

Report

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Report to:	Performance and Review Scrutiny Forum
Date of Meeting:	29 September 2009
Report by:	Executive Director (Housing and Technical Resources)

Subject:	Gas and Solid Fuel Best Value Service Review
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Detail the outcomes to the Performance and Review Scrutiny Forum (P&RF) from the Best Value Review of Gas and Solid Fuel Servicing and subsequent options for future service delivery in line with the Council connect objective to “Improve the quality, access and availability of housing”.

2. Recommendation(s)

2.1. The Forum is asked to:-

- (1) note the contents of the report and current performance status of the service following review.
- (2) endorse the continued provision of a reconfigured Gas and Solid Fuel service via Property Services in line with the findings of the BV review and the projected short to medium term requirements of the service.

3. Background

3.1. Over the past two years, domestic gas servicing and solid fuel has been the subject of a Best Value review. In line with legislative and landlord requirements, the key objectives of the review included the need to ensure that gas and solid fuel maintenance programmes were effectively and competitively delivered in line with all relevant legislative requirements.

4. Review Methodology

4.1. The overall approach was to re-engineer the current process for scheduling and carrying out service visits with a greatly enhanced focus on customer needs and requirements. Actions within the review included analysing and comparing current service and policy priorities against legal and statutory responsibilities, reviewing the arrangements for rechargeable work and reviewing the service delivery.

5. Profile of Existing Service Provision

5.1 The current domestic gas maintenance service covers **16,910** (as of 3 August 2009) properties within South Lanarkshire Council (SLC). The Council also currently has **1,135** solid fuel properties.

- 5.2 The Gas Safety (Installation and Use) Regulations; Regulation 36, places two duties upon SLC as landlord, those being:
- a. to maintain all gas appliances, flues and gas installations; (appliances that the tenant cannot legally remove); and
 - b. to undertake an annual safety check of gas appliances and flues, and produce documents to support.
- 5.3 Informed by Best Value review activity over the last two years, a clear policy and framework has been established to ensure the consistent delivery of these duties. At the end of each financial period, a report is run from the Housing Management System (Academy) detailing all properties outwith service certificate date. In August 2008, over **6.5%** of all gas maintained properties were outwith certificate date. Currently, following ongoing development work as part of the BV review, this number has significantly reduced to less than **1%**.
- 5.4 Past performance had been affected by a lack of an integrated approach to systems and procedures between client and contractor. This was addressed as part of the review and there is now in place a clear process detailing stakeholder roles and responsibilities.
- 5.5 Performance outcomes have continued to improve in line with outcomes from BV review activity. Utilising the last quarter as a comparison to the previously reported low at the end of 2008/2009 of 61.1% (Servicing) and 36.1% (Documentation), SLC is now close to consistently achieving (and in some periods exceeding) the national average for both service performance (SLC: 74.2% vs NA: 83.3%) and documentation (SLC: 57.9% vs NA: 57.9%).

6. Consult

- 6.1 A key element of the BV review was the assessment of customers' views in relation to the quality of current standards.
- 6.2 A series of consultation exercises to develop and implement improvements were undertaken collectively with all stakeholders. Key improvement actions included:-
- Clear and detailed timeline of events (critical path/milestones) to ensure all properties are serviced within the 365 day cycle.
 - Out of hours appointment system for customers with specific needs
 - Guaranteed personal visit by local Housing Representative to ensure local knowledge is utilised for difficult to access properties – in advance of any further direction action
 - Tenant designed Gas Posters for display in public areas
 - Bespoke gas envelope covers to make gas correspondence stand out from day to day mail

7. Compare

- 7.1 As part of the BV review process, SLC personnel visited both Stirling Council and East Lothian Council to gather data on standards and methods of service delivery. Both of these Councils had recently undergone a review of their gas servicing and maintenance activities and in the case of East Lothian, had been held up as a model of Best Practice.

7.2 In addition, a desktop benchmark exercise was undertaken with four other local authorities to specifically compare procedures (Falkirk Council, West Lothian Council, East Dunbartonshire Council and Fife Council). It was reassuring to note that the SLC standard in most areas met or exceeded peer comparisons.

Figure 1. Cost & Service Specification Comparison (Private) (2007/2008 Rates)

Provider	Scottish Gas Home 100 (boiler & controls)	Scottish Gas Home 200 (whole central heating system)	Npower Gas heating cover	Npower Gas boiler cover	React Fast Boiler breakdown cover	Gas Call Gas central heating & breakdown cover	South Lanarkshire Whole central heating system
Cost per month	£12.00	£16.00	£9.89	£7.19	£15.16	£13.33	£5.23
Yearly safety & maintenance inspection	Yes	Yes	Optional £5.71 a month extra	Optional £5.71 a month extra	Yes	Not stated	Yes
24hr callout / helpline – 365 days	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Unlimited Callouts	Yes	Yes	Yes	Limited to 2 claims per year	Yes	Yes Up to a total of £1000.00	Yes
Parts & labour costs covered	Yes	Yes	Yes	Yes	Yes	Yes Up to a total of £1000.00	Yes
Boiler & controls cover	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Radiator cover	No	Yes	Yes	No	Yes	Yes	Yes
Central heating pipes & hot water	No	Yes	Yes	Yes	Yes	Yes	Yes

7.3 In addition, as part of an independent exercise undertaken by external Best Value Consultants, gas service and repairs and maintenance costs were benchmarked across the five authorities detailed in Section 7.2 (see Figure 2)

Figure 2. Cost & Service Specification Comparison (Public) (2007/2008 Rates)

Authority	East Dunbartonshire	Falkirk	Fife	South Lanarkshire	West Lothian
Servicing					
Rotation period	9	12	12	12	12
Unit of Time	months	months	months	months	months
Average recharge	£35.03	£33.46	£45.00	£62.76	£25.20
Procurement	In-house	50% in-house 50% external.	50% in-house 50% external.	In-house	In-house
Repairs & Maintenance					
Target response times	24 hours 5 days 20 days	3 hours 7 days 28 days	24 hours	24 hours	24 hours 48 hours
Ave recharge	£54.97 per annum	£59.00 per annum	1st hour included in tender price	Included in servicing	£43.05
Procurement	33% thro' Com Tender 67% thro' SLA	50% in-house 50% external	50% in-house 50% external	SLA 2003 & Updated in 2005	In-house
Total Costs:	£90	£92.46	Variable	£62.76	£68.25

7.4 Recent market conditions will clearly have affected the cost comparative data from across the five authorities, however, based upon the above information as it currently exists, **SLC were the lowest cost at £62.76 with a comparable specification and inclusions.**

NB since its inception, membership of the benchmarking group has increased from 5 local authorities to 19.

8. Challenge

8.1 The short term working groups established to undertake the BV review of Gas and Solid Fuel understood from the outset the need to challenge:-

- The underlying rationale of the service
- Alternative methods of provision
- The potential for using new technology
- The effects of demographic, social and economic considerations within SLC on future provision/

- 8.2 As detailed, SLC has a clear legislative duty in relation to gas safety and to solid fuel servicing (unlike gas, solid fuel imposes no legal requirement to formally gain entry within a 365 day cycle but acknowledged best practice is to do so in line with duty of care responsibilities). Therefore, the key areas of challenge lie in relation to standards required within the delivery of the service and who is best placed to meet these explicit requirements and in what form.
- 8.3 An audit of the Council's procedures and working practices carried out by Corgi in January 2008 concluded that "Overall SLC is actively improving the management and control of gas and gas safety. This resulted in the production of a well balanced and managed access policy that will provide the assurances that all properties that SLC have liabilities for are within a managed process
- 8.4 Every aspect of previous service provision has been challenged through the joint development and implementation of a detailed improvement action plan. Current service procedures, standards and transparency in relation to performance bear no comparison on the service provided pre 2008.
- 8.5 South Lanarkshire Council now has in place a comprehensive Gas Management System which is fully aligned with best practice and externally validated by both CORGI (in relation to processes and procedures) and LRQA (in relation to Quality Management Standards under ISO 9001:2001 and OHSAS 18001:2007).
- 8.6 Contractor performance assessment has been significantly strengthened through the use of CORGI and revised internal quality control arrangements. As detailed previously in Section 5, contractor performance is now coming in to line with recognised national benchmarks with further period on period improvement demonstrated.
- 9. Compete**
- 9.1 In line with the scale of activity required to improve internal management arrangements of managing gas and solid fuel safety, early stages of the BV review sought to profile across stakeholders the opportunities available to address a range of performance areas and subsequently, seek advice on potential markets and service providers.
- 9.2 Benchmarking data on costs currently shows the existing service provider in a positive light against both public and private benchmarks. In addition, service standards have significantly improved as evidenced via the independent CORGI programme of audits.
- 9.3 A key issue for the Council is the comparative condition of existing assets and the need to control costs in relation to their maintenance and future renewal in a planned rather than reactive basis.
- 10. Options Appraisal Summary**
- 10.1 Best Value conveys the requirement to fundamentally challenge the shape and nature of services provided.
- 10.2 In relation to Gas and Solid Fuel, an important factor that must be considered when making any decision is the profile/age of SLC's existing gas and solid fuel assets. It is recognised that energy efficiency is the likely next phase of improvements to follow on from the Kitchen and Bathroom phase of the current Housing Investment Programme (HIP).

- 10.3 Given the extended timeframe for completion of this initial phase of works beyond the originally envisaged completion timescale, it's important that gas and solid fuel servicing, repairs and replacements continue to be effectively managed on a strictly planned rather than reactive basis.
- 10.4 CORGI have expressed a view that given the age profile and volume of current SLC assets (as they await investment within the next phase of the HIP), SLC would face a risk if it were to externalise the service prior to commencement of a planned programme of replacements.
- 10.5 Taking these aspects into consideration against the evidence detailed within this report, three realistic options have been highlighted for consideration: -
1. **Internal re-organisation or re-structuring**
 2. **Full/Partial Market test (with in-house bid)**
 3. **Externalise (no in-house bid)**
- 10.6 The current annual budget for domestic gas heating, servicing and replacement is £2.352m. Solid fuel repairs and servicing currently costs circa £230k per annum and subsequently the route for procurement will be dependent on how the above elements are profiled (contracts being inclusive of both service and maintenance for each area or segregated and then divided on a defined geographic basis).
- 10.7 **Internal re-organisation or restructuring:** - The framework within which the service is delivered has been significantly developed over the review period to meet the challenges presented and demonstratable results have been achieved. However, further work is needed to fully align the service with client and customer requirements and any revised service standards would need to incorporate: -
- Updated contract documentation for servicing and maintenance including a definitive list of inclusions and exclusions
 - Revised Servicing Hours – 8am to 8pm during weekdays and 8am to 12pm on a Saturday
 - Single Contact Centre requirement placed on Contractor providing service and maintenance to further streamline communications and transaction events
 - Contractor required to manage service programme database and update to Housing Management System (Academy) via electronic link.
- 10.8 **Market test:** - Multiple external providers exist within this marketplace although available cost and quality evidence suggests that SLC provision currently matches or exceeds comparisons. However, recent market pressures may have a significant impact upon the cost element in terms of tender rates although as evidenced at East Lothian and Stirling Councils, recovery of such costs may be sought via subsequent service operations from this sector. A limited open market test exercise could be undertaken of a hybrid nature on either an element of current service scope (gas, solid fuel or both e.g. service or maintenance element, a geographic area of the current profile or a combination of both (hybrid)).
- 10.9 **Externalise:** Similar to above, the variation would be to externalise the service without any in-house engagement. This would need to be viewed in light of potential TUPE implications and the impact upon the existing service level agreement.

- 10.10 If either option 2 or 3 is developed there would be an increase in cost associated with managing the external contractor(s) in the instruction, quality control, verification and payment for the works.
- 10.11 It is recommended that the internal reorganised service continues in operation with a review after two years.

11. Employee Implications

- 11.1 A current establishment of 28 domestic gas heating engineers covers the gas servicing operations. Solid fuel activity is delivered by a single plumbing team operating from Lanark in line with the concentration in that area of solid fuel assets. Associated supervisory and management personnel are also engaged in related work activity.
- 11.2 Full consultation will be required with all associated Trade Unions in line with due consideration of the options outlined.

12. Financial Implications

- 12.1 The improvements delivered within the review of the service have been achieved within existing annual budgetary provisions (£2.352m - Domestic gas heating, servicing & replacement / £230k - Solid fuel repairs & servicing).
- 12.2 This includes the eradication of 1132 high risk (backlog) properties.
- 12.3 This has been achieved by utilising the savings offset within streamlined servicing arrangements, for example, maximum of 3 visits, against the additional cost of enhanced documentation and improved management information systems required to achieve the above.
- 12.4 It should be noted that whilst 403 forced entries have been commenced to date, associated monies are recovered via an agreed charging mechanism by the Client set at £140 per forced entry event. A cost neutral position is therefore achieved for this critical area of delivery.
- 12.5 Any future developments or expansions to the service will be subject to full and separate review with full associated financial impact analysis.

13. Equality Impact Assessment and Consultation Arrangements

- 13.1 The review process involved consultation with all internal and external users of the service.
- 13.2 Subject to review, the report will be screened for any policy implications in respect of equality impact assessments.

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15 September 2009

Link(s) to Council Objectives

Improve the quality, access and availability of housing

Previous References

None

List of Background Papers

RMT Report - CORGI Gas Audit Outcomes and SHQS Arrangements, 31 March 08

RMT Report - Future Gas Servicing Arrangements, 5 June 08

RMT Report - Future Gas Servicing Arrangements, 9 October 08

RMT Report – CORGI Gas Safety and Servicing, 12 February 09

RMT Report – CORGI Gas Safety and Servicing, 7 May 09

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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