertake the majority of the works. The number of customer complaints made against NSO's heating team is also considerably lower than those made against the external contractor employed in the past.
17. When considering the potential for service improvements, the Housing Repairs Partnership has shown continual improvement since its launch in July 2005 with a reduction of all average repair response times since then as depicted below.

Average time to complete repairs	Current performance	2006/07 outturn	2005/06 outturn
Emergencies	0.47 days	0.95	3.53
P1's (3 working days)	3.69	4.15	7.65
P2's (25 working days)	12.9	14.31	17.61
Urgent repairs	1.79	1.94	3.86
Non-urgent repairs	8.75	9.68	13.90

18. The gas industry is heavily regulated with a large emphasis placed upon the interpretation of the provider. Having only one provider removes any difficulties associated with different interpretations of the regulations and the subsequent contractual difficulties that this can cause. Delivering the service via the repairs partnership also places the authority in a much stronger position regarding quality control, training and technical guidance with the customer being the focal point.
19. Current NSO performance is not top quartile and hence a time based improvement plan is proposed and is in the implementation stage operationally to ensure a proactive approach to service improvement (See annex B).
20. By extending the Housing Repairs Partnership it allows for greater integration between the traditional client and contractor roles which should result in reducing the unit costs of providing this service to a more competitive position within the benchmark range of external contractors.

Option 2

21. The provision of the service via external contractors was considered when discussion were first held within Housing Services during 2007. At this point in time, the Northern Housing Consortium published the outcome of their consortium procurement process for gas servicing which gave us actual tender prices for the work in question. Following discussion within the service, it was felt that external contractors could provide the service, but many of the efficiencies and improvements in customer service would be difficult to achieve as we would still have the traditional client / contractor roles.
22. If this option is chosen, giving the timescales linked to the end of the current service provision by the external contractor, it is likely that we would have a position where we wouldn't have sufficient cover from 1st April. This would impact on our statutory responsibility as a landlord to ensure that all our gas heating appliances are serviced on an annual basis. It is possible that emergency cover could be brought in, however, past experience has shown that this would be very costly.

Corporate Priorities

23. This tender exercise contributes to the Council's corporate priority to "Improve the quality and affordability of decent, affordable homes in the city".

Implications

24. Implications arising from this report are:
25. **Financial** - The cost of the service to the HRA in 2008/09 is estimated to be £1,326,370 which represents an increase of £250,000 over current costs, however as noted in paragraph 12 an increase was expected and considered by members as part of the 2008/09 budget process.

26. Improvements made to managing and overseeing the service will be expected to impact on and reduce the actual cost of the works to see a reduction in actual job cost (inflation aside) over time.
27. **Human Resources (HR)** - Due to the current moratorium on restructures it is not possible to embark on implementing the proposed structural changes. In order to undertake the pilot it will be necessary to assess the remuneration applied to the additional duties undertaken by staff until such time as it is possible to consult on permanent changes to the cross directorate teams. Any proposed changes will be undertaken in accordance with the City of York Council's Management of Change Policy and Procedures and full consultation will be required.
28. **Legal** - Noting and approving this report would amend the Housing Repairs Partnership and under MEAT recognise that NSO were not the Most Economically Advantageous Tender.
29. **Information Technology (IT)** - Retaining the service in-house would allow all ordering, management and invoicing processes to remain within the authorities IM&T systems further reducing the time and cost implications of marrying up to an external contractor.
30. There are no **Property, Equalities** or **Crime and Disorder** implications arising out of this report.

Risk Management

31. In compliance with the Council's risk management strategy the main risks that have been identified are those which could lead to the inability to deliver services (Operational) as this is an expansion of works to NSO leading to financial loss (Financial). With any works relating to gas appliances in customers homes there is also the (physical) risk to health from carbon monoxide poisoning/explosions that could lead to non-compliance with legislation (Legal & Regulatory) should there be an avoidable accident.

Measured in terms of impact and likelihood, all risks have been assessed at less than 16. This means that at this point the risks need only to be monitored as they do not provide a real threat to the objectives of this report.

Recommendations

32. The Executive is asked to approve option 1, to approve the amendment to the Housing Repairs Partnership to include the whole of the gas servicing for the city.

Reason: To secure service quality and value for money on behalf of the council's tenants.

Contact Details

Author:

Mark Grandfield
Asset Manager
HASS
Tel No.Ext 3733

Chief Officer Responsible for the report:

Steve Waddington
Head of Housing Services

Report Approved

Date 13/3/08

Specialist Implications Officer(s) *None*

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report