

Crawley Borough Council

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Report to Cabinet

10 July 2013

Extension of Gas Servicing & Maintenance Contract (Crawley Homes)

1. Key Points

- 1.1 The Gas Servicing & Maintenance Contract with EPS Group Limited (EPS) commenced on the 1st April 2009 for a period of 5 years. Mitie Property Services (UK) Ltd (Mitie) took over the contract when they acquired EPS in November 2009.
- 1.2 This contract may be extended for a further period of up to 5 years as set out within the original Tender & Contract Documents, at the discretion of the Council.
- 1.3 Mitie continue to provide excellent service & value for money for the Council, as demonstrated within a recent 'full system audit' of the service operation.
- 1.4 Mitie's performance over the previous five years of the contract has met or exceeded expectations, as evidenced by the achievements against targets in Appendix 1 and Appendix 2.
- 1.5 Mitie continue to work in close partnership with some of the Council's other work streams within Crawley Homes (Responsive Repairs & Planned Maintenance) that have led to significant benefits for both the Council and residents.

2. Recommendations

- 2.1 **The Cabinet is recommended to approve the 5 year extension of the Gas Servicing & Maintenance Contract for the period 1 April 2014 to 31 March 2019.**

KAREN DODDS
Head of Crawley Homes

3. Background

- 3.1 At the meeting of CHAG (Crawley Homes Advisory Group) on 10th July 2012, the Group received a report outlining the success of the current Gas Servicing contract, and findings of the recent Audit Report.
- 3.2 Mitie took over the original contract from EPS in October 2009 when they acquired the company.
- 3.3 Provision within the European Journal advertisement allowed for an extension of this contract for up to a further 5 years from 1st April 2014. This is 'at the discretion of the Council'.
- 3.4 Cabinet approval is required for the extension of any contract where the contract value exceeds £400K.
- 3.5 To carry out a full re-tender of this contract would require a period of approximately 12 months and cost in excess of £100K, as specialist procurement and legal advice would be required from external consultants in addition to staff time.

4. Performance of Mitie

- 4.1 The contractor's performance is measured with KPIs and monitored at regular monthly core group meetings.
- 4.2 One key target is to ensure that the Gas Servicing & Safety inspections are carried out within statutory requirements of a period not exceeding one year. Mitie Gas continue to achieve access to properties and complete servicing to ensure that the Council's landlord obligations are fulfilled regarding Gas Safety Compliance. For many months in succession they have gained 100% access for compliance.
- 4.3 During 2012/13 a total of 8192 appliances were serviced and/or inspected. Mitie attended a total of 9466 call outs for breakdowns & repairs. Resident satisfaction also remains very high within this service area. In the recent Star survey on customer satisfaction the gas service received an exceptionally high satisfaction rating for this type of survey of 90%.
- 4.4 A regular monthly compliance audit is also undertaken by Gas Advisory Service (G-A-S) who carry out independent follow up quality control checks of Mitie. The findings are reported monthly at the Gas core group meeting, with any findings immediately corrected as set out in Appendix 3.
- 4.5 Other achievements are:
 - Mitie carry extensive van spares achieving a first time fix rate for 2012/13 of 94.35%
 - Mitie have a policy and work closely with Central Sussex College to ensure that local labour and apprentices are employed on this contract wherever possible

5. Value for Money

- 5.1 The Council works in close partnership with Mitie to ensure all their service areas are carried out in an efficient manner using regular service reviews and 'systems thinking' in some areas of the business, and offering value for money for the Council.
- 5.2 It has been agreed as part of the discussions with Mitie on the contract extension that a System Thinking Intervention (STI) will be carried out, and the start date has been set for 3 July 2013. The STI will be done as part of the planned works intervention as the gas service forms part of the planned and cyclical works carried out to properties. Mitie will have 3 of their gas team on the intervention plus a further 2 from the Planned team and their senior manager helping to lead the intervention.
- 5.3 As part of the STI Mitie have been advised of the likelihood that the Council would want to move to an open book, cost plus arrangement as operated in the responsive repairs contract. Although certain risks are then borne by the Council such as redundancy costs negotiated as part of a specific business case, more cost certainty is achieved as there is no cost built in to cover such risks. This method also provides the Council with more understanding of the costs and better control in order to reduce cost. The open book model has led to significant cost savings in responsive repairs.
- 5.4 Mitie are currently carrying out boiler replacements as part of the planned works programme. Their financial model & install rates have been tested against other contractors during 2011 tender exercise carried out by Wates Living Space. These costs are regularly reviewed by our Quantity Surveyors, and benchmarked against other local authority tenders and national benchmark rates.
- 5.5 A full service review was carried out at the beginning of 2012, and a number of recommendations put in place to enhance the work undertaken by Mitie Gas, at no additional cost to the Council, for example Mitie now operate/test and record the location of every smoke detector within a property, giving vital information to assist with planned maintenance and asset management of the housing stock.
- 5.6 Mitie also check & operate the mains stopcock in every home (something that the Council's Insurers deem as very beneficial)

6. Ward Members' Views

- 6.1 The recommendations are not ward specific. CHAG have been informed of progress within this contract

7. Staffing, Equalities, Financial and Legal Implications/Powers

- 7.1 There are no implications for Council staff as a result of the contract extension.
- 7.2 There are no known equalities or diversity implications.
- 7.3 The contract with Mitie has an estimated expenditure of £1.28 Million for 2012/13
- 7.4 The recent System Audit has confirmed that all financial procedures are operating correctly, and that the contract offers value for money.

- 7.5 The planned works boiler renewals are benchmarking costs, and cost analysis is carried out by our independent Quantity Surveyor. These costs demonstrated value for money.
- 7.6 As mentioned in paragraph 3.3, a contract extension up to a further 5 years from 1 April 2014 is *'at the absolute discretion of the Council'*.
- 7.7 Under the Council's Procurement Code, any contract that expressly provides for an extension may be extended provided that the Council is satisfied that best value will be achieved and the extension is reasonable in all the relevant circumstances.
- 7.8 Where the contract value is over £400,000, as is the case with this contract, such an extension requires the agreement of the Cabinet.

8. Risk Implications

- 8.1 There is a risk in extending the contract that the Council fails to get better value for money that it could have achieved if it went out to tender. This risk is however mitigated by applying the open book model referenced in 5.3
- 8.2 Any procurement exercise undertaken would be a through OJEU and would carry a significant additional cost.

9. Environmental Impacts

- 9.1 The boiler replacements contract provides significant carbon reduction.

10. Reasons for the Recommendation

- 10.1 Mitie have achieved the performance required of them (paragraph 4) and worked in close partnership with the Council (paragraph 5) to achieve additional targets, including high levels of satisfaction from Crawley Homes tenants.
- 10.2 In extending the contract will achieve significant savings for the Council for the duration of the contract, and allow for any changes to the specification following the upcoming Systems Thinking Review, prior to the next re-tendering exercise.

11. Background Papers

None


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Gas compliancy 1 April 2010 – 31 March 2013



PI Code	Short Name	2010/11		2011/12		2012/13	
		Value	Target	Value	Target	Value	Target
CH-M-6	Percentage of dwellings that have a current gas certificate	99.99%	99.9%	100%	99.9%	99.93%	99.9%

APPENDIX 3

LANDLORD:	Crawley			TYPE OF INSPECTION:	Service								
CONTRACTOR:	Mitie												
Quality Control Summary Sheet 2012/2013													
QC's	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Total 2012-2013
Actual	38	32	42	39	40	37	20	30	22	33	35	21	389
PASS	38	31	41	39	40	36	20	30	22	33	32	17	379
FAIL	0	1	1	0	0	1	0	0	0	0	3	4	10
% Pass	100%	97%	98%	100%	100%	97%	100%	100%	100%	100%	91%	81%	97%
% Fail	0%	3%	2%	0%	0%	3%	0%	0%	0%	0%	9%	19%	3%
										Total	2012-2013	389	
Program Vol	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Total 2012-2013
	35	35	35	35	35	35	32	32	32	32	32	30	400
Cumulative Vol	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Total 2012-2013
	35	70	105	140	175	210	242	274	306	338	370	400	400
Variance Month	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Total 2012-2013
	3	-3	7	4	5	2	-12	-2	-10	1	3	-9	-11
	108.6%	91.4%	120.0%	111.4%	114.3%	105.7%	82.5%	93.8%	68.8%	103.1%	109.4%	70.0%	97.3%
Variance YTD	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Total 2012-2013
	3	0	7	11	16	18	6	4	-6	-5	-2	-11	
	108.6%	100.0%	106.7%	107.9%	109.1%	108.6%	102.5%	101.5%	98.0%	98.5%	99.5%	97.3%	0.0%

LEGEND
 C = Completed
 WO = Works Outstanding
 PBTC = Passed Back To Client
 O = Other (See Additional Information)