

<b>8 November 2023</b>		<b>ITEM: 15</b> <b>Decision: 110680</b>
<b>Cabinet</b>		
<b>Procurement of Housing Contracts for Works Through a Partnership Model</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Cllr Barry Johnson, Cabinet Member for Housing		
<b>Accountable Assistant Director:</b> Ewelina Sorbjan, Assistant Director of Housing and Development		
<b>Accountable Director:</b> Ian Wake, Executive Director of Adults, Housing and Health		
<p><b>This report is</b> Public with exempt appendices.</p> <p>Appendix 5 and 8 contain exempt information which falls within schedule 12A of the Local Government Act 1972 - <i>Information relating to the financial or business affairs of any particular person (including the authority holding that information)</i>. In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>		
<b>Date of notice given of exempt report:</b> 31 <sup>st</sup> October 2023		

## Executive Summary

The landscape of social housing regulation has undergone considerable change over the last five years; with greater transparency and accountability of social housing providers, more stringent regulation on compliance being enacted and greater voice to the tenant. The Social Housing (Regulation) Bill received Royal Assent, becoming the Social Housing (Regulation) Act on 20 July 2023. This new law brings forward the following landmark changes:

- strengthening the Regulator of Social Housing to carry out regular inspections of the largest social housing providers, and the power to issue unlimited fines to social landlords
- additional Housing Ombudsman powers to publish best practice guidance to landlords following investigations into tenant complaints
- powers to set strict time limits for social landlords to address hazards, such as damp and mould
- new qualification requirements for social housing managers

- introducing stronger economic powers to follow inappropriate money transactions outside of the sector

The current responsive repairs and maintenance contract will end in February 2025. This contract cannot be extended and will therefore be subject to a new procurement exercise.

The responsive repairs and maintenance contract is one of 30 housing works related contracts that will also require renewal or re-procurement in the next 1-3 years. This presents the Council with the opportunity to consolidate all housing works contracts through a Partnership Delivery Model with a single contract and with a single Delivery Partner.

This approach with a single Delivery Partner presents the Council with the opportunity to develop a new service model in housing, to improve the resident experience whilst ensuring the Council's landlord regulatory and compliance obligations are delivered in an effective and risk-averse manner.

In addition, the Partnership Delivery Model will generate cost efficiencies for the Housing Revenue Account over the proposed term of the contract.

The proposals contained within this report is to transfer a significant element of the functions of the Housing Assets, Repairs and Compliance service to a single professional external Delivery Partner and adopt a Partnership Delivery Model. The Council will create a new smaller team to manage the works and services of the Delivery Partner.

The core objectives of this approach are to provide good quality services in the most effective and cost-efficient manner, higher service standards, service innovation in the maintenance of the Council's housing stock and full compliance with housing regulatory requirements. This approach is also designed to alter the risk profile in the delivery of housing services for the Council, with the Delivery Partner taking greater responsibility for the effective and compliant delivery of housing works.

After considering a range of options, this report sets out the proposal for the adoption and procurement of a single Partnership Delivery Model for the provision and management of housing works contracts to secure the strategic objectives outlined above.

This report is seeking approval to commence procurement of the Delivery Partner, and the Audit Assurance Partner. Finances for the delivery of these contracts have been allocated within the HRA 30-year business plan.

These recommendations fit within the objectives of the Thurrock Enhanced Improvement and Recovery Plan 2022 for the Council to be more streamlined and financially sustainable.

## **Commissioner Commentary**

Commissioner's commentary has been received and changes introduced to the main body of the report to address the points.

## **1. Recommendation(s)**

- 1.1 Approve the recommendation set out in this report to procure a Housing Works Delivery Partner for a period of ten years, with an option to extend the contract by five years plus a further five years (10+5+5) after the initial ten-year period, subject to performance and funding.**
- 1.2 Approve delegated authority for the award of contract for the Housing Works Delivery Partner to the Executive Director of Adults, Housing and Health in consultation with the Leader, Portfolio Holder, Commissioners and Section 151 Officer.**
- 1.3 Approve the recommendation set out in this report to procure an Assurance and Audit Partner for a period of ten years, with an option to extend the contract for a further five plus five years (10+5+5) after the initial ten-year period - subject to performance and funding.**
- 1.4 Approve delegated authority for the award of contract for the Assurance and Audit Partner to the Executive Director of Adults, Housing and Health in consultation with the Leader, Portfolio Holder, Commissioners and Section 151 Officer.**

## **2. Introduction and Background**

- 2.1 By law, councils must have a balanced budget. If a council cannot find a way to finance its budget, it must issue a Section 114 notice. Thurrock Council is currently subject to government intervention having issued a Section 114 notice on 19<sup>th</sup> December 2022.
- 2.2 The Section 114 puts strict limits on what the Council can spend. Due to government intervention and the introduction of commissioners to direct the council's strategic planning and financial management, there will be increased reduction in council spend and budgets which includes the Housing Revenue Account (HRA). Under the current Section 114 arrangements, there is reduced appetite for risk and a reduced capacity for borrowing and investment into the council's housing stock.
- 2.3 In line with Government directions, the s114 and Thurrock's Enhanced Improvement and Recovery Plan the Council will need to reduce its borrowing as soon as possible. The Treasury has from financial year 2025/26, directed that there will be no planned prudential borrowing against the planned and major works element of the HRA capital programme for a minimum period of 5 years. This will impact on HRA budgetary allocations for works. This is set out further in Para 2.6 and 9.1 of this report.

- 2.4 In September 2022, directions issued to the Council by the Government required the Council to put in place an Enhanced Improvement and Recovery Plan to the satisfaction of Commissioners. The plan has five main themes:
- financial sustainability
  - governance and scrutiny
  - strategic direction
  - place leadership and growth
  - leadership and culture
- 2.5 From the Enhanced Improvement and Recovery Plan and the Best Value Inspection Report there is a stated intention for major transformation in the planning and delivery of Council services to ensure the most effective use of resources to secure the best outcomes for Thurrock's residents. With restricted financial resources, increasing compliance regulation and greater transparency and accountability a new service model will need to be explored for delivering the Council's housing works services. This will require exploring alternative models of service delivery that are intelligence based, innovative, risk averse and customer focussed. It is inevitable that the Council will go through a period of change in the way it delivers discretionary and non-discretionary services, including the delivery of housing works.
- 2.6 As outlined in para 2.3 HRA budgetary allocations will be restricted whilst there is no borrowing against the HRA for at least five years from 2025. Despite this borrowing restriction the Council must maintain its obligation to ensure its housing stock receives the required investment to maintain safe, compliant and decent homes. The Partnership Delivery Model will enable a single delivery partner to have a degree of flexibility to integrate HRA revenue workstreams and capital programmes to maximise efficiencies. This will ensure the relevant investment decisions are better informed, planned and coordinated to maximise the benefits from this investment in the housing stock to deliver the required standards of decency and compliance.
- 2.7 This approach will ensure that the delivery partner is strongly incentivised to connect repairs data and lifecycle data to capital programmes so that the latter is programmed and delivered to lead to diminishing reactive repairs requests over the medium to long term. The delivery partner will have the necessary expertise and capacity to plan and programme these workstreams to the benefit of the councils housing stock and lifespan. Integral to the Partnership Delivery Model will be a rigorous performance management framework. This performance management framework will encompass all aspects of housing compliance and regulatory requirements as well as customer care, tenant satisfaction and value for money. The details and benefits of this model are highlighted below.

### **3. Existing Responsive Repairs, Maintenance and Major Works Contracts**

- 3.1 The Council is in year nine of a 10-year outsourced contract with Mears Ltd. for the responsive repairs and maintenance service of the Council's housing stock.

Mears have held the contract for the delivery of the repairs service since 2015 and the contract was extended in 2020 for a further 5 years, expiring in February 2025. The average annual contract spend over the past nine years has been £7 million.

- 3.2 The contract is based on a price per property (PPP) model with any repairs falling outside of the PPP scope funded by a repairs exclusions budget and delivered by the same contractor. These exclusion works are mainly complete renewals of various items within the property, such as new baths, toilets, or asbestos removal. All exclusions are listed within the contract and are based on a national schedule of rates. The core services of the contract are routine repairs, works to standard void properties, refurbishment of garages and the management of the contact centre.
- 3.3 The current contracted service has consistently performed well for the Council as evidenced by annual headline Key Performance Indicators (KPIs). Social value contributions to the local economy have been significant by way of supply chain opportunities, apprenticeships, and skills training for the local community.
- 3.4 Documents detailing the performance (appendix 1) and spend (appendix 3) over the past five-year period of the existing responsive repairs and maintenance contract are appended to this report.
- 3.5 The current Transforming Homes programme is the Council's planned capital investment programme for its housing stock. This delivers major refurbishment work to ensure all properties exceed the decent homes standard and improve the building fabric, energy efficiency and performance of these properties. The programme includes internal and external workstreams, such as:
  - kitchen and bathroom renewal
  - electrical and heating system upgrades
  - adaptations
  - window and door replacement
  - improved insulation
  - remediation of structural defects
- 3.6 The partnering contractor delivering this programme is Wates. The Council entered a contract with Wates in July 2021, which is due to expire in July 2024 with the option to extend by up to two years.
- 3.7 The current Transforming Homes consultancy support is provided by Potter Raper. Through this contract Potter Raper provide specialised professional services including cost consultancy and structural engineering. The contract was let in July 2021 and is due to expire in July 2024 with an option to extend by up to two years.
- 3.8 Documents detailing the performance (appendix 2) and spend (appendix 4) of the current Transforming Homes programme between 2021 and 2023 are appended to this report.

#### **4. Existing Contractual Arrangements**

- 4.1 It is the intention of the Housing Assets, Repairs and Compliance service to review all relevant housing works programmes and contracts related to repairs and maintenance, planned major works and asset compliance to seek financial and delivery efficiencies where possible. This exercise will be undertaken as part of the specification development for the new Partnership Delivery Model contract. Alongside the potential contract efficiencies that have been identified, this approach is also recommended to ensure that moving forward the Council continues to maintain asset related compliance performance and improves our residents experience in the delivery of these works.
- 4.2 The inclusion of these services and other applicable related contracts within the newly procured works contract will realise greater cost efficiencies and social value deliverables for the Council, whilst also reducing the number of contracts that the Council manages and delivers. This approach ensures the Council meets the objectives within the Enhanced Improvement and Recovery Plan to become a more streamlined and financially sustainable council.
- 4.3 Where housing works contracts relevant to the Delivery Partnership Model are due to expire before March 2025, it is recommended that the Council 'something' one of the following:
- extends the contract until March 2025, where possible
  - incorporate the works associated with those contracts into existing contracts as an interim measure
  - explore ad-hoc purchasing arrangements so there is no disruption to services and the Council can meet its obligations as a landlord, particularly with reference to compliance functions.

#### **5. Partnership Delivery Model for Housing Works**

- 5.1 The challenges facing the Council will require it to limit its exposure to financial and compliance risks whilst securing effective outcomes for its residents. The Partnership Delivery Model will enable a model of service delivery which embraces innovation, is customer focussed, and incorporates intelligence-based decision-making.
- 5.2 The Partnership Delivery Model will enable the Council to deploy a new service model that has a significant impact upon the quality of life of thousands of Thurrock residents. The Partnership Delivery Model presents the Council with the opportunity to become a more intelligence-based organisation deploying the innovative approaches of a delivery partner to plan and deliver its housing works and compliance services within a defined financial envelop, which is customer focussed and which minimises risk to the Council.

- 5.3 Currently the Housing service has 30 contracts with as many suppliers for the delivery for a range of repairs, major works, compliance works and professional services. A Partnership Delivery Model (whereby there is one single delivery partner and all contracts consolidated into a single contract) is a model that will yield a range of benefits and efficiencies for the council. To realise the benefits of the Partnership Delivery Model, the Council will make an appointment following a competitive procurement exercise in accordance with Public Contracts Regulations 2015. Under this model all staff within Assets, Repairs and Compliance would transfer to the Delivery Partner. This will be a contractor responsible for the delivery and completion of all housing reactive, planned major capital and compliance works programmes, including - without limitation - managing the delivery of the term works programme.
- 5.4 A separate procurement will be undertaken for an Assurance and Audit Partner. No existing council staff are expected to transfer over to the Assurance and Audit Partner as this will be a smaller specialist contract, ensuring all audit and assurance requirements are met.
- 5.5 The Partnership Delivery Model is designed to enhance the resident experience and journey in accessing an all-inclusive repairs and planned works service from a single supplier, as well as enable the Council to deliver these works in an efficient and cost-effective manner. This approach will also contribute to reducing the Council's HRA borrowing needs within the scope of the housing works being procured that:
- result in savings both realised through the procurements and over the term of the contract
  - enables investment to be focused on maintaining the compliance and condition of existing homes
  - enables preventative maintenance to result in a reduction to repairs demand and cost (linking responsive costs to planned investment requirements)
  - reduces the Council's head count and as a result, reduces demand on the Council's corporate support services such as Human Resources, Finance, and IT
  - enables the Council's corporate estate to be leveraged to provide colocation of employees, realising property cost related savings through the procurement
  - provides efficiencies on contractor overheads and preliminary costs
  - produces savings on third party consultancy costs through a single contract model
  - reduces long term demand on preventative maintenance by ensuring reactive works and capital programming works are inextricably linked
  - produces potential income generation to the Council by the letting of corporate assets for delivery partnering staff

## **6. The Delivery Partner**

- 6.1 In order to satisfy the requirements of the Partnership Delivery Model, the Council will need to procure and appoint a Delivery Partner which is expected

to be a contractor experienced in providing a full range of maintenance services that include:

- repairs
- void refurbishment
- cyclical maintenance
- compliance services
- planned refurbishment works inclusive of kitchens, bathrooms, heating, roofs, windows, and door replacements.

6.2 The Delivery Partner and the Council will enter a Term Contract (likely to be in the form of a Term Alliance Contract), under which the Delivery Partner will take responsibility for the delivery of the works programme as set out in the Council's specification brief. Term Alliance Contract is a form of contracting that supports and integrates the provision of any type or scale of works and/or services and/or supplies within a longer-term alliance framework between the client and supplier. It is endorsed by the Construction Industry Council and by Constructing Excellence.

6.3 The term of the arrangement will need to be long enough to enable returns on investment made by the Delivery Partner. This may include investments in green fleet, or planned works where the savings in maintenance costs come much later. Equally, the term can be an enabler to other necessary investments, such as in people strategies given skill and labour shortages in the face of a proven benefit to the customer journey through the delivery of services by directly employed operatives.

6.4 It is intended that the Partnership Lead, the position with overall responsibility for the contract, is employed by both the Council and the Delivery Partner to ensure full commitment, buy-in and oversight across both organisations. This role will be supported by a new council team, as described in section 9 (nine) below.

6.5 It is possible that employees of maintenance contractors currently appointed and in contract with Thurrock who are affected by the appointment of a single contractor may be entitled to transfer their employment to the Delivery Partner, though this will be confirmed by Thurrock and its legal advisers during the procurement exercise.

## **7. The Assurance and Audit Partner Contractor**

7.1 The Assurance and Audit Partner contractor will be provided by a third-party specialist auditor company, acting for the council in providing assurance and audit in relation to:

- the Council's responsibilities as duty holder
- compliance with the price terms, including administration of the payment process under the Partnership Delivery Model



- audit, inspection and testing to ensure compliance with legislation, including health, safety and landlord compliance
- site inspections, in relation to work completion and work quality

## **8. Council Retained Functions – Governance**

8.1 The Council will create a small professional team within the housing department who will manage and deliver the new scope of contracts outlined within this report. The team would be responsible for the following activities and outcomes:

- strategic governance and management of the contracts
- administration of the payment process for the Assurance and Audit contract and the Delivery Partner
- setting and monitoring the realisation of the performance and objectives, through the contracts
- meeting the Council's responsibilities as duty holder

8.2 This team will lead on and oversee robust governance arrangements established for the Partnership Delivery Model. There will be monthly review and monitoring meetings with the delivery partner on operational elements. In addition, there will be higher level strategic meetings with senior personnel to hold all parties accountable under the partnership model. There will be regularised reporting to Housing Overview and Scrutiny Committee to report on performance, tenant feedback, social value and wider oversight of the partnership delivery model.

8.3 In all governance meetings there will be representation from the Tenants' Excellence Panel. These representatives will be supported to ensure they have the necessary information and resources to challenge to the partnership model and provide an effective tenant's voice. In addition, this team will be responsible for action planning findings from the tenant satisfaction metrics that are submitted to and published by the Regulator of Social Housing.

8.4 The governance arrangements for the Partnership Model will need to strongly reflect and act in accordance with the requirements of the Social Housing Regulation Bill, which will strengthen the powers of the Social Housing Regulator to improve standards by taking a more proactive, regulatory approach, increase the rights of tenants and enable tenants to better hold their landlord to account on consumer issues.

## **9. Financial Assumptions**

9.1 From financial year 2025/26, there will be no planned prudential borrowing against the planned and major works element of the HRA capital programme for a minimum period of 5 years. The financial implication of this means that from 2025/26, the HRA capital expenditure budget for these works will be £13m. This amount of funding will be sourced through an £11m annual revenue contribution to capital, and £2m of ringfenced capital receipts.

The estimated HRA annual revenue expenditure for repairs and maintenance will be set at £11.5m. This is against the current spent of £13.2m, as outlined in appendix 3. It will be arrived at through a combination of reduced spend and archiving of economies of scale through the amalgamation and management of one contract as opposed the current 20+ on the revenue side only.

This level of HRA expenditure is expected to remain until the HRA borrowing capacity is reviewed after 2030/31. It is unknown at this point if the HRA borrowing restriction will be lifted, curtailed, or extended after 2030/31, and the housing investment programmes will be reviewed accordingly.

- 9.2 Despite the borrowing restriction, the Council has a legal obligation to maintain its commitment to provide safe and compliant homes and continue its repairs policy. Capital works investments will be contained within the funding envelope, as detailed.

It is anticipated the following efficiency savings opportunities will exist under the Partnership Delivery Model:

- overhead and prelim efficiency on self-delivered works and compliance services, and in consolidation of roles transferring from Thurrock
- re-procurement of specialist services on more competitive rates
- consolidation of small contracts
- less demand on the Council's general services and back-office functions such as procurement, legal contract management, and finance budget reporting on individual budget lines
- less head count and reduced Human Resource management functions
- preventative maintenance to reduce repairs demand and cost (linking planned and capital)
- IT savings within the delivery through a single contractor system
- lower profit margin expectation overall (scale led)
- savings in third party consultancy costs through a single contract model and simplifying the price terms
- reduced staff office-based location costs

Target efficiency saving of at least 5% is anticipated to be deliverable under this model from the second year (2026/27) of the contract operation.

### 9.3 Current Staff Costs

The current salary outlay for the Assets, Repairs and Compliance service equates to £2.3m per annum. Under the Partnership Model, these salary costs will be transferred to the Delivery Partner.

However, we are assuming a level of attrition (up to 30%) with staff retiring and opting to pursue career options elsewhere, in which case this will reduce the transferred salary costs to the Delivery Partner to £1.61m.

The level of TUPE and pension costs will depend upon the responses back from prospective bidders as to the level of staff resourcing required to service the contract. It will only be at this stage of the process, when bidders submit their final tenders, the full implications of TUPE, redeployment and redundancy costs to the Council become evident. Any redundancy costs will be met within the 2025/26 financial year.

<b>Cost Centre</b>	<b>Cost Centre Description</b>	<b>Sum of current budget (£)</b>
HR413	Strategic Lead – Asset Compliance & Repairs	103,000
HR450	Housing Asset Delivery – Revenue Team	619,472
HR451	Voids Team	162,147
HR452	Housing Asset Delivery – Capital Team	485,820
HR454	Technical Services Team	951,685
<b>Grand Total</b>		<b>2,322,124</b>

#### 9.4 Creation of a Thurrock Partnership Delivery Team.

Thurrock will adopt the role of a commissioning client within the Partnership Delivery Model and therefore need to create a new smaller team within the Housing Directorate to lead on strategy, policy and setting and monitoring service standards. The new team will also represent the Council’s interests at all contractual governance arrangements with the Delivery Partner and fulfil the Council’s own reporting and governance requirements to relevant boards, Housing Overview and Scrutiny committee and to Cabinet.

Furthermore, whilst the new roles will be substantially different to the existing roles, it is assumed and hoped that a number of staff will secure jobs in the new structure. Any new roles are currently only recruited on a fixed term basis.

The new team will comprise of the following roles:

- Strategic Partnership Lead at Grade AD1 (part contribution from the Delivery Partner)
- Delivery & Commercial Manager at Grade I
- Asset Assurance Manager at Grade I
- Relationship Manager at Grade G
- Commercial Cost Manager at Grade H
- Three officers to support the three managerial roles at Grades D-F

This team, which will be created by the Council, will be financed through the reduction in salary costs identified in para 9.2. Therefore, this does not represent additional expenditure, and can be contained within existing resources.

The combined salary outlay of the team outlined above will be approximately £620,965 at current salary levels including on-costs (23/24 financial year)

Job title	Number of posts	Grade	Salary with on-costs	Total cost
Strategic Partnership Lead/Director	x1	Grade AD1 (mid scale) with contribution of £20k from the Delivery Partner	110,681	110,681
Asset Assurance Manager	x1	Grade I (top of grade scale)	109,486	109,486
Delivery & Commercial Manager	x1	Grade I (top of grade as managing Cost Manager)	109,486	109,486
Commercial Cost Manager	x1	Grade H (mid scale)	84,128	84,128
Relationship Manager	x1	Grade G (mid scale)	70,705	70,705
Support Officer	x3	Grade D-F (take grade E as an average)	45,493	136,479
<b>Grand Total</b>				<b>620,965</b>

## 9.5 Costs for Professional Services

The procurement process for the Delivery Partnership Model will incur costs for a range of professional services such as Legal, Human Resources, Procurement, Commercial and housing partnering consultancy services. It is estimated these costs will be in the region of £500,000. This level of expenditure for professional services appears reasonable given the value, scale, and complexity of the contract to be procured. These costs are to be met from the Council's HRA financial reserves and existing budgets.

Service	Description – one off cost for setting up the model	Cost £
Legal Services	Full scope of legal advice and input, review of tender documentation and contract drafting.	150,000
Housing Partnering Advisor	Coordinate and advise on all procurement activities for the Partnership Delivery Model. Drafting of all documents for procurement and construction of tender pack.	130,000
Human Resources (internal)	Advise and oversee TUPE implications and processes	60,000
Procurement (internal)	Advise and oversee procurement protocols in line with Public Contract Regulations.	60,000
<b>Total</b>		<b>500,000</b>

In addition to these professional services, there will be a separate procurement exercise for the commissioning of the Assurance and Audit function which will be provided by a third-party professional service supplier, acting for the council in providing audit and assurance in relation to:

- the Council's responsibilities as contract owner, in terms of contract governance
- compliance with the terms of the contract including control mechanisms and administration of the payment process

The cost of the Assurance and Audit provider is estimated to be £150,000 per year over the ten-year term.

In addition to the professional services (as listed in the table above) the Council may also, when required, commission the services of an Alliance Manager. The Alliance Manager will be defined within the contract with the Delivery Partner and will be an entity or body very familiar with the contractual Partnership Model arrangements.

The role of the Alliance Manager will be to:

- support and enable the ongoing success of the Partnership and the model, with the evolution of successful partnering
- mediate in the event of any disputes or perceived deviation from the model
- advise the Council in the event of any major strategic shifts impacting on the model

The cost of the Alliance Manager will be on a day rate basis and capped at £50,000 over the ten-year term of the contract.

## **10. Procurement Process and Timescales**

10.1 The Council will utilise the Competitive Dialogue Procedure for the two separate procurements, in accordance with the Public Contracts Regulations 2015. Both processes ensure the procurement principles of transparency, integrity, openness, non-discriminatory and fairness are applied.

10.2 The Council will be engaging with interested participants who have responded to the Prior Information Notice in preparation for the new procurement exercise, specifically to answer a number of questions:

- does the Partnership Delivery Model stand a good chance of success in addressing Thurrock's objectives; and/or are there opportunities to adapt the Model or the procurement process to achieve this?
- are there any necessary changes to the allocation of roles and responsibilities to ensure the Model operates successfully, delivering on the objectives?

- what are the main opportunities and risks under the Model, and what is Participants feedback as to how these can be addressed through the specification and/or any amendments to the Model?
- are Thurrock correct in their identification of efficiency savings opportunities through the Model, including the scale of the potential saving?
- what are participants' views on the likely appetite, ability and experience of providers to bid for and take on the roles of the Management Partner and Delivery Partner under the Model?

10.3 The Council intends to work to the following indicative timetable (these dates are subject to change at the Council's discretion).

Activity	Date
Market Engagement	July – August 2023
Contract Notice	14 <sup>th</sup> December 2023
Selection Questionnaire (SQ)	14 <sup>th</sup> December 2023 – 25 <sup>th</sup> January 2024
Request for Core Proposals (RCP)	21 <sup>st</sup> February 2024 – 27 <sup>th</sup> March 2024
Competitive Dialogue Sessions	6 <sup>th</sup> May 2024 – 5 <sup>th</sup> June 2024
Request for Final Tenders (RFT)	2 <sup>nd</sup> July 2024 – 6 <sup>th</sup> August 2024
Award and Standstill	13 <sup>th</sup> September 2024 – 26 <sup>th</sup> September 2024
Mobilisation	October 2024 – February 2025
Maintenance Contract Start Date	01 <sup>st</sup> March 2025

**Figure 1: Indicative procurement timetable**

10.4 The proposed term of contact will be initially for ten years, with a five-year break clause. There will be an option to extend for a further five years at the end of the ten-year term and a further five-year extension thereafter (10+5+5), subject to funding and performance. This route will ensure the Council is able to secure a contractor that offers the best possible price and quality options for this service as well enable the Council to secure:

- investment opportunities, particularly in green technologies
- local economic and supply chain opportunities
- comprehensive social value opportunities and outcomes
- greater commercial leverage for the Council in negotiating terms and rates
- greater leverage to negotiate discount on the annual indexation uplift
- greater competition from a wider range of suppliers

10.5 This recommendation for an initial ten-year contract term will attract potential suppliers to bid, price and invest based on a ten-year term. Bidders may also take the view that it is more likely that the contract will survive for a term of at least ten years, than if the term is based on multiple extension options (e.g. 5+5+5). Bidders may be more attracted by the opportunity and invest more in their offer price to the Council, offering more innovative solutions in its approach to managing repairs (for example, investment in digital platforms for reporting and tracking repairs).

- 10.6 The proposed initial ten-year term contract with the potential to extend for a further five plus five years falls comfortably within the thirty-year HRA business planning cycle. This will provide confidence to potential credible suppliers in the market that the Council has committed to continued investment into its housing stock from its HRA resources. This will signify to potential suppliers that the long term commitment and resources have been earmarked for this investment despite on-going government directions on the s114 status.

## **11. Issues, Options and Analysis of Options**

- 11.1 The Council appointed an independent housing partnering advisor to carry out a detailed options appraisal which includes the benefits and disadvantages of each approach. This report considered the different delivery models available to the Council and recommended an outsourced contract, which has since evolved into a more comprehensive Partnership Model.

The options appraisal report is included as appendix 5 of this report (Exempt).

- 11.2 In preparation for the procurement process, a Partnership Model market engagement exercise has taken place in accordance with the Public Contracts Regulations 2015 to engage with providers in the marketplace that have delivered the role as a Delivery Partner across a similar range of services, at a similar or greater scale.

- 11.3 The purpose of this market engagement exercise was to assist the Council and its advisers in confirming the ability of the market to meet the Council's requirements with evidentially skilled and experienced providers in line with the Partnership model, and to ensure the Partnership Model can generate sufficient interest to properly run a competitive tendering process. The market engagement is also intended to inform the structure of the procurement exercise and clarify key aspects of the proposed Model, including the roles and responsibilities of the Delivery Partner.

The market engagement exercise also scoped interest in the provision of a Management Partner, but it was evident there would not be enough market interest to fulfil this function competitively.

The Partnership Model market engagement brief is included as appendix 7 of this report (Exempt).

- 11.4 Following the market engagement exercise, a report was produced by the Council's independent housing partnering advisor which sets out the feedback which was gathered from the market engagement exercise and the alternative options which are being considered in relation to the Management Partner.

The report detailing the feedback from the market engagement exercise is included as appendix 8 of this report (Exempt).

## **12. Reasons for Recommendation**

12.1 The recommended option for the Partnership Delivery Model outlined in this report is considered the most cost effective and risk averse option for the Council. The recommendation fully aligns with Thurrock's Enhanced Improvement and Recovery Plan 2022 strategic themes to be a more streamlined and financially sustainable organisation; to design services in greater collaboration with residents and stakeholders and to incorporate digital innovation in service delivery.

12.2 The Council will contract the works to a single Delivery Partner to enable the following service benefits and economies to the Council:

- reductions in the Council's directly employed head count, resulting in reduced demand and activity for the Council's corporate support services such as Human Resources, Finance and IT
- In line with plans for the financial recovery of the Council, the Partnership Delivery Model is based on zero borrowing for an initial period of five years
  - the contractual arrangement will allow for flexibility in this approach as the term progresses
- integration savings within the Delivery Partner's management and preliminaries, leveraged through moving to a single team to deliver all Works Programmes
  - the Council will be looking to appoint a contractor/Delivery Partner who self-delivers a very large proportion of the Works Programme, and contracts directly with specialist subcontractors who themselves self-deliver all Works Programme that the Delivery Partner is not able to
- reductions in overhead and profit (scale and duplication) by anticipating that central overhead charges to the term contract and profit requirements as a percentage can be lower, as a function of the scale of the Term Programme
- reductions in contract management costs, where the Delivery Partner would assume certain contract management functions for the Term Programme via a single Term Contract with a single Delivery Partner (as opposed to Thurrock currently contracting through 30+ different contracts with 30+ different contractors)
- through the Partnership Delivery Model, the Council will enable investment to deliver on the strategic objectives of its social housing portfolio such as to ensure the incorporation of planned and responsive maintenance work to enable investment in planned works to reduce repair costs. This will only be possible with a long-term contractual arrangement.
- with a single Delivery Partner this provides an added opportunity for economies of scale for the partners within their delivery costs, passed on to the Council through the contract prices
- the term of the contract arrangement (10+5+5) can also be the enabler for the thirty current contracts to end naturally and dovetail into the long-term arrangements, as they end
- the term of the arrangement, and the scope of services, can also be an enabler to more innovative strategies for the decarbonisation and retrofitting of the housing stock



- it is expected that the Council will need to rely on managed and funded solutions for the retrofitting of homes, including the transition from gas heating systems to alternative solutions

### **13. Human Resources Impact - TUPE**

- 13.1 The main Human Resource impact of this report is that TUPE will apply in two ways. Firstly, the TUPE of current Council staff affected by the outsourcing of the delivery and contract management functions to the appointed contractor.
- 13.2 The second way that TUPE will apply is that staff may need to transfer from incumbent suppliers to the successful appointed contractor. This is a direct transfer from contractor to contractor. The Council is not responsible for this transfer, but will facilitate the provision of TUPE information as part of the tender process to allow contractors to be able to accurately price the contract.
- 13.3 The TUPE process will be managed in line with current legislation. If any other Human Resource issues arise these will be managed under the relevant policies and procedures of the Council.

### **14. Consultation (including Overview and Scrutiny, if applicable)**

- 14.1 Options within this report have been discussed with the Portfolio Holder for Housing and the Shadow Portfolio Holder for Housing. Wider housing and corporate estate colleagues have been briefed on the impending contract procurements to ensure a one Council approach.
- 14.2 The Report has been presented to Housing Overview & Scrutiny Committee on 20th June 2023. The Housing Overview and Scrutiny Committee recommended the formation of a working group with members of the Committee, to consult with officers and experts with a view to producing a detailed report in advance of the procurement of the Partnership Delivery Model to determine the most beneficial length of contract. Following these recommendations, a Working Group has been established for the Procurement of Repairs and Planned Maintenance Housing Contracts. The first meeting of this Working Group was on 14<sup>th</sup> August. Further meetings have been scheduled. The Terms of Reference of this Working Group are attached as appendix 9 to this report. The aim of this group is as follows:
- to create a responsive working group for members to consult, inform, influence, and oversee the procurement process
    - there will be five (cross party) elected members on the working group
- 14.3 Engagement sessions on procurement approaches have been held with the Tenants Excellence Panel, with further engagement sessions planned. Residents have been consulted via an online and paper survey to solicit views on future repairs service innovation. Feedback from these surveys will inform the new scope of repairs service to include innovative delivery approaches.

14.4 Engagement sessions have been held with staff. In addition to scheduled briefings, managers held a series of staff face to face drop-in sessions at different locations. This was to ensure that individuals had the opportunity to ask questions and give feedback directly. Managers gave updates and offered support where appropriate. Engagement sessions took place on the following dates:

- 23rd June 2023
- 6th July 2023
- 21st July 2023
- 4th August 2023

14.5 As part of the procurement process, the regulatory Section 20 consultation will be carried out with leaseholders. A Notice of Intention will be issued at the outset of the procurement, with a Notice of Proposals issued once the preferred bidder has been determined. This will result in the creation of a Qualifying Long-Term Agreement, enabling the Council to recharge works to leaseholders where applicable.

## **15. Impact on Corporate Policies, Priorities, Performance, and Community Impact**

15.1 The recommendations of this report align with Thurrock's Enhanced Improvement and Recovery Plan 2022 to be a more streamlined and financially sustainable organisation.

15.2 The recommendations within this report will align with the strategic theme of the Enhanced Recovery Plan to be a focussed, cost-effective, sustainable organisation, with a co-designed approach to service provision which is delivered in partnership with residents and other key partners, with collaboration across multi-disciplinary teams

15.3 The recommendations of this report will enable the Council to explore and implement digital innovation in delivery of the repairs service in line with the strategic theme of the Enhanced Improvement and Recovery Plan.

## **16. Implications**

### **16.1 Financial**

Implications verified by: **Mike Jones**  
**Strategic Lead – Corporate Finance**

The financial implications of the report are as follows. There is no impact to the Council's General Fund and all financial implications are contained within the Housing Revenue Account (HRA).

#### Revenue Expenditure implications

The HRA has a revenue budget of £13.2m to deliver revenue repairs and maintenance in the current financial year 2023/24. Through the Delivery Model approach, this budget will be revised to £11.5m, creating a saving of £1.7m per year.

Annual inflationary uplifts in the contract will be considered as part of the annual budget setting process and will be financed through additional resources generated in the rent and service charges review.

#### Capital Expenditure implications

As detailed in para 9.1, from financial year 2025/26, the HRA is required to set a capital budget for planned and major which does not incur prudential borrowing. Therefore, the resources available for this will be £13m. This funding will be sourced through an £11m annual revenue contribution to capital (RCCO), and £2m of ringfenced capital receipts. The capital receipts derived from the funding the HRA receives through right to buy sales.

The RCCO contribution is higher than the depreciation calculation, which is the minimum level the HRA must allocate to finance the capital programme. Therefore, this is compliant with the required financial regulations.

Through the efficiencies that the contract offers, the HRA will be able to achieve a direct revenue saving and comply with the restriction on Capital borrowing.

The revenue savings will be ringfenced to the HRA and will be invested back into services for its housing tenants.

The contract will also offer the Council greater control over both revenue and capital works, with the delivery being provided by one supplier.

#### Staffing cost implication

Para 9.3 details how the contract will be managed, at a cost of £0.603m per year. The funding for this will be contained within existing resources and is the reallocation of budgets. This does not represent additional expenditure to the HRA.

The 2023/24 staffing budget associated with the proposals is £2.3m

Annual inflationary uplifts in relation to staffing costs for part of the HRA budget setting process and will be funded accordingly.

Upon completion of the procurement exercise, the cost of the new contract will form part of the 2025/26 HRA budget setting process. The submitted tenders will be evaluated against this budget to give an informed view of the contract cost.

## 16.2 Legal

Implications verified by: **Kevin Molloy**  
**Principal Solicitor**

Following issue by the Council of a S114 notice, the Council must ensure that its resources are not used for non-essential spending. The contracts at issue here are all essential and the provision of them a statutory duty. In procuring the services outlined, the Council must observe the obligations upon it outlined in national legislation and in its internal procurement rules. The proposed procurement routes listed should fulfil these requirements, but officers are recommended to keep Legal Services fully informed as they progress through the procurements to ensure compliance.

The Council has a responsibility under the Landlord and Tenant Act 1985 as amended by the Housing (Fitness for Human Habitation) Act 2018 to ensure the repair of the structure and essential services of their properties and that they are fit for human habitation for the duration of the tenancy; and where the Council fails to do so, it is at risk as to compensation and abatement claims from its tenants. Ordinarily to address this duty the council needs to have a planned maintenance programme with periodic inspections and an effective responsive repairs service. The recommendations will help the Council meet its obligations and to meet any responsibilities under the Social Housing (Regulation) Act referred to above.

By s. 3 (1) Local Government Act 1999, the Council must “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.” The recommendations within this report will assist the Council in complying with this duty.

Any employment legal implications are picked up in the HR implications section. The need to have regard to the Public Sector Equality duty is set out below.

## 16.3 Diversity and Equality

Implications verified by: **Rebecca Lee**  
**Community Development Team**

This is a high-profile service that impacts on many of our residents and communities and the consideration of equalities is key for both how the Council contracts the service and how contractors perform the service. The Council has a statutory duty, when exercising its functions, to comply with the provisions set out in the Sec 149 Equality Act 2010. As such, a full Community Equality Impact Assessment will be carried as part of the procurement process.

The Council must, in the performance of its functions, therefore, have due regard to:

- eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

While there are no specific equality and diversity implications arising from the recommendations of this report, it is imperative for the council to ensure residents continue to receive a repairs and maintenance service and there is a risk to residents if this service is not in place in time when the existing contract expires.

Should the new repairs and maintenance contracted service not be in place in time, there will be a deterioration of living standards for residents as well as the deterioration of properties. It will also mean the Council will not meet its landlord obligations under the Fitness for Human Habitation Act with implications for all protected groups with some, potentially, more disadvantaged than others because of age and disability.

If the term of the contract is increased in line with the recommendations outlined in this report, Council Officers will work with the provider to explore opportunities to extend its existing social value offer to support a wider range of projects to benefit the social, economic, and environmental wellbeing of local residents.

**16.4 Other implications** (where significant) – i.e., Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

A Data Protection Impact Assessment will be undertaken, and a Data Protection Agreement entered with the successful Delivery Partner.

**17. Background papers used in preparing the report**

None

**18. Appendices to the report**

- Appendix 1: KPI Performance report for repairs and maintenance
- Appendix 2: KPI Performance report for Transforming Homes
- Appendix 3: Revenue spend (last 5 years)
- Appendix 4: Capital spend (last 5 years)
- Appendix 5: SLT options appraisal – Financial Assumptions – (exempt)
- Appendix 6: Options appraisal for delivery of repairs and maintenance
- Appendix 7: Partnership model market engagement brief

- Appendix 8: Partnership model feedback from market engagement (exempt)
- Appendix 9: Terms of Reference for Housing Working Group – Procurement of Three Core Contracts as part of the Partnership Delivery Model

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