

Tenant and Leaseholder Services procurement:

Responsive Repairs, voids, compliance and planned and cyclical works Contract

Cabinet	14 December 2023
Report Author	Sally O’Sullivan, Head of Tenant and Leaseholder Services
Portfolio Holder	Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing
Status	For Decision
Classification:	Unrestricted
Key Decision	Yes
Reasons for Key	An Executive Decision that involves incurring expenditure anticipated to be £250,000 or above. And an Executive Decision where the Council is entering into contract with a value, over their duration of £750,000 or above
Ward:	All

Executive Summary:

Mears is the current partnering contractor that provides responsive repairs, voids and planned works for the council's social housing stock. The contract is due to expire in March 2025, therefore we have to start the procurement process now to give ourselves enough time to find our next partnering contractor.

Following a series of workshops, to ensure we apply the right model for this service, this report is seeking authority for the council to enter into a new contract for works and services as follows:

- A 10 year contract with an option to extend for a further 5 years
- For responsive repairs, voids, compliance, cyclical and planned works
- Provide an element of service for the council's corporate properties.
- Provide an out of hours service for emergency repairs
- Maintain a customer contact centre for tenants and leaseholders of the council to call to report repairs

Recommendation(s):

Cabinet is asked to authorise the following:

1. The letting of a 10 year contract, with provision to extend for a further 5 year period to enable a true alliance between contractors and client. This is for the provision of responsive repairs, voids, compliance, cyclical and planned works. This contract will also include an element of works for corporate properties.

Corporate Implications

Financial and Value for Money

This is a high value contract that will be in place for many years. We want to foster a true alliance between TDC and the contractor to ensure value for money and excellent service to our tenants and leaseholders.

Although, primarily this contract provides the services for the Tenant and Leaseholder Services (TLS), there is an element of the contract that can be used by other departments giving flexibility and access to services required.

Housing Revenue Account (HRA) and General Fund budgets are reviewed annually and include provision for:

- Improvements to assets that have reached the end of their expected life cycle
- Making sure our homes/corporate buildings are compliant with statutory and regulatory requirements
- Maintaining the health and safety and comfort of our residents in their homes and staff in our offices
- Maintaining TDC social housing stock and corporate buildings

It is anticipated there will be sufficient funding within the approved HRA capital/revenue budget to fund the capital costs set out in this report.

The General Fund elements are indicative values and will be subject to call off and a budget would need to be identified to cover the cost prior to the works being undertaken.

Summary table of estimated cost, split across TLS teams and other council departments:

Area	Value
TLS	
Compliance	£400,000
non price per property	£1,500,000
Price per property model	£1,500,000
Void	£1,300,000
Capital	£2,000,000
Minor Aids & Adaptations	£15,000
Grant funded works	£4,000,000 (£2m HRA budget and £2m match funding minimum ie 50%)
Other council departments	
Coastal Tourism and Development	£1,000.00
Operational Services	£10,000
Maritime Operations	£20,000

Safer Neighbourhoods	£2,000
Facilities	£45,000
Kent Innovation Centre	£20,000
Crematorium & Cemeteries	£2,000
Environmental Services	£10,000
Property/Asset Management	£50,000
Contingency for corporate departments	£40,000
TOTAL	£10,915,000

Detailed budgets will be reviewed and amended in line with the actual tendered costs of these works at the earliest opportunity.

Legal

The council, as a landlord of residential buildings, has a statutory responsibility to ensure that they are properly maintained, meet the decent homes and fire safety standards.

These requirements are laid out in the Consumer Standards as set by the Regulator for Social Housing.

We must also take into account the following legislation when maintaining our homes:

The Secure Tenants of Local Housing Authorities (Right to Repair) Regulations 1994

The Housing Act 1988

The Landlord and Tenant Act 1995

Homes (Fitness for Human Habitation) Act 2018

Further legislation should be noted in regards to fire safety standards:

The building Safety Act 2022

Regulatory Reform (Fire Safety) Order 2005

Fire Safety Act 2021

Risk Management

There are risks associated with not letting the contract that is seeking approval to let through this report:

responsive repairs, voids, compliance, cyclical and planned works contract

The contract is due to expire in March 2025, with no further rights to extend. This contract is highly complex, with multiple work streams, as such it is also very high in value. We need to start our procurement exercise now to ensure we give ourselves enough time to procure the right contractors.

If we do not start now, we could be at risk of not allowing enough time for a full two stage procurement procedure that will encourage more contractors to submit a tender.

If we do not procure a contract in time for the previous contract to expire we risk continuity of service provision - much of which is a legislative or regulatory requirement. We would also

risk being non compliant with Local Authority procurement legislation and our own Contract Standing Orders (CSOs) if we need to pay for this service outside of a contract.

Corporate

The council's Corporate Statement sets out its commitment to, 'Improve standards and safety in homes across all tenures.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty: -

- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

The council's tenants and leaseholders include residents that have protected characteristics as set out in the Public Sector Equality Duty.

The completion of the works set out in this report will benefit all tenants including those with protected characteristics.

The letting of these contracts would not discriminate against any tenant benefitting from this service, ensuring equality in access and delivery. We will complete a full Equalities Impact Assessment on the detailed service specification, once we get to that stage.

Corporate Priorities

This report relates to the following corporate priorities: -

- *Communities*

1.0 Introduction and Background

1.1 The council owns approximately 3,400 tenanted and leasehold homes. All costs, investment and income for these homes is managed within the council's Housing Revenue Account. Budgets for revenue and capital works are reviewed annually.

These services are managed by the council's Tenant and Leaseholder Services team (TLS).

1.2 In addition to the annual review of revenue and capital budgets, key decisions are also required for approval by Cabinet for any expenditure that:

- is for works or services that exceed £250,000, or
- is for a contract over a number of years with an expected value in excess of £750,000.

1.3 It is important we have the right contracts in place to enable us to carry out essential and planned works, keeping our properties in good repair - ensuring our homes are safe and comfortable and our assets do not deteriorate.

1.4 Due to the value of this contract, it is considered to be a key decision

2.0 Responsive Repairs, Voids, Compliance, Cyclical and Planned Works Contract

2.1 This service is the Partnering Term Contract that is currently awarded to Mears, the contract is due to expire in March 2025. Due to the value and complexity of this contract we need to start the re procurement now.

2.2 This service is fundamental to the delivery of the council's TLS, to customer satisfaction and to maintaining statutory and regulatory compliance for our homes. It is therefore imperative we specify a service delivery model and contract form that suits the geography, demographic and culture of TDC.

2.3 To ensure we get this right, we have the help of a consultant, Faithorn Farrell Timms LLP (FFT). They have already completed workshops with us that have informed an options appraisal. Present at the workshops were TLS officers, TDC Procurement Manager, representatives from other TDC departments that benefit from service from this contract (for example Facilities Management, Coastal and Public Realm, Property Team). The options appraisal ensures we have considered all delivery models and approaches before building our specification.

2.4 FFT has vast experience of procuring this type of contract and in areas with the same geographical and demographic characteristics as Thanet. They have a dedicated in-house procurement team of ten professionals and have procured in excess of £4bn worth of public sector procurements, including over 50 responsive repairs and total asset management Contracts. Furthermore, FFT have undertaken over 50 options appraisals and 40 value for money reviews.

2.5 There are various models by which we can frame this contract, which we explored during the workshops. We gave each option explored a strong focus on local delivery, directly employed local operatives and the use of local material suppliers. We did this for the following reasons:

- Adding social value to the area through jobs and material supplies
- Providing most efficient and responsive delivery through local supply
- Ensuring Thanet's service is given priority, through area buy-in and local knowledge
- Minimising carbon emissions by reducing travel time for operatives and material delivery.

The options appraisal is appended to this report and provides full details of all the options explored, with the pros and cons associated with each model. The options appraisal also sets out why certain models were discounted.

- 2.6 After an exploration of various contract models and forms, it is recommended that we procure a single integrated contract for repairs, voids, compliance, cyclical and planned works and services, with an element for works to corporate buildings.
- 2.7 This follows the current model, which has worked well following the disbanding of East Kent Housing and splitting the Mears contract out to the contracting authorities. We currently receive a personalised and dedicated service that has been tailored to Thanet; and have seen an improvement in partnership working, service delivery and customer satisfaction since October 2020.

3.0 Service delivery model

- 3.1 This report proposes that the council retain the current delivery model: Price Per Property (PPP) and Price Per Void (PPV), using the National Housing Federation Schedule of Rates (SOR) version 8.0 to supplement them.
- 3.2 A PPP contract model involves a fixed agreement where a service provider undertakes maintenance and repairs for a specified number of properties at a predetermined cost per property. The scope of services, quality standards, and duration are clearly defined. The model offers predictability in costs and prevents unnecessary delays in completing repairs, ensuring efficient and high-quality property maintenance.
- 3.3 We will improve value for money with lessons learnt in the current contract by:
 - Including a clear document that sets out what repairs are included within the PPP and PPV
 - Setting an appropriate cap to the price per property
 - Clearly defining what happens when works go above the set cap
- 3.4 The benefits of this model include:
 - Less administration to approve individual SOR for all jobs/voids
 - Officers focus on quality of works rather than value
 - Faster repair completion as this model means the contractor can complete works without seeking authorisation from TDC in a majority of orders (works that fall within the cap)
 - Familiar way of working for TDC officers
- 3.5 The main disadvantage or risk associated with this model is that the contractor may try to charge for exclusions inappropriately and/or cost build so that works fall outside the cap. We will apply the solutions laid out in 3.2 to mitigate this risk
- 3.6 We explored bringing the customer call centre in-house and decided that we can give a better customer experience if the contractor retains this function. This is because they have the ability to book an appointment immediately with the customer, preventing delays and the need for call backs.
- 3.7 Key requirements will be for the contractor to have:
 - A local dedicated office
 - A specialised Thanet delivery team
 - Digital integration to the council's housing management system

- Adding retrofit for decarbonisation into the contract that includes a bid writing service for grant funding.
- Retain some elements of landlord compliance - including: Electrical Installation Condition Reports (EICR's), lift servicing and water testing.
- Continue to deliver the Aids and Adaptations service, for tenants with disabilities.

3.8 The contract will retain access for use by other TDC service areas, this includes:

- Compliance programmes for corporate buildings
- Minor and major repairs to corporate buildings
- Cyclical works to council owned buildings

This contract's primary focus is responsive repairs for the council's housing stock and therefore it is understood that it cannot provide specialised services related to other service areas.

3.9 We are keen to extend provision of certain services in-house, where we have an existing minor works team. This includes: minor grounds works, fencing, arborist services and graffiti removal. Although we have this service in-house, we also will retain provision from the main contract, to ensure resilience for these trades. However there will be no obligation to call off specific work from the new contract, if it can be delivered by the minor works team, providing an opportunity to explore expanding this in-house service over time.

3.10 It is important to note that the contract will have a very strong focus on local delivery, directly employed local operatives and the use of local material suppliers, as this will be key for driving efficiencies. An apprenticeship scheme will also be stipulated along with other social value initiatives.

3.11 We considered the option to provide the service through our own Direct Labour Organisation (DLO) or local authority trading company (LATCO) as this can provide the following benefits:

- directly managed service should in theory mean TDC would have better control of the operatives and be able to drive up customer satisfaction.
- provide a team that is entirely focused on delivering services for TDC leading to customer service benefits
- residents may have more buy-in into the model, as they see the service being delivered by TDC and not an external Contractor.

3.12 However, there are a number of significant challenges and risks associated with implementing a DLO or LATCO:

- We don't have a depot and it would take quite a substantial investment to set that up.
- We would need the extra officers to manage the blue collar workers' and fleet
- Officers/space to purchase and store materials and plant - requiring procurement
- Additional management for finance and ICT
- Initial TUPE issue as operatives transfer from the current contractor - TDC will be responsible for managing this process
- It wouldn't cope easily with peaks and troughs of work - responsive repairs are very seasonal and weather sensitive and a DLO would not have the option to balance work across clients.
- There will be a requirement to formally procure and manage sub contracts for skills and materials that the DLO does not have, for example compliance

disciplines like electrical safety, asbestos management, passenger lift servicing and maintenance.

- Further officers for contract management of subcontractors for works the DLO cannot pick up - for example, planned works/major voids. For periods of high demand that could not be covered by the DLO.
- Organisational capacity to manage a key service transition to an alternative service delivery vehicle during a period where the council is delivering a number of high profile projects (e.g. Levelling Up, Margate Town Deal)

3.13 In order to mitigate risk, the contract will be set up with a clause that allows TDC to terminate certain aspects of the contract on a no-fault break clause basis. For example, if one of the compliance workstreams, say Fire Servicing, was proving to be very challenging, TDC could serve notice on that given workstream without terminating all the other workstreams. This could then be procured with the aim of appointing a more specialist provider.

4.0 Grant funded element of works

4.1 As part of this contract we want to be prepared for any funding opportunities that might come available to us. We successfully bid for funding in SHDF wave 2.1 and are now on target to deliver works within the prescribed timescale. We did this with a bid writing and delivery partner. As this model has already worked well for us, we want to be prepared for the release of any future funding by adding this element into our new partnering contract.

4.2 To enable this, we have added a second lot that specifies a data modelling, bid writing and subsequent works delivery partner.

4.3 Advertising a second lot gives the opportunity to contractors who may specialise in this line of work but not void and responsive repairs to bid for this part of the contract.

4.4 We want the flexibility to be able to strike fast when funding is released, with an experienced bid writer that will offer an increased chance of success.

4.5 Often funding is caveated with a small delivery window. By procuring this contract upfront we can ensure we have the delivery mechanism in place to meet the timescales dictated.

4.6 This model offers the greatest success in being in a position to bid for available grants and deliver the work to ensure we receive all funding awarded.

5.0 Procurement strategy

5.1 We have taken advice from our in-house procurement team and also FFT, our consultant, in regard to the procurement strategy and propose to follow a restricted procurement procedure.

5.2 This is a two stage process where we initially invite contractors to tender with a short qualification questionnaire. This allows us to establish a robust tender list to put forward for full tender.

5.3 Contractors prefer this method for a contract this large and complex because of the amount of work it takes to submit a full tender. Where there is an unknown quantity of competition, some contractors will be put off.

- 5.4 This procurement strategy will take 18 months to complete and therefore we must begin the process in Quarter 3 2023/24.
- 5.5 Our consultant will take the lead with this procurement, carrying out the main aspects of the procurement themselves, rather than rely on our in-house team. FFT will use their MyTenders tendering portal, which will ensure the opportunity is advertised in Contracts Finder and Find a Tender and is fully compliant with the Public Contract Regulations. The reasons for this decision are as follows:
- Experts in procuring contracts for this service at this value
 - Dedicated project manager will ensure the procurement stays on track
 - This will be incredibly time consuming and would absorb a lot of the in-house team's time - potentially taking away from other important TDC procurements during a period when the council is progressing with a number of other high profile procurements.
- 5.6 This strategy follows the same strategy taken when the current contract was procured in 2016, which successfully procured Mears within the required timeframe.

6.0 Contract form

- 6.1 We intend to award a Term Alliancing Contract (TAC-1), as this is the contract that is replacing the Partnering Term Contract - which we have in place at the moment. The benefits of this is that it has been updated and uses terminology that embraces an 'alliance' between partners.
- 6.2 It is beneficial to award for a significant period, thus gaining economies of scale and building strong contractual relationships. We will procure a long term contract for an initial 10 years, with the option for a further 5 years. Keeping in mind that contracts have standard breaks in them should there be issues with performance.
- 6.3 This contract will have an estimated annual value of around £11 million, meaning it could hold a value of £165 million should it run for the full 15 years. This estimated value does not waiver from the current budget forecast and is already costed into the HRA budget plan, nor are we obligated to spend the full amount each year. For example, if there are no grants available to support retrofit measures for net zero, then that part of the budget will not be spent.

7.0 Resident Engagement

- 7.1 This contract affects all of our tenants and leaseholders in some way and is a key driver of customer satisfaction.
- 7.2 Our residents possess valuable firsthand experience of the current services provided under this contract. Their insights into the contract's performance will play a pivotal role in shaping the new contract.
- 7.3 During workshops, we used insights gathered from complaints and customer satisfaction feedback to explore potential contract improvements. This generated a comprehensive list of operational service enhancements, all of which will be evaluated and integrated into the new terms and conditions document.

- 7.4 We organised a focus group meeting with residents who expressed an interest in being involved in this process. In the meeting we explained the re-tender process and the recommendations outlined in the FFT options appraisal. The feedback received from the group was overwhelmingly positive. They endorsed the outsourcing contract model to the incumbent MEARS, affirming its efficacy in meeting TDC's bandwidth service requirements while ensuring stable and reliable customer service.
- 7.5 Engaged residents will continue to be actively involved, providing feedback and assisting in the evaluation of tenders, thereby ensuring their perspectives are central to the decision-making process.
- 7.6 In compliance with legislative requirements, we will conduct the statutory Section 20 leasehold consultation, upholding the necessary legal standards throughout the process.

8.0 Options

8.1 There are 3 options to move forward this with procurement:

1. Procure this contract using the procurement strategy as described above

The key reasons behind the recommended delivery model are:

- There will not be significant set-up costs,
- There will not be significant procurement costs as everything will be procured under one umbrella,
- The model is already well known to TDC and the staff are skilled in delivering such a model,
- There will be no requirements to significantly change the TDC resource structure,
- The risk is suitably shared with an external contractor opposed to sitting with TDC,
- The focus on the new procurement / Contract can be refined as opposed to creating a new model that is unknown to TDC.
- TDC have already demonstrated that a good level of customer satisfaction and an efficient service can be delivered via a single Contractor outsourced model

The procurement of this contract is highly complex and time consuming, reasons for the preferred procurement route are:

- FFT are experts in procuring contracts for this service at this value
 - Dedicated project manager will ensure the procurement stays on track
 - This will be incredibly time consuming and would absorb a lot of the in house teams time - potentially taking away from other important TDC procurements
2. Procure this contract using an open procurement campaign. This is not recommended as this is not the approach favoured by the market, meaning we may not be able to attract the contractors we would like to tender.
 3. Establish a DLO or LATCO for the provision of this service. These options are not recommended, for the reasons set out in this report and in the options appraisal attached at annex 1.

9.0 Next steps

9.1 Next actions will follow if approval is gained:

- To proceed with the procurement of this contract as described within the body of this report.

Contact Officer: Sally O'Sullivan - Head of Tenant and Leaseholder Services

Reporting to: Bob Porter (Director of Place)

Supporting documents:

[Annex 1 - FFT options appraisal](#)

Corporate Consultation

Finance: Chris Blundell, Director of Corporate Services and Section 151 Officer

Legal: Ingrid Brown (Head of Legal and Democracy & Monitoring Officer)