

**Meeting** Executive  
**Portfolio Area** Housing and Older People.  
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## DOMESTIC AND COMMUNAL GAS CONTRACT

### KEY DECISION

**Authors** Dennis Panter | 2893  
**Lead Officers** Jaine Cresser | 2028  
**Contact Officer** Dennis Panter | 2893

### 1. PURPOSE

1.1. To seek approval to commence the procurement process for new Domestic and Communal Gas Servicing and Repairs Contract(s) with options to include a bundle of other related services for the period 2020 to 2024 with an optional extension of two years to 2026 and a further two year option to extend to 2028.

### 2. RECOMMENDATIONS

- 2.1. That the procurement approach outlined in this report be agreed.
- 2.2. That the procurement process be commenced.
- 2.3. That a third-party procurement consultant be procured and appointed to support the procurement process.
- 2.4. That the current contracts are extended to July 2020 to allow the incoming contractors to mobilise effectively, paid for from within the existing HRA budget.

- 2.5. That the services are procured as two lots within the same open OJEU procurement, with bidders being permitted to bid for either or both, with the lots to be evaluated separately.
- 2.6. That the Strategic Director RP be given delegated authority to award and finalise the terms of the contract(s) with the winning bidders after an officer panel has concluded an evaluation of tenders received and having consulted the Portfolio Holder: Housing, Health and Older People.

### **3. BACKGROUND**

#### **3.1. General**

- 3.1.1. Stevenage Borough Council has a housing stock of circa 8100 homes of which 7300 are classed as domestic for the purpose of this contract and have their own gas supply. The majority of the remainder are classed as communal, forming part of one of the 21 larger buildings included in these contracts and receiving their heating and hot water from a communal boiler.
- 3.1.2. Stevenage Borough Council, under the regulation 36 (Duties of a Landlord) of the Gas Safety Use and Installations Regulations 1998, has a statutory obligation to inspect and maintain its gas appliances and services to a safe standard and keep records of such inspections.
- 3.1.3. The council has met its obligations for the past three decades by employing Gas Safe registered contractors. The council has procured a number of contracts by different means over time with varying degrees of success. The current contracts are due to expire on 31st October 2019.
- 3.1.4. The council has been an early adopter of the new MOT style service and certification giving greater clarity to its tenants of due dates and is now able to make savings as a result.
- 3.1.5. The proposed procurement has been presented to the Housing Management Advisory Board their questions and concerns answered.

#### **3.2. Domestic**

- 3.2.1. Following the extreme winter of 2017/18 the council worked cooperatively with the contractor to improve and consolidate the gas repairs offered to its tenants and has reduced the number of complaints significantly when compared to previous years.
- 3.2.2. During this period the incumbent contractor offered an opportunity to partner with them and their parent company ForViva Housing Association in developing a number of enhancements to the existing service, using artificial intelligence that would have resulted in the council being able to carry out a full "Home MOT" in a single visit.
- 3.2.3. Utilising current technology, these MOT visits would have enabled gas engineers to carry out multiple checks and inspections in addition to gas safety inspections. Resulting in a reduced number of visits and allowing the Council to concentrate its efforts where needed most.

- 3.2.4. Whilst the merits of the collaborative offer were noted along with the benefits of the proposed working style, to pursue this option would have been in breach of procurement legislation and in any event it was felt at that time that the focus should be on the improvement of the gas repairs service.
- 3.2.5. It is now proposed to include the “Home MOT” service in the specification for the new contract.

### **3.3. Communal**

- 3.3.1. The council has received a good service from the incumbent contractor, all sites have remained compliant throughout the contract and all assets have been maintained to a good standard.
- 3.3.2. The contract has operated within budget year on year and the council has been able to increase the service in line with good practice, making minor improvements to the equipment in line with current safety standards.
- 3.3.3. It is proposed that the core gas elements of the current contract remain unchanged with additional inspection schedules added to bring it in line with modern standards.

### **3.4. Additional Assets**

- 3.4.1. The council owns and operates a number of assets in its larger housing blocks for which it does not have any servicing, repairs or inspection contracts. These include Water boost sets, Air movement and extract systems, Water softeners and filters, Water temperature control systems and Water temperature blending valves. These assets are currently maintained as extras to the communal gas contract. It is proposed that they are added to the service, inspection and maintenance specification in line with current regulations.

### **3.5. Legionella**

- 3.5.1. The council owns and operates 25 Housing and Investment properties that require Bi-Annual Legionella Risk Assessments and Mitigating Regimes including descaling of showers, flushing, monthly and weekly temperature checks, many of which are conducted by supported housing and caretaker staff.
- 3.5.2. The current Legionella contract expires in August 2020 and will need to be re-procured.
- 3.5.3. It is proposed to include all legionella checks within the new contract(s) to give a single point of responsibility, clearer record keeping and freeing staff to concentrate on their core duties.
- 3.5.4. From the council’s pre-market engagement with Communal Gas contractors, it is understood that many of them prefer contracts with bundled services with similar skill sets as they give larger overall values and lead to efficiencies, with multiple tasks carried out in a single visit.
- 3.5.5. The bundling of services will also give the council efficiencies in contract management, reduce the need for staff to accommodate site visits and reduce procurement.

### **3.6. New Proposals**

- 3.6.1. Utilising previously explored ways of working, the procurement of a new contract allows for the innovative use of IT and the new MOT style of working to be implemented.
- 3.6.2. Optimal use of gas operatives to complete a number of checks and inspections whilst carrying out the gas safety inspection.
- 3.6.3. A back office artificial intelligence system to process the data, collate and send reports, flagging exceptions and concerns.
- 3.6.4. Use of gas operatives to test Smoke and CO alarms, check the presence and condition of fire doors in appropriate properties, complete L8 (domestic legionella) inspections and risk assessments. It also offers the tenants an opportunity to report repairs to them or for operatives to report them on their behalf.
- 3.6.5. The operatives will be able to take photographs of the key elements of the property. Using this information, the artificial intelligence systems can generate asset appraisals leading to an intelligence led decent homes program and early warnings of damage.
- 3.6.6. The operatives could also conduct a series of tenancy checks including tenant I.D. and contact details, safeguarding and subletting flags, as well as giving the tenant the opportunity to arrange a tenancy officer visit.

### **3.7. Mobilisation**

- 3.7.1. Domestic: To mitigate the risks of poor mobilisation during the winter period it is proposed the current contract is extended from October 2019 to July 2020.
- 3.7.2. Communal: For the same reasons it is proposed this contract is extended to July 2020 to avoid mobilising in winter.
- 3.7.3. Legionella: It is proposed that the legionella specification is added to the communal gas contract along with the inspection of other Mechanical and Electrical assets that are currently not contracted in order to add value making the new contract more commercially attractive. This approach will also reducing the amount of procurement to be carried out as well as reducing the need for contractor management.

### **3.8. Corporate and Commercial properties**

- 3.8.1. The council owns and operates a number of corporate and commercial properties that are currently serviced and maintained under other contracts. The council may wish to add some or all of these properties to the contract and it is therefore proposed to include sufficient scope and value to the new contract to enable these to be added.

## **4. REASONS FOR RECOMMENDED COURSE OF ACTION**

- 4.1. A consultation exercise was undertaken to gauge current market trends and thinking. The Compliance team met with a number of contractors, framework

providers, colleagues from other local authorities and members of the Association of Gas Safety Managers (AGSM, of which the council is a member). This consultation has resulted in the following recommendations and proposals.

- 4.2.** The consensus is that longer term contracts and more all-inclusive specifications attract more competitive prices. Set up costs can be spread over a longer term and higher values support fixed overhead costs. It is recommended that the contract is awarded on a fixed four year term plus two, plus two, giving the council the option to reward good performance with extensions or re-procure if the service does to not meet expectations.
- 4.3.** Confirmation that many recent contracts include performance related pay, often linked to KPIs. Whilst it is not possible to include penalties under current contract law, it is proposed to include incentives and that the new contract(s) will include performance related payments.
- 4.4.** Feedback indicates that contractors prefer whole service specifications giving them responsibility for all aspects of the service, including; servicing scheduling, access and compliance, first time fix rates, complaints responses, replacement boilers. It is proposed the new contract(s) will include all processes being carried out by the contractor, with the compliance team providing scrutiny.
- 4.5.** The team explored the possibility of an award within a framework, either by direct award or mini competition. None of the frameworks the council has membership of provide a strong enough contract and specification to give the assurance that the council can manage and remove a poor performing contractor. None have sufficient scope to add the additional services the council may wish to develop.
- 4.6.** Contractors confirmed they add back framework costs to the client negating any saving made by scale of purchasing through a framework.
- 4.7.** The compliance team also investigated the possibility of bringing gas servicing in house, reviewing case studies of other authorities that have done so both successfully and unsuccessfully. Due to the specialist skills required for this servicing, it is not included in the services that are currently on the road map for insourcing.
- 4.8.** Due to the size and complexity of the procurement it is believed that the team will need support of a third party consultant with specialist skills and knowledge that does not exist within the current team.
- 4.9. Lessons learnt from pervious contracts**
  - 4.9.1.** Mobilising the contract in winter has led to service failures; it has been proposed the current contract term be extended to avoid repeating this.
  - 4.9.2.** The current and three previous contracts have all been mobilised in winter (October – November), a time of high demand on the repairs service, giving the incoming contractor the poorest of starts. It is therefore proposed that the new contracts will start in the summer so that the incoming contractor(s) can mobilise and be ready for winter

- 4.9.3. There has been no requirement for the contractors to produce a mobilisation or de-mobilisation plan in previous contracts. It is proposed that a mobilisation plan be included in the quality submission at tender and a de-mobilisation plan be a contractual requirement.
- 4.9.4. First time fix definitions have been weak, allowing contractors to close jobs as complete and open new jobs for follow on works or fitting parts etc. This has resulted in the reporting of high rates of first time fix, whilst tenants are left without heating and hot water. It is proposed to replace "First time fix" with "Satisfactory Repair" defined as 'the number of days a tenant is without fully functioning heating and hot water, with no further visits within 30 days'. The number of jobs completed as satisfactory will form a KPI and have performance related payments.
- 4.9.5. It is not permitted to write penalties into a contract. It is however possible to reduce the amount of work given to contractor in cases of poor performance. It is proposed (subject to legal advice) to include such a clause in the new contract allowing the council to take work from a badly performing contractor and give it to another.
- 4.9.6. Tenants have largely benefitted from being able to contact the Contractor directly, but there has been no requirement for a backup system. It is proposed that the tenants shall have direct contact with the contractors by a Free-phone number (including calls from mobiles), a call back option at times of peak demand, text, email, and letter and Facebook messenger. Also that the contractor system notes tenants' preferred means of contact. It is proposed that the contract includes an escalation procedure should the phones fail and that contact statistics are reported and scored as a KPI.
- 4.9.7. There has been no contractual requirement for contractor(s) to develop IT links or give access to their systems. It is proposed that the new contract(s) will include a requirement to provide a portal giving live access to jobs status, appointments, repairs and service records as well as Landlords Gas Safety Records (CP12s). There will also be a requirement to provide bespoke reports and cloud based data sharing.

## **5. IMPLICATIONS**

### **5.1. Financial Implications**

- 5.1.1. If the procurement strategy is successful, the efficiencies generated by bundling services together, along with economies of scale will offset the cost of servicing the additional equipment and provide a better service to tenants.
- 5.1.2. It is likely that the cost of gas maintenance will peak in the first year as the incoming contractor seeks to charge to correct existing defects.
- 5.1.3. Should the council take up the option to develop the additional services within the domestic gas servicing contract there may be considerable upfront costs which will be recovered across the life of the contract.

Each of the additional services will be subject to a business case review.

- 5.1.4. The cost of procuring a specialist consultant can be met from the existing HRA budget.

## **5.2. Legal Implications**

- 5.2.1. As set out in the report, the Council has statutory duties in respect of its gas appliances.
- 5.2.2. The procurement of the new contracts will be in accordance with OJEU requirements.

## **5.3. Risk Implications**

- 5.3.1. Without a robust contract in place the council risks failing in its statutory duties and potential prosecution, both as an organisation and of individual duty holders.
- 5.3.2. Failure to remain Gas Safe compliant risks damage to reputation.

## **5.4. Policy Implications**

- 5.4.1. The council's Gas safety policy will be updated to support the contract(s) and reflect current safety practises.
- 5.4.2. The new contract(s) will ensure that all data is held and processed in a manner which satisfies the council's requirements under GDPR and other relevant regulations and policies.

## **5.5. Leaseholder Considerations**

- 5.5.1. The value of the communal contract per household / leasehold property is such that section 20 procedures do not apply to this procurement.
- 5.5.2. It is proposed that the new contract(s) will ensure the contractor(s) offers the same services to leaseholders as it does to the council, at the same cost and puts in place an easy payment method.

## **5.6. Information Technology Implications**

- 5.6.1. The new gas contracts specifications will include a number of measures to ensure the council retains ownership of its records as well as having portal access to the contractor's records.
- 5.6.2. The specification will include an 'uploader' to the Keystone Asset Management System (service and inspection) and links to the Northgate property management system. This will require some additional capacity and further development of existing facilities to form part of the digital transformation of housing.
- 5.6.3. The Specification will also include a requirement for the contractor to provide a digital offer to the tenants, including a portal with the facility to download their own certificate, report a repair, web chat, request a call, make a complaint, change an appointment, and update their contact details.
- 5.6.4. It is not possible to determine the full scope of IT requirements for developing all the additional services outlined in this report. It is

therefore proposed that a business case is made for each that will be appraised on a cost to benefit basis and each commissioned individually.

### **5.7. Climate Change Implications**

- 5.7.1. It is proposed the new contracts will support the council's commitment on climate change by promoting energy efficient heating systems and best practices to reduce the contractors' carbon foot print.