

echelon 4-star gas model

Using innovation to drive tangible cost savings for our clients

Background

echelon started looking at ways in which the traditional 3-star gas model could be improved following a review by the Association of Gas Safety Managers (AGSM) of the way in which gas boilers were bought, installed and serviced.

The report was highly critical of “bureaucratic” procurement processes and frameworks which didn’t encourage best value over the lifetime of the boiler and the AGSM recommended wider benchmarking and standardisation, including life cycle costing, increased tenant engagement, industry collaboration and a review of legislation.

Project overview

Prompted by the report, echelon used feedback from clients, contractors and manufacturers to explore what improvements could be made to address the AGSM’s concerns and drive improvements and efficiencies for clients.

The review identified several areas within the 3-star model where there was room for improvement:

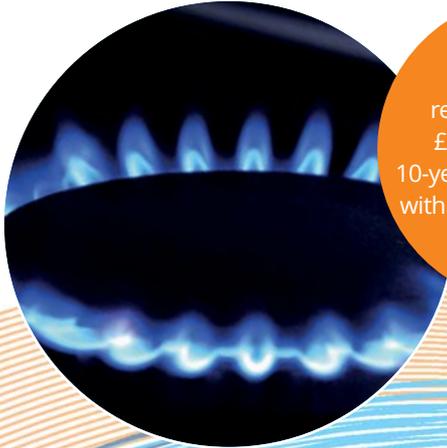
- High risk elements priced into the cost of the breakdown and multiple breakdown visits to non-performing boilers.
- No incentive in the “front loaded” model for the service provider to drive down client costs.
- Lack of visibility on the “actual” cost of service delivery and difficulty identifying waste/use of data to drive boiler replacements.
- Lack of a joined-up approach linking repairs with boiler replacement leading to boilers being extended beyond their reasonable life.



The solution

The echelon 4-star gas model, builds on the 3-star model but with the following improvements:

- The inclusion of boiler replacements over the life of the contract with the full involvement of the service provider.
- Risk is profiled over the life of the contract (usually 10 to 15 years) reducing breakdown costs.
- The service provider is responsible for the boiler replacement programme from year two.
- The commercial model is built around a single annual price per property, making pricing more transparent and identifying a margin which links to performance.
- Costs for additional work, such as full heating installations, are excluded from the annual price per property and are agreed separately.



Network Housing Group reported savings of £9 million over the 10-year life of the contract with a £1.3 million saving in the first year.



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Considerations

Before considering use of the 4* model there are several key considerations:

- Clients need to be prepared to align their boiler replacements with servicing.
- Organisations must move to a standardised components' approach to drive best value and realise the full potential of the model.
- Good appliance data, including breakdown history, is essential.
- Change in thinking – the age of the boiler shouldn't be the primary driver for boiler replacement.
- This model benefits from the development of a minimum 10-year warranty, to minimise the risk to the service provider enabling more competitive pricing through the tender process.
- Boiler choice is key and there will be a need to engage with the supply chain as part of the process.
- There is an opportunity to tackle fuel poverty by choosing energy efficient boilers and targeting inefficient boilers.

Outcomes

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Other benefits include budget certainty, with the ability to maximise boiler warranties and reducing the risk element of pricing breakdowns, with the service margin recycled back into the replacement cost.

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Basildon Council, which has 10,000 properties with gas appliances, has been using the model since 2016.

It has a 10-year contract in place with Morgan Sindall, plus an additional five years on a rolling six-month basis and has saved £1 million per annum on previous rates.

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