



AGENDA ITEM: 9

SUMMARY

Report for:	Housing & Community Overview & Scrutiny Committee
Date of meeting:	14th October 2015
PART:	I
If Part II, reason:	

Title of report:	Performance Review – Total Asset Management Contract & Gas installation and servicing contract
Contact:	Councillor Margaret Griffiths, Portfolio Holder for Housing Responsible Officer – Mark Gaynor, Corporate Director (Housing & Regeneration). Authors - Fiona Williamson, Group Manager Property & Place, Wimal Alahakon, Commercial Relationship Surveyor, Neil Brown, Mechanical and Electrical Team Leader
Purpose of report:	To provide an update upon the performance of the Total Asset Management Contract and Gas Servicing and installation Contract.
Recommendations	For members of the Overview and Scrutiny Committee to provide observations and comments on the performance of the two contracts.
Corporate objectives:	To ensure investment in the maintenance and improvement of the housing portfolio is delivered in line with the performance requirements of the contract and provides a high quality, customer focused service that provides value for money. To promote tenant involvement in the management and delivery of the contracts.
Implications:	<u>Financial</u> The tenders were awarded on the basis of the most economically advantageous tender and sufficient budget

<p>'Value For Money Implications'</p>	<p>provision has been made in the 2014-15 budget to deliver the programmed Capital work and responsive repairs.</p> <p><u>Value for Money</u></p> <p>The assessment to determine the optimal way to deliver the work strands to reduce duplication of access costs will ensure that value for money is demonstrated and realised over the term of the contract.</p>
<p>Risk Implications</p>	<p>The Total Asset Management Contract combines a large number of planned work programmes, the management of the call centre and the day to day repairs and empty homes repairs. Performance and financial management is essential as poor performance on this contract would have serious detrimental effects on the tenants and leaseholders and on the reputation of both the Council and the service Provider, Osborne.</p> <p>The failure to remain compliant in respect of gas safety is both a risk in terms of statutory compliance and risks to the tenants and adjoining residents.</p>
<p>Equalities Implications</p>	<p>Community Impact Assessments have been undertaken for both of these contracts to ensure they are accessible to all.</p>
<p>Health And Safety Implications</p>	<p>Failure to adequately maintain the properties in a good state of repair and compliant with statutory requirements has health and safety implications.</p>
<p>Consultees:</p>	<p>Councillor Margaret Griffiths, Portfolio Holder Housing</p> <p>Tenant representatives.</p> <p>Elliott Brookes, Assistant Director Housing Landlord</p> <p>Andrew Vincent, Group Manager Tenants and Leaseholders</p>
<p>Background papers:</p>	<p>Cabinet Report 25th March 2014, Award of Total Asset Management Contract and Consultants Contracts.</p> <p>Cabinet Report 23rd July 2013, Award of Gas Servicing and Installation Contract</p> <p>Housing and Community Overview and Scrutiny Committee report 28th January 2015</p>
<p>Historical background <i>(please give a brief</i></p>	<p>The Gas Servicing and Installation contract was awarded to Sun Realm and has been delivering the servicing of existing</p>

<p><i>background to this report to enable it to be considered in the right context).</i></p>	<p>and installation of new boilers since October 2013. The Total Asset Management contract was awarded to Osborne Property Services in July 2014 and is entering the 15th month of delivery. Both contracts are TPC Partnering contracts and operated using an open book accounting and have performance linked profit elements. The contracts both have an initial duration of 5years with the potential to earn extensions based upon satisfactory performance measured by a range of key performance and strategic indicators.</p>
<p>Glossary of acronyms and any other abbreviations used in this report:</p>	<p>HRA - Housing Revenue Account TAM - Total Asset Management (CP12) LGSR Certificate – Landlords Gas Safety Record MEAT – Most Economically Advantageous Tender HMEC – Housing Maintenance and Environment Committee JRP – John Rowan and Partners TPC – Term Partnering Contract ACA – Association of Consultant Architects KPI's – Key Performance Indicators OPS – Osborne Property Services CAT 1 – A breakdown category for boilers that require immediate replacement as they are beyond repair</p>

1.0 BACKGROUND

- 1.1 The Total Asset management Contract with Osborne and the Gas Servicing and installation Contract with Sun Realm are two of the most important contracts which the Council deliver to the 10,250 social housing tenants. Sun Realm Heating Limited commenced delivery of the contract for work to domestic gas installations, in October 2013 and Osborne commenced the delivery of the Total Asset Management Contract in July 2014, both following robust procurement processes.
- 1.2 Both contracts are being delivered under the ACA TPC 2005, a form of Partnering contract amended in 2008 and are based upon a target cost model, whereby the contract and valuations are based upon target costs for various types of work and these are then audited and the actual cost for the delivering the work identified. The audits are carried out every 3 months the Council will carry out an 'Open Book Audit' to ascertain the actual costs borne by the Service Provider. Any savings (gain) from the Target Cost will be shared by the Council and the Service Provider on equal basis. Any expenditure over and above the target cost will be the entire responsibility of the Service Provider (pain).
- 1.3 The initial contract duration was 5.5 years, with the option to extend for a further 5 years. Additional extensions can be earned subject to ongoing periodic renewal processes of the

Service Provider's key performance indicators which include, compliance, Health & Safety and Financial Matters.

2.0 TOTAL ASSET MANAGEMENT CONTRACT - PERFORMANCE UPDATE

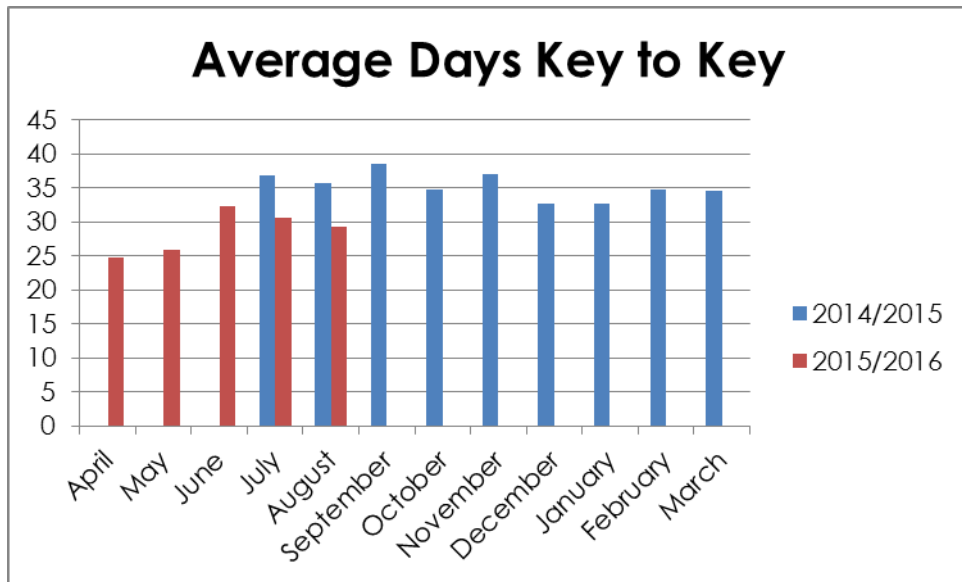
- 2.1 The Total Asset Management Contract was awarded to Osborne Property Services in April 2014 and was mobilised to commence on site on the 1st July, which despite the tight timescale was achieved. There were a number of complex issues, including the TUPE transfer of staff from multiple organisations, the need to establish a site office and depot in Dacorum and to engage with local suppliers and sub-contractors.
- 2.2 The Council officers continue to work very closely with Osborne's team to assist in ensuring the mobilisation and transition into the new contract was undertaken collaboratively so that the cultural aims of transparency and working together could be embedded. There are a number of hot desks that are used by Council officers which has derived many benefits as decisions can be made more quickly, problems can be addressed and it has enabled the teams to work more closely on future programmes.
- 2.3 The new Total Asset Management Contract is designed to provide both a service element, with the management of the call centre and inspection surveyors, as well as the day to day repairs and planned programmes of work. The contract has been structured to enable a percentage of the Service Providers profit (3%), to be linked to satisfactory performance, measured by a number of Key Performance Indicators, to incentivise positive behaviours. In addition to the contract KPI's there are a number of Corvu performance indicators that are used to provide supplementary information for the monitoring of the contract, which are contained in Appendix C

3.0 Local Employment and Site Office

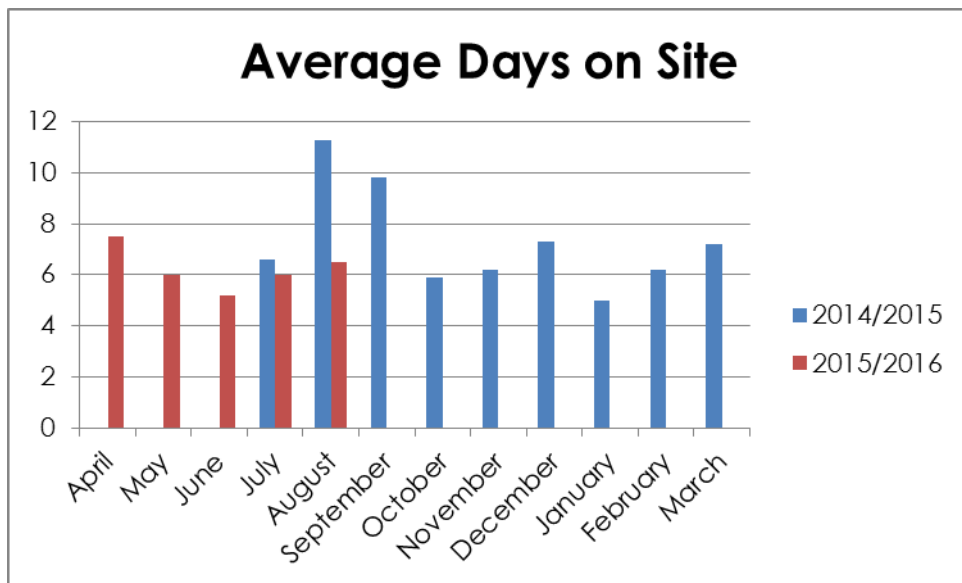
- 3.1 The Council continue to monitor the employment of the sub-contractors that are employed by Osborne, to ensure the local supply chain contractors continue to have the opportunity to work within the Borough. Osborne currently employ 65% of sub-contractor firms that are based in and around Dacorum and continue to engage with local companies in an aim to increase this to 75% by the end of this financial year. Osborne have undertaken 3 specifically targeted local supply chain open days and are in the process of another round of recruitment.
- 3.2 In order to support the strategic aims of contract another benefit to the local community and the economy has been the creation of 17 new jobs to support the delivery of the contract. Osborne has established 6 apprenticeships and 2 apprentice schemes within their own workforce. To supplement this further a programme is being rolled out for apprentices within the supply chain to continue to increase this benefit further.
- 3.3 Osborne are also in the process of setting up a training centre in the warehouse at Maxted Court that shall be made available to not only Partnership staff but as part of training that can be afforded to the wider community, including local supply chain.

4.0 Empty Homes

- 4.1 The Empty Homes delivery and reduced key to key times continues to deliver very positive performance results. The current performance is averaging around 28 days which is down from 42 days in the year prior to the contract award to Osborne. The associated rental income that has been generated, as a result of the reduced turn-around times, has been £53,485 in this financial year.



4.2 There has been a reduction in the time to complete work on site and the teams from the Council and Osborne's work closely together and have reduced duplication and streamlined a number of areas in the process. This is being done with works being carried out to a higher standard than previously but also a greater scope of works being completed in properties.



4.3 The approach of carrying more works up front result in:-

- Less disruption for tenant during tenancy
- Reduction in repair costs / disruption during tenancy
- Better targeting of Aids & Adaptations works for not only immediate incoming tenant but future tenancies
- Property to higher standard is easier to let

4.4 Osborne has completed 79 zero day jobs to date. These are jobs when the key is given to them, works carried out, and the key returned on same day. The aim is to identify the work required during a pre-void inspection, which is carried out in the notice to quit period and enables the team to also reinforce the tenant responsibilities in respect of the condition which they are expected to leave their home.

4.5 The Osborne Empty Homes Team continues to provide a service that is in the upper quartile of peer organisations for performance in the country.

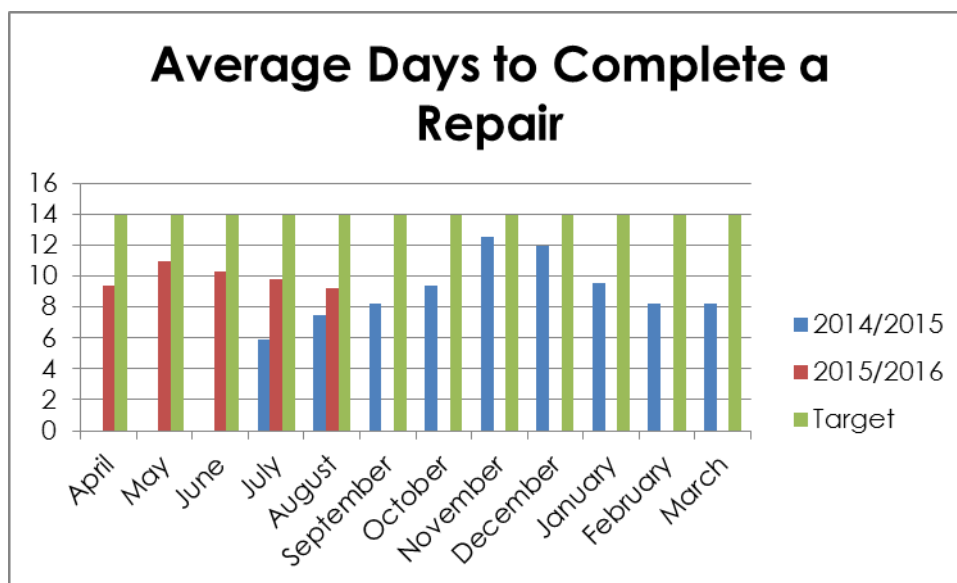
5.0 Repairs & Maintenance

- 5.1 The overall performance in this area has been good and there has been a focus on improving areas that initially were not achieving the performance targets. Appointments made and kept have been improving and now is at target and this is assisted in improving the customer satisfaction scores and reduced complaints associated with missed appointments.
- 5.2 The emphasis has been on completing the repair, wherever possible to avoid follow on work and multiple attendances for each job has continued and as a result there has been a decline in the number of repairs undertaken. This approach not only is better for the tenant, but also reduces the cost to Dacorum long term as multiple visits inevitably result in greater cost.

The summary repairs volumes are shown in the table below:

Period	Number of completed repairs
July 13 – July 14	27515
July 14 – July 15	26427

- 5.3 The average days to complete a job is also performing well under target, currently at 9 days, which means that tenants are not waiting long for day to day repairs to be completed.



6.0 Small Works

- 6.1 As the approach to Total Asset Management develops, consideration has been given to works that historically have been more complex or larger than a day to day repair. The type of work is often estate based such as rebuilding walls, fencing or other landscaping, which due to low levels of investment historically often require extensive work.
- 6.2 In order to manage these works more effectively and to ensure the approach achieves value for money, by batching some of these works, Osborne has developed a Small Works team.

6.3 Tenant representatives were involved in agreeing the scope and type of work that are included in this category and also the target timescale for completion. Benchmarking of other social housing providers was undertaken to determine an appropriate timescale for these works to be completed and a 45 day target has been agreed.

6.4 The impact will be monitored to determine the level of any efficiency savings, which are achieved as a result of the revised approach.

7.0 Planned Works

7.1 The programmes for this financial year have been generated using the stock condition information from the Council's asset database and this has been supplemented by information obtained from the surveys undertaken by surveyors at Osborne.

7.2 Osborne predominantly utilise local supply chain contractors to deliver the Planned Works programme and the feedback to date has been extremely positive, with works completed to a high standard.

7.3 The planned programme is well on target to be completed before the end of the financial year, which will enable improved forward planning and pre-surveys for the following year to be undertaken.

7.4 By establishing outline programmes for Year 3, the analysis of the repairs data trends and surveys can be used to refine the programmes to ensure the investment is targeted to those areas that demonstrate highest need.

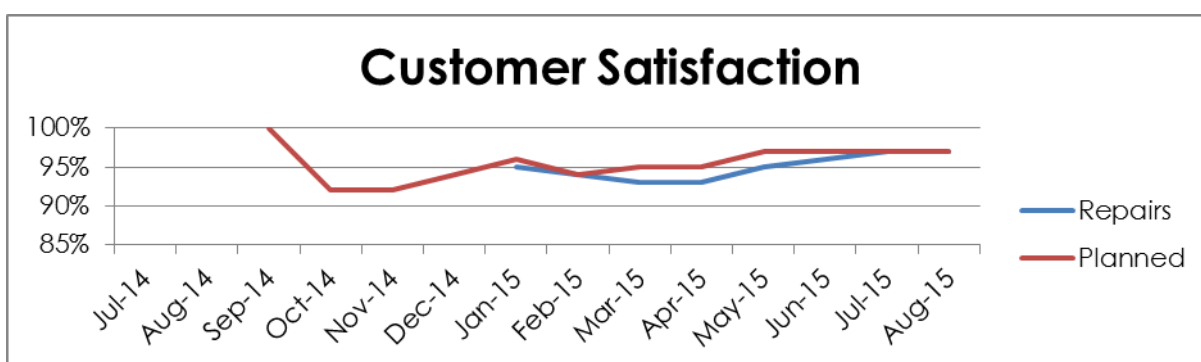
7.5 As more actual cost information is being established through the Open Book audits, the need to increase the number of target costs to include a wider range of work has been identified. The increased number of agreed rates will improve the efficiency and reduce time delays that can occur in using the schedules to build up the target costs. Osborne now have over one year of value trends, which will enable a detailed, accurate, and comparable market assessment of appropriate rates in line with those supplied at final bid stage.

7.6 A significant volume of Planned Works has been delivered contract to date and the cumulative numbers of installations undertaken over the past 14 months is contained in the table below. The stock is being brought up to a high standard through these works as well as those being undertaken by the Empty Homes teams.

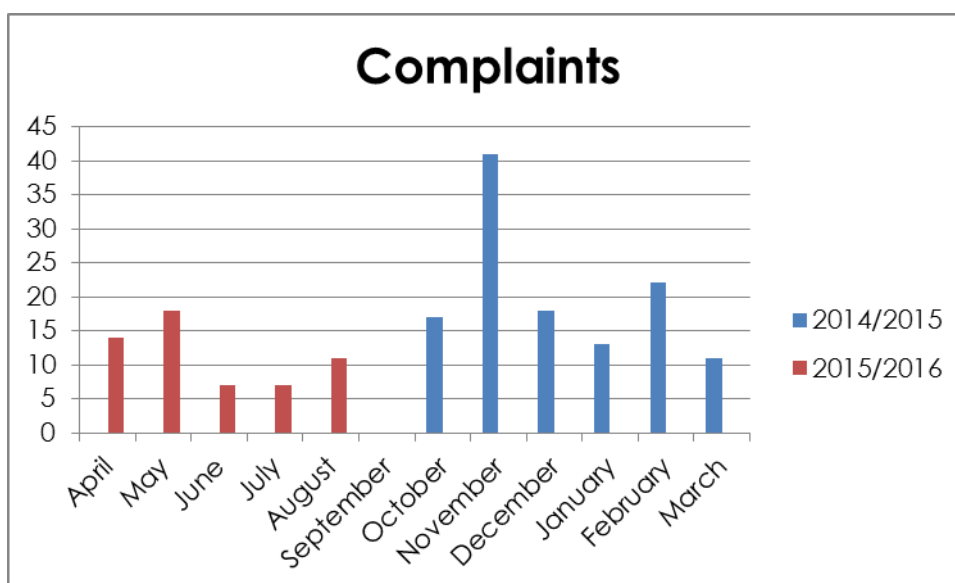
Work Stream	Number of completions contract start to date
Kitchens and Bathrooms	814
Rewires	226
Aids and Adaptations	387
External Doors	2788
Window replacement	246
External redecoration	338
Roof renewal	168
Tarmac projects	4
Garage Block refurbishment	14
2 room internal redecoration	257

8.0 Customer Satisfaction

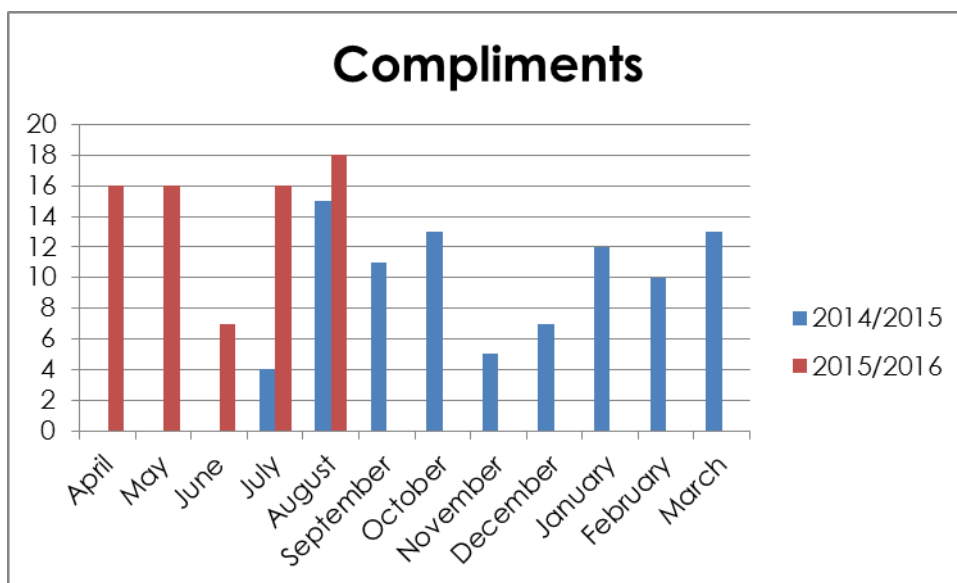
- 8.1 Osborne have appointed a regional Customer Services Manager who is responsible for the Customer Liaison Officers, Call Centre, and to improve communications across the Contract.
- 8.2 Analysis of the complaints received, demonstrated a need for improvements in the level and frequency of communication with tenants, both in the planned and responsive areas of work, so that they are fully updated on the scope and timings of works. This is being addressed with follow up calls and letters being undertaken and will be monitored to establish the effectiveness of the revised approach.
- 8.3 The Contract Customer Satisfaction is very strong due to the works undertaken by the Partnership around the Customer Experience process and the increased communication strategy being rolled out by Osborne.



- 8.4 Allied to high customer satisfaction, is the low number of complaints received and this has been summarised in the graph below. The improved position has been achieved through analysis of complaint trends and successful collaborative working to identify effective interventions to reduce complaints and developing a customer focussed approach towards the delivery.



8.5 Compliments are also recorded and the level of compliments which have been received by Osborne has been high also during the period under review which is another strong indicator that the service is generally well received.



9.0 Community Investment

9.1 Osborne continues to work pro-actively with the voluntary sector, schools, community centres and sheltered schemes and have made a significant investment towards its success. Working in Partnership with the Council, Osborne have supported or arranged in excess of 55 events in the community, a number of which are detailed in Appendix A.

9.2 There have been recent Work Experience programmes being run through the contract to provide opportunity's for young adults to directly experience working in the construction industry. An experimental scheme was undertaken recently offering one person experience in an office role and another person a site based role. This scheme was piloted to obtain feedback from the work experience candidates in order to tailor future placements and offerings.

9.3 Osborne issues a 2 monthly publication of their Community Investment activities, Community Matters, to an agreed publication list. This list is increasing as further parties in the community become interested. The publication is designed and developed in-house and also provides details of forthcoming events if anyone connected to the Partnership, or indeed beyond, want to become involved.

10.0 Financial Performance

- 10.1 The Open Book audit combining the first two quarters of the contract July-September and October – December, were undertaken by the cost consultants, JRP, who provided the following summary findings:
- OPS have, once again, been co-operative throughout this audit and have endeavoured to submit all of the substantiations we asked for.
 - OPS Head Office at Reigate provided further substantiations (such as vehicle hire charges, credit card purchases, rent recharges, insurance etc.).
 - The contract requires OPS to submit a quarterly financial statement; however the statement submitted for the second quarter could not be easily reconciled with the backup information provided.
 - OPS gave us their periodic valuations and a download from their costing system "COINS". As a result, we abstracted relevant information from these documents to assess appropriate target costs and determine actual costs for the 2nd quarter.
 - The financial outcome of our audit is given below, showing the target costs, actual costs and pain/gain against each of the work categories (WC). This report shows a gain of £242,278.35 and we recommend that DBC's client representative should issue a certificate for OPS share of £121,139.18 to be credited to DBC.
- 10.2 The Open Book audit established that during the first two quarters the contract actual costs were below the target cost by £242,278.35 and of that the 50% share has been identified for a credit to re-invest in this year's programme.
- 10.3 The Open Book audit for the final quarter of the first year, January – March, has been concluded and has identified that further savings have been achieved against target costs, but the figures are subject to final review so have not been included in this report.
- 10.4 The next Open Book audit will be undertaken internally, to improve the detailed understanding of the actual costs and to identify where any potential efficiencies or cost savings can be achieved.
- 10.5 The 3% performance related profit is earned upon achieving or exceeding the key performance indicators and each indicator has an associated weighting that determines how much of the 3% is allocated against each. The details and respective percentages are outlined in Appendix B
- 10.6 Due to initial problems with the appointments made and kept and completion of urgent and emergency repairs within the targets, Osborne achieved 2.2% of the performance related profit at the end of the first 9 months of the contract.

11.0 Contract Extension

11.1 The contract mechanism enables the Service Provider to earn additional years, up to a maximum of ten, during the initial five year contract, by the achievement of a number of Key Strategic Indicators, which are detailed in the table below:

Key Strategic Indicators		Target Compliance
1	Performance at or above the target for all KPIs for at least 9 months of the year	100% of the KPI targets met for a minimum of 9 months of the year
2	Transparency and control of costs delivered through the management of Open Book records including sub-contractors information available at Quarterly intervals	Open Book format and protocol to be agreed during dialogue and the information to be presented at quarterly intervals in advance of Core Group meetings. Target in year one 95% - from year 2 onwards 100%
3	Tenant involvement in operational and service improvement activities including meetings, workshops, customer satisfaction surveys and monitoring of corrective action arising from complaints.	Minimum of two tenants involved at operational meetings at least 4 times annually and demonstrable involvement of tenants in other service shaping activities at least 4 times annually.
4	Delivery of community initiatives to support the ambitions of the Councils economic, environmental and social sustainability agenda	The Service Provider is to deliver a range of community initiatives in line with an agreed annual project plan that can achieve tangible benefits to the community.
5	Delivery of integrated Information Technology solutions to ensure that the business intelligence collected through repairs data, component condition information from operatives, tenant preferences, complaints, satisfaction surveys etc. is collated and shared with the client to develop annual programmes for targeted investment and continually develop the asset management strategy	The Service provider is to provide a fully operational IT solution that interfaces with the Council's asset management and/or Housing Management systems to provide real time data regarding the progress of orders from the commencement of the service delivery and develop and agree a protocol for the range and scope of management information that has defined milestones throughout the contract.

11.2 The review of the first nine months of the contract delivery was undertaken in April 2015 and in line with the contract provisions and each of the five strategic indicators had to be achieved to enable an automatic extension to be granted by the Client Representative. Appendix A contains the review and details of the mechanism that is used to determine if an extension has been earned.

11.3 As the first year of contact delivery spans two financial years, the first 9 months of the contract will be reviewed and the targets for the Key Strategic Indicators measured at pro-rata levels. The subsequent reviews will align with the commencement and completion of each financial year.

11.4 The Strategic Indicators for the initial 9 month period will be considered in line with any development roadmaps and an acknowledgement of the reduced mobilisation period. Appendix A outlines the evidence to support those indicators that have been met or exceeded and mitigations identified for those that have not met or exceeded the target.

11.5 If all KSI's are met or exceeded during each financial year, the Client Representative, will be able to recommend the contract extension. In any instance where the KSI's are not fully met the Partnering Advisor will provide an independent overview of the overall contract performance and draft a report outlining the benefits, if applicable, of awarding a contract extension.

- 11.6 The Partnering Advisor, an independent consultant from Faithorn, Farrell, Timms, reviewed the information provided in respect of the Osborne's performance against the 5 KSI's and taking account of the mitigations detailed within the year end review, recommended that the contract be extended for one year.

12.0 Conclusion

- 12.1 The Total Asset Management Contract encompasses the majority of the work streams that are delivered to out tenants and therefore it is essential that it is delivered to the required quality standards and within the prescribed timescales. The three performance indicators that were delivering below target last year were reviewed to gain a better understanding of the reasons, e.g. failure to complete jobs on the operatives hand held devices, or data corruption issues, both of which have been addressed and have resulted in a marked improvement during this financial year.
- 12.2 Although the performance was below the required standards, this was reflected in the loss of 0.7% of the performance related pay. It has been encouraging to have results that show a transparent assessment of performance and that the issues have been identified and continue to be addressed, resulting in improved performance.
- 12.3 The performance has now stabilised at good levels, the one exception is the average order value, which continues to consistently be above the target. A benchmark review has commenced to establish if the target is reflective of current costs within the sector.
- 12.4 The Contract is on course to achieve target on all KPI's during this financial year, along with low complaint volumes, high customer satisfaction, high numbers of compliments all point to extremely strong progress in the delivery of the services.
- 12.5 The Revenue budget is currently forecast to underspend against budget, which reflects the lower responsive repairs volumes, year to date, through better management of repairs. Consideration is being given to making an in year revenue to Capital transfer, subject to Cabinet approval, so additional planned works can be undertaken. The approach reflects the changed focus within the contract towards making the correct and more long-term decisions.
- 12.6 The Contract is projected to once again accrue a significant gain through the open book audit process, which will enable additional investment in the planned work strands.
- 12.7 Osborne has demonstrated a commitment to the strategic objectives of the Total Asset Management Contract and has been pro-active in supporting the development of the Asset Management Strategy, including attending the Chartered Institute of Housing Redefining Asset Management project. The project enabled 16 peer organisations to share best practice and consider the factors that each would adopt in the development of an asset options tool.
- 12.8 The approach of the Partnership towards TAM is starting to produce tangible outputs with signs of success within the Small Works, Repairs volumes decreasing, better decision making around the assets. There is still a significant amount of work to do in the development of the software and systems to support these functions and the development of the Asset Options Tool has commenced, with support from Osborne's Business Excellence Director.
- 12.9 The approach being undertaken to the contract is clearly in a spirit of Partnering and the Council and Osborne work very closely together to overcome any issues that arise, to ensure the properties remain in good condition, whilst maintaining high levels of customer satisfaction.

2.0 GAS SERVICING AND INSTALLATION CONTRACT UPDATE

2.1 The Gas Servicing and installation contract covers both gas and solid fuel boilers and the primary functions are;

- a) Servicing of existing installation and issue of Gas Safety Certificates in compliance with the Gas Safety (Installation and use) Regulation.
- b) Boiler replacements gas and solid fuel.
- c) CAT -1. Break down Service
- d) Miscellaneous Work
 - Power Flushing
 - Complete New Heating System
 - Additional Radiators
 - Flue Replacement/Upgrade

3.0 FINANCIAL PERFORMANCE

3.1 The contract is administered using target costs for the replacement of boilers and full central heating systems and on a fixed price per service, which includes for any repairs that are required throughout the year.

3.2 The target costs were used to provide cost comparisons at tender stage, but under the contract financial mechanism of Open Book, the Council pay the actual cost of the boiler installations which is determined by reviewing the Service Providers accounts.

3.3 The last report to HCOSC was presented in January 2015 and at that stage there had been 3 Open Book Audits completed which had resulted in £255,660 worth of savings to the Council to reinvest in the installation of boilers.

3.4 Since the last audit in September 2014 there have been two further audits carried out by the Council and the following table1, summarises the outturn position from each audit:

Audit Period	Quarter	Difference from Target cost to actual cost	50% DBC share to reinvest
October – Dec. 2014	Q3 – 2014/15	£120,355	£60,178
January – Mar. 2015	Q4 – 2014/15	£ 60,684	*£30,342
Total Saving		£181,039	£ 90,520

(*Please note that the Audit figures for Q4-2014/15 are provisional at this stage)

3.4 In each of the three audits undertaken to date there have been savings against the target costs. The contract is structured to incentivise the Service Provider to make efficiency savings against the target costs as this is shared equally 50:50.

3.5 The £ 90,520, which represents, 50% share of the savings which Dacorum have accrued has been reinvested back into the replacement programme, providing additional boiler installations for our tenants.

4.0 BUDGET

- 4.1 The initial budget for the financial year, ending March 2016, was set at £ 3,825,000. In addition, 2 other standalone projects were added, so that the total budget allocated for this financial year was increased to £4,175,000.
- 4.2 In addition, the savings achieved through Open Book audit, £ 255,660, has been re-invested. The summary position is shown in the table 2, below:

4.3 **Table 2**

	BUDGET	SPENT TO DATE	REMAINING
Capital + Revenue	£3,825,000	£ 1,543,454	£ 2,281,546
Re-investment of Gain Share	£90,520		£90,520
TOTAL	£ 3,915,520	£ 1,543,454	£ 2,372,066

5.0 KEY PERFORMANCE INDICATORS

- 5.1 Sun Realm Ltd have constantly maintained a high degree performance and been very pro-active in managing access to undertake the gas servicing. The following table, table 3, contains the latest KPI figures.

Table 3

Item	Description	Target %	% PRP	Achieved %
Compliance Check	Boiler services either completed or in the process.	100	20	100
Quality	Proportion of QC checks passed	>95	10	100
Resident Satisfaction with Quality & Service	Proportion of jobs completed to satisfaction of the resident.	>90	20	100
Appointment kept	Proportion of appointment kept by the service provider	>98	20	100
Formal Complaints	Projects completed without any complaints from residents	>99	100	100
Time	Jobs completed with target time scales	>98	5	99.9
Health & Safety	Number of jobs with no reportable accidents	1	10	100
Reducing waste	Amount of waste recycle or diverted from landfill	>75	5	85

6.0 VOLUME OF WORK COMPLETED

6.1 Work Completed, Year to date, during this Financial Year, from April to September 2015, the Service Provider completed following core activities.

SERVICING	5737
CAT - 1 EMERGENCY BOILER REPLACEMENTS	29
PLANNED SYSTEM INSTALLATIONS	480

6.2 The number of CAT – 1 boiler replacements has reduced by substantially from 522 last year to 29 in the first half of this year due to the higher levels of investment in the replacement programme over the past two years. The reduction allows the programmed work to be completed and also reduces the issues associated with managing tenants who are without heating and in the case of a combi boiler also hot water.

7.0 CONCLUSION

7.1 The Service Provider, Sun Realm, continues to demonstrate a good understanding about 'Open Book Protocol' and adhered Councils' requirement there-in. The recent audits have not delivered such high levels of shared savings and this in part has been due to the appointment of a dedicated supervisor for the installation programmes, which has enabled better targeting of investment, which is demonstrated by the reduction in CAT 1 breakdowns.

Sun Realm Heating Ltd continues to provide a well structured set of accounts, the format of which had been agreed during the mobilisation period of the contract.

7.2 Sun Realm has always responded to any issues with the service and has developed good working relationships with the Client officers which have been instrumental in smooth running of the Gas Servicing Contract.

7.3 In addition to the KPI's, which are monitored and upon which a percentage of the Service Providers profit is based, there have been a number of compliments from the residents, which have been provided to Dacorum's Commercial Relationship Surveyor. Sun Realm continue to run a monthly prize draw, whereby all tenants who keep the first servicing appointment are entered into a draw with the potential to win £100. The approach initially led to an increase in those keeping their first appointment, but this has stabilised over the past year.

7.4 The reduction in the CAT 1 boiler replacements demonstrates the benefit of structuring the contract, so that the service provider has been able to have an input into identifying those boilers nearing the end of their life, which they establish during the servicing cycle. Sun Realm has been pro-active in using this information to refine the programmes at the beginning of each financial year.

7.5 In summary, the use of Open Book Accounting, in conjunction with a target cost based contract, had derived some positive outcomes both in terms of financial savings and also good customer satisfaction. It is recognised that, in order to achieve any Value for Money savings, both the Employer and the Service Provider must develop a good working relationship and the transparency demonstrated by Sun Realm has assisted in engendering a good working relationship. Both organisations have been keen to identify and manage any waste in the process and this has led to some good results and tangible savings.