Delivery of Strategic Repairs, Maintenance and Investment Services - Options Appraisal

On behalf of

Slough Borough Council

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1 Executive Summary

Slough Borough Council commissioned Faithorn Farrell Timms (FFT) to provide independent and impartial procurement advice and produce a detailed Options Appraisal pertaining to the delivery mechanisms for the future provision of its asset management services Contract/s. FFT were appointed on 21 June 2023 under Purchase Order: 8079051.

The purpose of this Executive Summary is to provide a high-level synopsis of the contents of this Options Appraisal and to set out the preferred option in relation to how Slough Borough Council (SBC) will deliver their key services over the coming years.

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 option for the delivery of the arrangement/s are as set out under the bullet points below. This has been impacted by the timeline for procurement available to SBC, which is no more than fifteen months, (although it does give due time for stakeholder engagement, see section 10), should a decision be made at the Council Cabinet meeting in December 2023, to not extend the current contract beyond its Expiry Date of December 2024.

As a result, FFT are recommending the following option for a more traditional procurement, based upon multiple individual contracts, drawing together key individual workstreams, where there is delivery benefit to do so, as well as to streamline contract management. In addition to address planned capital works, it is recommended that a Framework is created, based upon Lots for individual Workstreams. Breaking these down into smaller values will enable the local supply chain and specialists to apply, and subject to rigorous due diligence, to be successful. The contracts and the Framework would be procured via a two stage Restricted Procedure in each case.

FFT see a split of the current contract into the following delivery models to be procured simultaneously:

- Responsive repairs, void refurbishment services, part planned maintenance
- Cleaning services (or the option to create a DLO, see section 7.8)
- Compliance services, with separate contracts for
    - Heating management services (domestic and commercial), including renewables.
    - Water hygiene services and management
    - Lift management services
    - Specialist remedial works
    - Asbestos management services
- Capital Works framework, comprising individual Lots for:
    - Roofing
    - Windows & Doors
    - Cyclical Decorations
    - Structural Works
    - External Works & Drainage
    - Kitchens & Bathrooms
    - Retrofit / Carbon reduction.

We considered at section 7.4 the option to include capital planned works with the responsive repair's element. However, for the reasons stated there, as well as the fact that a separate

option for a Capital Works Framework would be attractive in securing a local supply chain, our recommendation is as stated above and constitutes a hybrid model.

It is considered essential that SBC test the model of delivery put forward above and thus it is recommended that a Soft Market Test event is undertaken with the market, via the issue of a Prior Information Notice (P.I.N.), in advance of the final decision to procure new services.

In terms of the price model, all of the options set out under section 7 of this report could fit with the delivery model set out above.

It is also recommended that the call centre is brought back in house to align with the corporate facility already in place.

In terms of the Form of Contract, this will depend to an extent on the selected delivery model. However the current JCT MTC incorporates a collaborative element to it, thus it is recommended that SBC consider a partnering form of contract such as TPC 2005 (amended), or the ~Term Alliancing Contract, TAC-1. For the Framework a recommendation for the use of FAC-1 is made, as the overarching contract, with the option for individual TAC-1, or JCT contracts beneath that, appropriate for specific programmes of work

2 Introduction and background

SBC procured the Strategic Repairs, Maintenance and Investment Services contract between 2016 and 2017, with the successful Service Provider, Osborne Property Services Ltd (OPSL), entering into contract on 15 June 2017. The contract commenced specifically on the Service Transfer Date, this being 01 December 2017. The delivery model for the Contract, included a hybrid of Schedule of Rates (NHF 6.3) for repairs and void refurbishment work, and basket and composite rates for all

planned maintenance workstreams, including heating and electrical plant and equipment replacement. The cleaning element of the contract was priced and managed via a combination of property blocks / archetypes with frequencies for the services. The Contract term was for an initial seven-year period (Expiry Date), but with the option for SBC to extend for a period up to three further years in total, in durations of time as they stipulated. The maximum contract period is ten years, should the decision to extend be exercised.

OPSL were appointed to deliver the service across SBC's entire housing property portfolio in Slough. The contract reaches its Expiry Date on 01 December 2024 (seven years) and thus SBC, in consideration of the procurement time required to re-procure such a strategic contract, need to consider their position, to extend or not, by the autumn of 2023. This contract, due to its value is subject to the Public Contracts Regulations (2015).

In order to explore the options available, SBC appointed Faithorn Farrell Timms LLP (FFT), to support them to develop an Options Appraisal in advance of any decision to run a full procurement. The purpose of this report is therefore to explore and set out the various Options available to SBC moving forward.

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

- To undertake a detailed appraisal of the options available, with regard to all the workstreams delivered by OPSL currently.
- To consider all the possible delivery models (e.g., Wholly Owned Subsidiary, Joint Ventures, Traditional outsourced partnering Contracts, mixed economy, a DPS, etc) and provide a commentary around the pros and cons of each.
- To look at all the possible Contracts that could be used and provide a commentary around the pros and cons of each.
- To look at all the possible pricing models and provide a commentary around the pros and cons of each.
- To provide an initial draft report for 04 August 2023.
- To provide an indicative timeline to deliver an implement a new arrangement.

Due to the various types of Contracts that are used in the sector to deliver repairs and voids services, as well as compliance, planned maintenance and cleaning, the name of the party

delivering the Contract can differ from Contractor to Service Provider. The current Contract is a JCT MTC 2011 (with amendments), which refers to the Service Partner (amended term). The TPC 2005 (Amended 2008) on the other hand refers to Service Providers, while the TAC-1 refers to the Provider as examples. This report therefore refers to Contractor, Service Provider and Provider, but these all relate to the same entity.

3 The Contract

As stated, the contract is a JCT Measured Term Contract 2011, with amendments. There is a collaborative intent within the amended provisions, such that the contractor terminology has

been changed to "Service Partner". Features of partnering contracts have been included, such as KDI Performance Measures, a Risk Register mechanism, and a process for Annual Review. However, FFT were informed that these have never taken place.
It is also to be noted that although KDI performance is reported on monthly, through the Operational Management Board (OMB), it generally relates to responsive repairs and void refurbishment. Separate KDI's have not been recorded since the contract commencement for cleaning services, planned maintenance, nor gas servicing, breakdowns and repairs.

The contract at clause 7.1 (Break Provision), is heavily amended and gives the right to SBC to reduce the term of the contract by giving the Service Partner 13 weeks' notice but not less than 36 months from the commencement of the contract. However, should SBC exercise this right then under clause 7.4, whether in respect of the entire contract or part thereof, they are required to pay to the Service Partner compensation in respect of their losses under clause 7.4.1 (i & ii). For year 6 of the contract this is tabled at £1,500,000.00. SBC need to consider this point within their decisions.

It would also appear that the contract at 7.1 in its amendments, removed the right for the Service Partner to reduce the contract term, which is contrary to general partnering principles.

Clause 2.1/A.3 gives control to SBC solely, to extend the contract beyond the Expiry Date and for any period they choose up to a maximum of three further years, which would reach the maximum ten-year duration. SBC would need to notify OPSL of this within six months of the term and for which they cannot refuse any such extension to the contract in this respect.

Within the sub clause (2.1/A.1.3) SBC are tasked with undertaking a full review of the cost model and to do so by 31 March 2020, or earlier. We are not aware whether this exercise was undertaken.

For clarity the contract includes the following Workstreams:

- Responsive Repairs
- Void refurbishment
- Kitchens and Bathrooms replacement
- Windows and Doors renewals
- Roofing works
- Cyclical Painting & Decorating

- Electrical and Heating Services
- Asbestos Services
- Cleaning Services
- Surveys and Inspections

These cover a wide sphere of services, from works, to FM, to compliance, as well as consultancy. The Options Appraisal will review the benefits of combining or separating workstreams to better support the delivery of services to SBC's residents.

4 Key Considerations for Slough Borough Council

4.1 Introductions

To support the Options Appraisal process, we believed it prudent to look at the key requirements of SBC moving forward and any key areas that may benefit from review, as these could have an influence on the preferred option.

4.2 High Levels of Customer Service

A fundamental driver is the desire to increase customer satisfaction. Whilst value for money is also key for SBC, in many respects high levels of customer service and quality are of equal if not greater significance than price. This is especially pertinent in relation to the statistics reviewed, and where they are for the existing contract. Value for money is not about looking at price in isolation from quality. This is particularly relevant in the approach to any future tender evaluation and reiterates the importance of stakeholder engagement to ensure the contracts procured deliver upon their expectations. FFT have met with SBC technical officers, Anita Jan and Tosin Adewumi, both within the Localities Participation Team, who have specific responsibility for resident engagement and improving satisfaction levels. Discussion took place regarding early engagement for residents as a part of the procurement group, building a new contract to be procured.

4.3 Call Handling & Diagnosis

The call handling function is key to the successful delivery of any repairs, voids, and compliance contract. This function is currently delivered by the incumbent contractor, with the statistics showing they have not performed well generally over 2022 / 23. It is acknowledged that such functions can suffer from a high staff turnover level, this being evidenced in the monthly OMB minutes, as well as a lack of staff training as a result.

It could be that SBC, as part of their analysis of the existing contract and assessing aspirations for a new one, consider bringing the call centre function in-house. This could align with the council's corporate call centre already in place, bringing forth certain synergies and economies of scale.

FFT is aware that many clients consider that retention of the call handling in-house is a key element of service delivery, but likewise we also recognise that passing the call handling to the contractor can remove the blame culture in terms of whether the diagnostics process.

is adversely affecting delivery. Both solutions work if there is good communication, learning from issues and trust between client and contractor. Whichever model is ultimately chosen we do consider it essential for the call handling function to be well resourced, all staff to be given regular training, to include for a "duty surveyor" to be available in the call centre to provide advice and support in triaging more difficult calls, and for repairs schedulers to be co-located with the call handling team. In our experience a well-resourced structure, properly invested in will reap significant benefits.

4.4 Tender Documents

The current documentation on review, is of significant length and complexity. Although the contract is a JCT MTC 2011, it has been heavily amended to reflect collaborative principles. A new contract would benefit from a more streamlined set of documents and in our opinion the consideration of using a partnering form of contract, removing the need to amend a non-collaborative form. SBC have included robust requirements within the existing documents;

however any new procurement process needs to look at these in detail.

4.5 Price/Delivery Model

The current model operates on a mixture of schedule of rates (NHF V. 6.3), basket / composite rates and archetypes. FFT would expect as part of the re-procurement process to workshop key aspects such as this, to better understand how these pricing and payment models have worked over the preceding six years, as well as what moving forward would best serve SBC. Planned maintenance has been a significant part of this current contract, with OPSL delivering £6.5 million in 2021/22, and a forecast to deliver £10.5 million in 2022/23. If spend through a new contract, and if it was to include elements of retrofit, was to run at similar levels, or increase, then a more innovative form of pricing should be considered. A target cost model would be one such approach (see later in the report), and which we are delivering with LB Haringey.

4.6 Social Value

The key for SBC and their residents is the delivery of a good repairs and component replacement service that results in high levels of customer satisfaction. Although this is arguably the most important aspect of social value, SBC do need to consider this in a wider context as part of any new procurement. Just in the procurement evaluation process itself social value generally attracts between 5% and 15% of the quality score, (analysis of 13 local authorities).

4.7 Local Government Pension Scheme (LGPS)

It may be that OPSL currently employ a number of operatives who have transferred from service providers and as such remain on terms and conditions that include a LGPS pension. Any future arrangement would need to take this into account as the operatives in question would have the opportunity to transfer again, with potential implications associated with the liabilities around the LGPS terms and conditions.

5 Options available to Slough Borough Council

5.1 Introduction

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

- Re-procurement of existing arrangements
- Multiple Individual Single Contracts
- Framework
- Single 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

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 Extend existing arrangements

One option available to SBC would be to extend the existing contract arrangement with the current provider, in accordance with the contract, extending it beyond the Expiry Date, by up to a maximum of three years. However in reality, in consideration of the performance of the Service Partner, and the opinion of the council this is not a feasible option and re-procurement is necessary.

5.3 Re-procurement of existing arrangements

This approach offers familiarity to SBC and its technical officers in so far as one may re-procure the current arrangement of a single integrated contract approach and use the experience of it to amend the Contract itself to improve delivery, drive value and improve service and customer satisfaction. However, it has been evidenced that the current model has not delivered to the standards required by SBC and thus there may be appetite to consider breaking the current workstreams down into separate contracts.

5.4 Multiple Individual Single Contracts

This approach would potentially allow greater flexibility and control for SBC and is likely to encourage more specialist firms to tender for the Contracts agreed upon. It should be noted that due to the concentrated nature of SBC's stock it is unlikely that one would split.

the Contract by geographical lots. The risk of having only one Contractor is mitigated as risks are spread across a range of contractors and would allow the council to utilise contractors' 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 SBC to mitigate the risk of poor service delivery and insolvency and having all eggs in one basket, with it putting a greater focus on specific services and contracts. It should also engage the local supply chain more positively. This is different to the current position where the existing contact does not report individually on KPI's across the various workstreams. More direct management from individual contracts should achieve a more focused delivery, with the result being improved customer satisfaction. The disadvantage is that SBC would have to manage multiple Contractors which could be resource heavy. It is also key to note that there are only so many Contractors who could deliver responsive repairs on a Contract of this size and nature.

The multiple contracts established, in this model option, would need to mitigate against the need for significant client coordination and internal resources to manage them. Incorporating several IT interfaces in operation, guarding against a loss of synergy across workstreams, with potential duplication of works, are all points to be considered. One would need to ensure contract values were still large enough to incentivise enough contractors to bid for the opportunities and innovate and invest. Splitting the current contract into multiples in a future procurement, may also make for more complex TUPE issues. Should this be a preferred option for SBC there are further aspects that would need consideration in terms of council structure

and management.

FFT see a potential split of the current contract into the following individual delivery models:

- Responsive repairs, void refurbishment services, part planned
- Cleaning services (or the option to create a DLO, see section 7.8)
- Compliance services, with separate contracts for
    - Heating management services (domestic and commercial), including renewables.
    - Water hygiene services and management
    - Lift management services
    - Specialist remedial works
    - Asbestos management services

Such a proposed split enables building fabric to be considered by multiple contractors from a responsive and planned perspective, enabling flexibility in delivery and management of the asset. It is expected that the planned maintenance element of the repairs contract would only represent a small percentage of the total capital works budget, with the majority being delivered through a framework (see later). One could consider the option to separate out planned maintenance works entirely into a further contract, and this does have merit in the ability to access a wider supply chain. However, it is the opinion of FFT that incorporating an element of the planned works within the responsive repairs contract, as well as creating a Framework for capital works, provides the best opportunity to SBC to secure variety of specialist delivery and value for money.

The proposal identified also achieves a greater focus on key compliance services in general, with the use of specialists and with a reduced need for sub-contracting. In separating cleaning services out, which are an FM function, to be delivered via a contract or as a DLO, it also mirrors how the council is structured in terms of estates and property functions. FFT consider that this option has distinct merits for SBC.

One consideration to be borne in mind in contracting with a wider supply chain of smaller providers is the need to ensure significant due diligence is undertaken throughout the procurement process and into contract management. This should cover financial sustainability and experience. Although one cannot prescribe a financial size of contractor, ones with a turnover of between £30 and £50 million would meet expectations.

We referenced above the fact that in moving to a multiple integrated contract model, SBC may need to consider the need to increase their internal resources to ensure effective client management. We provide the table below, as an example of potential costs, that may need to be considered in adopting such a change in delivery. It is assumed for this example that the Head of Service is in place.

Resource	Number	Salary	Sub total	Overhead	Total
Senior Contract Manager	1	£ 65,000.00	£ 65,000.00	31%	£ 85,150.00

Managing Surveyor	1	£ 55,000.00	£ 55,000.00	31%	£ 72,050.00
Technical Surveyor	5	£ 48,000.00	£ 240,000.00	31%	£ 314,400.00
Clerk of Works	2	£ 38,000.00	£ 76,000.00	31%	£99,560.00
Administration	1	Included in overhead	N/A	N/A	N/A
TOTAL					£ 571,160.00

5.5 Framework

As considered in section 7.4 utilising a multiple individual contract model offers many opportunities for SBC. This can also apply to managing the planned capital works when one wishes to separate that from a responsive repair's delivery model. To deliver a better service via more specialist contractors one would separate the workstreams. This would not only secure more providers and mitigate the risk of failure through insolvency, but it would also reduce contract values, enabling the local supply chain more opportunity to bid. However, to make such a model manageable we propose the use of a Framework for the majority of the planned works, with the workstreams being Lotted within that. This would enable a

structured process, comprising the options for direct award and mini competition, and the ability to have two or more contractors on each Lot; thereby providing continued competition, security and resource. We have identified the following workstreams for the Framework.

- Capital Works framework, comprising individual Lots for:
  - Roofing
  - Windows & Doors
  - Cyclical Decorations
  - Structural Works
  - External Works & Drainage
  - Kitchens & Bathrooms
  - Retrofit / Carbon reduction.

5.6 Single Integrated Contract

This is the contract format that SBC have operated for the last six years, the existing arrangement (clause 7.3). It should have provided the advantage of unified and co-ordinated work steams with the opportunity for cost savings in delivery and improved customer satisfaction. Contract management should have also been more streamlined with a single provider to manage. The breadth of the contract scope and the management

of it however does not appear to have been consistent. Hence why there appears to have been greater visibility and control across responsive repairs and void refurbishment, and less in areas such as cleaning and planned maintenance.

The size of a single contract would make it attractive and should lead to more competitive bids from contractors. It is however inevitable that a main contractor would subcontract work elements and charge a management fee (within the tendered sum) to manage the supply chain put in place. Investment in IT systems, social value and training should also be more achievable with a larger value contract.

It does mean that there is a high risk if there are any issues around service failure or insolvency, SBC would have limited options to modify the delivery model. If the contract works well, it can have significant benefits, however, as in the current position with OPSL, if the service or relationship fails it can create serious group wide consequences, with the need for early contract termination. The biggest risk for SBC 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 via a Dynamic Purchasing System (DPS) for example, yet this would somewhat dilute the potential merits of a single provider.

5.7 Dynamic Purchasing System

Dynamic Purchasing Systems (DPS) are certainly gaining traction in the market, and they have their part to play with the delivery of asset management Contracts and as a Practice we have recently set these up for several of our clients. We commonly see them used to support a DLO or a main Service Provider in the form of back up support. SBC would also need to ensure that any DPS operated a complete service and did not merely act as an

approved list of suppliers that a client could choose from. The issue with setting up one's own DPS, is the level of management associated with this, as Providers can join the DPS at any stage if they meet the minimum 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 SBC. It does not however guarantee longevity in workload unless the council issued calls for competition to create long terms arrangements with providers on the DPS; which in itself would undermine the main contract in place.

Whilst a DPS has many advantages as a support framework, it is not appropriate as the primary delivery model for a strategic repairs and maintenance services contract for a client the size of SBC. FFT would not recommend this approach.

5.8 Joint Procurements/Shared Service

There may be benefits in procuring with another contracting authority to make contracts more attractive to gain economies and strengthen management. This approach is used to establish a joint Framework or 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 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.

In terms of a Shared Service without a Joint Procurement, it is possible that SBC could share a service with another Contracting Authority, thereby negating the need to procure. The main drivers are to improve efficiency and save costs through pooling resources and/or aggregating demand. For some models there may also be an opportunity to create new revenue streams, for example, by selling HR services to other public or private sector bodies. Creating or using a centralised service provider can also concentrate expertise and so deliver higher quality services to customers. Depending on the structure, the opportunity to save VAT may also be available. There are various ways in which a Shared Service can be set up and if this is a realistic option for SBC then these should be explored further with the support of legal advice.

There are however a number of key areas that would require further consideration and legal support, which include but are not limited to advice around Teckal, which relates to the 1999 judgment of Teckal (C-107/98) whereby the ECJ established an exemption from public procurement for the award of contracts by a public authority to a separate entity, provided certain requirements were met, such as the level of work SBC would be permitted to deliver through the shared service and what the structure would actually look like. The subject of a Shared Service or Cost Share Group can be complicated so legal advice would be required, which would also come with an implication in terms of timescales.

5.9 In-House Capability (DLO)

An In-House Capability, which is more commonly known as a Direct Labour Organisation (DLO) in general terms has economic benefits through VAT savings on staff costs and means the service can be directly managed, which should in theory mean the council would have better control of the operatives and be able to drive up customer satisfaction. This could lead to opportunities for early innovation and avoid the risk of the failure of an external contractor. It can provide a team that is entirely focused on delivering services for SBC, leading to customer service benefits. The In-House Capability can be part of the service delivery, targeted at problem areas or specific services, working alongside an external contractor delivery or indeed provide full delivery. The advantage for a DLO, is that residents commonly buy into the model, as they see the service being delivered by SBC and not an external Contractor. It is however important to note that the current workforce would in the main transfer back into the council so any issues with the current workforce would remain.

However, there are significant costs and risks to setting up an In-House Capability and places all the risks with SBC. Set up costs of between £750k and £1 million are not unreasonable to expect as a starting point. The nature of public sector 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. Other Registered Providers have been reluctant to establish an In-House Capability from scratch due to the investment required in the initial set up and the skills required to manage it,
particularly when there is an established contractor in place. As well as taking on all the risks, SBC would also need to be mindful of their needing to be a change in mindset within their own organisation, as current staff may have limited knowledge or experience of how a DLO operates, which could result in the need to recruit or train. Furthermore, external providers are used to working in a commercial environment and they will manage a Contract to reflect their tendered rates and margins, and this should result in efficiencies being seen about operative productivity and removing any fat from the process. If SBC were to create a DLO they would need to be mindful of managing the balance between increased customer expectations and a financially

viable service for the delivery of repairs and maintenance.

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 be an in initial TUPE issue as operatives transfer from a current contractor, and SBC 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 subcontracts for skills and materials that the In-House Capability does not directly have. However, SBC is likely to have notable buying power in the market to attract a good pool of sub-contractors and suppliers and it 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 thus this will require careful management and the potential use of agency staff to plug gaps that occur due to sickness and annual leave.

In terms of the effectiveness of existing DLO's, FFT currently work with several clients who have an in-house DLO to deliver their repairs and voids contracts mainly. 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 extremely likely therefore that a DLO could not deliver all services for SBC and a mixed economy, with a separately procured planned maintenance function would be necessary.

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 kitchen 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.

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 trades such as roofers, scaffolders, drainage operatives, etc. However, although a DLO may not be an option for a direct replacement for the current delivery arrangement in place, one could consider elements of it for the creation of a DLO model. *Our view here is that the cleaning services, including the estate warden function, and the creation of a minor repairs team, could be brought in house. We commonly see this in other local authorities as part of a mixed economy approach to delivery. Dacorum Borough Council for example operate an insourced DLO for cleaning services, yet outsource their responsive repairs and voids, planned maintenance and compliance services. We consider this would be worthy of further consideration for SBC.*

It is the opinion of FFT that a complete DLO, for the reasons of the cost to invest, the management and restructuring required, as well as the fact that it does not offer one solution in respect of service delivery, would not be the model to adopt for future delivery.

5.10 Joint Venture (JV)

The concept is a simple commercial arrangement between two separate bodies, in this case SBC and a contractor / service provider. Within the registered provider sector this delivery model had become more popular several years ago, but in the more recent times we have seen less Joint Ventures created. FFT were involved in the procurement of A2Dominion's original JVs, as well as the new JV that is currently being procured, which operates 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 with 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 usually the Client that will be the majority shareholder, and they will take the larger percentage profit share / risk. It is acceptable for a client to make a profit. The percentage shareholding profit ratio split will range usually between 51%:49% and 70%:30% depending on several complicated factors including tax advice and a benefits model.

A JV would be an option if SBC wished to combine its services within a single entity. It is a form of a single contractor solution. Whilst the advantage is that the council 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 Clients it may be more likely to consider a JV for a specific development or regeneration opportunity rather than deliver landlord's statutory maintenance services, although A2Dominion and Town and Country have done this with a degree of success. A2Dominion are coming towards the end of their initial ten-year period and are looking to extend one JV for the optional additional five years. The other is being re-procured.

Whilst Clients 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 Act. A number of issues must also be clarified before launching into such an arrangement including identifying funding to establish the JV, a client's ability and legal method for entering into the arrangement, the scope of the Client's involvement, and permitted activities and
limits on the potential liability of the respective parties, as well as considering 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. There also needs to be a skill set within the Client organisation to be able to manage and operate a delivery model that includes profit share. In addition to the above points, to procure a JV arrangement, in our experience, will take at least two years to complete via a competitive dialogue procedure for the procurement itself. SBC do not have enough time available to undertake this, and from the perspective of FFT, we do not think it is an option worthy of detailed consideration, unless the current contract with OPSL was to be extended significantly.

5.11 Wholly Owned Subsidiary (WOS)

This is a subsidiary company, wholly owned by SBC that operates with the permission of the controlling entity, with or without direct input. Its purpose is to provide the contracting.

authority 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 SBC 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.

A WOS would enable SBC 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 one to develop their in-house expertise in this area in preparation for transition to a full In-House Capability.

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.

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. As 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 WOS. The other key consideration is that SBC.

would be responsible for the transfer of a considerable pool of staff from OPSL, with the added risk that if insufficient staff were to transfer then this problem becomes SBC's one. This risk comes with a notable health warning considering the current lack of resources and contractors potentially choosing to try and retain their staff, or at least their better staff. Whilst the right to transfer remains with the employees the potential risk needs to be highlighted. SBC would then have to lead on a significant recruitment process at a time when the market is struggling to appoint good trade operatives. FFT consider that the time available to re-procure does not

enable this approach to be considered, unless the OPSL contract was to be extended. Also as with a JV, at a time of financial constraint for local authorities, it is unlikely that this delivery model would be supported.

5.12 Mixed Economy

A mixed economy could be a combination of the various options considered above. For example, SBC 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 is just a single example of a mixed economy but gives SBC 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.

5.13 Price Models

5.14 Price Per Property / Price per Void / Basket Rates

With this model 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, with 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 overpaying for its repairs and voids service. Furthermore, some PPP models were found to be inflexible during the 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. Communal repairs are commonly excluded from a PPP model due to the ability to re-charge leaseholders.

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 would give SBC 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.

Basket rates are a common form of pricing mechanism for planned component replacement works and indeed the current contract operates in this way. It provides clear definition on price, against the specification. The issue sometimes is that the specification is not as comprehensive as it should be, with the result in leading to variations to the rates originally tendered.

With both the PPP and the PPV the provider may 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. There are however mechanisms that can be put in place to reduce the impact of this. By way of example a contractor may only be paid the additional cost of works above the PPP and PPV cap. E.g., if the repair cost is £275.00, then a contractor is

only paid the £25.00 above the cap.

A PPP/PPV/Basket rate arrangement should significantly reduce client management as there is no debate on the cost of most repairs, or planned works falling within the solution. It should also provide greater certainty of costs against budget as most costs are fixed. The key to the success of this 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/PPV/Basket rate 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.

The PPP model is a common means of delivery with a considerable number of Contracting Authorities electing to adopt this approach.

5.15 Schedule of Rates (SoR)

A pre priced SoR is a detailed, extensive list of repairs, by trade type, each with an indicative cost against it. The sector standard is the National Housing Federation SoR. Version 8.0 is the latest edition. 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.

When tendering, suppliers offer to undertake works with a standard variation to the SoR cost (plus or minus a given %). Over the past twelve to eighteen months we have seen minus adjustments become a thing of the past against version 7.2 of the NHF, which is based on 2016 prices in the main, as material and labour costs rise, and availability becomes more challenging. All codes used are then adjusted by this rate.

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.

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.

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.

The advantages of an SoR solution is that it is well known and usually contractors and clients are used to operating it. It is a straightforward method of tendering that can be relatively simple to identify best value for. 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. 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.

SBC currently deliver aspects of repairs and voids using the NHF SoR model and as such it is already well known to you and your staff.

It should also be noted that the Schedule of Rates can be an unpriced rate book, whereby Contractors are asked to price each rate as they deem appropriate. This is practical where there are only a given number of rates opposed to the 3,000 plus rates against the NHF SoR's. The same principles apply to a pre-priced schedule and an unpriced schedule in terms of the way they are operated.

The disadvantage for clients is that contractors are usually better versed 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 an inefficient pricing and invoicing mechanism. It is however a very transparent way of identifying costs to be re-charged to leaseholders.

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. 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, are now replaced with mid-single figures, such as +4 or 5% up to low double-digit figures such as +10 or 12%.

5.16 Open Book

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. It is key to note that any Open Book or Cost-Plus model is the least risky option for a Contractor and is therefore commonly promoted by the contracting market.

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 the ability to manage operative productivity.

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.

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 or supply chain, 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 can 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. An Open Book model can also be time consuming to manage and requires a good audit process to ensure it is being delivered correctly.

5.17 Average Job Value

To minimise the debate over job costs and use of the SoR, an average job cost is applied for all works irrespective of value. There is usually a ceiling applied so that the average cost applies to works with a value below the ceiling. Whether the work value is £20 or £120 the average value is applied.

This would enable SBC and the contractor to accurately assess contract costs as the work value at any point is the number of jobs issued multiplied by the average value. Invoices can be quickly processed. If there is an official order number, the actual value of works is not disputed.

The contractor will attempt to break repairs into constituent parts. A leak under a sink

which requires a repair to the waste and replacement of a damaged shelf is a single job with one average job payment although the contractor may try to claim it is two jobs and two job values. Alternatively, the contractor will try to identify works to take the repair over the ceiling value to recover the full cost. Mechanisms can be added to limit the impact of this approach whereby the contractor is only paid the additional cost and not the full cost.

There is a limited risk to the contractor if the offer / tender price is too low and there is a significant volume of jobs over the average rate but below the ceiling. Conversely the client has the opposite risk, a high volume of low value jobs. Both these risks can be overcome by monitoring actual costs and adjusting the average price periodically. This ensures neither party has significant risk, and the invoiced cost will reflect the cost of service
delivery. The aim is ease invoicing and remove price conflict thereby making savings in management rather than to supress costs. FFT have only come across this type of model on a couple of occasions over the last ten years, so it is not widely used and has probably been overshadowed by the more commonly used PPP model.

Like with the PPP model, the key to the success of an average job model is good data being provided to the market at tender stage, as the market will rely heavily on this to arrive at their average job cost 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.

Average values can be used for voids. It is not uncommon to have several void categories / price bands and assign work types and a cost, to each category. When assessing the void on day one, the void is assigned to a category based on the level of work required. While banding simplifies the process and will avoid debate on pricing for most voids, there will be voids on the cusp of bands which will require more detailed assessment.

The average job cost model is not as common as the PPP model, but like the PPP model 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 were managed.

5.18 Agreed Maximum Price or Target Price (AMP)

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 planned 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. 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.

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.

This solution could reduce SBC'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 repair requests and work types differ from expectations. It should also allow the client more resource to focus on the resident experience and satisfaction.

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.

The key risks 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.

5.19 Price Inflation

It will be a factor of any re-procurement exercise for SBC to consider the potential increase in price from what is currently being paid for the service and to budget for it. This will be no matter what price model is adopted. More challenging is the fact that any such analysis will need to forecast for an April 2025 commencement. Positive seeds in construction are that we are now seeing the rate of inflation slowing, with the Consumer Price Index (CPI) for August now at 6.4% as an annual equivalent. The expectation is that by year end we will be closer to a 2% level. In considering the most common forms of pricing for the workstreams in consideration, these being Schedule of Rates and Composite pricing (PPP / Basket Rates) we provide the following points.

Schedule of rates (SoR) – The National Housing Federation has recently published its latest SOR's, now Version 8. These are different from version 7.2 as they no longer include access scaffolding as a part of the rate. They have also been updated in respect of new technologies, especially in decarbonisation and retrofit. Rate prices now reflect this, with some of them coming down where new materials (in 7.2) such as composite doors are now commonplace. However, the general view is that the SoR rates in version 8 are circa 6% higher than in version 7.2.

Composite Prices - Rates built up from individual component items will clearly be affected by inflation, as with the SoR's. What they have been affected by in the recent past is materials and labour shortages. We are seeing less of these issues now, but what will remain an issue is the risk pricing contractors will build into any pricing model they are given, and which is affected by the level of detail and data they are provided with. Price per Property (PPP) models can be especially affected in this way; with damp and mould if included as a repair item contributing to that risk price. We are currently seeing PPP rates of between £600 and £650 as a guide.

SBC need to give thought to the affordability of any new contract, and the control of risk through clearly defined client requirements and good data visibility is key to this.

6 Delivery Options not supported.

FFT were keen to ensure that all options were considered in full and as such one could argue that there are no unsupported options. However due to the poor performance of OPSL, there is a potential reluctance to extend the Contract to its full duration. Although this decision is not yet made and awaits a council cabinet decision in October 2023, it is unlikely that the current contract will extend beyond 01 December 2024 (Expiry Date). This therefore impacts the outcomes considered. With the end date less than 15 months away from the cabinet decision date, the programme becomes a key deliverable in terms of future options, in addition to performance currently experienced in a single provider model. As such the following would be difficult to procure and implement in the timescales

available, especially when considering the need to consult with leaseholders, which would add circa 3 months to the process. This, added to the key requirement to have at least three months of mobilisation on any repairs and maintenance contract means that there is little float in the programme. An indicative timeline is set out under section 10 of this report. This timeline is based on a two stage Restricted Procedure due to the relative complexities involved with procuring asset management contracts.

The following delivery options are not considered appropriate for SBC and their objectives when considering the organisation's aspirations, size, geographical spread, previous experience

with different forms of delivery models, and the time available to re-procure, should the existing contract not be extended beyond 01 December 2024.

Single Integrated contract / Re-procurement of existing contract– The single provider solution has not delivered quality to the standard expected by SBC.

Dynamic Purchasing System – This is not appropriate as a primary delivery model for the provision of repairs, voids and planned maintenance services.

Joint Procurement – SBC is of sufficient size to procure independently and does not need to seek a joint procurement to attract suitable contractors.

In house capability / DLO – The amount of investment required, as well as the time to bring a DLO into being, make it an unviable option within the time available to re-procure.

Joint Venture – The amount of investment required, as well as the time to bring a JV into being, make it an unviable option within the time available to re-procure.

Wholly Owned Subsidiary – The amount of investment required, as well as the time to bring a WOS into being, make it an unviable option within the time available to re-procure.

7 Routes to Market

There are a range of different routes to market, all of which offer advantages and disadvantages as set out in the table below.

The route selected will be dependent upon the timescales available for the procurement and the level of resource available internally to support the approach.

7.1.1 Procedure	7.1.2 Advantages	7.1.3 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
		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
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 are may not

		become apparent until Contract Award.
	Reduces the number of tenders to be marked and evaluated	Price clarifications may be protracted as 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 BAFO.	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 BAFO 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	Added cost to client and contractors, as need to set aside

	available with those Tenderers selected	time and allocate resources to undertake the process
		Dialogue is likely to be too intense for works such as repairs, maintenance and improvement works

8 Timeline to implement a new arrangement

The indicative timeline to deliver and implement a new arrangement will differ depending on the preferred delivery model, but by way of indication FFT have set out the following timeline, which is based on the two stage Restricted Procedure for a traditional outsourced model.

- Sign off Options Appraisal – October 23
- Cabinet Decision (end contract) – December 23
- Issue Stage 1 Section 20 Notice – 10 December 23
- Issue P.I.N. – 10 December 23
- Publish Contract Notice – 01 April 24
- Issue Tender – 01 July 24
- Tender Return – 10 August 24

- Issue Tender Report – October 24
- Issue Stage 2 Section 20 Notice – 15 October 24
- Issue Final Feedback – 20 November 24
- Standstill expires – 01 December 24
- Contract preparation – December 24
- Mobilisation – 03 January 25 (12 weeks)
- Go Live – 1st April 2025

Critical to any major procurement exercise such as this one would be, is comprehensive stakeholder engagement, to secure support and input to the ultimate model adopted. The programme above, from the cabinet approval decision in October, provides up to four months for such engagement, which is positive.

9 Contract Options

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

National Housing Federation:

- Well known to the market
- Specific modules available according to the workstream
- Schedule of Rates Version 8.0 is current.
- Requires a reasonable amount of amending.

JCT MTC 2016:

- Well known to the industry and currently used by SBC.
- Can add partnering terms (as for SBC)
- Retention and damages not as standard.
- Can add special terms.
- Requires a considerable amount of amending.

TPC 2005 (Amended 2008 & 2013):

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

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
- It replaces Partnering with Alliancing to try and give it slightly more focus.
- Requires a considerable amount of amending.

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
- Not widely used for the type of Contract/s SBC will be looking to procure.

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.

Except for bespoke Contracts and Frameworks, whatever form is chosen it is likely to require amending to meet the specific requirements of SBC.

The options most suitable to SBC 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.

It is worth noting that the current SBC contract operates under an amended JCT MTC 2011, with a strong focus in some areas on collaborative working.

10 Recommendations and Conclusions

10.1 Delivery Models and Pricing Mechanisms

The following delivery models have been discounted for the reasons set out in section 8 of this report:

- Extend the existing Contract with OPSL
- Single integrated contract (existing approach)
- Dynamic Purchasing System
- Joint Procurement
- In House Capability / DLO
- Joint Venture
- Wholly Owned Subsidiary

Having discounted the above options, FFT recommend that Slough Borough Council consider procuring a more traditional arrangement, based upon a number of multiple individual contracts. These would meet the key objectives and requirements of SBC, which include the points set out under section 6 of this report. In addition they offer more control in terms of contract management, being focussed on specific workstreams, and reduce the chance of contractor failure across all workstreams that one might experience with a single provider methodology. In addition, for the planned capital works FFT recommend the creation of a Framework, with individual Lotted workstreams, This will not only endorse control and management, but will also deliver more specialist and local providers. It would be recommended that an Alliancing Agreement was created which all individual contracting parties signed, to ensure collaboration, innovation and knowledge exchange. The Framework would operate using FAC-1 and individual contracts beneath that. The method of procurement advised is the Restricted Procedure, a two-stage process.

FFT see a potential split of the current contract into the following individual delivery models:

- Responsive repairs, void refurbishment services, part planned maintenance
- Cleaning services (or the option to create a DLO, see section 7.8)
- Compliance services, with separate contracts for
    - Heating management services (domestic and commercial), including renewables.
    - Water hygiene services and management
    - Lift management services
    - Specialist remedial works
    - Asbestos management services
- Capital Works framework, comprising individual Lots for:
    - Roofing
    - Windows & Doors
    - Cyclical Decorations
    - Structural Works
    - External Works & Drainage
    - Kitchens & Bathrooms
    - Retrofit / Carbon reduction

The proposed split enables building fabric to be considered by multiple contractors from a responsive and planned perspective, with secure management of the asset, and the ability to take a proactive approach to maintenance. It achieves an individual focus on key compliance services, with the use of specialists and reduces the opportunity for sub-contracting. In

separating cleaning services out, an FM function, it mirrors how the council is structured in terms of estates and property functions and offers the option for a DLO.

In terms of the price models, all the options set out under section 7 of this report could fit with the delivery models set out above, and we would expect to see a mix of NHF SOR's, basket rates and archetype pricing across all contracts. FFT do consider that thought should be given to a PPP/PPV option under the responsive repairs and voids contract when the approach is being developed.

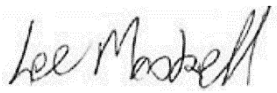
In terms of the Form of Contract, this will depend to an extent on the selected delivery model, but on the basis that the existing contract is an amended JCT MTC with collaborative principles, FFT recommend the change to a partnering / alliancing form of contract, such as TPC 2005 (amended) or the more recent Term Alliancing Contract, TAC-1. These would work well with all the contracts to be procured.

We also recommend bringing the currently contractor managed call centre back within the council.

It is considered essential that SBC test the model of delivery put forward above and thus it is recommended that a Soft Market Test event is undertaken with the market, via the issue of a Prior Information Notice (P.I.N.), in advance of the final decision to procure new services.

To provide SBC with an idea of the cost of a re-procurement exercise of the current contract, with the recommendations that have been made, *this being in multiple separate contracts, and a framework, this would be in the range of £150,000.00 to £180,000.00 (excluding VAT).* There may be further costs for any legal support, as well as any costs for undertaking leaseholder consultation services. These costs equate to 1.00% of the first year's annual budget. A sperate proposal indicating the services deliverables to be provided have been submitted to the Director of Housing.

Signed:



Lee Maskell
Equity Partner
For and on behalf of Faithorn Farrell Timms

11 Appendix A – Advantages and Disadvantages

For clarity we have RAG rated the table below in terms of the following:

- Preferred and recommended model – Green
- An option, but not recommended – Amber
- Not an option for SBC – Red

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 market place. 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	All eggs are in one basket Limited client control Multiple layers of sub-contracting

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	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 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	Limited client control 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 SBC 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 SME's with low overheads New contractors can join a DPS at any stage of its life, this gives SBC the	Can a DPS provide the customer with the customer experience they desire If procured direct a DPS can require a considerable amount of management. If using an established model there can be some high set up costs Who oversees Health and Safety and general compliance of those on the DPS. Does a DPS generate value for money if there is no steady flow of work.

flexibility to add local contractors who are already known to them.	If procured direct by SBC, 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 sub contract 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 Flexibility	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 sub contract services and supplies 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 Access service providers infrastructure, capability and supply chain Flexible for local employment opportunities	Investment required to set up Higher risk profile for SBC Workforce employed by JV but managed by the contractor Contractor management style may not align with SBC's Market testing to prove value for money or provide competition Managing peaks and troughs of workload Need to tender sub contract services and supplies TUPE transfer of staff and pension risk Procurement more complex Model not fully tested but there has been some failure Difficult to exit