

Thurrock Council

Options Appraisal for Delivery of Repairs and Maintenance

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1 Executive Summary

- 1.1.1 Lumensol Ltd (Lumensol) have carried out extensive engagement with the Thurrock Council (Thurrock) team and its residents to determine the most advantageous delivery model for the repairs and maintenance service. This is to replace the existing Mears contract which expires in February 2025.
- 1.1.2 This report contains the output from those engagement sessions as set out in section four.
- 1.1.3 A full list of recommendations is included at section five, summarised as follows:
- a) Thurrock to procure an outsourced contract
 - b) Use of a partnering form of contract for an initial term of 10 years plus up to 10 years extension
 - c) Increased scope when compared to the existing contract, with workstreams being added based on performance and value for money checks.
- 1.1.4 Throughout the procurement process, the feedback from the engagements, as provided in this report, will be reviewed to ensure any procurement, and ultimately the contract documents, address the requirements.

2 Introduction

- 2.1.1 Thurrock have commissioned Lumensol to complete an options appraisal in relation to the future delivery model for the contract, and in respect of the scope and specification of the services to be procured.
- 2.1.2 This document sets out a range of typical contract delivery models. The models extend from a fully outsourced contract, an example of which is the current contractual arrangement with the current contracting partner, to an insourced model (Direct Labour Organisation (DLO)). It also includes a range of what may be determined as hybrid models (such as a Joint Venture).
- 2.1.3 In Section four, the report first sets out our analysis of each delivery model to highlight the relative benefits and disadvantages. This is in many ways a generic appraisal of each model based on our extensive experience of operating those models with clients, and in the leadership of contracting organisations. No model is in our view better than another, but it is first important to have a founding understanding of the model features on considerations that include control, service, cost and productivity, opportunity and risk, and the requirements for investment in a new model if a change is required. This establishes the foundation for the appraisal.
- 2.1.4 In Section five, we work to understand Thurrock, primarily through an extensive engagement process with internal stakeholders and customers. In this section we understand what we need to consider in order to make the appraisal specific to Thurrock. The appraisal considers the service history of the current contract, the market conditions, and Thurrock's priorities and position as an organisation. For example, Thurrock is a relatively small landlord that wishes to become a smaller organisation, and will have to manage risk very carefully in the face of its financial pressures. We also consider what the objectives of the new service will be, providing vital insight into what the delivery model needs to realise through its operation.
- 2.1.5 In Section five we also consider, through engagement, the scope of the contract, what services are to be included as the core scope of the contract and what services may be added, in either at the start of the contract or as options at a later date, as a means to add further value to Thurrock.
- 2.1.6 Whilst the service specification and performance requirements will be determined later, we have included in Section five of the report a range of findings and observations from engagement with the Thurrock team and the current service provider. This information will aid in informing choices on the detailed service requirements ahead of procuring and mobilising the future delivery model.
- 2.1.7 All the above factors are considered in the evaluation of each of the models in Section six of the report, with a recommendation of what our analysis tells us about the right model and scope of services for Thurrock (in Section seven). We score the models given the specific considerations for Thurrock, as established through the learning set out in Section five. This gives a view on what the right model is for Thurrock, to manage risks and capitalise on the opportunities to deliver the objectives. This is all in the context of where Thurrock is as an organisation and as a Landlord in a fast changing housing sector and macro-economic climate.
- 2.1.8 In relation to the delivery model analysis, options appraisal and recommendations made in this report:
- a) The delivery model appraisals are a direct and honest appraisal based on extensive experience

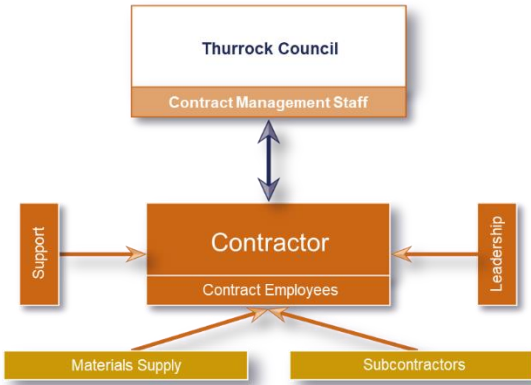
- b) The contents of this document including statements, appraisals, model scoring, findings and recommendations are based on our views and opinions, as a product of our own knowledge and/or experiences
- c) Structural options are different, they are not commonly better or worse
- d) Figures and assessed pros and cons are indicative: Thurrock's facts will vary and many model options could be tailored to its needs, priorities and risk appetite
- e) The strengths, weaknesses, opportunities and threats are generalised, with the opportunity to often adapt models to suit the client's requirements, objectives and risk appetite
- f) Thurrock will make the final decisions based on its own assessment, with Lumensol's continued support as and when required.

3 Background

- 3.1.1** Thurrock are in year nine of a 10-year outsourced contract for the repairs and maintenance of the housing stock. The core services are repairs and voids, with the addition of the contact centre. The services have not been extended, into other cyclical or planned works for example, over the life of the contract to date.
- 3.1.2** A decision is now required on whether to procure a new contract through the same, or similar, outsourced delivery model, or make a strategic choice to change to a different delivery model (such as an insourced or joint venture model).
- 3.1.3** A decision is also required on what services to include in the scope of the contract.
- 3.1.4** The actual service specification and performance requirements will be determined at a later date, once a decision on the delivery model and workstreams has been made.
- 3.1.5** The current contract is seen to have delivered well for Thurrock, particularly regarding a good and stable service as evidenced by KPI results. We understand that customers are very used to receiving the service in this way as it has been for many years. We equally understand that overall, there is an apparently low aspiration for change that cannot reliably and predictably deliver more positive results, where it is evidentially needed.
- 3.1.6** Lumensol were appointed by Thurrock in November 2022 to provide Housing Partnering Advisory services for repairs and planned maintenance following a competitive tender process.
- 3.1.7** The appointment is to collaborate, innovate and improve the outcomes from Thurrock's housing procurement exercise for a repairs and maintenance contractor. The initial requirement is to carry out an options appraisal to determine the most efficient and effective delivery model.
- 3.1.8** The options appraisal process has included engagement with the Thurrock team and its residents to ensure full understanding of the requirements and landscape within which Thurrock's stock resides.

4 Delivery Model Options

4.1 Outsourced Contract



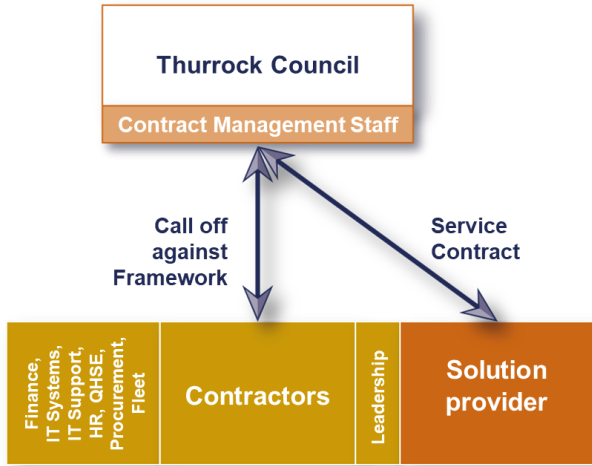
4.1.1 An outsourced contract involves a contract between Thurrock and one or more contractors, with the contractor being responsible for delivery of the full service, which may also include items such as the contact centre, stock condition surveys, etc. for a tendered price.

4.1.2 Thurrock’s existing arrangement is an outsourced contract.

4.1.3 Some of the benefits and disadvantages of an outsourced contract partnership are listed below:

Benefits	Disadvantages
Market confident and experienced with model	A lesser level of control
Cost risk and uncertainty with the contractor	Higher exposure to counterparty risk given the dependence on the contractor
Productivity risk and uncertainty with the contractor	Lesser cost transparency – whilst the commercial model can assist in creating an environment to nurture transparency, ultimately the client will only receive second hand information from the service provider
Commercial risk and uncertainty with the contractor	Contractor central overheads and profit is a cost
Flexibility of resource	Increased client side costs for management of service
Clear roles and responsibilities defined between the client and the contractor	Less opportunity for knowledge sharing
Low initial investment requirement	Will require procurement and mobilisation in the future
Simple model structure	Future TUPE requirements
Contractor fully responsible for operational delivery and support services	Potential lack of brand identity with customers
Delivery, productivity and commercial risk sits mainly with the contractor	No opportunity for external growth
No requirement for supply chain procurement under public contract regulations	No resource or recruitment control
Lower risk of contractor failing to secure the best, and right, people	

4.2 Dynamic Procurement Solutions (various provider solutions may be available)



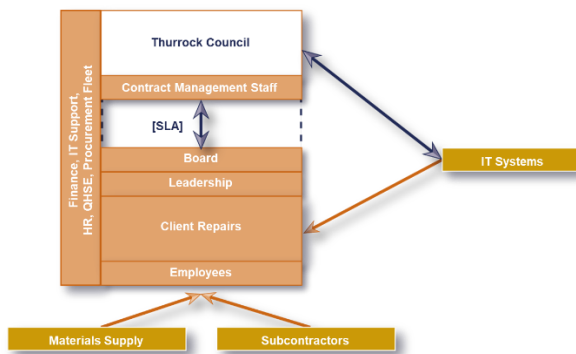
- 4.2.1 The dynamic procurement solution uses an intermediary facility to match the client with a contractor, often on an individual order basis.
- 4.2.2 Works orders are entered into an intermediary system whereby contractors are able to bid to complete the work under a either a framework or dynamic purchasing system.

4.2.3 Some of the benefits and disadvantages based on a generic assessment of a model utilising the above procurement solutions for day to day repairs and voids services are:

Benefits	Disadvantages
Lower exposure to counterparty risk given that there may not be a material reliance on any one contractor	A lesser level of control
Cost risk and uncertainty with the contractor	Lower market confidence and experience with the model
Productivity risk and uncertainty with the contractor	Potential commercial risk in managing the price of individual repairs over the solution
Commercial risk and uncertainty with the contractor	Risk of lack of clarity in relation to roles and responsibilities because of role of intermediary and reduction of direct relationship with contractors
Flexibility of resource	Complex model, and relatively new in the market, therefore less proven
Low initial investment requirement	Lesser cost transparency – whilst the commercial model can assist in creating an environment to nurture transparency, ultimately the client will only receive second hand information from the service provider
Contractor fully responsible for operational delivery and support services	Fees and contractor central overhead and profit is a cost
Delivery, productivity and commercial risk sits mainly with the contractors that secure the work, noting that this may be offset by price implications if underlying costs increase due to market and economic influences	Increased client side costs for management of service

Benefits	Disadvantages
No requirement for supply chain procurement under public contract regulations	Less opportunity for knowledge sharing
Lower risk of contractor failing to secure the best, and right, people	Will require procurement and mobilisation in the future
Potential for reduced risk of backlog repairs because of relationship with multiple contractors through the intermediary, where other resources may be relied upon if individual contractors have reduced capacity to take on work	Lack of brand identity with customers
	No opportunity for external growth
	No retained operative resource - lack of delivery team consistency may lead to lower quality service and elevated H&S and safeguarding risk
	No resource or recruitment control
	No guarantee that any contractor will accept a piece of work

4.3 Direct Labour Organisation (DLO)



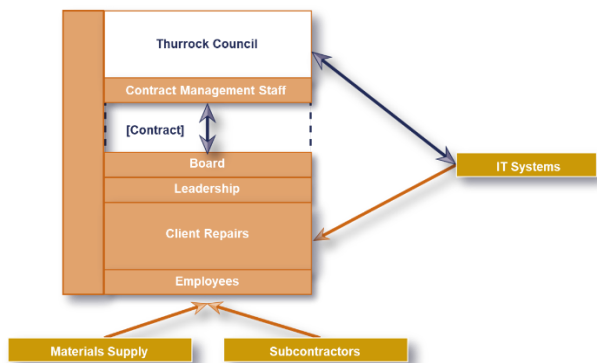
- 4.3.1 The DLO model involves the client self-delivering the full service including employing operatives and procuring materials and supply-chain.
- 4.3.2 This would be either an internal department or a subsidiary within the group.
- 4.3.3 There is no external support from any main contractor.

4.3.4 Some of the benefits and disadvantages of a DLO are listed below:

Benefits	Disadvantages
Maximum level of control	Cost risk and uncertainty with the client
No reliance on main contractor, supply chain are confident and experienced with model	Productivity risk and uncertainty with the client
Low exposure to counterparty risk given the external dependence on only support service providers, suppliers and subcontractors	Commercial risk and uncertainty with the client
All roles and responsibilities with DLO	High opportunity cost due to the investment requirements to establish and manage the DLO day to day

Benefits	Disadvantages
Simple model structure	Low flexibility of resourcing
Absolute cost transparency	High initial investment requirement
Low central overheads and profit as a cost (subcontracted works only)	High cost and competency required in providing support services
Low client-side costs for management of service	Absence of contractor’s evolving knowledge, experience and resources
No future procurement or mobilisation costs	Delivery, productivity and commercial risk sits with the DLO
Clear brand identity with customers	DLO is a Contracting Authority and therefore subject to public contract regulations for procurement of supply chain
External growth potential founded on quality and ethical delivery proposition (subject to the Teckal limit, whereby a maximum of 20% of the turnover can come from external parties)	Ability to recruit and secure the best, and right, people – DLO won’t initially be an organisation people recognise and therefore they may be concerned about leaving perceived safe employer to work for the DLO
There are perceived benefits of working for a client such as improved terms and conditions, pensions and the like	

4.4 Local Authority Trading Company (LATCO)



4.4.1 The LATCO model is similar to a DLO model with the exception that the delivery is provided by a separate trading company owned by the client.

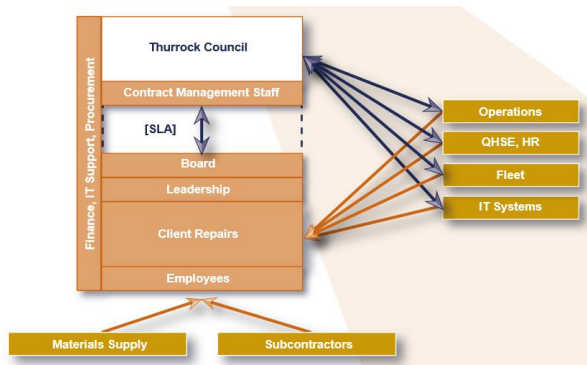
4.4.2 This allows services to be provided to other organisations for commercial benefit.

4.4.3 Some of the benefits and disadvantages of a LATCO are listed below:

Benefits	Disadvantages
Maximum level of control	Cost risk and uncertainty with the client
No reliance on main contractor, supply chain confident and experienced with model	Productivity risk and uncertainty with the client
Low exposure to counterparty risk given the external dependence on only support service providers, suppliers and subcontractors	Commercial risk and uncertainty with the client
All roles and responsibilities with LATCO	High opportunity cost due to the investment requirements to establish the LATCO

Benefits	Disadvantages
Simple model structure	Low flexibility of resourcing
Absolute cost transparency	High initial investment requirement
Central overhead and profit is a cost, but dividend is a return	High cost and competency required in providing support services
Low client-side costs for management of service	Absence of contractor’s evolving knowledge, experience and resources
No future procurement or mobilisation costs	Delivery, productivity and commercial risk sits with the LATCO
No future TUPE	LATCO is a Contracting Authority and therefore subject to public contract regulations for procurement of supply chain
Clear brand identity with customers	Ability to recruit and secure the best, and right, people – LATCO won’t initially be an organisation people recognise and therefore they may be concerned about leaving perceived safe employer to work for the LATCO
External growth potential founded on quality and ethical delivery proposition (subject to the Teckal limit, whereby a maximum of 20% of the turnover can come from external parties)	
There are perceived benefits of working for a client such as improved terms and conditions, pensions and the like	
Full resource and recruitment control	
Dividend is potentially a return to the General Fund for reinvestment in services	

4.5 Managed Service



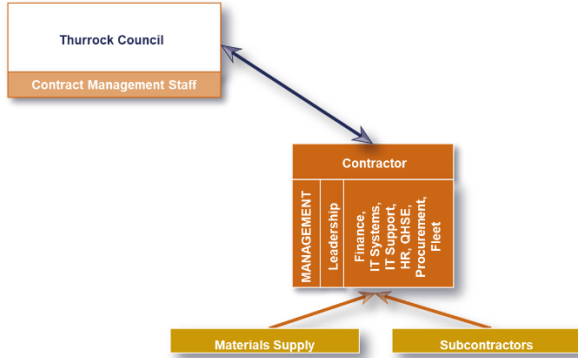
4.5.1 The managed service model involves the client delivering the majority of the services themselves, similarly to a DLO, but with the support of an external contractor.

4.5.2 The client will often utilise the contractor’s supply chain, IT systems, operational knowledge and support services (HR, health and safety etc.) with the aim of improving efficiency and effectiveness.

4.5.3 Some of the benefits and disadvantages of a managed service are listed below:

Benefits	Disadvantages
Moderate level of control	Cost risk and uncertainty could sit with either party depending on the structure
Increasing market confidence and experience with the model	Productivity risk and uncertainty could sit with either party depending on the structure
Reduced exposure to counterparty risk given the external dependence only on the managed service provider, suppliers and subcontractors	Commercial risk and uncertainty could sit with either party depending on the structure
Higher cost transparency	Opportunity cost (executive time month on month vested in the management of the insourced service versus the benefit)
Lower client-side costs for management of service based on the decisions made in relation to roles and responsibilities	Lower flexibility of resourcing
Ability for the client to provide some support services and to leverage the market for others	Lack of clarity, and complexity around roles and responsibilities if not clearly defined at the outset
Ability to leverage specialist operational knowledge, experience and resources	Moderate initial investment requirement
No future TUPE	More complex model structure
Delivery and productivity risk sits mainly with the contractor	Specialist central overhead and profit is a cost
Although entity is a Contracting Authority, specialist typically provides supply chain therefore no requirement for procurements under public contract regulations	High cost and competency required in providing support services
Brand identity with customers	Will require procurement and mobilisation in the future
Some external growth potential founded on quality and ethical delivery proposition (subject to the Teckal limit, whereby a maximum of 20% of the turnover can come from external parties)	Commercial risk sits mainly with the client
There are perceived benefits of working for a client such as improved terms and conditions, pensions and the like	Ability to recruit and secure the best, and right, people – managed service won't initially be an organisation people recognise and therefore they may be concerned about leaving perceived safe employer to work for the managed service
Majority resource and recruitment control	

4.6 Wholly Owned Subsidiary (WOS)



4.6.1 In the WOS model, the client employs the labour through a subsidiary company, but that labour is provided to the contractor to deliver the service.

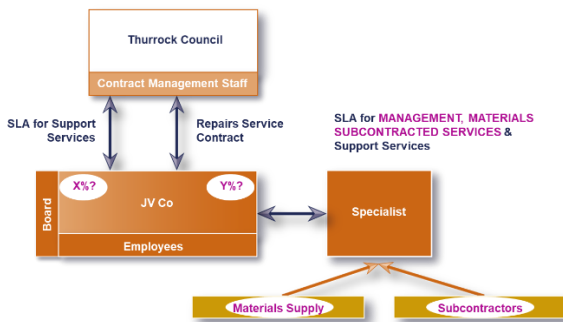
4.6.2 All other elements of delivery are provided by the contractor as in an outsourced model.

4.6.3 Some of the benefits and disadvantages of a WOS are listed below:

Benefits	Disadvantages
Increasing market confidence and experience with the model	A lesser level of control
Operational resources: management, supervision and operatives are employed by the WOS	Moderate to high exposure to counterparty risk given the external dependence on the contractor providing management services and supply chain
Cost risk and uncertainty shared between client and contractor	Lower flexibility of resourcing
Productivity risk and uncertainty shared between client and contractor	More complex model structure
Commercial risk and uncertainty shared between client and contractor	Lesser cost transparency, particularly in relation to materials and subcontractor costs
Lower opportunity cost given the ability to rely on the contracting partner in relation to the day-to-day leadership and management of the services and the employees delivering it	Specialist central overhead and profit is a cost
Clear operational roles and responsibilities between the client and supporting contractor	Increased client-side costs for management of service
Lower initial investment requirement	Will require procurement and mobilisation in the future
Contractor fully responsible for operational delivery and support services	No opportunity for external growth
Ability to leverage specialist operational knowledge, experience and resources	Ability to recruit and secure the best, and right, people – WOS won't initially be an organisation people recognise and therefore they may be concerned about leaving perceived safe employer to work for the WOS
Opportunity for no future TUPE	

Benefits	Disadvantages
Delivery, productivity and commercial risk sits mainly with the contractor	
Although entity is a Contracting Authority, specialist typically provides supply chain therefore no requirement for procurements under public contract regulations	
Brand identity with customers	
There are perceived benefits of working for a client such as improved terms and conditions, pensions and the like	
Majority resource and recruitment control	

4.7 Joint Venture (JV)



4.7.1 In the JV model the client sets up a company (or LLP) which is jointly owned with a procured contractor.

4.7.2 The aim of having a contracting partner is to utilise their leadership, supply chain and skills to improve efficiency in delivery, and to share risk.

4.7.3 Some of the benefits and disadvantages of a JV are listed below:

Benefits	Disadvantages
Moderate level of control	Lower market confidence and experience with the model
Operational resources: management, supervision and operatives are employed by the JV	Moderate to high exposure to counterparty risk given the external dependence on the contractor providing management services and supply chain
Cost risk and uncertainty shared between client and contractor	Executive time requirements in addressing the role of the member/shareholder in the JV structure
Productivity risk and uncertainty shared between client and contractor	Lower flexibility of resourcing
Commercial risk and uncertainty shared between client and contractor	Lack of clarity, and complexity around roles and responsibilities if not clearly defined at the outset

Benefits	Disadvantages
Lower operational opportunity cost given the ability to rely on the contracting partner in relation to the day-to-day leadership and management of the services and the employees delivering it	High initial investment requirement
Higher cost transparency	Complex model structure
Specialist central overhead and profit is a cost, but dividend is a return	High cost and competency required in providing support services
Lower client-side costs for management of service based on the decisions made in relation to roles and responsibilities	Will require procurement and mobilisation in the future
Ability for the client to provide some support services and to leverage the market for others	Commercial risk sits mainly with the client (dependent on ownership split)
Ability to leverage specialist operational knowledge, experience and resources	Ability to recruit and secure the best, and right, people – JV won't initially be an organisation people recognise and therefore they may be concerned about leaving perceived safe employer to work for the JV
Opportunity for no future TUPE	Potential transfer pricing risk
Delivery and productivity risk sits mainly with the contractor	
Although entity is a Contracting Authority, specialist typically provides supply chain therefore no requirement for procurements under public contract regulations	
Brand identity with customers	
External growth potential founded on quality and ethical delivery proposition (subject to the Teckal limit, whereby a maximum of 20% of the turnover can come from external parties)	
There are perceived benefits of working for a client such as improved terms and conditions, pensions and the like	
Partial resource and recruitment control	

5 Understanding Thurrock

5.1 Introduction

- 5.1.1 In this section we work to understand Thurrock, primarily through an extensive engagement process with internal stakeholders and customers. In this section we understand what we need to consider in order to make the appraisal specific to Thurrock.
- 5.1.2 Sessions have been held to collect feedback from various stakeholder groups. The feedback is intended to enable learning to be taken from the existing service to ensure that this can be reflected in the future operating model and that the new service reflects not only continuation, but ultimately, improvement.

5.2 Macro-Economic Influences

- 5.2.1 The market is challenged with macro-economic pressures that include high inflationary cost increases, combined with labour and skills shortages. Added to this, the regulatory environment appears to continue to heighten its requirements and expectations on Thurrock as a landlord.
- 5.2.2 Requirements to manage fire, electrical and damp and mould risk, complaints handling and service standards, all in relation to an already aging stock, impose additional pressures that impact on skill, people capacity and investment requirements.
- 5.2.3 On considering the right delivery model for Thurrock, we built these considerations into the evaluation process in Section seven of this report.

5.3 Internal Stakeholder Workshop

- 5.3.1 On 14th December 2022 a workshop was held at the civic centre with members of the Thurrock team. The purpose was to understand the requirements of Thurrock to enable Lumensol to make recommendations in relation to the delivery model for the repairs and maintenance service and other key areas for consideration.

Strategic and Organisational Context

- 5.3.2 We learnt that the strategic context which needs to be considered is as follows:
- Operational delivery is to be carbon neutral by 2030
 - Thurrock are under government intervention which will result in commercial pressures for the foreseeable future
 - Thurrock want to be a small organisation going forward and are entering a period of change
 - There is a requirement for resident verification of repairs quality.
- 5.3.3 We learnt that the organisational context which needs to be considered is as follows:
- Due to government intervention, there is a reduced appetite for risk and a reduced capacity to invest
 - The current situation may result in an increased capacity to deal with change.

Objectives to be delivered through the delivery of the future service

5.3.4 The objectives identified through engagement are:

- a) Residents should have a smooth experience and it should be easy for them to report repairs without being passed from one contractor to another
- b) Contribution to the council objective to be carbon neutral by 2030 through reducing carbon in the delivery of services, and exploring the potential for delivering retrofit works under the contract in the future
- c) Retain the benefits realised under the current contracts whereby residents are expected to have a low appetite for change in the way they receive repairs services
- d) Residents like that a lot of the operatives currently delivering the work are local and they would like to maintain this going forward
- e) If the contract is to be outsourced, they would still like to have a high level of self-delivery and prefer not for a large volume of the works to be subcontracted
- f) There is a low appetite for change within the resident population
- g) A local supply chain is preferential, even if this is a local branch of a national provider
- h) Retain as much of the value of the contract to stay in the local economy as possible
- i) Delivery of the service working towards the digital by design principle
- j) Enhancement of Thurrock's existing suite of repairs reports
- k) Ability to share documents between the contractor and Thurrock such as certification, photographs etc.
- l) Control, and hopefully reduced costs.

Impacts from any change to the delivery model

5.3.5 We learnt that the impacts from any change of delivery model need to be carefully considered in the options appraisal. Particular consideration needs to be given to:

- a) The current service standards realised for residents, and a low appetite for change
- b) Thurrock's requirement to become a smaller organisation
- c) The time and financial resources required to set up any form of direct delivery or hybrid model
- d) Thurrock are currently using an outsourced contract model and are familiar with it.

Scope of the contract (which workstreams will be delivered under the model)

5.3.6 The following workstreams were agreed to be core services under the new contract:

- a) Repairs
- b) Voids: including major voids which are currently managed through a separate contract
- c) Responsive asbestos removal (i.e. arising from repairs, and not to replace the existing asbestos contract for testing and management)
- d) Provision of a contact centre facility.

5.3.7 The following workstreams may be included as core services as they lend themselves to delivery in line with the repairs service:

- a) Electrical testing
- b) FRA remedial works
- c) Data led preventative maintenance.

5.3.8 The following may be included in the service as additional workstreams throughout the contract term, subject to performance of existing workstreams and business case review:

- a) Estate maintenance and management functions
- b) External redecorations
- c) Planned works e.g. kitchens, bathrooms, windows, doors, rewires and roof replacements
- d) Retrofit fabric, thermal and heating works.

5.3.9 The following workstreams will not be included in the service:

- a) Gas servicing, repair and replacement.

5.4 Focus Sessions

5.4.1 Sessions were held with the following groups to collect more in-depth detail in relation to the design of the existing service to establish what has worked well, and which areas require improvement:

- a) Thurrock Tenancy Management and Repairs and Compliance
- b) The current provider’s senior management team

5.4.2 Within each session, the participants were asked the same questions as set out in the table below including key feedback on each. The feedback from these sessions will be used to inform the specification of the service going forward, and further engagement will be carried out to ensure all feedback is addressed:

Question	Key Feedback
<p>What do you think has been the biggest success from the way the existing contract (and service) has been designed, structured, resourced and scoped?</p>	<ul style="list-style-type: none"> • Even though the existing service is provided by a national contractor, Thurrock feels like the team employed on its contract is a local one • Social value works well • There is an ability to work together to solve any issues • Additional works have been included in the scope over the term which has worked well in terms of improved delivery to residents and ease of management for Thurrock • The trade school provided under the existing arrangement is seen as a positive • KPI performance is generally good

Question	Key Feedback
<p>What do you think has been the biggest failure from the way the existing contract (and service) has been designed, structured, resourced and scoped?</p>	<ul style="list-style-type: none"> • There is sometimes an over-reliance on multi-trade operatives which leads to jobs not being completed • There appears to be a high use of sub-contractors which may be impacting first time fix rates • Administration of the additional workstreams has been a challenge • There is potentially a missed opportunity in relation to temporary accommodation as these are currently managed under a separate process to standard voids which may be leading to inefficiencies • There are too many exclusions to the price per property commercial model • Because of the length of the contract, Thurrock are unsure whether they are getting the best available i.e. the newest technology or innovations
<p>What about the biggest frustration - not necessarily a failure, but maybe an annoying workaround, unnecessary resource drain etc.?</p>	<ul style="list-style-type: none"> • There are a high level of variations which cause delays • Whilst the contact centre being provided by the existing service provider is seen as generally a positive thing, there is a concern about how easy it is to monitor performance • There is little consistency in relation to the quantity and type of planned works provided under the existing arrangement which often leads to resourcing issues • The first time fix KPI is not defined clearly enough which results in repairs being classified as a first time fix when in the residents opinion this is not the case

Question	Key Feedback
<p>Is there anything different on this contract that you think works particularly well or not?</p>	<ul style="list-style-type: none"> • The current scope of the contract is felt to be quite narrow and including more workstreams may bring benefits such as: <ul style="list-style-type: none"> • Increased throughput for the contractor thus making the contract more attractive • The ability to utilise visits for multiple purposes • The voids standard is in need of review as it is felt not to be reflective of what works other organisations are completing i.e. Thurrock are delivering a lower standard of voids when compared to others • Having the service provider also provide the contact centre works well as it reduces the input required by Thurrock and allows the service provider to have full control over diagnosis and delivery • Social value is highly regarded based on the types being delivered such as the trade school and encouragement of local labour • The data analytics in place within Thurrock are sector leading • There is a lack of data integration with other contractors which can sometimes cause issues in understanding where planned works are going to be completed etc. • The localism of the operatives and management team is seen as a huge positive, reinvesting Thurrock's money locally and giving comfort to residents that their needs are being understood by local people
<p>How would you rate communication?</p>	<ul style="list-style-type: none"> • Good at management level • Whilst communication with the quality assurance team is good, other service areas are not in such regular contact which can lead to issues
<p>How would you rate IT?</p>	<ul style="list-style-type: none"> • The interface between the service provider's system and Northgate needs development as some events are not currently interfaced which requires the Thurrock team to contact the service provider to get the status of a repair • Thurrock does not have access to the service provider's system which is seen as a negative but this could be resolved if the interface was more thorough • There is admittance that it may be Northgate which holds back the IT functionality more than the service provider's system
<p>How would you rate the relationship?</p>	<ul style="list-style-type: none"> • Good, whilst there are sometimes minor issues these are resolved as quickly as possible

Question	Key Feedback
Do you think the outside perception of the service is accurate compared to those who are involved closely?	<ul style="list-style-type: none"> • The wider view is that there is too much focus on the finances as opposed to getting the job done • There aren't a lot of complaints from residents or councillors and customer satisfaction performance is quite high • There may be a mis-match based on social media comments, but generally it's felt to be ok
What would you change going forward?	<ul style="list-style-type: none"> • Improving clarity on the target completion timescales for repairs would help manage resident expectations • A longer contract going forward would be beneficial to enable longevity of the relationship and to encourage investment from the contractor • Further scope for additional or other workstreams based on performance with the aim of rewarding good performance • Whilst there is good social value on the contract, some of this could add more value than it does Thurrock need to be clear on the social value requirements in the future and what genuinely adds value • Thurrock are seen to lead on the data analysis and it's felt that the service provider could drive more of this

5.4.3 The following additional points were made by the participants:

- a) Thoughts on whether the caretaking service should be included in any contract going forward are mixed. It may also lead to confusion in relation to delivery of repairs as these are true caretakers carrying out works such as cleaning, changing lamps and the like
- b) It is felt that a handyperson service would be beneficial for some areas carrying out tenant responsibility works for residents who are less able, such as hanging curtain rails, decorating etc.

5.5 Resident Workshop

5.5.1 In January 2023 an initial workshop was held with the Tenants' Excellence Panel (TEP), with a further session in March 2023 for other resident groups, to gather their feedback on the existing service and advise them of the process that is being undertaken. There was good attendance and a high level of participation. Unfortunately, nobody from a General Needs property was able to attend.

5.5.2 The following feedback was collected:

- a) There was a strong advocacy for provisions for vulnerable people to be maintained:
 - i) There are a lot of sheltered schemes with residents that are 80/90yrs old plus
 - ii) The suggestion of a handyperson for these schemes was made. There used to be a handyperson but the person left and wasn't replaced. The group felt that it would give the assurance to the tenants of sheltered schemes to see the same person consistently
 - iii) Within the new service we need to ensure flags are kept in IT system, notifying of vulnerability and the like, to ensure faster response times and provide an enhanced level of repairs.

- b) The attendees really like that local operatives and subcontractors are being used and want this to be maintained under any new service:
 - i) They would like this to be extended to the supply chain as well if possible, i.e. local branches of the national chains.
- c) The attendees would like the ability to upload images of repairs at the time of reporting in an attempt to improve diagnostics:
 - i) Thurrock does have some blackspots in relation to wi-fi / signal which will need to be understood and mitigated within IT and operational solutions
 - ii) All services need to be accessible for all resident groups e.g. an understanding of the different channels required for reporting and monitoring of repairs
 - iii) Simplicity in relation to reporting repair is the key.
- d) Aaron services currently physically post gas certificates to the resident which works well. Attendees requested that this be adopted for other services, such as electrical certificates following tests
- e) In relation to IT in the future – roll-out of the below is imminent, which should be at least maintained, and improved on if possible:
 - i) Operative tracking
 - ii) Live chat with operatives
 - iii) Customer app
 - iv) The ability to upload images/videos.
- f) Currently residents have very good, advanced warning of arrival and details of the operative attending, and they would like to maintain this
- g) The existing resident app provided under the current service enables residents to book appointments up to a month in advance, which works well for working residents
- h) There is a direct line to the existing contact centre in the Tilbury hub which allows volunteers to assist vulnerable people to report repairs and speak on their behalf (once authorised by the resident) for both reporting of repairs and resolution of issues
- i) There is a need for consistency of service between the in-hours and out-of-hours delivery.

5.5.3 A further brief discussion was held in relation to the level of engagement with residents throughout the procurement process:

- a) An email survey is to be issued to all residents to collect feedback on the current service
- b) It was suggested that paper questionnaires should be placed in the hubs for those residents who do not want to complete the survey online.

5.5.4 It was also noted that attendees of TEP had previously undergone procurement training so it was suggested that a small group of residents remain engaged throughout the procurement process including, but not limited to:

- a) Input into the detailed scoping stages
- b) Reviewing of relevant tender documentation
- c) Scoring of tender returns
- d) Attendance at interview/dialogue sessions should they take place.

5.5.5 During creation of the tender documentation the feedback provided from residents will be reviewed to ensure, where possible, it has been addressed. Further engagement sessions will be held with the TEP for the purpose of providing updates to the group on how and where the feedback has been addressed.

6 Appraisal for Thurrock

- 6.1.1 Within this section of the report we consider the features of each model in respect of the relative benefits and disadvantages in light of Thurrock's service history, the market conditions, regulatory environment and Thurrock's position as an organisation. We score the models given the specific considerations for Thurrock, which gives a view on what the right model is for Thurrock, to manage risks and capitalise on the opportunities to deliver the objectives. This is all in the context of where Thurrock is as an organisation and as a Landlord in a fast changing housing sector and macro-economic climate.
- 6.1.2 Regarding Thurrock's strategic context the following factors have been highlighted as key areas for consideration:
- A strategic ambition for good homes in well-connected neighbourhoods
 - 10,000 council homes, including approximately 900 leasehold properties
 - An ageing stock, placing significant financial pressures on the HRA
 - New and emerging legislation around building safety and decent homes
 - White Paper: health, safety and engagement
 - A heightening zero carbon agenda to 2050.
- 6.1.3 Regarding Thurrock's organisation context the following factors have been highlighted as key areas for consideration:
- Low appetite for risk
 - Low capacity to invest
 - Low capacity to manage change.
- 6.1.4 In the following table, each of the models set out in the sections above have been scored against the strategic and operational contexts in an attempt to rank them in terms of suitability for Thurrock. A one to five scale has been used, where one represents our opinion of the least likely to achieve the required outcome and five represents the most likely to achieve the required outcome.

Strategic Context	Outsourced Contract	Dynamic procurement solutions	DLO	LATCO	Managed Service	WOS	JV
A strategic ambition for good homes in well-connected neighbourhoods	4 Whilst the provider has control over delivery, building a good relationship with the right incentives will encourage the provider to work towards delivering the strategy	2 A lack of direct relationship with any one provider will not assist in enabling delivery of the strategy	5 Self-delivery and full control gives Thurrock autonomy over delivery of the strategy	5 Self-delivery and full control gives Thurrock autonomy over delivery of the strategy	4 Majority control allows Thurrock almost full control over the delivery of the strategy	4 Majority control allows Thurrock almost full control over the delivery of the strategy	4 Majority control allows Thurrock almost full control over the delivery of the strategy
10,000 council homes, including approximately 900 leasehold properties	5 The stock size and profile is fairly typical and a large number of providers could deliver this	4 Commercial management of the level of orders generated across a stock of this size in the context of the works to be delivered would be significant	3 Significant set-up costs for a stock this size in the context of the works to be delivered	3 Significant set-up costs for a stock this size in the context of the works to be delivered	4 Set-up costs for a stock this size in the context of the works to be delivered	4 Set-up costs for a stock this size in the context of the works to be delivered	3 Significant set-up costs for a stock this size in the context of the works to be delivered

Strategic Context	Outsourced Contract	Dynamic procurement solutions	DLO	LATCO	Managed Service	WOS	JV
An ageing stock, placing significant financial pressures on the HRA (cost pressure)	4 Low initial investment, but full procurement costs now and in the future. This is offset by the potential for long term contracts (as proposed)	3 Moderate initial investment, light procurement costs now and in the future but limited financial control on works pricing and overhead costs may create cost risks	3 Significant upfront investment costs but potentially offset by no profit or procurement costs going forward. Depending on investment and ability to attract the best people this may lead to productivity shortfalls	3 Significant upfront investment costs but potentially offset by no profit or procurement costs going forward. Depending on investment and ability to attract the best people this may lead to productivity shortfalls	3 Significant upfront investment costs, partially offset by reduced profit levels going forward. Depending on investment & ability to attract the best people this may lead to productivity shortfalls	2 Significant upfront investment costs, with potentially limited cost efficiency benefit in comparison to other models in this case	2 Significant upfront investment costs, with potentially limited cost efficiency benefit in comparison to other models in this case
New and emerging legislation around building safety and decent homes	5 External contractor able to bring best practice knowledge from the industry	3 Use of external contractors should bring best practice but each order is delivered as an individual piece of work and therefore there is potentially a lack of joined up approach	4 Reliance on Thurrock to understand and manage all requirements	4 Reliance on Thurrock to understand and manage all requirements	4 Supporting external contractor able to bring best practice knowledge from the industry, but their incentive to engage may be lower	5 Supporting external contractor able to bring best practice knowledge from the industry	5 Supporting external contractor able to bring best practice knowledge from the industry

Strategic Context	Outsourced Contract	Dynamic procurement solutions	DLO	LATCO	Managed Service	WOS	JV
White Paper: health, safety and engagement	5 External contractor able to bring best practice knowledge from the industry	3 Use of external contractors should bring best practice but each order is delivered as an individual piece of work and therefore there is potentially a lack of joined up approach	4 Reliance on Thurrock to understand and manage all requirements	4 Reliance on Thurrock to understand and manage all requirements	5 Supporting external contractor able to bring best practice knowledge from the industry	5 Supporting external contractor able to bring best practice knowledge from the industry	5 Supporting external contractor able to bring best practice knowledge from the industry
A heightening zero carbon agenda to 2050	5 Assistance from the wider business of the external service provider could help in this area	3 Use of external contractors should bring best practice but each order is delivered as an individual piece of work and therefore there is potentially a lack of joined up approach or ability to influence	4 Additional resource would need to be found to deliver more specialist strategic planning and delivery of works	4 Additional resource would need to be found to deliver more specialist strategic planning and delivery of works. Access to funding may be more challenging	4 Assistance from the wider business of the supporting external service provider could help in this area, but their incentive to engage may be lower	5 Assistance from the wider business of the supporting external service provider could help in this area	5 Assistance from the wider business of the supporting external service provider could help in this area

Strategic Context	Outsourced Contract	Dynamic procurement solutions	DLO	LATCO	Managed Service	WOS	JV
Low appetite for risk	5 A greater level of risk sits with the service provider	3 Risk assessment is complex and may give limited assurance in a number of areas	3 A greater level of risk is with Thurrock, mitigated in part by a greater level of control	3 A greater level of risk is with Thurrock, mitigated in part by a greater level of control	4 Risk is shared but typically more risk still likely to sit with Thurrock than the Service Provider	4 Risk is shared but typically more with the supporting service provider	3 Risk is shared between Thurrock and the contractor, but typically more with Thurrock due to ownership split
Low capacity to invest	5 Minimal initial investment required	4 Moderate initial investment required	1 Very high initial investment required	1 Very high initial investment required	3 Moderate to high initial investment required	4 Moderate initial investment required	2 High initial investment required
Low capacity to manage change	5 Consistent with the existing delivery model	4 Change requirements more difficult to assess but likely to be moderate	2 Would represent a significant change from the existing model	2 Would represent a significant change from the existing model	3 A change from the existing model but maintaining the support from a contractor	3 A change from the existing model but maintaining the support from a contractor	2 Would represent a significant change from the existing model

Strategic Context	Outsourced Contract	Dynamic procurement solutions	DLO	LATCO	Managed Service	WOS	JV
Skills shortages and recruitment challenges	4 Thurrock can rely, but will also be dependant, on contractor to address. Long term contract helps with ability for contractor to invest locally to address. Long term employment opportunities with large contracting partners	3 Thurrock can rely, but will also be dependant, on contractor to address. No direct opportunity for contractors to invest for Thurrock given order by order arrangement, albeit that the risk is spread across the available contractors	2 Thurrock can control choices and investment, but can only rely on itself to address the risk in a very competitive market. Thurrock's constrained capacity to manage and invest may create a significant risk in this area. Employees may be less likely to see the long-term employment opportunity.	2 Thurrock can control choices and investment, but can only rely on itself to address the risk in a very competitive market. Thurrock's constrained capacity to manage and invest may create a significant risk in this area. Employees may be less likely to see the long-term employment opportunity.	3 Thurrock can control choices and investment, and may be able to utilise the contractor to assist to address the risk in a very competitive market. The contractor may have some capacity to manage and invest. Employees may be less likely to see the long-term employment opportunity.	4 Thurrock can rely, but will also be dependant, on contractor to address. Long term contract helps with ability for contractor to invest locally to address. Long term employment opportunities with large contracting partners	4 Thurrock can rely, but can also influence contractor to address. Very long term contract potential is helpful with ability for contractor/JV to invest locally to address. Indirect, and reduced, long term employment opportunities with large contracting partners.
Total Score (max 45)	47	32	31	31	37	40	35

7 Recommendations

7.1.1 Following the various engagement sessions with the learning set out in Section five, and the appraisal set out in Section six, Lumensol make the recommendations as set out in this section in relation to delivery of the repairs and maintenance works going forward.

In Summary

7.1.2 Our analysis tells us that Thurrock should continue to outsource the service in part due to the significant financial investment (in the context of the scale of the stock) which would be required in setting up any form of insource or hybrid model (DLO, LATCO, Managed Service, WOS or JV). In combination the current macro-economic climate and our view of Thurrock's limited capacity to manage a more demanding insourced or hybrid model tell us that the required level of change to implement alternative models combined with the demands of operating them would present more of a risk than an opportunity for Thurrock. This also aligns with Thurrock's desire to be a small organisation.

7.1.3 The overwhelming feedback from the engagement is the desire for a local service and with minimal appetite for change. Through the procurement process, and ultimately the contract documents, Thurrock can encourage a local service through the use of local operatives and supply chain, thus maintaining this positive element of the existing service.

Delivery Model

7.1.4 Our analysis determines that an outsourced contract model with a single contract partner is the model best able to address Thurrock's strategic objectives and in the organisational context as set out in this report.

Scope

7.1.5 Our analysis tells us that the initial core scope of the contract should be limited to repairs and voids (both minor and major), including provision of the contact centre. This is to minimise the risk of mobilisation and the capacity requirements to manage change, but also in recognition of the need to align with the existing contract terms (i.e. end dates) for other additional services.

7.1.6 To realise potential synergies and efficiency opportunities in relation to the direct delivery potential of other services, particularly in the context of the provision of the contact centre, the following workstreams could be added to the contract as core services. This can also unlock further opportunities for Thurrock to become a smaller council through the consolidation of contract management requirements. We propose that this would be after an initial bedding in period and to align with existing expiration dates:

- a) Electrical testing
- b) External redecorations
- c) Planned works e.g. kitchens, bathrooms, windows, doors, rewires and roof replacements.

7.1.7 The added benefit of the above, additional and "guaranteed" growth, is an increase in attractiveness of the opportunity to bidders.

7.1.8 We propose that the following workstreams can remain as options to be added into the contract at a later date based on success in the initial contract term demonstrated through business case, performance and value for money testing. I.e. before investing in change and providing additional benefit to the contract partner, excellent service delivery performance and the realisation of Thurrock's objectives through the core services should be demonstrated. Additional, growth, services can include:

- a) FRA: remedial works
- b) Heating servicing, repair and replacement
- c) Retrofit fabric, thermal and heating works (particularly if the contract extends)
- d) Data led preventative maintenance
- e) Caretaking.

7.1.9 The opportunity to integrate the caretaking service requires special consideration. Its incorporation may be about first understanding exactly what the scope and specification of the service is, and what opportunities exist to improve outcomes for residents and for best use of the existing resource. There is potential for the scope of the caretaking service to be increased to cover items such as fire door inspections arising from increased regulatory requirements, and further benefits may be realised through supervision and health and safety management under the repairs and maintenance service, or an alternative delivery methodology. The need and benefits through consultation with unions and the timing of any change is also likely to be critical.

Service Specification, KPIs and Tender Evaluation

7.1.10 The feedback from the resident workshops and focus sessions should be used to inform the development of the service specifications, KPIs and incentives, and the evaluation model under the procurement. This will be, in part, addressed later in this project.

7.1.11 Thurrock may also want to consider the use of competitive dialogue within the procurement process as a means to develop solutions with bidders to address the needs and opportunities set out in this report.

Contract Type and Term

7.1.12 We believe that the use of a partnering (TPC or TAC1) form of contract will further Thurrock's existing culture of partnering. This can also assist with the extension and adaption of the service necessary to add and remove workstreams as recommended in the scope above.

7.1.13 In relation to the term of the contract, an initial term of ten years, with a break option after five years is felt to be the best option, followed by a provision for extension by up to 10 years (in parts or whole).

7.1.14 Given the uncertainty in the market currently, particularly in relation to costs and performance, a break option after five years can provide flexibility to Thurrock to change direction, whilst still providing an opportunity and incentive for bidding contractors to invest and recoup up-front investment. The milestone date at five years will also give Thurrock the opportunity and flexibility to review the contract and ensure it still represents best value.

7.1.15 We propose that the option to extend to a total term of up to 10 years will provide Thurrock the option and opportunity to realise material value through adding additional planned investment works. This is particularly relevant for heating retrofit, where over this term an opportunity may exist to leverage a successful partnership to enable a transition to alternative technologies and support the training and retention of a directly employed workforce with new skills.

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