



Report for:	Housing & Community Overview & Scrutiny Committee
Date of meeting:	7th November 2018
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). Fiona Williamson, Assistant Director Housing Alan Mortimer – Group Manager, Property and Place
Purpose of report:	To provide the annual 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. The volumes of responsive repairs and voids are variable and can impact upon the ability to work within budget. This is monitored on a monthly basis and where viable planned works reduced to limit any overspend.

<p>'Value For Money Implications'</p>	<p><u>Value for Money</u></p> <p>The assessment to determine the optimal way to deliver the work strands, by reducing duplication, efficient management of work in progress and improved planning is designed to reduce waste and ensure that value for money is demonstrated and realised over the term of the contract.</p> <p>This is subject to an ongoing review through the Open Book audits which provide all elements of cost relating to the contract.</p> <p>There will be a full benchmarking exercise undertaken in Year 5 of the contract to establish the position in respect of costs and the qualitative elements of the contract delivery.</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.</p> <p>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>Gas Servicing and Installation is a high risk area in terms of safety and 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>Fiona Williamson, Assistant Director Housing Landlord</p> <p>Layna Warden, Group Manager Tenants and Leaseholders</p> <p>Natasha Brathwaite, Group Manager Strategic Housing</p> <p>Ian Prendergast – Interim Group Manager Property and Place</p> <p>Alan Mortimer - Group Manager Property and Place</p> <p>Ricky Lang – Team Leader, Compliance and Mechanical and</p>

	Electrical contracts
Background papers:	<p>Housing and Community Overview and Scrutiny Committee report 14th October 2015</p> <p>Housing and Community Overview and Scrutiny Committee report 20th July 2016</p> <p>Housing and Community Overview and Scrutiny Committee report 13th October 2017</p>
Historical background <i>(please give a brief background to this report to enable it to be considered in the right context).</i>	<p>The Gas Servicing and Installation contract, delivered by Sun Realm, concluded the 4th year in 2016-17 and includes the servicing of existing and installation of new boilers.</p> <p>The Total Asset Management contract, delivered by Osborne Property Services Limited, concluded the 3rd full year in 2016-17. The contract includes the provision of repairs, voids, improvement work and services including stock surveys and management of the call centre.</p> <p>Both contracts are ACA TPC Partnering contracts and operated using open book accounting and incorporate performance linked profit elements. The contracts both have an initial duration of 5 years with the potential to earn annual extensions based upon satisfactory performance measured by a range of key performance and strategic indicators.</p> <p>Osborne Property Services have currently earned 3 additional years and Sun Realm have earned 4 additional years.</p>
Glossary of acronyms and any other abbreviations used in this report:	<p>HRA - Housing Revenue Account</p> <p>TAM - Total Asset Management</p> <p>(CP12) LGSR Certificate – Landlords Gas Safety Record</p> <p>MEAT – Most Economically Advantageous Tender</p> <p>HMEC – Housing Maintenance and Environment Committee</p> <p>JRP – John Rowan and Partners</p> <p>FFT – Faithorn, Farrell, Timms – Partnering Advisor on the TAM contract.</p> <p>TPC – Term Partnering Contract</p> <p>ACA – Association of Consultant Architects</p> <p>KPI's – Key Performance Indicators</p> <p>OPSL – Osborne Property Services Limited</p> <p>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 (TAM) Contract with Osborne and the Gas Servicing and installation Contract, with Sun Realm, are two of the most important contracts that the Council deliver to the 12000 tenanted and leaseholder properties.
- 1.2 Sun Realm 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.
- 1.3 Both contracts are being delivered under the ACA TPC 2005, updated in 2008, a form of Partnering Contract. The financial model is based upon a target cost model, whereby the tenders and valuations are based upon target costs for various types of work. Once works have been completed on site the actual cost for the works are established and these are audited by an independent cost consultant, JRP.
- 1.4 Any savings (gain) from the Target Cost is shared by the Council and the Service Provider on equal basis. If the total expenditure on the contract exceeds the target costs then the additional costs above target, the pain element, is the responsibility of the Service Provider.
- 1.5 The initial contract duration was 5.5 years, with the option to extend for a further 5 years. Additional 1 year extensions can be earned subject to ongoing annual review of the Service Provider's key strategic indicators, which include compliance, tenant and community engagement, IT development and financial transparency. This report provides a summary of performance of the two contracts in the financial year 2017-18

2.0 SUN REALM - GAS SERVICING AND INSTALLATION CONTRACT

- 2.1 The Gas Servicing and installation contract, delivered by Sun Realm covers both gas and solid fuel boilers and the primary functions are;
 - a) Servicing of existing installations and issue of Gas Safety Certificates in compliance with the Gas Safety (Installation and Use) Regulations 1998.
 - b) Domestic boiler replacements of both gas and solid fuel.
 - c) CAT 1 Break down Service – including a 24hour emergency make safe provision this is where a boiler breaks down and is unable to be repaired, due to component obsolescence or damage of major boiler components rendering repair economically prohibitive.
 - d) Miscellaneous Work
 - Power Flushing
 - Additional Radiators
 - Flue Replacement/Upgrade
 - Review of new build installations

3.0 FINANCIAL PERFORMANCE

- 3.1 The financial model for 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 Target costs were used to provide cost comparisons at tender stage and to process the monthly valuations, but under the contract financial mechanism using Open Book, there are quarterly audits undertaken of Sun Realm's accounts, to identify the actual cost of the boiler installations. If the actual costs exceed the target this is paid by Sun Realm and any

saving that is derived from the actual costs being lower that target is shared between the Council and Sun Realm.

- 3.3 The table below provides details of the audit outturn position from each of quarterly audits undertaken in the financial year 2017-18, which despite some fluctuations in materials costs throughout the period, resulted in £372,843 of savings for the Council to reinvest in additional boiler installations.

Quarter	Dates	Total gain for period	DBC Share @ 50%
Q1	Apr - Jun 2017	£262,881.13	£131,440.56
Q2	Jul – Sept 2017	£204,476.39	£103,258.19
Q3	Oct – Dec 2017	£126,547.79	£63,273.89
Q4	Jan – Mar 2018	£149,741.16	£74,870.58
TOTAL			£372,843.22

- 3.4 The contract is structured to incentivise the Service Provider to make efficiency savings against the target costs, as this is shared equally 50:50.
The savings realised equate to 8% of the budget 2017-18.

4.0 KEY PERFORMANCE INDICATORS

- 4.1 Sun Realm have constantly maintained a high degree performance, especially in the critical area of boiler servicing compliance, by working closely with the Council’s technical and tenancy teams to undertaking a very pro-active approach in obtaining access to properties.

The following table, contains the KPI figures and the percentage of the performance related profit that has been achieved for the year is the full 2%.

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%	99.98
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	10%	99.99
Time	Jobs completed with target time scales	>98	5%	99.99
Health & Safety	Maximum number of jobs with no reportable accidents RIDDOR	1	10%	100
Reducing waste	Amount of waste recycle or diverted from landfill	>75	5%	85

5.0 VOLUME OF WORK COMPLETED

5.1 The volume of work Completed, during the Financial Year 2017-18, is summarised below:

SERVICING	10,178
PLANNED SYSTEM INSTALLATIONS	1065
of which CAT - 1 EMERGENCY BOILER REPLACEMENTS	177

5.2 The number of CAT – 1 boiler replacements, continued to reduce, from 17.84% in 2016-17, down to 16.61% in 2017-18. The reduction is very positive and demonstrates that with Sun Realm using the repairs and servicing data, they are able to accurately identify boilers that are nearing the end of their useful life and target the investment to replace these units.

5.3 The replacement programme also had an increase in the number of installations with a further 146 installs being completed in 2017-18, compared to the prior year. The planning and identification of those boilers, due to be replaced, has improved because Sun Realm develop the programmes from the information that is generated through the servicing feedback. This is evidenced by the reduction in the CAT 1 breakdowns.

6.0 TECHNICAL PERFORMANCE

6.1 The servicing and installation work is scrutinised by an independent auditor, Sterling Consultants, who undertake random sample inspections of the completed work on both services and installations. The findings are reported back to Sun Realm and the Council for review and intervention as required.

6.2 The table below provide details of the boiler installations and servicing inspections, which were included in the audit and are summarised in the three categories.

Boiler Installations	Good	Satisfactory	Poor
Total number audited			
199	65%	30%	5%
Servicing			
Total number Audited			
180	71%	28%	1%

6.3 There has been an improvement in the audit process with 60 additional audits of boiler installations undertaken in 2017-18. Of those installations that were classed as poor, the main issue has been the location of the boiler to electrical cables that had not been adequately clipped, or as a result of incomplete information being provided on the completion certificates. Sun Realm re-attend and rectify any issues identified during the audits and provide ongoing training to the engineers.

7.0 CONCLUSION

- 7.1 Sun Realm, continued to provide a consistently high level of service, both in the servicing and installation elements of the contract and this is supported by strong performance against the measured indicators. Additionally, there has been a continued willingness to work with the Council to support our more vulnerable tenants and to provide employment opportunities by employing four apprentices during the year.
- 7.2 The two prolonged periods of cold weather at the beginning of the year provided challenging for Sun Realm, because the consistently sub-zero temperatures resulted in a number of the condensate pipes freezing and the boilers cutting out. In one week alone, 800 calls were received for boiler breakdowns and the engineers attended to all but one within the 24-hour response target. On line advice was issued so that tenants could use warm water to remove the frozen condensate, and Sun Realm provided a very good response during this period.
- 7.3 The ongoing financial and quality audits have been undertaken throughout the period, to provide validation checks on the approach to servicing and the open book interrogation of actual costs. Sun Realm have fully cooperated with the process and the level of available supporting detail has provided additional assurance of the service and costs.
- 7.4 The installation programme has used the repairs information to target the investment in boilers that are frequently breaking down those that are the least efficient in the stock. The impact of this has been evidenced by a further reduction in the percentage of Cat 1 breakdowns.
- 7.5 In summary, the overall performance on the contract has remained strong and derived some positive outcomes both in terms of financial savings and excellent levels of customer satisfaction.

8.0 TOTAL ASSET MANAGEMENT CONTRACT - PERFORMANCE UPDATE

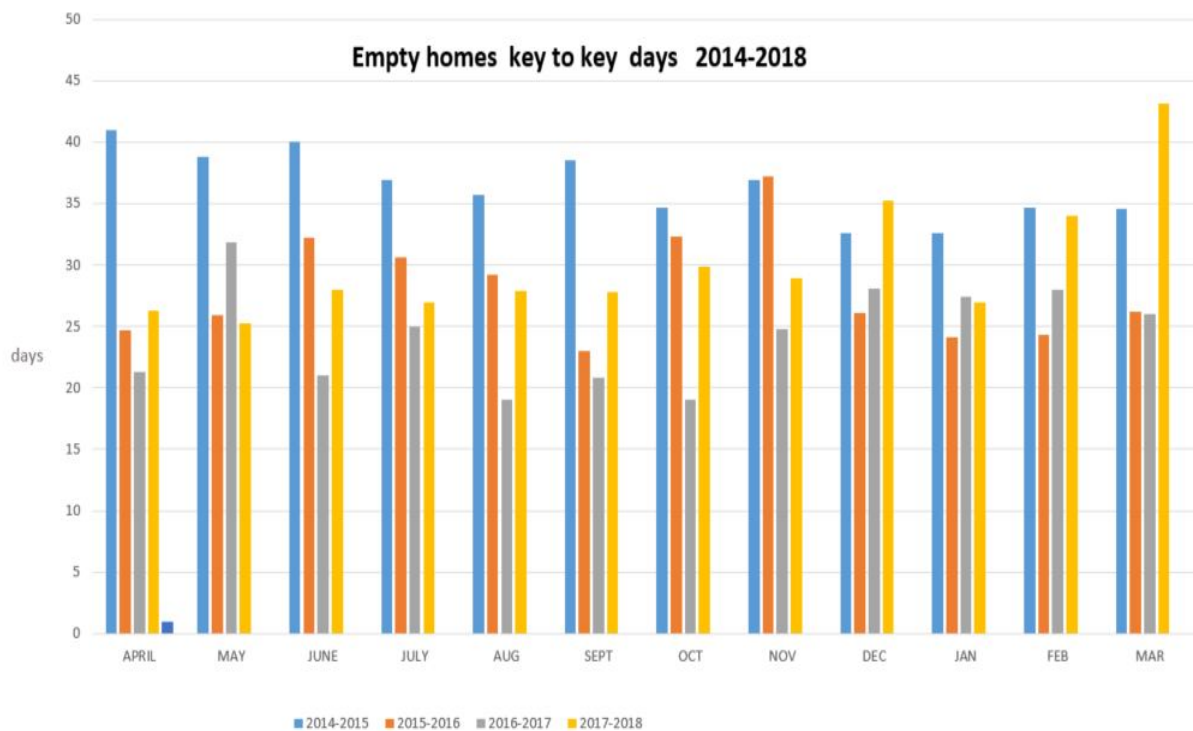
- 8.1 The Total Asset Management Contract has been provided by Osborne Property Services since the 1st July 2014 and has just completed the fourth full year of delivery.
- 8.2 The Council officers continued to work very closely with Osborne's team, and a number are co-located at the Osborne depot on the Maylands industrial estate, and undertake site inspections jointly.
- 8.3 The contract continues to utilise a range of Key Performance Indicators that are linked to a percentage of the Service Providers profit (3%). The performance is reviewed on a monthly basis and determines the percentage of the profit due on the monthly invoice. Where any reductions in performance are identified appropriate interventions are put in place to address issues. The link to profit is designed to incentivise positive behaviours.

9.0 Local Employment and Site Office

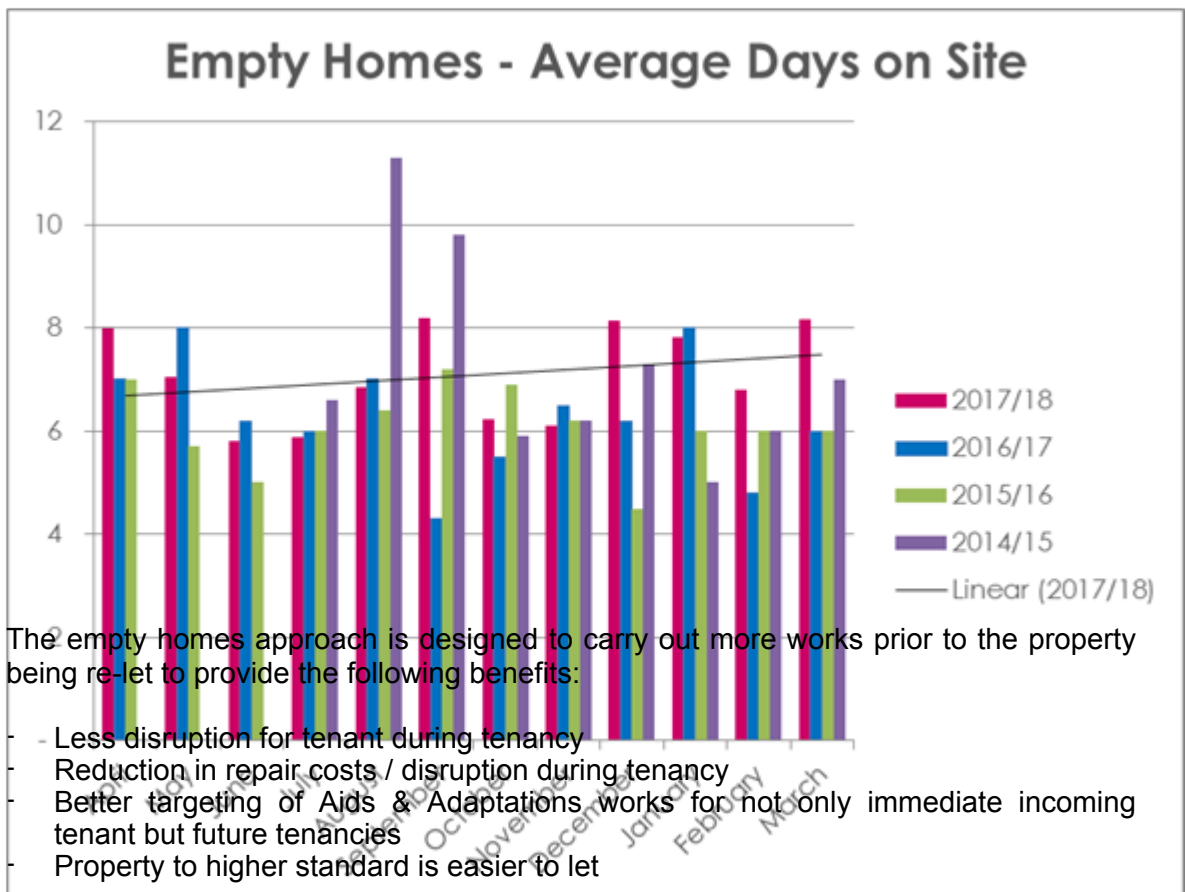
- 9.1 The Council continued to monitor the employment of the sub-contractors that are employed by Osborne, to ensure the local supply chain contractors continued to have the opportunity to work within the Borough. Osborne currently employs 23% of sub-contractor firms that are based in and around Dacorum and continued to explore opportunities to work with local suppliers and contractors.
- 9.2 The percentage of site based staff that are from within Dacorum is much higher than sub-contractor and at the end of 2017-18 was 54%, with an additional 20% living in St Albans, Luton or Milton Keynes.
- 9.3 The out of hours call centre is delivered on site until 22.00 and it then transfers to Manchester until 8.00. Generally, the performance of the call centre was good, but there were a couple of instances reported when telephony faults resulted in tenants not being able to get through. The option of using the website to alert callers of issues with the out of hours call centre is currently being explored.
- 9.4 Osborne have maintained the number of directly employed operatives including a drainage operative to deal with routine blockages, so that these can be responded to quickly and to reduce the call out charge to drainage sub-contractors. This worked very well in 2017-18 and reduced the overall expenditure on drainage repairs.
- 9.5 Osborne also employed 14 apprentices in a variety of trade and office based roles to provide workplace skills training and support local schools with their pre-apprenticeship schemes.

10.0 Empty Homes

- 10.1 The Empty Homes key to key times combine three areas of the service, allocations, works to the properties and lettings. The performance in 2017- 18 averaged at 29.5 days, which was not as good as the previous year when the average was 26 days. There was the need to add an additional day for asbestos testing and surveyors inspections, during the work phase and there were a few difficult lettings in March that impacted the key to key time.



- 10.2 There has also been a slight increase in the average time to complete void work on site in 2017-18 and the teams from the Council and Osborne's continued to work closely to reduce duplication and streamline a number of areas in the process. The work continued to be carried out with an increased scope of works than prior to the contract, and with higher volumes, resulting from the ongoing demand from homelessness.



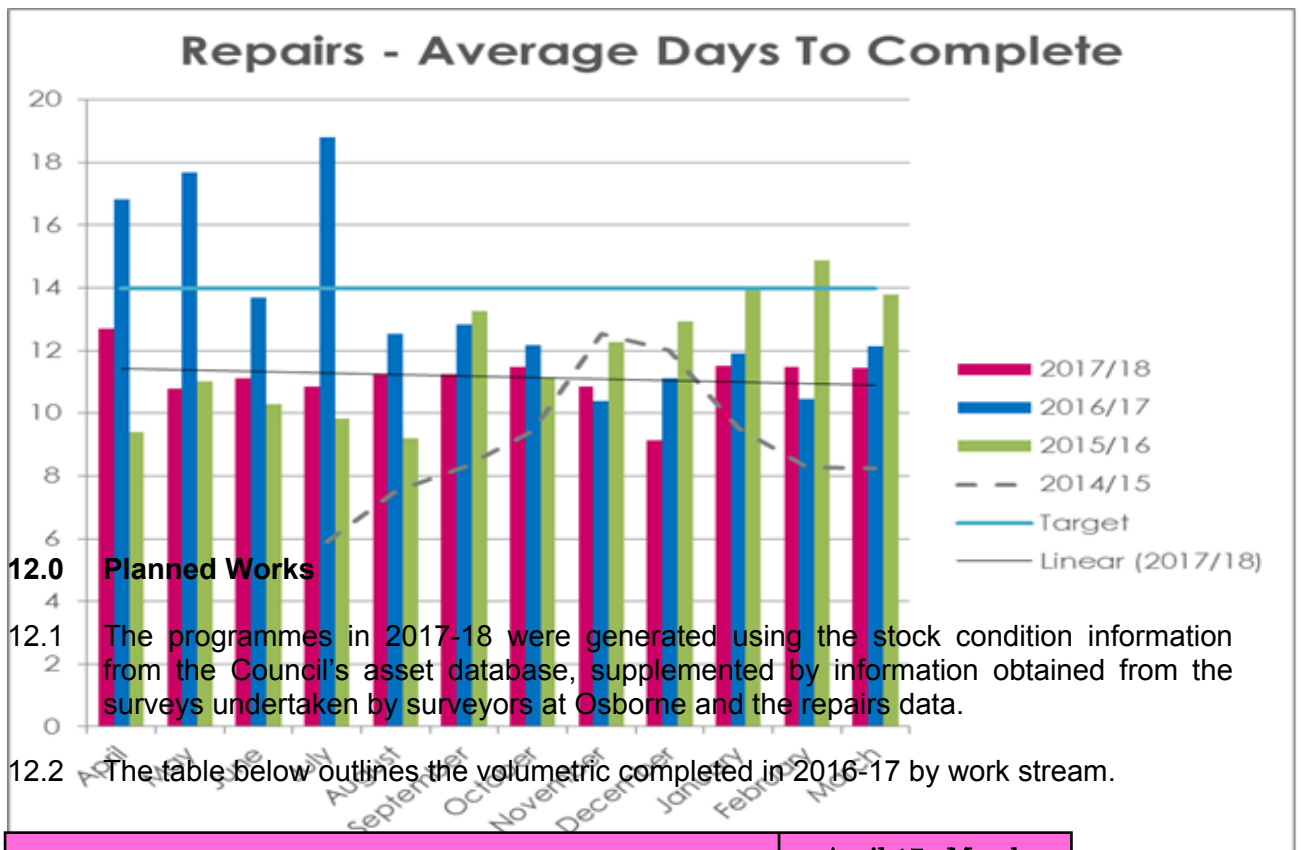
10.4 Osborne has completed 274 zero day jobs since the start of the contract. These are jobs when the key is given to them, works carried out, and the key returned on same day. The aim is to identify the work required during a pre-void inspection, which is carried out in the notice to quit period and enables the team to also reinforce the tenant responsibilities in respect of the condition which they are expected to leave their home. The volumes achieved in each of the four years are detailed below:

Year	Number of Zero days
14/15	38
15/16	69
16/17	108
17/18	59

10.5 There were a few months in 2017-18 whereby the average time to complete repairs exceeded 8 days and the trend across the year was a slight increase.

11.0 Repairs & Maintenance

11.1 During 2017-18 the overall performance in responsive repairs has been reasonable. The table below shows the average number of days to complete a repair, which shows a slight reduction as a trend in the year overall (linear tracking). There were further changes in the senior management team, which resulted in the introduction of tighter processes to manage those jobs that were more complex and there were notable improvements, with a reduction in the average days from 13.36 in 16/17 to 11.16 in 17/18.



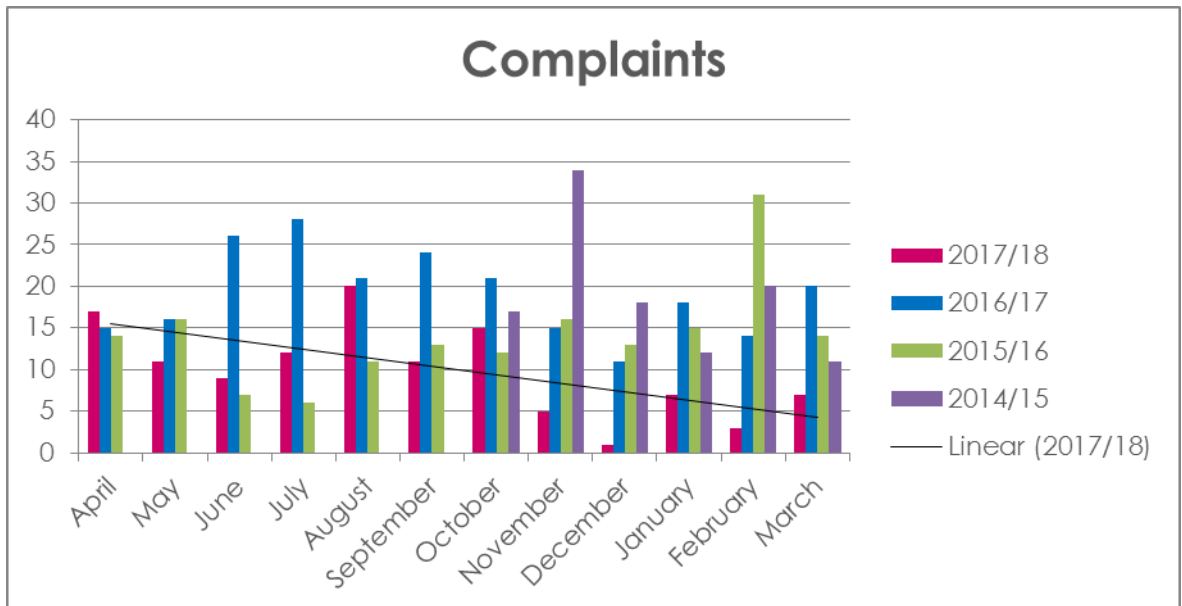
Work Stream	April 17 - March 2018
Kitchens	437
Bathrooms	328
Rewire Upgrades	210
External Doors	1044
Roofs (including Blocks)	90
Aids and Adaptations	650
Window Replacement	352
2-Room Decorations	54
Total	2515

13.0 Customer Satisfaction, Complaints and Compliments

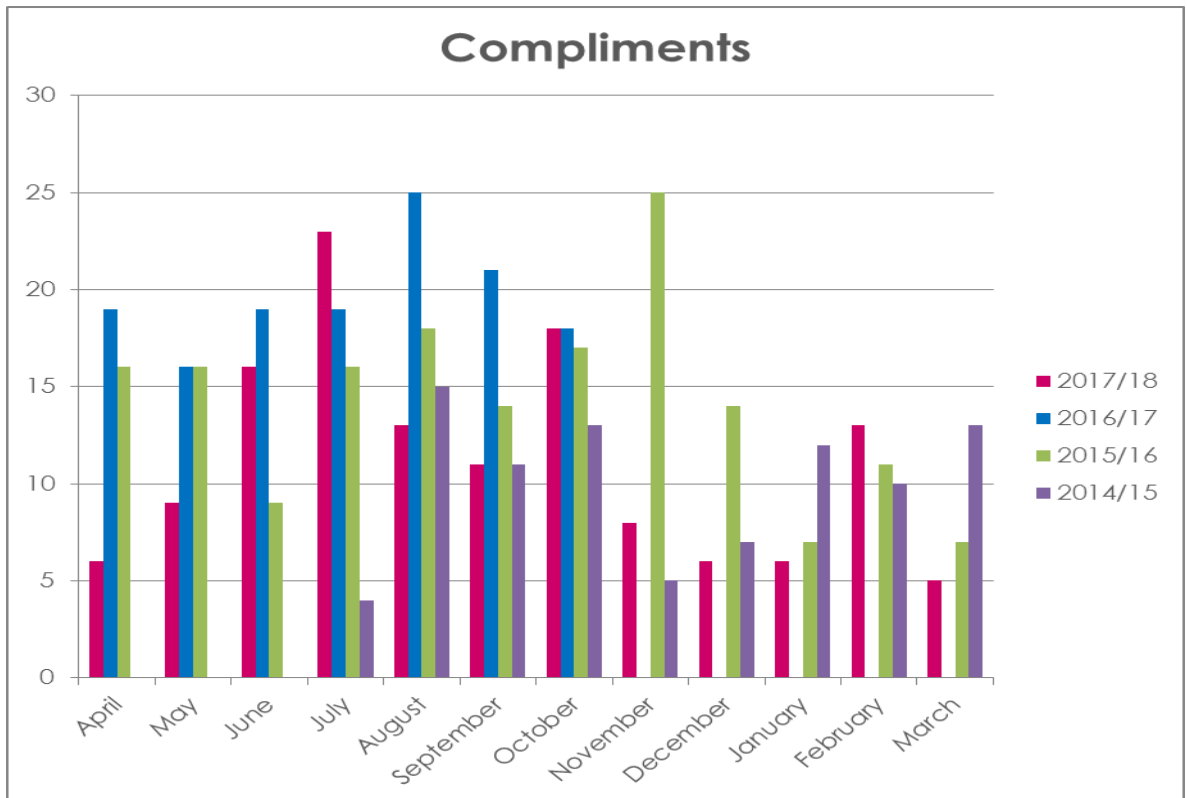
13.1 The customer satisfaction levels, in the graph below, show a consistently high level of satisfaction with planned work throughout the year, with two minor dips in May and June. The repairs satisfaction was more consistent throughout the year.



13.2 To provide an additional understanding and assessment of customer satisfaction, analysis of the complaints received, was also assessed throughout the year. There was a positive overall trend in the reduction in volume of complaints received through the Council’s complaints process.



13.5 Compliments are also recorded to identify areas where the service has exceeded tenant expectations. The majority of these relate to planned programmed work, and often as a result of the support that the Customer Liaison Officers provide throughout the process.



14.0 Community Investment

- 14.1 During 2017-18 Osborne has supported or delivered 195 initiatives, which resulted in engagement with over 9648 local people. The staff team at Osborne's helped improve 46 community facilities and gave over 1456 hours back to the community through staff volunteering, which does not include their Community Investment Manager's contracted hours.
- 14.3 Employability and Skills remained a priority for Osborne's Community Investment and during the year hosted 4 work experience placements for local people, delivering employability skills workshops to schools, colleges and local job clubs, engaged the resident inspectors in the development and continuous improvement of service offering as well as raising money for local charities.

15.0 Financial Performance

- 15.1 The Open Book audits have been undertaken by the cost consultants, JRP in conjunction with the Council's staff and involve reviewing the actual costs against the contractual target costs.
- 15.2 The audit included all elements of cost and through the Open Book methodology and all documents are available for review, including sub-contractors invoices, materials invoices, salaries and all overhead costs. Osborne provided their periodic statement and complete download from their costing system "COINS", which is interrogated to extract the relevant information to identify the target and actual costs.
- 15.3 The auditors, JRP, noted that Osborne have been co-operative throughout the audit and provided the necessary substantiations. The auditors have identified a number of recommendations to enable the future audits to be undertaken without the need to reference prior periods, which Osborne have committed to implement.
- 15.4 The financial outcome of our audit is detailed below with the gain share achieved in each of the various quarters. Overall there was a gain share of £802,417.38, which equates to 3.55% of the turnover. The 50% of the gain share was credited back to the Council for investment in works programmes.

Audit Period	Quarter	Total Gain	50% DBC Share
April 17-July 17	Q1	£59,785.28	£29,892.64
July 17-Sept 17	Q2	£362,073.48	£181,036.74
Sept 17- Jan 18	Q3	£155,921.88	£77,960.94
Jan 18 – March18	Q4	£224,636.74	£112,318.37
TOTAL		£802,417.38	£401,208.69

- 15.3 The use of improved forecasting enabled better control of the overall budget in 2017-18, however in the closing months of the year the repairs expenditure increased due to a few periods of storm weather and the continued use of HRA properties as temporary accommodation.
- 15.4 The volume of voids remained high with 722 completed in the period. The average cost of voids did show some variance in the year and as additional one room units were introduced as temporary accommodation this assisted in reducing the average cost as the scope of works is considerably lower in these properties.

Voids 14-15 - 713 completed

Voids 15-16 - 766 completed

Voids 16-17 - 745 completed

Voids 17-18 - 722 completed

16.0 Contract Extension

- 16.1 The contract mechanism enables the Service Provider to earn additional years, up to a maximum of ten, during the initial five-year contract period, 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.

- 16.2 Currently three additional years have been achieved and the review of the fourth year's performance has been undertaken.
- 16.3 In line with the contract provisions, the performance against the five strategic indicators will be reviewed at the next Strategic Core Group, which is scheduled for the 23rd November and a decision made regarding the rolling annual extension.

17.0 Conclusion

- 17.1 The Total Asset Management Contract provides the main delivery model for the repairs and improvement works to the housing stock and it is essential that it is delivered to the required quality standard, within the prescribed timescales and available budget.
- 17.2 Overall the performance throughout the period, has been satisfactory, but there have been a number of elements of work that have been subject to delays, primarily the delivery of the aids and adaptations and some of the more complex estate based works. As a result, additional performance indicators have been introduced into the contract for 2018-19, so that these areas can be more closely monitored.
- 17.3 The monthly performance summary for the year is contained in Appendix A. The majority of the indicators met or exceeded target throughout the period and for the purpose of passing KSI 1, which states that performance should be met for a minimum of 9 out of the 12-month period, all have passed.
- 17.4 Promaster stock condition survey updates continue to be provided by Osbourne. These will improve scenario planning when considered with the repairs data that they already provide. The tangible benefits of value for money and the potential to reduce repairs volumes will start to be seen in future years.
- 17.5 The Partnership and Audit identified that additional controls were necessary to ensure due diligence over the delivery of budgeted works. These controls, now implemented, have to some extent, along with a number of changes in Osbourne staff, undermined the principles of TAM. If the deliverables of continuous improvement, value for money and high resident satisfaction are to be achieved the cultural and working principles of the TAM contract now require restoring and embedding in delivery teams. The Partnership will need to identify and drive process clarity and cultural change over the next year if the full potential of the contract is to continue to be released.