Options Appraisal

For

Repairs, Voids, Planned Works and Compliance Works

On behalf of

Thanet District Council

Prepared by

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1. Executive Summary

1.1.1. Thanet District Council (TDC) has commissioned Faithorn Farrell Timms (FFT) to provide independent and impartial advice and produce a detailed Options Appraisal pertaining to the delivery mechanisms for the future provision of its responsive repairs, void refurbishment works, planned refurbishment works and compliance servicing Contract.

1.1.2. The purpose of this Executive Summary is to provide a high-level summary of the contents of this Options Appraisal and to set out the preferred option in relation to how TDC will deliver their responsive repairs, void refurbishment works, planned works arrangements and compliance services over the coming years.

1.1.3. This report sets out all the stages undertaken in the Options Appraisal process and explains the rationale for the preferred option set out in this section of the report. The preferred options for the delivery of the arrangement/s are as set out under the bullet points below.

1.1.4. Having considered all of the available options, TDC are likely to procure a more traditional model whereby there is a Client and Contractor arrangement. In order to meet the key objectives and requirements of TDC, which include the points set out under section 3 of this report, as well as driving efficiencies across the service, the following options appear to offer the best solutions:

- A single Integrated contract for Repairs, Voids, Planned Works and Compliance Services, which will also incorporate an element of works to corporate buildings. This is very similar to the current model that TDC already successfully deliver with the current incumbent Contractor.
- Stock Condition Surveys will be omitted from the new Contract.
- The potential creation of a bespoke framework for planned Maintenance Works to supplement the long-term arrangements already procured by TDC.
- A long-term Contract, potentially 10-15 years, which could be an initial 10 years with the option for a further 5 years. Also, Contract have the standard break provisions in them regardless.
- The preferred pricing model is a Price Per Property and Price Per Void pricing model with the NHF SoR's, Version 8.0 to supplement them. There will also be Basket Rates for Planned Works and other bespoke schedules for compliance services. Key requirements of the PPP model will include a clear exclusions documents, setting an appropriate cap and defining what happens when works go above the set cap. Vandalism is also to be included in the PPP rate.
- There was some appetite to explore whether a small in-house DLO could pick up certain aspects of the Contract, such as fencing. This will require further consideration.
- The Contractor having a local dedicated Thanet office will be a key requirement.
- Following the Restricted Procurement Procedure as time permits and the market are less keen on the Open Procedure.

- Use of TAC-1 as the form of Contract.
- Due to TDC's location in East Kent it was agreed that issuing a Prior Information Notice (P.I.N.) will be key to understand what market interest there is likely to be.

1.1.5. The key advantages to this approach are set out below:

- 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 re-fining opposed to creating an 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.

2. Introduction and Background

2.1.1. TDC current repairs, voids, planned refurbishment works and compliance servicing Contract commenced on 1st April 2016 for an initial 4-year term, with the option to extend by a further 5 years. The 5-year extension was granted back in 2020 meaning that the revised Contract conclusion date is **31st March 2025.**

2.1.2. Mears were appointed to deliver the service across the TDC property portfolio of circa 3,500 properties. The annual value of the Contract for 2022/23 was circa £2.2m for repairs (PPP and SoR combined), circa £860k for voids, circa £600k for planned works and circa £300k of compliance works, giving an overall total of circa £4m, exclusive of VAT. The Contract is a Term Partnering Contract (TPC) 2005 (amended 2008).

2.1.3. With the pending Contract conclusion date just over 18 months away, TDC are looking to explore their options for the new Contract. In order to explore the options available, TDC appointed Faithorn Farrell Timms LLP (FFT), to support them to develop an Options Appraisal in advance of TDC running a full procurement. The purpose of this report is therefore to explore and set out the various Options available to TDC moving forward.

2.1.4. In terms of the brief for the Options Appraisal, the following methodology was agreed between TDC and FFT.

2.1.5. FFT would engage with TDC property services staff and other key stakeholders (Housing management, and contractors as appropriate). FFT will treat this session as an initial lessons learnt review, but can roll it out to a wider team if it's deemed appropriate.

2.1.6. FFT will review TDC's performance and transactional data and consider the findings to inform our further recommendations.

2.1.7. FFT will look at all current models for delivery and management of a day to day repairs contract including Schedule of Rates, Price Per Property, Fixed Price, Open Book, Cost Plus etc and consider their suitability for TDC.

2.1.8. FFT will look at all the possible 'external' delivery models (e.g. Wholly Owned Subsidiary, Joint Ventures, Traditional outsourced partnering Contracts, a DPS, etc) and provide a commentary around the pros and cons of each.

2.1.9. FFT will consider whether a DLO or partial DLO could be implemented.

2.1.10. FFT will look at all the possible Contracts that could be used and provide a commentary around the pros and cons of each. We will also aim to give some high-level budget figures with regard to how much each model may cost to procure.

2.1.11. FFT will look at all the possible pricing models and provide a commentary around the pros and cons of each. FFT will also aim to give some high-level budget figures with regard to how much each model may cost to procure.

2.1.12. FFT will consider if the Contract could benefit from being broken down into Lots – workstream based.

2.1.13. FFT understand the current Contract expires in 2025 and as such we will advise TDC of an appropriate timeline to deliver the new arrangements, relative to the model selected. We will also provide advice on the different procurement procedures and the associated timelines.

2.1.14. Due to the differing types of Contracts that are used to deliver repairs and voids contracts, the name of the party delivering the Contract can differ from Contractor to Service Provider. The current Contracts are the TPC 2005 (amended 2008), which refers to the Service Provider. The JCT MTC on the other hand refers to Contractors. This report therefore makes reference to Contractor, Service Provider and Provider, but these all relate to the same entity.

3. Lessons Learnt Workshop

3.1.1. A fundamental part of the process was for FFT to engage with TDC property services staff and other key stakeholders (Housing management and contractors as appropriate) to understand how the Contract has been operated over the term of the Contract. FFT therefore treated the session as a lessons learnt review in order to understand what has worked well and what would benefit from change in the new arrangement/s. Obtaining this information is key to helping FFT set out the options available to TDC with regards to how best deliver the service moving forward. It will also be key to how the future Contract/s are compiled due to TDC's fairly remote location in North East Kent.

3.1.2. The lessons learnt workshop took place on 10th August 2023 at TDC's offices in Margate. Set out below are the key themes that were highlighted and discussed during the workshop.

- What is working well and what needs improving?
- Full asset Management Contract – Repairs, Voids, Planned Works (fairly low spend) and numerous specialist compliance workstreams. Would it benefit from splitting out the planned works and/or compliance workstreams?
- Even split repairs and voids or does one Contractor work well.
- Does the PPP and PPV model work well for repairs and voids? Any issues with the model?
- How does the separate PPP model work for houses and flats and does the PPP for garages work? Is there value with the latter?
- Likewise, the separate options with and without electrical test and condition survey?
- Are there any instances of job building (e.g. high numbers of exclusions and job building to exceed the PPP cap), job duplication, job cancellations and recalls a problem?
- Does the outsourced Call Centre work well and does the diagnosis work well?
- What is the Customer Journey / Experience, including communication?
- Are the communications protocols working?
- Are appointment times appropriate – 2hr slots?
- Do the amended 8am – 8pm Monday – Friday slots work and is this at a cost to TDC? Likewise, Saturday mornings.
- Priority Categories – E.g. Emergency 24/7 (attend in 2hrs, make good in 4hrs), Emergency 24hr, Urgent (7 Calendar days) and routine (28 Calendar days)?
- Voids – Minor 4 working days, Standard 16 working days, major 3 months?

- Planned Repairs – 35 Calendar Days
- Has the situation with non complaint EICR testing been resolved?
- Likewise, 20% Condition reports annually?
- Quality Standards, including levels of Contractor/Client Inspections
- Are the levels of sub-contracting an issue?
- IT Systems / Interfaces – How do Mears update Northgate and how do they interface with TDC systems (also TDC aspiration for live tenant access, SMS etc).
- Do the KPI's work well and are they managed/changed when Contract extended?
- CPI capped at 8%, but based on average of previous year – has this worked?
- Quoted works cap at 8% and never below 5%. Do quoted works cause an issue?
- Does the process for dealing with missed appointments work?
- How is tenant damage dealt with through the PPP and PPV model and do TDC re-charge?
- How are complaints dealt with?
- What is the level of data like, as this will be key for future models?
- Do TDC have resourcing issues? E.g. Does a PPP represent a resource light model that makes it easier for TDC to manage.
- What are the Contract Management measures in place?
- How effective has the TPC Form of Contract been on the Contract?

3.1.3. Further to the above, we have listed below the key feedback from the various stakeholders who attended the workshop.

- Kitchens and Bathrooms are being procured separately, so will sit outside the new Contract/s, as a 7-year Contract is being procured.
- Mears struggle to resource Planned Refurbishment works. Mears also struggle to onboard their supply chain.
- Gas servicing and breakdown cover sits outside of Contract, and this will be the same moving forward. A long-term Contract has been awarded to BSW.
- Pest Control sits outside the Contract and asbestos is only included on voids, although it was suggested that asbestos (removal / testing) should be included in the new Contract. Although consideration will need to be given to the poacher and gamekeeper situation). Interestingly, FFT have spoken to Folkestone and Hythe District Council, and they have advised that the TDC model for voids always worked better under East Kent as asbestos

and gas were included in voids.

- The combined PPP/EICR model works well in the main, although there have been some issues around the delivery of EICR's.
- Consideration is required in relation to including vandalism within the PPP model if a PPP model is retained.
- Discussion took place with regard to the potential omission of EICR's and the associated repairs. Interestingly, FFT have since spoken to Folkestone and Hythe District Council, and they have a similar issue and Mears use the same electrical sub-contractor with them. The feeling was to include EICR's in the new Contract, but further discussion required. If retained TDC could use the 5 yearly EICR tests an opportunity to carry out a damp and mould survey.
- Corporate services are included in the Contract and a further session with corporate services will take place. The value is circa £300-500k. Please refer to the notes at 3.1.5 of this report in relation to the meeting that took place with corporate services on 20th September 2023.
- Overheads and profit are included in the PPP and PPV costs and are not paid as additions.
- There was support for adding water testing, including tanks in tower blocks into the new Contract. The overall feeling was for it to be included.
- There was support to include lift servicing and fire alarm servicing in the new Contract/s.
- The call centre has struggled with regard to gaining access and takes up a fair amount of TDC time. It was thought to lack efficiency and can fail to be pre-active at times. That said, there was still a lot of support for an outsourced call centre, although a local Thanet office with a shared space would be important moving forward. There were a number of pros and cons of outsourcing the call centre.
- Any local office would need to be specific to the TDC Contract and not linked to other Contracts.
- The supply of materials can be an issue, with Mears only really using Travis Perkins.
- There was support to add fire safety works, including fire doors and fire door replacements, to the new Contract.
- Whatever the new Contract/s look like, there is a need to include damages for the likes of late voids delivery.
- There was some support to explore whether the likes of Plentific could add benefit to the new Contract/s. Discussion took place around the benefits of such a model and the overall feeling was that this would not be the preferred solution for TDC, especially given their location and the different workstreams.
- The level of work undertaken in TDC's void properties is significant with full refurbishments commonly undertaken. The new void model will need further consideration at the design phase. The current void process is very resource heavy and this needs consideration during the tender preparation phase.
- Retrofit and decarbonisation are currently excluded from the Contract.
- There is evidence that job building can occur on the larger repairs and this needs looking at further in the new model. There was also discussion with regard to when is a repair not a repair.
- There was discussion around the need for a major repairs team to support the day to day responsive repairs team, e.g. a skilled support team to pick up more complicated repairs.
- Aids and adaptations are included and work well.

- The management of sub-contractors needs to be clearly defined in the new Contract/s. The operatives of Mears electrical sub-contractor do not wear Mears uniforms and residents are not updated with regard to a sub-contractor attending their property.
- Recalls on repairs have not represented a notable issue.
- The co-ordination of different trades often represents an issue, especially where there is a reliance on sub-contractors.
- Jobs being cancelled and then re-booked is however more of an issue and needs reviewing.
- Follow on works can often be an issue with responsive repairs.
- AM / PM appointment slots work well, but consideration to be given to moving to 2hr slots.
- The 8am to 8pm appointment slots are thought to be overkill.
- Communication is an issue. Late cancellations and missed appointments do represent an issue and the new Contract needs to include damages for such situations.
- Resident satisfaction is currently at 89%, so in general, positive.
- The integration between the Client and Contractor IT systems needs improving.
- The interface between Mears MCM system and TDC's NEC system causes some issues and TDC are not aware of what is raised through MCM. TDC only see the job ticket, they do not see the detail and evidence behind the job ticket. There is also a lack of access to MCM.
- Mears commonly cancel urgent repairs and raise them as routine repairs, but don't update TDC.
- There is a lack of comm's on communal repairs.
- Vandalism is excluded from the PPP model. Mears are however good at flagging such damage.
- When a repair is a tenant's responsibility, Mears do push back on these.
- The WIP (work in progress) is generally good, but there is no visibility with regard to whether jobs are being cancelled and re-raised.
- Void turnaround times are in the main good, with key to key times positive.
- TDC do not include decorations within voids. Decoration vouchers are offered.
- Moving forward, FFT will explore the options available to TDC with regard to re-charging for rent loss and also incentivising rent gain on voids, e.g. early delivery.
- TDC pay 5% on quoted works.
- The level of quoted works can be an issue and specialist work need to be clearly defined in the new Contract/s.
- A full time Resident Liaison Officer will be required.
- The complaint management process needs to be clearly defined.
- Social value clauses need to be included with the potential for tenderers to set out their annual offering to TDC. Further work required. Likewise, around the number of apprenticeships / local recruitment per annum.
- In terms of the cost model, there was a fair amount of support for the PPP/PPV model as this has worked well for TDC in the main. The inclusions list does however need to be refined and vague descriptions need to be removed with clear parameters for how the model will operate defined.
- The PPP cap will also need to be considered with a potential cap of £500.00 set on included repairs. FFT will set up a model that protects TDC against job building.
- It was agreed that TDC will use Version 8.0 of the NHF Schedule of Rates to supplement any PPP/PPV model.

- The TPC Form of Contract and the Partnering ethos have worked well in the main.
- A shared call centre is a key requirement for the new Contract. TDC and FFT will explore the benefits of moving to the Term Alliance Contract (TAC-1), which is a more modern version of TPC.
- It was agreed that the new Contract should be long term, with 5 + 5 + 5 suggested. All the relevant Forms of Contract will have break clauses as standard anyway.
- There was a fair amount of debate around the different delivery models and the overall feedback was that there was no real support to create a Joint Venture, a Direct Labour Organisation or a Wholly Owned Subsidiary. The main reasons being due to the associated set up costs, the risk that transfers to TDC and the size of TDC. FFT will explore these options further in this report.
- There was however, some support for the potential direct delivery of certain specialist works.

3.1.4. Further to the above, TDC and FFT also met with Mears on 6th September to understand how they feel the Contract has operated in Practice and also to understand what, if anything, should be considered when re-procuring. We have listed below the key feedback from the session with Mears.

- Mears feel the Contract generally works well and as such it would benefit from tweaking opposed to wholesale change.

- They feel the PPP and PPV model works well.

- They can only deliver the electrical aspects of the Contract through a sub-contractor.

- They admitted to experiencing issues with the delivery of the EICR programme, but advised that some of this was due to non traditional programmes being issued. This has now improved. This could be one area for review.

- There was discussion around the stock condition survey, and it was agreed that this may sit best outside of the Contract/s.

- Mears advised that for a Contract to be attractive to them it would need to be circa £6m a year. There are however a lot of factors that would also need to be considered from FFT's experience, including the likes of profit margins, location, client relationship. FFT would not therefore propose making any decisions on this alone.

- A long-term Contract is key to making the Contract attractive. A 10-year term with the ability to extend for a further 5 years was mentioned.

- Mears feel repairs, voids, compliance and NetZero workstreams all fit well together. They also feel planned and responsive link well.

- Mears advised they would be happy with either an Open or Restricted Procedure procurement process, although FFT are unsure if they fully understood the question.

- The KPI's need to be concise and the recent work undertaken has certainly benefited these.

- Mears feel complex repairs and disrepair claims can be better managed under a PPP model.

- The timescales for emergency repairs, urgent repairs and routine repairs works well.

- A cap on the PPP of either £500.00 or £1,000.00 is sensible.

- Consideration should be given to whether pumps and meters are included in the new Contract.

- Could the new Contracts be set up to allow heating outside of Gas to be picked up under the new Contract?

- The 8am to 8pm appointments were discussed and these only operate on the ability to react to such appointment slots, they are not offered out as standard.

3.1.5. Further to the above, TDC and FFT also met with TDC's corporate team on 20th September to understand what, if anything, they would like to see included within the new Contract. Set out below is the feedback from the session on 20th September.

- At present TDC corporate (TDCC) do not have a direct link with Mears and any work undertaken is via quoted works as the SoR's are not applied.
- TDCC would like the option to use the new Contract, but likewise do not want to tied down to using it and need to option to go elsewhere.
- The total value of works undertaken is circa £600k, of which £200k was from the estates team.
- The new Contract could offer up the options to deliver repairs and planned works and the tender could contain different uplifts for working on corporate buildings.
- It was agreed that the annual value for the new Contract will be circa £300-500k, but this will come with a no work load guarantee.
- It was agreed that all the buildings that could be covered under the new Contract will be clearly listed in the tender TDCC to provide.
- The tender documents will make it clear that any works delivered to corporate buildings will be via separate Orders and separate clienting.
- Technical services are also looking to tender this year and civils will always sit outside of the new Contract. Works to the likes of roofs to coastal shelters could however sit in the new Contract.
- Out of hours repairs could form part of the new Contract, but they would need to sit outside of any PPP model and be paid on attendance and SoR's.
- Car park and cemeteries could also be covered. Clear site details will be required.
- If using the new Contract, the documents will make it clear who can raise orders from TDCC's point of view.
- Sub-contractor qualifications and competency need clearly defining in the tender. Likewise a question on managing sub-contractors.
- A minor works team does exist, but it currently only includes 2 operatives. TDC may look to expand this.

4. Review of Performance Data

4.1.1. FFT have reviewed the KPI data provided by TDC for the year between April 2023 and July 2023. FFT have added a RAG status colour coding to the year to date KPI results. Four of the eighteen are rated as Red where they are failing to hit the targets, with the most notable issue being around EICR delivery, although FTT understand from discussion that things are improving. Five of the eighteen are rated as Amber as they are either very close to achieving the KPI or there is no data on the KPI year to date. In terms of KPI 8, this meets the KPI for being less than 5%, but fails the KPI due to those failing the KPI do so by exceeding one month. Nine of the eighteen KPI's are rated as Green as they exceed to the KPI targets year to date. For ease of reference, a summary of the KPI data year to date is provided in the table below:

KPI Ref	KPI Description	Target	Year to Date
KPI 1	Customer Satisfaction	92%	88.5%
KPI 2	Emergency 4HR jobs completed on time	100%	99.83%
KPI 3	Emergency 24HR jobs completed on time	100%	99.28%
KPI 4	Urgent - Response 7 Days	98%	98.80%
KPI 5	Routine - Response 28 C Days	98%	98.01%
KPI 6	Specialist - Response 35 C Days	98%	93.52%
KPI 7	Average Days To Complete Non-Urgent Works	Average 15 days	10.82
KPI 8	Overdue Orders	<5% / 0%	3.3% overdue/46.72% of those overdue over 1 month
KPI 9	Appointments Made and Kept	96%	97.17%
KPI 10	Work Completed in One Visit	80%	81.60%

KPI 11	Void Times (Minor/Standard)	Average 10 days	10.02
KPI 12	Void Times (Major)	Average 25 days	22.62
KPI 13	Void Times (Specialist)	Average 35 days	40.92
KPI 14	Major Adaptions	Within 3 months	100%
KPI 15	Compliance - EICR Delivery	100%	36.14%
KPI 16	Compliance - FRA Delivery	100%	No Works at Present
KPI 17	Compliance - Lift Servicing Completions	100%	100%
KPI 18	Compliance - Fire Alarm Servicing	100%	100%

4.1.2. We exception of KPI 15, there does not appear to be any major alarm bells ringing, with performance generally good overall.

4.1.3. The KPI data provided is also provided at Appendix B for ease of reference.

4.1.4. Moving forward, FFT would recommend that the KPI's and associated KPI targets are reviewed when re-procuring the new Contract/s, as whilst the KPI's are all standard KPI's FFT would expect to see and the targets are within an acceptable tolerance, they would benefit from a review.

5. Options available to TDC

5.1.1. In order to ensure all the options available to TDC are considered and to make sure the preferred solution best meets the long-term requirements of TDC, the following options have been considered as part of this appraisal:

- Re-procurement of existing arrangements
- Individual Single Contracts
- Single integrated Contracts
- Multiple integrated Contracts
- Dynamic Purchasing System
- Joint procurements/shared services
- In-House Capability
- Joint Venture
- Wholly Owned Subsidiary
- Mixed Economy – a combination of some of the above options
- Full range of pricing options considered, including Price Per Property / Price Per Void, Schedule of Rates, Open Book, Average Job Value, Agreed Maximum Price or Target Price.

5.1.2. It is important to note that which ever option TDC go with, it 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 whether through an outsourced contractor/s, an insourced delivery model or another form of delivery model such as a Joint Venture.

5.1.3. FFT has set out the service delivery options and a commentary on the advantages and disadvantages and risk with each at **Appendix A** for further information.

5.2. Extended existing arrangements

5.2.1. This is not an option as the Contract has been extended for the maximum possible length. Any further extension would be in breach of the Public Contract Regulations 2015 and could result in a challenge from a Contractor or the Crown Commercial Service Public Procurement Review Service.

5.3. Re-procurement of existing arrangements

5.3.1. This approach offers familiarity to TDC in so far as they may re-procure the current arrangements and use their experience to amend the Contract to influence delivery, drive value and improve service. We understand from discussion that there is still support for a Price Per Property and Price Per Void model, but other pricing models do need to be considered. There was also a fair amount of support for considering whether to keep all the current workstreams and potentially also introduce the likes of water testing.

5.3.2. Due to the above, re-procuring on a like for like basis does have support, although there are some areas to be refined.

5.4. Multiple Individual Single Contracts

5.4.1. This approach would allow greater flexibility and control for TDC and may encourage smaller specialist firms to tender for the Contracts. For example, splitting the repairs, voids, planned and compliance services and also potentially splitting by regions, accepting that Thanet is not a widely dispersed Contract. The risk of having only one main Provider is mitigated as risks are spread across a range of contractors and would allow TDC to utilise contractor's expertise in their field. It is also possible that smaller Providers may have reduced overheads and preliminaries that could drive other efficiencies. The key benefits will be the ability for TDC to spread the risk of poor service delivery and potentially appoint smaller specialists. The disadvantages are that TDC will have to manage multiple Providers, which will be resource heavy, and the pool of Contractors in and around Thanet may be limited in number. Reducing the scope of the Contract is also likely to make the opportunities unattractive to the larger tier 1 Contractors such as Mears.

5.4.2. However, this approach will require significant client coordination and internal resources in order to manage a larger number of contracts simultaneously and address the complexities associated with multiple IT systems in operation, and could result in a loss of synergy across workstreams and regions, with potential duplication of works. The contractors are also less likely to invest and innovate within the contract due to potentially lower contract values and lack of scale and there is the possibility for complex TUPE issues associated with multiple individual contracts. Should this be a preferred option for TDC, there are a lot of aspects that need further consideration in terms of how this would work in practice and for these reasons, this option may not be attractive to TDC. A more attractive option may be to remove area specific workstreams that prove challenging for TDC. Although from the overall feedback, the Contract does appear to operate fairly well.

5.5. Single Integrated Contracts

5.5.1. This mirrors the current set up and has the advantage of unifying and co-ordinating work steams and geographical regions through a single provider. It can integrate responsive repairs, void refurbishment works, compliance servicing and also planned improvement works to get cohesion and better value in terms of preliminaries and overheads. It also simplifies the contract management arrangements with a single provider to manage. The size of contract will make it attractive and should lead to more competitive bids. It is inevitable that the main contractor will sub contract work elements and charge a management fee (within the tendered sum) to manage the sub contract(s), but this could also be the case on smaller single Contracts. The provider should also be more willing to invest in the likes of IT systems, social value and training and also drive efficiencies through their supply chain, although this may not be the service TDC are currently experiencing.

5.5.2. It does mean that there is a high risk if there are any issues around service failure or insolvency; TDC will have limited options to modify the delivery model. If the contract works well, it can have significant benefits, however if the service or relationship fails, it has the ability to create serious Council wide consequences. That said, it should also create an ethos whereby the two parties work in partnership to resolve and overcome issues that arise. A single contract may also work against the use of local contractors and special measures can be included to encourage the principal contractor to use local sub-contractors and labour. The biggest risk for TDC with this approach is that they will have all their eggs in one basket, so a second tier of support providers could be a logical solution. TDC also need to consider if a sole provider will support their approach to zero carbon, as a single provider may have a larger carbon footprint, unless it is using local regional based operatives and supply chain partners.

5.5.3. In order to mitigate the risk to TDC, the Contract can be set up with 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.

5.6. Multiple Integrated Contracts

5.6.1. This has the benefits of integration and co-ordination of service areas, whilst avoiding the risk of a single provider. TDC could look to increase the number of integrated Contracts to create smaller regional Contracts and encourage specialists in those areas, but due to the relatively limited pool of providers who specialise in responsive repairs Contracts, it is likely that the same providers are likely to apply. It may also make the opportunity unattractive to the larger providers in the market, such as Mears, Ian Willams, Breyer Group, United Living, Fortem, etc. This option should however be considered if TDC are looking at encouraging SME's and smaller providers to tender, as having multiple contracts will reduce the value of each contract.

5.6.2. It provides the opportunity for TDC to benchmark across similar contracts and to compare satisfaction and value for money. It also provides TDC with the potential comfort of step in rights for service failure or insolvency.

5.6.3. As with single Contracts, this approach will require significant client coordination and internal resources in order to manage a larger number of contracts simultaneously and address the complexities associated with multiple IT systems in operation and could result in a loss of synergy across regions. The contractors are also less likely to invest and innovate within the contract due to potentially lower contract values and lack of scale and there is the possibility for complex TUPE issues associated with multiple individual contracts. Should this be a preferred option for TDC, there are a lot of aspects that need further consideration in terms of how this would work in Practice and for these reasons, this option may not be attractive to TDC.

5.7. Dynamic Purchasing System

5.7.1. Dynamic Purchasing Systems (DPS) are certainly gaining traction in the market, and they have their part to play with the delivering of asset management Contracts, and as a Practice we have recently set these up for a number of our clients. We commonly see them used to support a DLO or a main Service Provider in the form of back up support and the Plentific model is a prime example of this. Whilst Plentific is a well known DPS that operates in the repairs market, there are a number of others such as Arthur, YourKeys and Landlord Vision that also operate in similar markets. TDC would also need to ensure that any DPS operates a complete repairs service and does not just act as an approved list of suppliers that a client can choose from. TDC would therefore have two options in that they could procure their own DPS, or they could use a DPS that has already been set up, such as Plentific. Due to TDC's location, Plentific may not be a feasible option, as whilst its coverage is not nationwide, it has a stronger coverage in London and the Home Counties and although Thanet is part of Kent, it is located on the far East coast and as such coverage would need to be checked further. The issue with setting up your own DPS is the level of management associated with this, as Providers are able to join the DPS at any stage as long as they meet the minimal requirements. The big advantage of a DPS is that it should encourage local SMEs to apply who should be capable of providing a responsive service to TDC. It can also remain in place for significant periods of time and 10 to 15 years is not uncommon. A DPS is a “live” process and contractors can apply to join at any point. It does not however guarantee longevity in workload, unless TDC issue calls for competition to create long terms arrangements with providers on the DPS.

5.7.2. Whilst a DPS has many advantages it is unlikely to be best suited as the primary delivery model for a responsive repairs service for a client the size of TDC. TDC would also need to consider whether they would have to create regional arrangements as it is possible that a number of providers applying may not be able to service TDC’s entire property portfolio and all the various workstreams. There are also other key areas to consider in terms of value for money as a responsive service with no guarantee of workload often comes at premium price. TDC would also need to consider how they would re-charge leaseholders and how the DPS would be consulted on. These are also considerations for TDC should this be a preferred solution, including the likes of the customer experience, resources required to manage a DPS, set up costs, Health and Safety and general compliance of those on the DPS as well as the average cost of a repair under a DPS, and for these reasons a DPS may not be the preferred option for TDC in terms of the primary source of delivery.

5.7.3. Another consideration is how TDC would deal with leaseholder re-charges via a DPS and what the process would need to be with regard to Section 20 Consultation. Especially with likes of Plentific, as Leaseholder will not have been consulted when it was set up, or another DPS were to be introduced.

5.8. Joint Procurements/Shared Service

5.8.1. There may be benefits in procuring with another provider to make contracts more attractive to gain economies and strengthen management. This approach is used to establish a joint Framework Contract. There should be procurement economies by sharing costs and contract management economies through a streamlined process. There needs to be similarities of approach of the partners to ensure a common purpose. Different time scales and priorities may impact on the speed of procurement. FFT’s experience is that the necessity to meet the requirements of more than one client tends to dilute the focus. Furthermore, our experience is that it is uncommon that two or more Contracting Authorities with similar requirements are going to the market at the same time and as such, FFT have not been involved with a single joint procurement or shared service over the last ten years. It is more common for a merger or takeover to occur, whereby the different repairs Contracts eventually become combined.

5.8.2. However, it also needs to be noted that TDC have experience of a joint procurement with the East Kent Housing model, whereby four local housing providers joined together under one umbrella to deliver a service. Ultimately this model did not deliver the benefits it was hoped, and each authority reverted to manage their own contracts. Since the split from East Kent Housing, FFT understand that the service experienced under the current Contract has improved and for the reasons set out above this is unlikely to be a feasible option for TDC. It should however be noted that TDC are in a unique position, whereby three other Contracting Authorities with a similar stock size in close locality, will be going to the market at the same time. That said, FFT have spoken to Dover and Folkestone and Hythe as well as yourselves and there does not appear to be any appetite amongst the Contracting Authorities to jointly procure.

5.9. In-House Capability

5.9.1. An In-House Capability, which is more commonly known as a Direct Labour Organisation (DLO), has economic benefits through VAT savings on staff costs and means the service can be directly managed, which should in theory mean TDC would have better control of the operatives and be able to drive up customer satisfaction. This can lead to opportunities for early innovation and avoids the risk of the failure of an external contractor. It can provide a team that is entirely focused on delivering services for TDC leading to customer service benefits and any surplus can be reinvested. The In-House Capability can be part of the service delivery, targeted at problem areas or specific services, working alongside external contractor delivery or indeed provide full delivery. The big positive for a DLO, is that residents commonly buy into the model, as they see the service being delivered by TDC and not an external Contractor. From the workshop, there was some discussion with regard to whether creating a small DLO to all or an aspect of the Contract could have benefits. There are however a number of risks associated with this and these were seen to be a real obstacle with regard to implementing a DLO.

5.9.2. An In-House Capability requires different skills to manage the service – blue collar workers', fleet management, materials purchase, and will also require additional management for finances, IT and materials and plant. There will also potentially be an in initial TUPE issue as operatives transfer from the current contractor and TDC will be responsible for managing this process, where previously it would have been dealt with by the HR departments of the provider partners. There will be a requirement to formally procure and manage sub contracts for skills and materials that the In-House Capability does not directly have, although if the DLO is just set up to deliver voids, this may be less of an issue. However, TDC is likely to have reasonable buying power in the market to attract a good pool of sub-contractors and suppliers and is likely to be an opportunity for small local providers. Also, as a 'contractor' with a single client, it is harder for an In-House Capability to deal with peaks and troughs of work as it does not have the option to balance work across clients and this will require careful management.

5.9.3. In terms of the effectiveness of existing DLO's, FFT currently work with a number of clients who have an in-house DLO to deliver their repairs and voids Contracts. One of our clients, who we would class as a mid size Contracting Authority, successfully delivers their repairs service using a DLO, but struggles to deliver planned works, larger voids and complex repairs in-house and as such they use external Contractors to support their DLO with the larger more complicated repairs and voids. It is worth noting that they operate in a very concentrated location and as such, travel time is significantly reduced. This is not greatly dissimilar to TDC. If a DLO were to be a feasible option for TDC it is unlikely they would be capable of delivering all the various workstreams currently delivered by Mears, although it could be argued that Mears also subcontract out a number of workstreams. However, doing this would mean the VAT savings obtained on labour would be lost.

5.9.4. Two other larger clients with significant property numbers have a large DLO; one does not pick up planned works and the other picks up the more straight forward planned works such as new kitchens and bathrooms. Both struggle to deliver larger complex repairs and voids and also specialist repairs. Whilst the DLO operates relatively successfully and there is no desire to move away from a direct delivery model, it does require the support of other externally outsourced contractors.

5.9.5. FFT's general experience of DLO's is that they can be a successful way of delivering repairs and voids, but they struggle to pick up complex planned works and larger voids where there are various trades involved, as they commonly do not employ the likes of roofers, scaffolders, drainage operatives, etc.

5.10. Joint Venture (JV)

5.10.1. The concept is a simple commercial arrangement between two separate bodies, in this case TDC and a contractor / service provider. Within the registered provider sector, this delivery model had become more popular a number of years back, but in more recent times we have seen less Joint Ventures created, although FFT were involved in the procurement of A2Dominions JV's, which operate on a 70/30 split between A2Dominion and the two Contractor Partners. Another example of a JV is the partnership between Town and Country and Wates Living Space, which has recently been re-procured and has switched to Fortem. JVs are however more commonly formed to deliver new homes between housing providers and developers. The reason for the increase was due to the ability for it to utilise a collective pool of assets and resources, towards a common objective. Collectively through a joint venture company ("JV"), parties are able to attract additional finance and resources that would otherwise be unavailable. JVs are formed to procure and deliver services, invest in assets, strategically lead and manage a development project or provide a combination of these. The JV is intended to be profit making and the parties to it will take a pre-agreed percentage share. Likewise, the parties also share the risk and as such will take a pre-agreed percentage share of any loss or set up costs. It is the RP that will be the majority shareholder, and they will take the larger percentage profit share / risk. It is acceptable for an RP to make a profit. The percentage shareholding profit ratio split will range usually between 51%:49% and 70%:30% depending on a number of complicated factors including tax advice and a benefits model.

5.10.2. A JV would be an option if TDC wished to combine its services within a single entity; it is a form of a single contractor solution. Whilst the advantage is that TDC would have greater management control, this brings with it greater risk as it involves risk sharing; it is suitable where a jointly owned and managed business offers the best structure for the management and mitigation of risk and realisation of benefits whether they involve improved public sector services or revenue generation. It should not be seen as a delivery model in which the public sector seeks to transfer risk to the private sector through the creation of an arm's length relationship. For RPs, it may be more likely to consider a JV for a specific development or regeneration opportunity rather than as a means to deliver landlord's statutory maintenance services, although the likes of A2Dominion and Town and Country have done this with a degree of success, with A2Dominion coming towards the end of the initial ten year period and are looking to extend for the optional additional five years for at least one of their two JV's.

5.10.3. Whilst RPs can obviously benefit from the transfer of risk and day-to-day management obligations to a JV Co, they must also appreciate the consequent risks associated with creating such a delivery vehicle. These may involve potential personal liabilities for directors, the risk of insolvency, the inevitable time and costs involved in establishing companies and abiding by the regulatory provisions of the Companies Acts. A number of issues must also be clarified before launching into such an arrangement including identifying funding to establish the JV, an RPs' ability and legal method for entering into the arrangement, the scope of the RP's involvement, and permitted activities and respective limits on the potential liability of the respective parties, as well as an exit strategy. Specific, specialist advice would be needed on the tax issues associated with a JV if this option is seriously considered. Setting up a JV requires a long lead in period, usually of a couple of years, to resolve the purpose and structure of the JV, find the right partner and get the necessary approvals. It also comes with considerable expense in terms of procurement support, legal advice, tax advice and just as importantly, the amount of internal resource that will need to be allocated to setting up a JV.

5.10.4. If TDC were to consider setting up a JV, due to their size and spend profile, they would need to put as many services as possible into the JV to fully experience the benefits.

5.11. Wholly Owned Subsidiary (WOS)

5.11.1. This is a subsidiary company, wholly owned by TDC that operates with the permission of the controlling entity, with or without direct input. Its purpose is to provide TDC with the control over the means of delivery (to avoid contractor insolvency) by creating a labour agency, which provides VAT savings, and an external contractor will be appointed to manage delivery of services in return for a management fee, usually around 25% of service value. As part of its role, the contractor addresses material and equipment supply and the sourcing and management of sub-contractors. In principle, the more work that goes through the WOS, the greater the saving. It places risk with TDC but does not have the profit-sharing advantages of a JV and does not provide the same incentives for the partner (with the service delivery experience) to drive efficiencies and value. It is similar to the In-House Capability but introduces external commercial management which should make the delivery more financially focused. A WOS is arguably the mid-point between a JV and a DLO.

5.11.2. A WOS would enable TDC to derive many of the benefits of an In-House Capability, such as control over labour, resources and service standards, but have the support of the contractor in key areas of Human Resource management and would enable TDC to develop their in-house expertise in this area in preparation for transition to a full In-House Capability.

5.11.3. A WOS can offer a vehicle to deliver the VAT savings on labour, as is the case for a JV however, it may be less attractive to the market due to its relatively rare use and therefore may limit competition.

5.11.4. A WOS is likely to be of benefit if the Contracting Authority does not consider that they have the current skillset to manage the functions of an In-House Capability at the outset but do wish to leave their options open to deliver under an In-House Capability model over time. Like with a JV, setting up a WOS requires a long lead in period, usually of a couple of years, to resolve the purpose and structure, find the right management partner and get the necessary approvals. It also comes with considerable expense in terms of procurement support, legal advice, tax advice and just as importantly the amount of internal resource that will need to be allocated to setting up a JV. The other key consideration is that TDC would be responsible for the transfer of a considerable pool of staff from Mears, with the added risk that if insufficient staff were to transfer from the Service Provider, resources would then need to be recruited. This would be a risk to highlight due to the scarcity of resources currently with contractors choosing to try and retain their staff. TDC would have to lead on a significant recruitment process at a time when the market is struggling to appoint good trade operatives.

5.12. Mixed Economy

5.12.1. A mixed economy could be a combination of the various options considered above. For example, TDC may feel that a Single Contract to deliver the service across their entire stock portfolio may drive the efficiencies they are looking to achieve, but in order to de-risk the "all eggs in one basket approach", they may feel that having a Dynamic Purchasing System set up to provide a framework of support Contractors / Specialists, who can deal with peaks in demand or periods of increased work in progress (W.I.P.), is a viable solution. This could however prove unattractive to the larger tier 1 Contractors who may see this an undermining the main Contract. Another example would be a Single Contract to deliver repairs and major voids, with a small DLO set up to deliver everyday voids. Planned works could also be delivered by a pool of separate Contractors under a Framework arrangement. These are just two examples of a mixed economy but gives TDC greater flexibility in terms of identifying a Hybrid solution. The pros and cons associated with each should be considered as set out under each option.

6. Price Models

6.1. Price Per Property

6.1.1. The contractor is paid a flat rate for each home in the contract, irrespective of the number of repairs in each home. There is usually a ceiling on value and a list of works that fall outside the scope of the PPP arrangement. This passes risk to the contractor but also encourages them to fix first time to limit visits to any home. It also encourages them to keep to appointment times to gain access. The improved efficiency should benefit residents, drive up customer satisfaction and allow the Contracting Authority to focus resources on other key areas, however the model also comes with its challenges around managing exclusions, dealing with variations and providing adequate data to allow the market to price a PPP model. If the data is poor, then the market will price in the risk and a client can end up over paying for it's repairs and voids service. Furthermore, some PPP models were found to be inflexible during the recent COVID pandemic. PPP models operate on a wide range of parameters, including repair caps ranging from £250.00 up to £2,000.00. Depending on the level of the cap and what is excluded from the PPP, the costs of a PPP model can fluctuate from £250.00 up to £750.00 per property so it is very difficult to benchmark PPP models against one another, as there are so many variants that impact each model.

6.1.2. Voids can be covered in a Price Per Void (PPV) arrangement. This can either be a single price or price bands as described above. Whereas the PPP will give TDC an annual cost for repairs, the PPV does not set a specific annual cost as the total cost will be determined by the volume of voids presented, but an agreed monthly number can be set with a reconciliation process occurring every quarter to align expenditure with the actual number of voids delivered.

6.1.3. With both PPP and PPV, the provider will try to identify works as out of scope to get paid rather than have them covered by the fixed price. If the definition of out of scope is not clear, this can result in significant debate over the marginal items. It can also see providers look to build works up to exceed a cap if the model is not set up to operate in the correct way.

6.1.4. The PPP/V arrangement should significantly reduce client management as there is no debate on the cost of the majority of repairs falling within the PPP/V solution. It should also provide greater certainty of costs against budget as the majority of costs for repairs are fixed.

6.1.5. The key for TDC would be to reduce the number of out-of-scope items with a comprehensive inclusions and exclusions document. The out-of-scope works are the main area of friction. FFT is aware of several examples where client and contractor have poor relationships as both consider the other is trying to exploit the in scope / out of scope definition. This can be overcome by reviewing the repairs / issues that are causing debate and adjusting the in scope / out of scope definition to clarify the treatment of recurring items to avoid future debate.

6.1.6. The key to the success of a PPP model is good data being provided to the market at tender stage, as the market will rely heavily on this to arrive at their PPP figure. Failure to provide good data will either result in the market pricing in a significant risk factor or conflict occurring when the provider is unable to deliver the Contract for the tendered rates.

6.1.7. The PPP model is now a common means of delivery with a considerable number of Contracting Authorities electing to go down this route. TDC themselves also have experience of this type of model having successfully operated it over the past 9 years. The success of these Contracts will differ depending on how they were procured, what the data was like when they were procured and more importantly how well they are managed.

6.2. Schedule of Rates (SoR)

6.2.1. A SoR is a detailed, extensive list of thousands of repairs, by trade type, each with an indicative cost against it. The sector standard is the National Housing Federation SoR. Version 7.2 is the latest edition, although Version 8.0 was released in August 2023 and FFT are currently in the process of using this with Medway Council and Southend Borough Council. Each item is allocated a code and cost to cover labour, materials, overheads and profit. This usually includes travel to the works. Costs are either per item (tap / sink) or by size (linear metre, square metre, etc). Several codes may be used to undertake works.

6.2.2. When tendering, suppliers offer to undertake works with a standard variation to the SoR cost (usually plus or minus a given %). Up until 12-18 months ago, we were commonly seeing low minus figures against Version 7.2 of the NHF, but more recently we are seeing double digit plus figures as material and labour costs rise, and availability becomes more challenging. All codes used are then adjusted by this rate. TDC can ask the contractor to include overheads within the tendered rate or ask for these to be identified as a separate tendered item.

6.2.3. The SoR code rates combine labour and material costs. While it aims to be accurate, some rates offer the contractor a better return on costs than others. For example, painting costs are usually considered to be poor. When pricing, the contractor aims to get a balance between poor and good rates. This is partly based on expectations on the volumes of work in each trade area. If actual volumes differ, this can impact on the profitability of the contract.

6.2.4. Some rates within the SoR will not cover the contractor's costs of undertaking the works whilst others are generous. The contractor will aim to use the code that gives the highest return for the works description and / or to apply more than one SoR code for each job as this will bring additional income, therefore, robust contract management is essential.

6.2.5. The SoR used to order the works may often be different to the actual works required, resulting in the need to agree variations to the order request and value.

6.2.6. The advantages of an SoR solution are that it is well known and usually contractors and clients are used to operating it, as is the case with TDC and Mears for dealing with exclusions to the PPP and PPV. It is a straightforward method of tendering that can be relatively simple to identify best value. In principle, it applies a specific, measured cost for each repair so costs should reflect the actual extent and volume of works, however, the volume of variations required can offset this.

6.2.7. There should be minimal risk for the contractor as each repair order will be paid for. The contractor's tendered price may reflect the contractor's perception of the likely strength of client management and the contractor's ability to use the SoRs to recover costs.

6.2.8. TDC currently deliver repairs exclusions, voids exclusions and an element of planned works using the NHF SoR model and as such, it is already well known to TDC and its staff.

6.2.9. The disadvantage for clients is that contractors are usually better at operating a SoR system and can use the order description and codes to add works to increase their return on each job to ensure their costs are covered. Contracts can become confrontational as the two parties attempt to balance costs and return, creating a lack of trust on both sides. Furthermore, the volumes of invoices and the management costs for both contractor and client make this a fairly resource heavy invoicing mechanism. It is however, a very transparent way of identifying costs to be re-charged to leaseholders.

6.2.10. One large benefit to Version 8.0 of the NHF SoR's is that scaffolding up to two story's is now excluded and this should remove many debates around what is actually deemed to be included. Although, it is not yet clear if this will mean Contracts become more expensive for clients as the true costs of scaffolding are actually claimed.

6.2.11. In terms of the current price point in the market, FFT have seen a notable change over the past twelve to eighteen months, with minus adjustments becoming far less common. Twelve to eighteen months ago, FFT were seeing adjustments ranging from early single figure minus adjustments, such as -1 or -2% up to late single minus adjustments, such as -9 or -10% against Version 7.2 of the NHF SoR's. Over the last twelve months, we have seen these figures change significantly to low double digit figures such as +10 or +12%.

6.3. Open Book

6.3.1. Open Book is designed to avoid the confrontational element of repairs contracts where the contractor is assumed to be attempting to use the payment mechanism to increase income and the client is trying to prevent this. The principal is that the contractor will be paid the actual cost of delivery, removing the risk. The cost of the service is based on labour, materials, overheads and profits. At tender stage, the contractors set out their costs for each of these to deliver a predicted work volume. The client and contractor work in partnership to achieve service efficiencies as this will reduce the contractor's delivery costs and the resultant cost to the client. The Open Book solution assumes that the contractor will operate efficiently and achieve high operative productivity. Clear performance measures must be set and monitored to ensure that the contractor is delivering an efficient service.

6.3.2. The advantage should be that the actual cost reflects work volume and type. There is limited risk for the contractor and a competitive price should result. As costs of labour and management are set at the start, there should not need to be regular debate over cost. The discussion will focus on work volumes arising and the efficiency of the contractor's response, their deployment of resources and their ability to manage operative productivity.

6.3.3. This model is not well known to TDC as they currently operate an SoR model for the delivery of responsive repairs. Should this be a preferred option moving forward, consideration needs to be given to what Contract Management requirements need to be written into the tender documents to ensure there is a level of trust with open book reviews.

6.3.4. The client and contractor should focus on the processes to improve the efficiency of both teams to get the most efficient solution for both client and contractor to minimise costs.

6.3.5. The common disadvantages associated with an Open Book model are those relating to value for money. As the client pays the cost that the provider pays, including a mark-up on materials, the provider is not under the same commercial pressures they would be with a different price model, e.g., they know they will be reimbursed for the costs they incur so the desire to make commercial savings has the ability to be lost if not managed correctly. We have also seen traits whereby the provider is lazy and simply passes on the supply chain costs without checking and challenging them.

6.4. Agreed Maximum Price or Target Price (AMP)

6.4.1. This solution essentially hands responsibility for financial control of the repairs budget to the contractor. The contractor agrees to deliver the service within the Agreed Maximum Price or Target Price (AMP). Their responsibility is to manage repairs volumes and replacement items to deliver the required service level. This solution assumes that the contractor is the professional in delivering the service and is best placed to manage delivery. It places risk with the contractor but also most of the control mechanisms to be able to manage the risk. As with the PPP solution, it encourages the contractor to be efficient. The contractor will manage the call handling function.

6.4.2. There is usually an agreement within the AMP solution that if the contractor is able to achieve the efficiencies and make a saving, this is shared with the client. The share need not be 50:50.

6.4.3. There is a list of repair / renewal categories that are covered by the AMP (or exclusions from it). There are usually very few omissions as the purpose is to get the full service. Again, this list sets the framework for delivery within the AMP. The contract price is therefore usually the client's repair and maintenance budget.

6.4.4. This solution could reduce TDC's management of day-to-day delivery and could allow them to focus on quality. The client needs to have regular and frequent information from the contractor on performance, volumes and costs to ensure actual repairs align with the anticipated experience. Management usually focuses on the margins where actual repairs requests and work types differ from expectations. It should also allow the client more resource to focus on the resident experience and satisfaction.

6.4.5. Payment should be simple, with one twelfth of the total cost being paid each month on a single invoice, significantly reducing client management and processing costs.

6.4.6. The key risk with this model is that it places all the risk with the contractor but also most of the control mechanisms to be able to manage the risk. It is also reliant on the Contractor looking to drive efficiencies and can create conflict if the Contractor reaches the AMP before the anniversary of the Contract. The client is likely to require a risk pot to deal with this situation as it is unlikely that a Contractor will continue to deliver a service if they have exceeded the AMP.

7. Delivery Options not supported

7.1.1. The delivery options set out below were not considered appropriate for TDC and their objectives when taking into account the organisations drivers, size, geographical location, previous experience with different forms of delivery models and the current challenges housing providers and the market are having to navigate in terms of the lack of labour, increasing material costs, increasing fuel and energy costs, etc. Had TDC been looking at their options at a different moment in time, the options set out below may have been more attractive to TDC.

7.1.2. Joint Procurements: Whilst there is logic in a joint procurement if all four Authorities (Dover, Thanet, Canterbury and Folkestone and Hythe) are looking to procure at the same time on the same terms, which may be unlikely anyway, TDC is of sufficient size to procure independently, and it does not need to seek a joint procurement to attract suitable contractors. In addition to this, TDC's drive for high levels of customer service does not lend itself to joint procurements with other Contracting Authorities. TDC also has previous experience of four organisations working under a single umbrella that was East Kent Housing which did not succeed due to individual client objectives. Thus, TDC would not wish to repeat this due to the potential risk of failure. A point worth noting is that TDC do need to give consideration with regard to whether the other three authorities are likely to be procuring at the same time, as this could impact the attractiveness to the market and also impact the resources of those looking to bid. TDC have attempted to speak to the other three authorities to further understand their approach to re-procurement, but there was relatively little desire to procure, which includes TDC themselves.

7.1.3. An In-House Capability / DLO: Due to the significant costs and risks associated with setting up a DLO and the amount of risk that would transfer to TDC, this option is not deemed appropriate. The nature of Registered Provider employment arrangements and salaries, leave and sickness arrangements mean that generally, unit wage levels are higher than private sector peers and this can offset the VAT gains. VAT savings are also not a benefit of such a model with a Local Authority as the VAT is claimed back regardless. There will also be an in initial TUPE issue as operatives transfer from current contractors and TDC will be responsible for managing this process, where previously it would have been dealt with by the HR departments of the provider partners. On the flip side, if insufficient staff were to transfer from the current Providers, TDC would have to embark on a considerable recruitment drive at a time when the market is short of good skilled operatives. There will be a requirement to formally procure and manage sub contracts for skills and materials that the In-House Capability does not directly have. It is also likely that TDC would have to re-procure the likes of the compliance services outside of the in-house delivery model. Also, as a 'contractor' with a single client, it is harder for an In-House Capability to deal with peaks and troughs of work as it does not have the option to balance work across clients and this will require careful management. Especially when taking into account the seasonal fluctuations that occur with a responsive repairs service. Furthermore, TDC do not currently have any depots where they could run a DLO from. This would therefore become a further expense. There is likely to be notable set up costs associated with bringing the service in-house, which will include, but are not limited to the creation of a repairs call centre, procuring vehicles, putting in place all the relevant IT systems and creating a depot for storing materials, vehicles, etc. It is hard to place an exact cost on this, but we would suggest a figure of £300-400k would not be unrealistic.

7.1.4. Joint Venture: This solution would establish a separate company jointly owned by the contractor and TDC. One party usually has a 51% (or higher) share and the other 49% (or lower). Costs and surpluses are usually in proportion to the shareholding. This will require a significant concentration of the contracts, if not all, with a single supplier. Whilst the option to influence the management and direction of the contract is far greater than in a single integrated contract and there is the potential to benefit from surpluses generated, a joint venture requires commitment, time and finance to set it up. The set-up costs are likely to be around £300,000 and could be even more for TDC due to the nature of the business. It will also require a separate governance arrangement to manage the JV.

7.1.5. A key issue is having the right partner who can be trusted to commit to the JV with similar values and aims to enable the partnership to work. TDC may have the time to procure such an arrangement, but unless there is a strong philosophical support and an overriding commitment to establish a JV, it will be difficult to identify the benefits it offers and return on the finance, staff and consultant resources required to set up the JV in the first instance, as these will be notable. There is also a risk that costs and resources may be aborted if TDC does not find the right partner.

7.1.6. A JV solution also requires a different set of client management skills to traditional contracted solutions. These can be developed or acquired but will add to the set-up costs and lead in period. At this stage, FFT does not consider that TDC is in a situation where a JV solution will offer benefits it cannot expect to gain from other solutions that are lower risk, and there is no guarantee that the solution will improve services. It is considered that only a handful of suppliers would be in a position to bid and the size and geography of TDC could potentially put suppliers off.

7.1.7. Wholly Owned Subsidiary: This involves the creation of a separate company with a contractor providing the management expertise with the operatives becoming employees of TDC. In some respects, it is an In-House Capability managed by emplying the skillset of an external contractor, however unlike with a JV, the risk would fall solely with TDC, as there is no joint arrangement. A WOS is likely to have limited attraction to the market due to the fact that the WOS partner would simply be providing a management function to TDC and therefore, this is likely to limit competition and impact upon value for money. Like with the JV, this would significantly reduce the ability for SME’s to apply and in fact would probably limit competition to little over a handful of suppliers. The risks to TDC are very similar to those set out under section 7.1.3. of this report.

7.1.8. It would likely be more successful if TDC wishes to introduce a different management solution for its internal work force or develop a partnered solution with a trusted contractor. FFT does not consider that this option will offer significant advantages to TDC to offset the risks and costs required to establish the WOS. The one advantage that the WOS does have is that it would provide TDC with an external management function if it considered moving to an In-house Capability but did not feel it was equipped to manage such as set up from the outset. The issue around market volatility with regard to labour resources and the potentially huge TUPE transfer will also prove considerable challenges. Furthermore, TDC do not currently have any depots where they could run a DLO from. This would therefore become a further expense.

8. Routes to Market

8.1.1. There are a range of different routes to market, all of which offer advantages and disadvantages as set out in the table below. These were discussed at the workshop and TDC's procurement team and FFT have met to discuss the benefits. The different Procedures were also discussed when TDC and FFT met with Mears, although it is not fully understood if Mears understand the Procedures being explained.

8.1.2. The route selected will be dependent upon the timescales available for the procurement and the level of resource available internally to support the approach. FFT have issued a separate advice note to TDC on the Open and Restricted Procedures.

Procedure	Advantages	Disadvantages
Open	Single stage process which can save up to two months of time compared to a two-stage process	Difficult to establish a robust tender list
	A useful procedure if programme is compressed as is the quickest route to market	Tenderers to have complete both the SQ and ITT upfront which is not favoured by the market
	A deselection stage may not be required if there are only a limited pool of Contractors who apply	The evaluation process can be protracted and intensive for client as condensed timescale
		Unknown number of Tenderers may submit for the opportunity therefore difficult to plan for resources. This appears to be less of a risk for TDC
Restricted	A two-stage process which enables the establishment of a robust tender list	Does not allow for any negotiation or dialogue with tenderers therefore any misunderstandings may not become apparent until Contract Award
	Reduces the number of tenders to be marked and evaluated	Price clarifications may be protracted as an attempt to understand and resolve any pricing issues
	Familiar to the market	Does not permit client to reduce numbers further and there is no final tender stage to allow potential errors to be corrected
	Client resourcing is spread over a longer time frame	Difficult to include site visits within a restricted process as will need to make them part of the evaluation process which is potentially open to challenge
Competitive Procedure with Negotiation	Follows Restricted Procedure but allows Client to Negotiate. Although Negotiation does not have to take place	Adds circa 6 weeks to process beyond a restricted process

	Chance to discuss IT interfaces, service delivery expectations and establish a “cultural fit” with the client	Can be resource heavy from client side, as adequate time has to be allocated to dialogue with each Tenderer
	Allows the opportunity to clarify any misunderstandings from either party prior to the issue of the final tender, therefore should reduce clarifications at Final Tender stage	Added cost to client and contractors, as need to set aside time and allocate resources to undertake the process
	Do not have to negotiate if satisfied with outcome following initial tender return	
	Only need to negotiate with 3-4 tenderers	
	Can still undertake formal interviews following Final Tenders if deemed to be required	
	Site visits can be included as part of the negotiation stage but outside of formal evaluation	
Competitive Dialogue	Dialogue phase between initial tender and final tender stage	Adds circa 6 weeks to process beyond a restricted process.
	A useful procedure where works or services are of a complex nature and the client has not fully defined its requirements	Can be resource heavy from client side, as adequate time has to be allocated to dialogue with each Tenderer.
	The dialogue phase enables client to explore options available with those Tenderers selected	Added cost to client and contractors, as need to set aside time and allocate resources to undertake the process
		Dialogue is likely to be too intense for works such as repairs, maintenance and improvement works

9. Timeline to re-procure – Publish Jan 2024

9.1.1. Depending on the preferred option, FFT have set out below an indicative timeline to re-procure the current Contract under the different procedures. It is however important to note that the Procurement Bill was included in the recent Queen's speech in relation to pending changes to legislation.

9.1.2. The Procurement Bill was published on 11th May 2022 with the second reading in the House of Lords on 25th May 2022. The committee stage of the process commenced during the week of 4th July 2022. We understand that the Bill is likely to take circa 9 months to make its way through Parliament Regulations with Royal Assent also now obtained. There will however be a go live period of circa 6 months for the Bill to be implemented, which allows for a period of considerably training and development. So, in summary, come Spring / Summer 2024 it is anticipated that there will be new procurement legislation in place. This will have a significant impact on the way the industry will go about procuring public contracts, not so much from a process point of view, but certainly from a significant change in terminology and the way our documents are written. What this means for TDC is that when they come to commence the re-procurement of the existing Contract, the new Procurement Bill is still unlikely to be in force, although it does need to be closely monitored as it means that the Procedures set out below could be replaced with just the single stage Open Procedure and the Competitive Flexible Procedure (CFP we assume), although we suspect that there will be numerous different versions of the CFP, which unsurprisingly will mirror the current procedures.

9.1.3. Based on the current Procedures, we have set out below an indicative timeline to procure a Contract under each of the 4 main Procedures (two follow the same timeline). Each timeline includes for stage 1 and stage 2 Section 20 consultation and a period of 5 months of mobilisation. They also assume a Contract commencement date of 1st April 2025. TDC may elect to allow more time, but by way of good practice we would suggest these are the minimum that should be allowed to successfully conclude a compliant procurement exercise.

Procedure	Suggested Procurement period including Section 20 consultation and 5 months mobilisation	Recommended commencement date
Single Stage Open Procedure	12 months	March 2024
Two Stage Restricted Procedure	15 months	January 2024
Three Stage Competitive Procedure with Negotiation or Competitive Dialogue.	18 months	October 2023

9.1.4. FFT have already produced an outline programme, and this is based on the Restricted Procedure with a publication date of January 2024 and therefore aligns with the above. TDC may however prefer to switch to an Open Procedure. Either way, TDC have commenced the process with sufficient time left.

10. Contract Options

10.1.1. There are a range of contracts available in the market which are summarised below:

10.1.2. National Housing Federation:

- Well known to the market
- Specific modules available according to the workstream
- Schedule of Rates Version 7.2 is current, with Version 8 due to be live by the time TDC are looking to re-procure
- Requires a reasonable amount of amending

10.1.3. JCT MTC 2016:

- Well known to the industry
- Can add partnering terms
- Retention and damages not as standard
- Can add special terms
- Requires a considerable amount of amending

10.1.4. TPC 2005 (Amended 2008 & 2013):

- Partnering approach
- Core Group, Problem Solving Hierarch, etc.
- Retention and damages not as standard
- Clause 15 - Add special terms
- Requires a considerable amount of amending

10.1.5. Term Alliancing Contract (TAC-1) and the Framework Alliancing Contract (FAC-1) 2016:

- Starting to replace TPC, but not yet widely used by the sector
- An alliancing Contract that follows very similar principles to TPC
- More up to date than TPC so the terminology and legislation is more reflective of the current market
- It replaces Partnering with Alliancing to try and give it slightly more focus
- Requires a considerable amount of amending

10.1.6. New Engineering Contract (now simply NEC) 3 and NEC4:

- Various Options (A-F) which basically apportion the risk. A – Contractor, through to F – Client
- There is also a Term and Alliance Form of Contract
- A forward looking Contract that looks to address issues before they occur
- Not widely used for the type of Contracts TDC will be looking to procure
- A steep learning curve will be required by TDC staff with regard to how it operates

10.1.7. Bespoke Contracts and Frameworks:

- Can be developed by the client to meet the specific requirements of the works and/or services to be delivered
- Requires considerable legal time and expense

10.1.8. With the exception of bespoke Contracts and Frameworks, whatever form is chosen is likely to require amending to meet the specific requirements of TDC. TDC will also require internal/external legal support to ensure the Schedule of Amendments to the chosen form of Contract are up to date.

10.1.9. The options most suitable to TDC are likely to be the JCT MTC, TPC 2005 (amended) and TAC-1 due to the removal of the delivery models that are not supported. The TAC-1 is similar to the TPC 2005, but introduces more recent best practice and as such if TDC wish to proceed with a Partnering type of Contract this could be the logical next step.

11. Recommendations and Conclusions

11.1. Delivery Models and Pricing Mechanisms

11.1.1. This section of the report now takes into account the discussions that took place at the workshop on 10th August 2023 and focusses on 4 key areas, including; 1. the Delivery Model, 2. the Pricing Model, 3. the Procurement Procedure and 4. The Form of Contract.

11.1.2. The following delivery models have been discounted for the reasons set out in section 5 of this report:

- Joint Procurements
- In House Capability / DLO
- Joint Venture
- Wholly Owned Subsidiary

11.1.3. The recommended model is a single Integrated contract for Repairs, Voids, Planned Works and Compliance Services, which will also incorporate an element of works to corporate buildings. This is very similar to the current model that TDC already successfully deliver with the current incumbent Contractor.

11.1.4. The key advantages to this approach are set out below:

- 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 re-fining opposed to creating an 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.

11.1.5. Stock Condition Surveys will be omitted from the new Contract.

11.1.6. The potential creation of a bespoke framework for planned Maintenance Works to supplement the long-term arrangements already procured by TDC.

11.1.7. A long-term Contract is clearly the desired approach, potentially up to 10-15 years, which could be an initial 10 years with the option for a further 5 years. Also, Contract have the standard break provisions in them regardless.

11.1.8. The preferred pricing model is a Price Per Property and Price Per Void pricing model with the NHF SoR's, Version 8.0 to supplement them. There will also be Basket Rates for Planned Works and other bespoke schedules for compliance services. Key requirements of the PPP model will include a clear exclusions documents, setting an appropriate cap and defining what happens when works go above the set cap. Vandalism is also to be included in the PPP rate.

11.1.9. There was some appetite to explore whether a small in-house DLO could pick up certain aspects of the Contract, such as fencing. This will require further consideration.

11.1.10. The Contractor having a local dedicated Thanet office will be a key requirement.

11.1.11. Following the Restricted Procurement Procedure as time permits and the market are less keen on the Open Procedure.

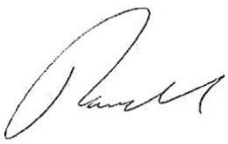
11.1.12. Use of TAC-1 as the form of Contract.

11.1.13. Due to TDC's location in East Kent it was agreed that issuing a Prior Information Notice (P.I.N.) will be key to understand what market interest there is likely to be.

12. Conclusion

12.1.1. This Report has set out to capture the current position within TDC, consider the range of options available in the marketplace and recommend a number of preferred options that will enable TDC to achieve its key objectives and requirements. It then goes on to make a recommendation with regard to how TDC will look to re-procure the Contract over the coming years.

Signed:



Paul Smith

Associate Partner

For and on behalf of

Faithorn Farrell Timms

Dated: 1st November 2023

13. Appendix A – Advantages and Disadvantages

Individual Contracts per area / work stream	
Advantages	Disadvantages
Allows greater flexibility and control Can provide increased competition once contracts are in place Allows smaller specialist firms to tender Known method of delivery Reduces main contractor on costs Reduces risk by not putting all eggs in one basket Access to service providers expertise Ability to utilise procurement consortia	Requires greater client coordination and staff resources Possible loss of response/ planned synergies Less attractive to some parts of the marketplace. Increased initial procurement costs (multiple exercises) Lower level of investment and innovation from contractors Potential complex TUPE transfer of staff Loss of efficiencies due to lack of scale Multiple IT systems in use
Single Integrated Contract	
Advantages	Disadvantages
Reinforces a lean client structure Single procurement process TUPE transfer process is simplified Single point of contact More likely to encourage investment and innovation Single IT solution Allows smaller specialist firms to participate through the supply chain structure Ability to transfer risk Ability to create response/planned synergies Ability to offer employment and training opportunities for residents	All eggs are in one basket Limited client control Multiple layers of sub-contracting Multiple layers of on-cost Profit focus One size fits all solution that assumes that a contractor can do all services equally well Will narrow the field of competition Lack of competition once awarded may lead to complacency Will exclude local contractors from competing Increased initial procurement costs Longer contract period required to realise efficiencies
Multiple Integrated Contract	
Advantages	Disadvantages
Avoids risk of single contractor solution	Limited client control

Promotes a lean client structure Single procurement process with multiple appointments Option to benchmark internally and develop partnership working TUPE transfer process should be straight forward Reduces contracts to be managed Likely to encourage investment and innovation Allows smaller specialist firms to participate through the supply chain structure Ability to transfer risk Ability to create response/planned synergies Ability to offer employment and training opportunities for residents	Multiple layers of sub-contracting Multiple layers of on-cost Assumes contractors can deliver range of all services equally well Will narrow the field of competition Will limit potential for small local contractors to tender Potentially several IT solutions to integrate Longer contract period required to realise efficiencies
DPS	
Advantages	Disadvantages
Can use an existing DPS such as Plentific Should give TDC good coverage to support one or more larger providers. Call for competition can be issued for specialists Help to deal with peaks and troughs Use to control creep in W.I.P Should encourage SMEs with low overheads New contractors can join a DPS at any stage of its life, this gives TDC the flexibility to add local contractors who are already known to them.	Can a DPS provide the customer with the customer experience they desire If procured direct a DPS can require a consider amount of management If using the likes of Plentific there can be some high set up costs Who oversees the likes of Health and Safety and general compliance of those on the DPS if using Plentific by way of an example. Does a DPS generate value for money if there is no steady flow of work. If procured direct by TDC, they will need to manage contractors who can apply to join the DPS at any stage.
Joint Procurement with other organisations	

Advantages	Disadvantages
Creating savings by achieving economies of scale, through joint management structures, letting of joint procurement contracts delivering aggregation of spend etc. Reduced duplication and overhead on contractor side More likely to encourage investment and innovation from contractors	Co-ordination between collaborative clients not straightforward possibly leading to a loss of local control and influence Incompatible services and stock type May limit competition in a complex coordinated procurement
Creation of a DLO	
Advantages	Disadvantages
VAT savings on labour costs Potential to create local employment opportunities Control and flexibility of workforce Easier to introduce service changes / innovation Above threshold procurement not required to set up the DLO Opportunity to sell the service Ability to reinvest surpluses to benefit of wider organisation Easier to provide employment, work experience opportunities	Investment required to set up Higher risk profile Long term investment required to realise efficiencies Fixed level of overhead regardless of work volumes Establishing a structured ‘client’ function to manage it Need fleet management and materials supply functions Market testing to prove value for money or provide competition Managing peaks and troughs of workload Need to tender subcontract services and supplies if above threshold TUPE transfer of staff and pension risk
Mixed Economy	
Advantages	Disadvantages
Some savings on labour costs Reduced risk of single contractor / DLO solution Provides competition Provides internal/external comparison Provides options (via contractors) to access external services sole DLO solution does not	Dilutes benefit of DLO Dilutes contract values and resultant economies Multiple solutions to manage Usually, a contractor perception that DLO has favourable terms / work allocations Need to tender subcontract services and supplies

Flexibility	Need to tender the remainder of the services and build in the possible in-house element Duplication of systems Establishing a transparent trading account Establishing a structured 'client' function to manage it Investment required to set up Client responsibility for risk TUPE transfer of staff and pension risk
Create a Joint Venture Company	
Advantages	Disadvantages
Possible local labour opportunities VAT savings on labour costs Potential control over service Opportunity to innovate Ability to reinvest surplus Can sell the service externally	Complex to implement Investment required Strategic direction influenced by a third party Commercial partner may focus more on the surplus rather than service Joint governance Reduces competition Difficult to exit TUPE transfer of staff and pension risk
Create a Wholly Owned Subsidiary	
Advantages	Disadvantages
Potentially greater focus on customer service offered by provider with a single client focus. Potential to provide local employment opportunities Surpluses retained by WOS Transparency of financial performance High level of control VAT savings on labour costs	Investment required to set up Higher risk profile for TDC Workforce employed by JV but managed by the contractor Contractor management style may not align with TDC's Market testing to prove value for money or provide competition Managing peaks and troughs of workload Need to tender subcontract services and supplies TUPE transfer of staff and pension risk

Access service providers infrastructure, capability and supply chain Flexible for local employment opportunities	Procurement more complex Model not fully tested but there has been some failure Difficult to exit

14. Appendix B – KPI Data 2023-2024

As attached excel document.