



SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Repairs Contract Options Appraisal

January 2021

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1 INTRODUCTION & SCOPE OF WORK

- 1.1 South Cambridgeshire District Council (the Council) currently delivers its repairs and maintenance services to its circa 5,000 homes and circa 460 leasehold/equity share homes through an outsourced model. These services are provided by Mears Limited under two contracts that, together, provide for the delivery of responsive, void, heating systems and planned works.
- 1.2 Following an initial Scoping Study, the Council is keen to explore in more detail some of the options for new arrangements from 1st July 2022 when the responsive, void and planned works contract ends following an extension of five years under the original contract and a further extension of three months recently agreed. The heating systems contract has recently been extended by 12 months following an initial term of five years, meaning this also now runs to 1st July 2022.
- 1.3 Timescales are critical as all the options potentially available take in the order of 12 – 18 months to organise and put into place.
- 1.4 To assist, the Council has commissioned ARK Consultancy Limited (ARK) to carry out an Option Appraisal of some potential options put forward for more in-depth consideration following an initial Scoping Study. The Option Appraisal will be helpful given the multiple and complex issues when it comes to considering what sort of future arrangement might be best for the Council. It will also ensure that due consideration is given to previous experience and performance and on the future potential opportunities.
- 1.5 The agreed scope of work for the Option Appraisal results from the Scoping Study and is as follows:
- 1.6 **Element 1** – Carrying out a more in-depth review of the current service, to include:
 - Benchmarking of the current service against industry standards.
 - Assessment and analysis of customer views about the current service, to include review of existing information/data, collection of new information/data and structured discussions with representative involved tenant groups.
- 1.7 **Element 2** – Refining of the initial proposed issues, priorities and criteria set out in this Scoping Report for the new repair arrangements, to include:
 - Inclusion and incorporation of any further issues/priorities following the more in-depth review of the current service (including benchmarking and customer review analysis above).

- The setting of an agreed VISION.
- The setting of an agreed set of AIMS and OBJECTIVES.
- Consideration of new, innovative, best and leading practice approaches.

1.8 **Element 3** – Conducting some market intelligence and testing, to incorporate:

- Interviews and discussions with other landlords with relevant recent experience of conducting option appraisals for their repair arrangements, along with some confidential 'soft market testing' and analysis of repairs service providers.

1.9 **Element 4** – Option Appraisal of potential delivery mechanisms, to incorporate:

- A more detailed appraisal of the following options based on the recommendations of the Scoping Study (noting that other options around Joint Venture, Cost Sharing Vehicle and LA Trading Company have already been considered but ruled out following initial analysis):
 - Maintain the current arrangement of an outsourced service (externalised delivery through single or multiple contracts).
 - Establish an In-House Contractor (IHC/DLO) with its own management.
 - A hybrid model – mixing in-house and external contractor delivery.
 - New innovations within the sector, including from 'market disruptors' such as Plentific.
- An appraisal of the shortlisted alternative delivery models, shaped and informed by:
 - The identified needs and service priorities of the Council.
 - The specific organisational and operating context of the Council.
 - The advantages and disadvantages of each option, within the Council's context.
 - Some high-level financial modelling of implementation and ongoing delivery costs.
 - An assessment of each option with a conclusion as to which option may work best for the Council given all the criteria/aspects under consideration.

- 1.10 The Option Appraisal also incorporates some exploring and developing of ideas around the potential for raising aspirations and ambitions for the service and the scope for additional service provision or activities, with the aim to maximise the wider benefit to the council that arise from the review.

2 CURRENT CONTRACT OVERVIEW

2.1 This section provides key summary details of the principal contract in place with Mears Limited and repeats the section of the same name within the Scoping Study.

Item	Detail
Contract name	Supplemental Agreement - day to day responsive repairs, void property works, package repairs, maintenance and/or improvement works and out of hours emergency works. Prepared by Trowers and Hamlins.
Current contract term	1 April 2017 to 31 March 2022, with recently agreed extension to 30 June 2022.
Original contract	Term Partnering Contract – Comprehensive Responsive Repairs, Voids and Packaged Works Term Maintenance. TPC 2005 (Amended 2008). Prepared by Rand Associates.
Original contract term	2 April 2012 to 31 March 2017
Original basis of contract	<p><u>Responsive repairs</u> – pre-priced SOR with tendered percentage adjustment, with 3 urgency categories (1, 5 & 20 days).</p> <p><u>Void repairs</u> – pre-priced SOR with tendered percentage adjustment, works specified by Mears. three void categories; 5, 20 and 40 working days.</p> <p><u>Packaged works</u> – pre-priced SOR with tendered percentage adjustment</p>
Current basis of contract under Supplemental Agreement	<p><u>Responsive repairs</u> - Annual price per property (PPP) based on Price Framework, with 2 urgency categories (1 day and up to 35 days by appointment). PPP currently £244.91</p> <p><u>Void repairs</u> – pre-priced SOR with 0.95% lower tendered percentage adjustment to reflect works specified by SCDC. Three void categories; 5, 10, 25 and 25+ working days.</p> <p><u>Packaged works</u> – pre-priced SOR with tendered price adjustment</p>

2.2 The original contract was reviewed internally in February 2015 by the service manager at the time and a report prepared. The purpose of this review was to determine options for 2016/17 but also potentially from 2017 onwards, based on performance to date, the Council's, tenants', Mears' and sub-contractors' perspectives on how the contract had worked and evolved since commencement.

2.3 The review, which has been seen by ARK, considered a number of key aspects of the contract arrangements:

- The contract as tendered
- Call handling
- IT interface

- Budgetary control
- KPIs
- Internal audit and scrutiny reports
- The political and economic circumstances at the time

2.4 The main conclusions of the February 2015 review were as follows:

- Some initial significant issues with workflow management had been satisfactorily resolved.
- The front end of the voids process (specification of works) had been brought back in house as it had not proved possible to make it work
- The Council had needed to reign in the extent of the works carried out under responsive repairs rates, shifting works towards the better-priced packaged rates.
- The IT interface and Mears call handling of c. 1,000 calls a month had worked relatively successfully.
- The Council had significant concerns regarding the level of variations arising from what it saw as poor diagnostics, overcharging and poor supervision, leading to a lack of trust and a need for micro-management.
- Responsive repair completion times and costs (£148.50 per property) were broadly in line with previous in-house arrangements whilst void repair times had shown year on year improvement.
- Overall repair costs had increased by 42% at contract commencement, albeit the increased cost was lower than three of the years between 2007 and 2011.
- Whilst tenant satisfaction levels were reasonably high, there was concern that levels of expectation may be low.

2.5 Given the findings of the 2015 review, the Council conducted what appears to have been a fairly 'light touch' review of its options including contract extension, retendering, establishing a Council-owned property maintenance service and a shared arrangement with Cambridge City Council. The conclusion of the paper was that, for a range of performance, political and economic reasons, it may be best to pursue the establishment of an in-house Property Maintenance Service. However, following further consideration of the options it was concluded that a contract extension would be agreed with Mears, but on a refreshed basis as per the terms of the Supplemental Agreement. The main change was the shift from an SOR based model to a Price Per Property model which, it seems clear, was a response to some of the concerns highlighted in the 2015 review.

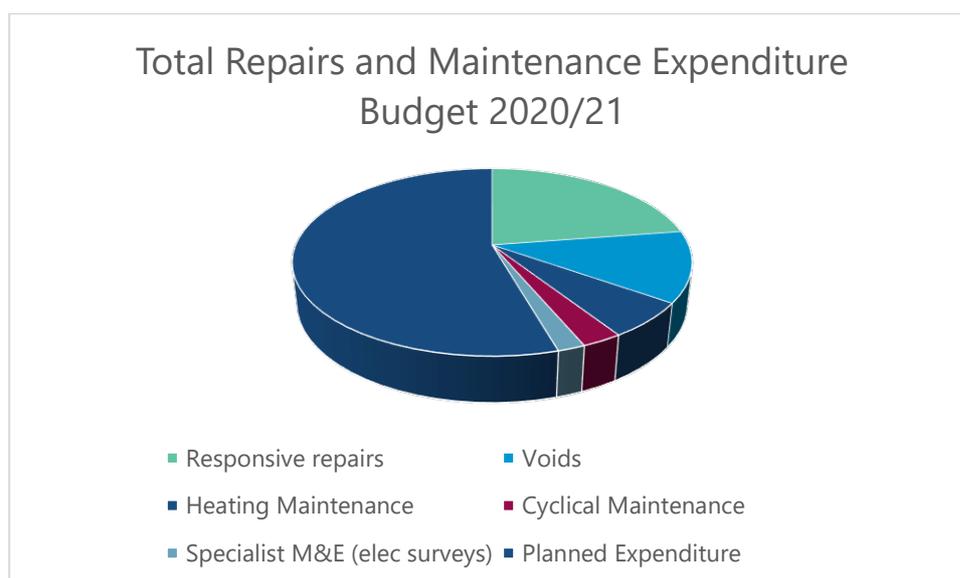
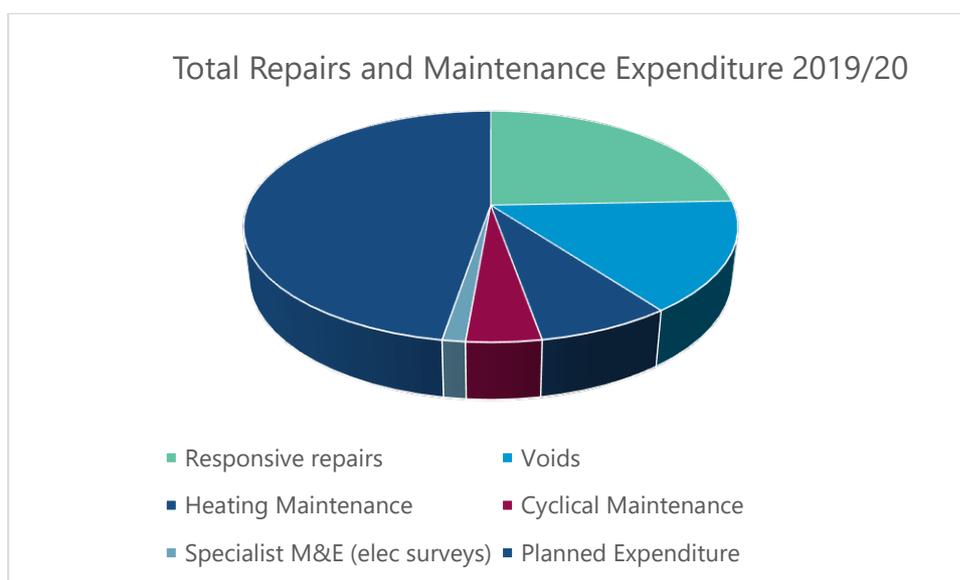
2.6 The other contract currently in place with Mears relates to the maintenance of Heating Systems. Summary details of this are as follows:

Item	Detail
Contract name	Term Service Contract for the inspection, testing and servicing of Heating Systems in Built Assets.
Contract type	NEC3 Term Service Contract April 2013 (with amendments)
Contract term	1 July 2016 to 30 June 2021 (5 years) with the option to extend by a period of up to a further 5 years, subject to at least 6 months prior notice, with a 12 month extension recently agreed to 30 June 2022.
Basis of contract	<p>Pricing – fixed fee per property, plus 8% on-cost where additional works required or where work is undertaken by a sub-contractor, all subject to annual price increase in accordance with stated measure:</p> <ul style="list-style-type: none"> • Inspection, testing, servicing, repair and installation of heating systems in built assets belonging to or leased by the Council. • Price per property includes for repairs to boilers up to the end of a 12-year period – subsequent repair or replacement paid through an exclusion SOR. • Provision for establishment of a common supply chain through supply chain management initiative, designed to combine buying power, standardise components in Council assets, secure materials savings and improve performance.

3 EXPENDITURE, PERFORMANCE & BENCHMARKING

Service Analysis & Performance

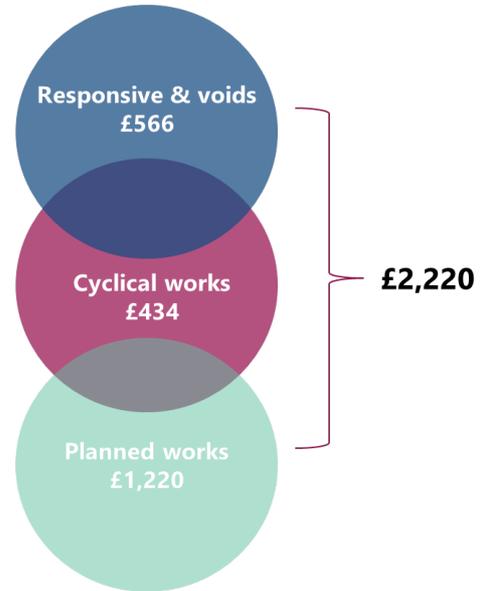
3.1 In 2019/20 the Council spent a total of c. £7.1m on day to day, void, cyclical and planned maintenance. This figure is forecast to rise to c. £9m in each of the years from 2020/21 through to 2023/24. The breakdown of this overall figure shows the budget for responsive repair costs rising quite significantly from c. £1.7m in 2019/20 through to £2.15m by 2024, void property maintenance remaining at c. £1m a year, heating maintenance at around £0.5m, cyclical maintenance at around £0.25m and planned maintenance at c. £3.4m in 2019/20 rising quite significantly to c. £4.8m over the next few years.



3.2 The budget figures from 2020/21 onwards show a significantly increased planned maintenance budget, increasing the proportion of planned maintenance expenditure from less than half (47%) to over half (54%).

Performance and Benchmarking

3.3 With a total of 5,247 homes, total expenditure of £7.1m in 2019/20 equates to £1,353 per home, whilst an increase to c. £9m equates to £1,715 per home. Even the higher levels of total expenditure fall below the ARK benchmark of £2,220 a home, though an organisation's figures will, to an extent, always reflect stock composition and past investment.

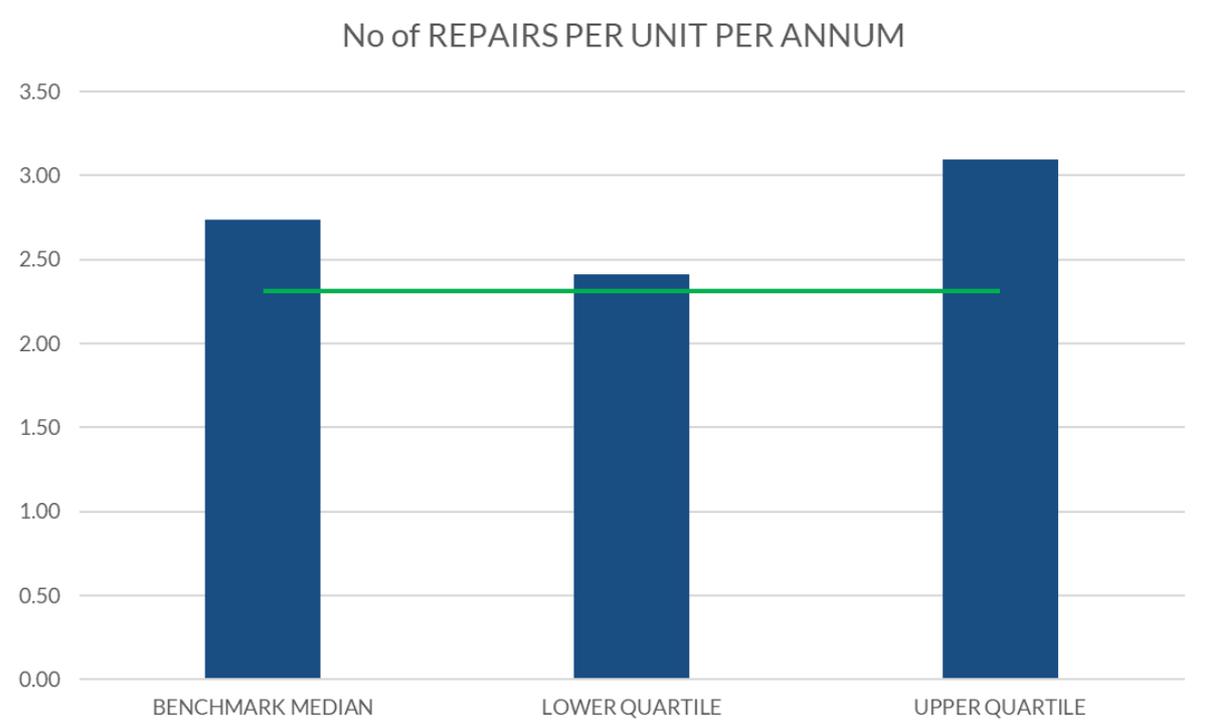


3.4 At between c. £540 and c. £590 per home, the SCDC combined figures for responsive and voids are broadly in line with the ARK benchmark, albeit this masks a position where responsive costs alone are below the benchmark whilst void costs alone are significantly higher, due, it is understood, to the opportunity being taken to complete a range of improvement works whilst properties are empty. Of note, responsive repair costs are carried out on a Price Per Property basis whilst void repair costs are charged with reference to a Schedule of Rates. It is in the areas of cyclical and planned maintenance where the overall SCDC figures bring the Council below the ARK benchmark, which could reflect the relatively low number of flats and maisonettes.

3.5 The actual and budget totals and breakdowns for the period of seven years 2017/18 to 2023/24 are shown below.



3.6 Looking at the total number of repairs per annum, it can be seen that with an average of 2.3 repairs per home, SCDC falls below the ARK benchmark of 2.7.



Comparison	Quantity	Variance	Variance %
BENCHMARK MEDIAN	2.7	-0.4	-15.6%
LOWER QUARTILE	2.4	-0.1	-4.2%
UPPER QUARTILE	3.1	-0.8	-25.4%
South Cambridge 2019/20	2.3		
NUMBER OF BENCHMARKS	92		

3.7 In terms of some principal performance benchmarks, the SCDC repairs service falls below targets in the key areas of levels of resident satisfaction and proportions of repairs carried out within the target timescales.

3.8 A full Benchmarking Report has been provided separately.

4 THE CUSTOMER EXPERIENCE

- 4.1 Repairs provision is consistently rated as the most important and valued service in social housing and is the principal issue that shapes tenants' judgement about their landlord.
- 4.2 In the Scoping Study, we examined officer views on the service. These were generally positive with reports that the current arrangements with Mears work well with good relationships in place.
- 4.3 Given the importance of the repairs service to residents, we have therefore extended our examination of the current arrangements with Mears to include discussions with a group of involved residents and with officers whose remit is to monitor complaints, data and performance.

Workshop discussions with involved residents

- 4.4 ARK has held discussions with the new Housing Performance Panel, which includes tenants and leaseholders, some of whom have been involved in previous involved tenants' groups for many years.
- 4.5 Areas of discussion and a summary of the views expressed are as follows:

- **Quality?** How well and to what standard are repairs completed?

Some good quality repairs are carried out, with notable positive comments around heating repairs. However, the overall quality is described as 'patchy', with some repairs carried out to a good standard on the first occasion, but other instances of poor-quality repairs and a need for re-visits to rectify matters.

- **Service?** What sort of service standards are being delivered to customers?

The overriding message from residents is that service standards are generally poor, with inadequate communications being the biggest criticism, especially explanations about why works cannot be carried out. Residents feel that the unsatisfactory service levels relate in part to poor management of the Mears contract by the Council.

- **Performance?** What levels of performance are being achieved? What information data do you receive?

The biggest criticisms expressed by residents relate to what they feel is inadequate information and data on the service. As a result, residents state that they find it very difficult to properly measure and monitor the quality and performance of the repairs service, with suggestions that reporting on aspects such as complaints is “utterly meaningless” as, they suggest, the low levels recorded cannot possibly reflect the true position based on their experience.

- **Progression?** How does the service change, evolve and improve over time?

Residents do not feel that there is any drive or determination by either Mears or the Council to deliver any kind of ‘continuous improvement’. They think there is little in the way of challenge to Mears and that the service is one that just ‘coasts’ along.

- **Value?** What sort of value for money does the current service provide?

The view of residents is that the value for money of the current service is ‘almost impossible to measure’. This is because they feel the data issues are so significant that they cannot make a properly informed assessment or judgement of the service quality and pricing.

- 4.6 Looking at future repairs’ options, there is a divergence in residents’ views on whether the service should be delivered principally through an outsourced arrangement, or through in-house resources. The potential merits of shared services, for example with Cambridge City Council, were also discussed. Ultimately, the view of involved residents is that the primary focus should be on designing and delivering a service of a higher quality, rather than on delivering the service through any one model.
- 4.7 When asked what a higher quality service should look like, residents’ views can be summarised as a service that is built around:
- Excellent communications with residents.
 - Clear, meaningful and trusted information and data.
 - Consistently high quality and service standards.
 - Strong management, with constructive challenge and drive.

Officer views

- 4.8 The items and issues raised in discussions with officers involved in data and complaints collation/management align closely with the views and findings of the discussions with residents. These are that the current service suffers from issues around:

- Insufficient and poor-quality information and data, with a feeling that some of the current 'high' performance figures do not accurately reflect the service being provided.
- Insufficiently strong contract management, with Mears not being held to account or engaged in discussions around a partnership approach to 'service improvement'.

4.9 Looking to the potential for new arrangements, the suggestions are that these should focus on:

- A stronger, wider involvement and management of repairs and maintenance across teams within the Council.
- More transparency and accountability, notably around complaints.
- The need for much stronger communications.
- Performance and trends monitoring.
- Shared best practice.

5 MARKET INTELLIGENCE & TESTING

5.1 To help more broadly inform the Option Appraisal, interviews and discussions have been carried out with other landlords with relevant recent experience of considering the options for, then putting in place, new repairs arrangements. We have also held some confidential 'soft market testing' with repairs service providers to establish potential interest should the Council decide to continue operating an outsourced model. These discussions have helped in analysing the potential suitability and viability of the shortlisted options.

Local Authority Landlord – Yorkshire & The Humber

5.2 With just over 20,000 homes, this Council has recently let two Term Partnering Contracts with each contract providing for repairs services, void property works and disabled adaptations to around half the Council's homes. The two new contracts replace two previous contracts covering the same split of properties.

5.3 The summary contract details are:

- Two x Term Partnering Contracts (TPC) for repairs services to c. 10,000 homes awarded to two different contractors, each for five years, plus an option to extend for a further five years
- One of the contractors will also deliver some borough-wide planned work, capital improvement schemes, structural works and repairs to fire damaged properties. The other contractor will carry out gas, electrical and mechanical maintenance work and some capital improvement schemes across the borough.
- Formal tender process over 18 months, with assessment criteria of 70% quality and 30% price

5.4 In letting the new contracts, the Council conducted a thorough evaluation of its existing arrangements to help inform a carefully considered, forward thinking approach for its new arrangements. This process incorporated:

- Consideration of an alternative form of contract (NEC4) but this was felt not to be as suitable as the TPC arrangements given the Council's desire for a genuine 'partnership' to be at the core of the way the contracts work (a view with which ARK would concur).

- Inclusion of a Social Value clause providing for a deliverable commitment to social value to account for 20% of the overall score for the tender bid. In scoring bids, two aspects of social value were assessed; the 'offer' measured in terms of a quantitative assessment of the amount of social value to be delivered and a qualitatively assessed 'method statement' assessing how comprehensively the social value commitments will be delivered.
- Inclusion of a 'shared savings' incentive model, designed to provide a mechanism for driving positive behaviours towards economy, efficiency and effectiveness. The Price Per Property is 're-based' each year and if it reduces then the financial savings are split 50:50 between the Council and the Contractor.
- A comprehensive '360 degree' appraisal, incorporating a wide range of views about the service (past/present/future).
- Inclusion of a range of 'green' KPIs to help secure delivery against energy efficiency, sustainability and zero net carbon targets.

5.5 In terms of good practice and lessons learned, these are summarised as follows:

- The critical importance of being a good or 'intelligent' client, combined with the incorporation of suitable mechanisms for developing and nurturing of strong relationships within the contract.
- Ensuring that the contract is specified and packaged to appeal to the market, with good repair diagnosis, data and definition of exclusions. This is key to achieving a relatively low Price Per Property rate with the incorporation of a planned works element being crucial.

Arms-Length Management Organisation – Outer London

- 5.6 In this example, the ALMO has recently brought its arrangements in-house having previously been outsourced to one of the main contractors operating in the social housing sector. With c. 7,500 homes, the landlord had experienced difficulties with an 'under-priced' contract with the service provider pushing to improve their price. Despite attempts through a 'Transformation Plan' and changed mechanism for price increases, the contractor served notice.
- 5.7 An option appraisal concluded with recommendations for arrangements being put in place for establishing in-house service provision in two stages: staffing in year 1 and IT platform/systems in year 2.

- 5.8 Through a 'task and finish' group, there has been a strong focus and commitment to winning over the hearts and minds of the team and this is now delivering a new, fresh approach to:
- Not just doing what the job says on the ticket, but making sure that the right job is done, and done well.
 - Driving up levels of satisfaction with the service through significant service improvements

- 5.9 But setting up a new in-house service has not been easy and has taken up considerable amounts of time and effort by the ALMO team, with systems, processes, IT platforms, interfaces and securing joined up approaches all being challenges.

Dynamic Purchasing System - Plentific

- 5.10 Plentific is a software company that has set out to work with landlords to transform how they deliver repairs and maintenance services through an IT platform or web portal to create a dynamic purchasing system. They say that their marketplace SaaS platform is designed to empower landlords and property managers to launch and manage their own fully flexible contractor supply chain.
- 5.11 One of their biggest and best-known clients is Peabody/Notting Hill Genesis (NHG), who use the system mainly for their temporary housing stock. The system uses a wide range of small contractors to do the work, each of them 'bidding' through the platform for posted jobs. Plentific 'vets' the contractors with a view to ensuring they meet minimum standards in terms of financial arrangements, health and safety etc.
- 5.12 The firms registered on the platform put forward a price and date for carrying out the jobs, with NHG then selecting the successful firm. ARK understands that the bidding process takes up to 48 hours and that most jobs are completed within a week.
- 5.13 Peabody/NHG say that the new process has been very successful, driving down the average time it takes to get a repair completed and increasing customer satisfaction with:
- Over 43,500 jobs carried out by 470 contractors during a trial period with customer satisfaction levels at almost 90%.
 - Over 10,000 jobs completed during lockdown, with an average 7 days turnaround.

- 5.14 In considering the appropriateness of such an arrangement for SCDC, it needs to be borne in mind that Peabody/NHG are a large housing association group and use the system alongside other arrangements, including a contract with one of the national contractors on their core stock. This means the two arrangements can support each other, filling any gaps in contractor availability and helping to spread workload and respond to peaks in repair demand. Their considerable use of the system can also support the quite significant platform charges. As such, for SCDC, the principal consideration would be whether the size and nature of the repair and maintenance operation is sufficient for a similar 'twin track' approach as relying purely on the Plentific platform in the absence of other arrangements would, in Ark's view, expose the Council to considerable risks.

Repairs Service Provider 'soft market testing'

- 5.15 It is important to recognise how a range of factors can affect and influence the potential attractiveness, and in some cases viability, of repairs contracts for service providers. The packaging of the contract being put out to the market is all important to secure the right level of interest from bidders, as well as the right level of commitment (resources/effort) to deliver the works well, if successful.
- 5.16 It is important, especially for smaller organisations, to put together a contract that has sufficient 'critical mass'. To optimise delivery and performance, contractors need to be able to put in place a local team with dedicated staffing and expertise, headed up by a focussed branch manager. Contractors will then want to be able to shift these resources around to try and flatten any peaks and troughs in workload, using cyclical and/or planned works to supplement responsive repairs during quieter periods. This means that, in setting out what you want as a client, you need to be mindful of how this will either support or enable better service provision by the contractor, not restrict or limit what they are able to provide.
- 5.17 Given the above, the Council needs to be mindful that contractors are likely to express more interest in a 'package' of both responsive and cyclical/planned works with an annual contract value in excess of £4 million. This is because there tend to be higher margins on planned work and, with a combined PPP model with packaged planned works this can drive a more planned and proactive approach to repairs. Taken together, this should enable the contractor to put in place a dedicated management and operational team, based in local premises, with the ability to build and run a well performing 'business'. This will in turn lead to stronger opportunities for commercial innovation by the contractor, for developing and enhancing the service offer to customers, for building and supporting stronger client/contractor relationships and forging mutually beneficial partnership arrangements.

6 SERVICE VISION, AIMS, OBJECTIVES

- 6.1 ARK concluded in the initial Scoping Study with an initial view that the two contracts currently in place are conventional in their nature and that they lack many of the elements that form the basis of best and leading practice in repairs contract procurement. Whilst they contain a range of standard performance metrics and are reported to be working satisfactorily for the Council, they do not contain sufficient in the way of requirements or mechanisms to drive continuous improvement or to inform and drive asset-based decision making. The further research and analysis conducted by ARK in this second stage piece of work not only confirms, but reinforces, this view.
- 6.2 The approaching expiration of the two contracts therefore brings with it a huge opportunity to remedy the shortcomings of the current service and arrangements, incorporating the hallmarks and elements of latest practice in repairs and maintenance as a key component of the Council's housing asset management. This could potentially be achieved either by designing and letting some redesigned and reconfigured outsourced arrangements of through one of the shortlisted alternative options set out in the Scoping Study.
- 6.3 The shortlisted arrangements are:
- Maintain the current arrangement of an outsourced service (externalised delivery through single or multiple contracts).
 - Establish an In-House Contractor (IHC/DLO) with its own management.
 - A hybrid model – mixing in-house and external contractor delivery.
 - New innovations within the sector, including from 'market disruptors' such as Plentific.
- 6.4 To facilitate a full option appraisal, it is first necessary to determine and set out a set of decision making or assessment criteria against which the shortlisted options will be judged. These criteria need to reflect, be shaped and informed by all the research, assessment and analysis carried out of the current arrangements, together with the insight and analysis into best and leading practice.
- 6.5 In the Scoping Study, a set of 'hallmarks' of a best practice approach to repairs were explored and are repeated below.

The Hallmarks of a Best Practice Approach to Repairs & Maintenance

- ✓ A **genuinely collaborative approach** - optimising use of resources & collective effort – a clear common purpose
- ✓ Well designed and implemented systems that provide **a clear and common purpose** - an effective alignment to coordinate input between the delivery provider and the client, as well as across the landlord team.
- ✓ A strategic approach to **driving out unnecessary costs and minimising waste** by extending component life where a repair will be effective, adopting a consistent and reliable testing regime prior to component renewal
- ✓ Having a core set of criteria and indicators that focus on **measuring and testing only what is important** and that add value to residents and for the building asset
- ✓ **Understanding the drivers of cost and value** across repairs and maintenance and harnessing these to improve outcomes and outputs
- ✓ Having an **agreement in place with residents for an affordable service offer**, based on an explicit partnership with mutual rights and responsibilities to look after homes and neighbourhoods

6.6 The analysis and assessment of resident views, service delivery and benchmarking support the development of a vision, aims and objectives for the Council's new repairs arrangements that align strongly with all these hallmarks, whilst also reflecting the individual context, needs, ambitions and aspirations of the Council.

Assessment Criteria

6.7 Based on the clear resident views that were articulated during ARK's work and linking these to the hallmarks of a 'leading practice' repairs service within the Council's context, we have arrived at a set of criteria against which the shortlisted options can be assessed. In due course, the criteria can be used for the development of a new service specification. The criteria place a strong customer focus at the centre, supported by a range of key requirements and expectations.



Assessment Criterion	Service Requirement
<p>Customer Focus Providing a customer journey that delivers customer excellence and high levels of satisfaction at an affordable cost, built around forging a new and productive partnership with tenants and residents based around mutual obligations.</p>	<ul style="list-style-type: none"> ○ Place effective communications at the heart of service delivery - with easy, digital reporting methods and appointment arrangements. ○ Capture and measure 'true' customer satisfaction based on resident focused metrics around quality, service and value. ○ Fully and accurately capture complaints, using these to inform improvements to services. ○ Invest in an active, mutual, long term partnership with residents. ○ Help tenants prepare for their tenancy and provide a proactive tenancy induction programme. ○ Embrace a robust approach to rewards and sanctions, playing their part in helping tenants live responsibly and independently.

Assessment Criterion	Service Requirement
<p>Asset and Intelligence led Repairs and maintenance arrangements that form an integral part of the Council’s strategic approach to asset management, with a set of shared aims, objectives, measurement and monitoring criteria that drive service improvements and better decision-making.</p>	<ul style="list-style-type: none"> ○ Actively contribute to - and help deliver - the Council’s Housing Asset Management Strategy. ○ Incorporate a preventative maintenance approach, using repairs data to inform programmes of asset investment, including through effective life cycle costing approaches (e.g. durable materials specification) whilst also testing and verifying the impact of planned programmes on responsive repairs. ○ Deliver homes to a bespoke SCDC standard, including the stretching decarbonisation targets, moving culture and mindsets on from Decent Homes to address wider issues in relation to the suitability and long-term sustainability of properties. ○ Actively require and/or incentivise a proactive approach to be taken in the delivery of repairs and investment work, using this information and data to continually improve the quantity and quality of asset data and the quality of services provided.

Assessment Criterion	Service Requirement
<p>Quality Service and Works Delivering repairs and investment programmes that meet a set of well understood and widely agreed quality standards and service levels that meet or exceed Council and resident expectations.</p>	<ul style="list-style-type: none"> ○ Outcome focussed approach that places an emphasis on delivering the right repair, to a good quality standard, in appropriate, but flexible timescales. <ul style="list-style-type: none"> ▪ A good quality repair using good quality materials that provides a lasting solution. ▪ Excellent communications, that work to build trust and satisfaction. ▪ Appointments that work for customers. ○ An approach to partnership working that secures an ongoing, productive, open and honest dialogue between ‘client’, ‘contractor’ and ‘customer’, all designed to improve work quality and service outcomes.

Assessment Criterion	Service Requirement
<p>The Right Skills and Resources Providing a resilient, well resourced, capable and skilled repairs and maintenance management team and workforce that has the new skills, experience and IT systems needed to deliver a modern service in a way that manages risk effectively and can respond flexibly when needed.</p>	<ul style="list-style-type: none"> ○ Strong, effective leadership of the delivery team by a dedicated, experienced manager. ○ Strong, effective and 'intelligent 'client side' management that drives and supports positive relationships and continuous improvement. ○ IT platform, systems and processes that are specifically designed to support the 'end to end' repair process so that a customer focussed, effective and efficient service delivery is provided. ○ Proactive approach to accessing and adopting best, leading or developing industry practice, using technology and innovation to best effect. ○ Good quality, relevant, ongoing programmes of training, skills and professional development across the whole management and delivery teams.

Assessment Criterion	Service Requirement
<p>Effective Performance Measurement and Monitoring Having in place a range of carefully considered, worthwhile and meaningful arrangements and systems that measure and monitor what really matters in terms of quality, service delivery and value.</p>	<ul style="list-style-type: none"> ○ A suite of KPIs that measures and monitors a set of criteria for repairs that matters to the Council and to residents, including: <ul style="list-style-type: none"> ▪ Quality of the repairs service 'from end to end' from a customer perspective, including first time fix rates, timeliness and numbers/proportions of repairs that remain fully fixed. ▪ A set of cost measures for repairs that gives visibility around overall value of works carried out and that can be effectively used to drive down wasted expenditure/resources. ▪ A set of linked performance criteria across the repairs service and wider work/investment programmes. ○ Arrangements for effectively and transparently accounting to residents and other stakeholders on the performance in meeting or exceeding the agreed targets, along with how performance metrics are being used to drive service improvements and enhancements.

Assessment Criterion	Service Requirement
<p>VfM, Cost and Risk Control Providing a commercial approach with pricing that is market competitive and that secures long term, sustainable value. The cost of delivering the service must be fully understood and be appropriate and proportionate to the outputs being secured.</p>	<ul style="list-style-type: none"> ○ Have a clear business focus throughout the service that underpins the Council's corporate objectives for value for money. ○ Give the Council the flexibility and ability to set, evolve and continually influence the strategic direction of the service. ○ Incorporate a degree of resilience to help avoid 'service failure'. ○ Have in place a resilient blend and hierarchy of skills based around crafts, communication, advice etc. ○ Empower repairs operatives to be proactive problem solvers, with a flexible 'can-do' approach. ○ Make use of the repairs visit by an operative to identify and capture any wider property or tenancy concerns.

Assessment Criterion	Service Requirement
<p>Continuous Improvement – Service Progression and Adding Value Uses a wide range of 'internal' and 'outward looking' insight to drive ongoing service improvements, whilst also using the service to bring wider benefits linked to the Council's housing management and broader corporate strategy.</p>	<ul style="list-style-type: none"> ○ Actively support and develop partnership working within and outside of the Council, with a shared understanding and appreciation of how insight into best and leading industry practice can be used to continually improve and enhance service delivery. ○ Facilitate delivery of a broader agenda for providing 'fit for purpose' homes within successful and sustainable estates and neighbourhoods. ○ Involve repairs and housing teams working collaboratively to deliver tenancy sustainment and reduce the incidence and costs of re-housing. ○ Help support and develop the skills and capabilities of local people (e.g. through local employment and apprenticeships). ○ Help support the Council's wider social inclusion and community-based activities. ○ Deliver tangible benefits to the local economy.

7 OPTIONS APPRAISAL

- 7.1 With a set of critical assessment criteria established, we can now move to consider through a comparative analysis how each of the shortlisted delivery options might provide a full or partial solution to meeting the Council's requirements.
- 7.2 The main merits and shortcomings of each of the options are set out, specifically within the context of the established assessment criteria and the specific context of South Cambridgeshire DC.

Option 1 - Outsourced service (externalised delivery through a single contract)

- 7.3 This option is based around the current approach and would require the development of a suitable set of tender documentation containing a determined specification and set of service standards and other requirements against which contractors would tender. The contract would need to be let in accordance with relevant procurement legislation and procedures. It is worth noting that, even if a single contract is awarded to a single contractor, the contractor is likely to sub-let various works/trades, as at present.
- 7.4 Given the market intelligence and industry experience of ARK, it is assumed that a single contract would be let and that this would include a range of 'packaged' cyclical and planned works. This would be necessary to create a contract of sufficient 'critical mass' given the size and value of the Council's repair and maintenance operations. It is further assumed that the contract would be let for an initial period of five years, with the option to extend for up to a further period of five years.
- 7.5 Based on the Council's current practice and experience, it is assumed that a Price Per Property model for responsive repairs and voids would be the most appropriate arrangement, with an approach for the pricing of packaged works to be determined. Suitable records/trends on expenditure and work volumes should be available for provision to tenderers.
- 7.6 Should Mears be unsuccessful or decline to bid, then a TUPE transfer of staff would need to take place to the new contractor.

Option 2 - Establish an in-house contractor (IHC/DLO) with its own management

- 7.7 In this option, the Council would set up a new 'in-house' team who would take over Mears' current roles and responsibilities, with the usual arrangement being to maintain accountability to a 'client side' team.
- 7.8 Under the new arrangement, the Council would employ its own delivery team of operatives, managed by a directly employed management team.

- 7.9 The Council would also need to put in place the necessary call handling and IT infrastructure as these are currently supplied by Mears.
- 7.10 The directly employed delivery team would undertake most of the work under the direction of a leadership or management team and with support from coordinators who allocate jobs etc. However, it should be noted that all DLOs use some contractors to supplement the work carried out by the in-house team, most notably for specialist services and to provide additional capacity at busier times of the year or with larger workloads. The Council would need to determine the most appropriate or optimum size and composition of the DLO based on a business plan built up around assumptions on income and costs.
- 7.11 A TUPE transfer of staff would need to take place from Mears to the newly established DLO.

Option 3 - A hybrid model – mixing in-house and external contractor delivery

- 7.12 Under this 'mixed economy model' the Council would continue to contract out an element of the repairs service or arrangements but would also set up its own in-house team or DLO to carry out some elements.
- 7.13 For the purposes of this options appraisal, we have assumed that the Council would employ the main delivery team of operatives, management staff and administration/coordinators teams. Meanwhile, an external contractor would provide additional operative resources to supplement those of the Council along with specialist 'commercial manager' expertise and the IT platform and technology systems. Specialist operatives may be provided by the principal contractor or by other sub-contractors.
- 7.14 There would be TUPE requirements, varying depending on the precise nature and split of responsibilities.

Option 4 - New innovations within the sector, including from 'market disruptors' such as Plentific

- 7.15 For the purposes of this options appraisal, we have decided to take the Plentific example of an IT platform or web portal that is used to create a dynamic purchasing system. This would be designed to provide the Council with a property management arrangement that is facilitated by an external organisation/system but under which the Council itself manages its own contractor supply chain of SMEs. All management, administrative and coordinator staff would be employed by the Council.
- 7.16 As with all the other options being appraised, there would be some TUPE implications, the detail being dependent upon the specific nature and scope of the arrangement.

Option 1 – Outsourced service (external delivery through single contract)		
Assessment Criterion	Advantages	Disadvantages
Customer Focus	<ul style="list-style-type: none"> Requirements and arrangements for a service that is centred around the needs and expectations of customers can be built into the new contract, with the potential for financial incentives for meeting target levels of satisfaction. Using sector leading contractor should bring opportunities to bring sector leading IT systems to help improve the customer journey/experience. 	<ul style="list-style-type: none"> Having works delivered by an external contractor can mean there is a far more indirect relationship between the Council and tenants/residents, especially if significant numbers of sub-contractors are used. Contractor led arrangements can be confusing for tenants/residents, with the Council blaming the contractor for failings.
Asset and Intelligence Led	<ul style="list-style-type: none"> Letting a single contract including cyclical and planned packaged works gives good opportunities for a 'joined up approach' to asset management, for example incentives to reduce responsive repairs through targeted planned investment and quality of voids work. A new contract could place requirements and expectations for the service provider to use repairs and asset data to actively inform and determine intelligence led decision making. 	<ul style="list-style-type: none"> There can be a tendency for poor integration/links between the information and data held by the client and the information and data held by the contractor. This can hamper efforts and the ability to provide the joined-up approach sought. It may be difficult to sufficiently incentivise the contractor to deliver the Council's ambitions and aspirations for an asset and intelligence led approach, with pressure from the contractor to replace components rather than repair.
Quality Service and Works	<ul style="list-style-type: none"> A new tender and service specification gives a good opportunity to redesign and reinvigorate the quality, scope and performance of the service in line with best and leading sector practice, leveraging in high quality IT to improve communications and order tracking. A well-structured competitive tendering process could be used to invite and encourage bids that bring new ideas, innovations and 'added value' service offerings. 	<ul style="list-style-type: none"> Less operational control and flexibility than an in-house service, with service changes potentially requiring contract renegotiation. The quality and level of service may end up being limited by the financial capacity within the commercial arrangements of the contract.

<p>The Right Skills and Resources</p>	<ul style="list-style-type: none"> • There is an active and mature market of contractor service providers who possess considerable management skills, delivery experience, commercial expertise and IT infrastructure for providing high quality outsourced repair and maintenance works and services. 	<ul style="list-style-type: none"> • The successful contractor may not provide or may struggle to recruit/retain management and operative staff teams of sufficient calibre, with a risk that good contract managers may be moved elsewhere to focus on failing contracts.
<p>Effective Performance Measurement and Monitoring</p>	<ul style="list-style-type: none"> • An outsourced arrangement by its very nature provides a clear client/contractor differentiation with the opportunity for clearly assigned roles and responsibilities relating to measurement and monitoring of service performance, as well as the potential for financial incentives/sanctions. 	<ul style="list-style-type: none"> • An external contract requires effective, committed, capable contract management by the Council if the service offering and benefits put forward by the contractor are to be fully delivered and optimised. (For every bad contractor there is a bad client!)
<p>VfM, Cost and Risk Control</p>	<ul style="list-style-type: none"> • Combination of responsive repairs with other workstreams should deliver lower prices than a responsive-only contract, due to the spreading of overheads and preliminaries and greater flexibility to manage peaks and troughs across all workstreams. • Externalisation of the 'trading risk', i.e. productivity and absence 	<ul style="list-style-type: none"> • Putting in place one single contract of responsive, void and cyclical/planned packaged works presents a risk of 'all eggs in one basket' in the event of poor contract performance or contractor failure. • The need for a commercial profit and risk-pricing of tenders could lead to higher cost contract arrangements. With Covid & Brexit, larger contractors are seeking indemnities on cost & performance, or pricing in risk long-term.
<p>Continuous Improvement – Service Progression and Adding Value</p>	<ul style="list-style-type: none"> • An outsourced arrangement provides opportunities and mechanisms for securing clear commitments and responsibilities for delivering ongoing service improvements based on an active sector-wide knowledge/awareness of best and leading practice. • Contracts can be used effectively to provide for quantifiable types/amounts of added and/or social value. 	<ul style="list-style-type: none"> • It is likely that a national contractor would secure the contract and thus local SMEs will be limited to working as sub-contractors to the main contractor. • Unless added value and social value requirements and expectations are clearly set out and then delivered by the contractor these opportunities may be lost.

Option 2 – In-house contractor (IHC/DLO) with its own management		
Assessment Criterion	Advantages	Disadvantages
Customer Focus	<ul style="list-style-type: none"> Establishing an in-house service would increase the 'visibility' of the Council to tenants/residents and give the opportunity to build stronger direct relationships, responding and focussing on delivering customer excellence. 	<ul style="list-style-type: none"> If not managed commercially, the DLO may fail to deliver good outcomes. Residents' expectations may be raised and then the Council fails to deliver the customer focus it promises.
Asset and Intelligence Led	<ul style="list-style-type: none"> All the information and data would be held by the Council so would 'be in one place' so more easily available for developing the data driven approach sought. 	<ul style="list-style-type: none"> The Council may struggle to attract the skills and talent needed within an in-house team to develop a sufficiently sophisticated approach, lacking the wider experience and expertise that could potentially be on offer by national contractors.
Quality Service and Works	<ul style="list-style-type: none"> The Council would be in absolute control in 'growing its own' repairs quality and service arrangements, built around its own strategic and business plans. Provides more flexibility to change the service without needing to engage in potentially extensive contract renegotiation. 	<ul style="list-style-type: none"> The delivery of a quality service and works will still be largely dependent on the same management, administrative and operative teams due to TUPE requirements.
The Right Skills and Resources	<ul style="list-style-type: none"> The Council will be in complete control of recruiting the management and operational teams of its choosing and deploying them as it wants, subject to TUPE requirements. 	<ul style="list-style-type: none"> The Council is not geared up to put in place or deliver an in-house service and to do so would require a significant and substantial 'step-change' along with considerable investment of time and money. The Council had a DLO prior to the current Mears arrangement and moved to an out-sourced model due to management and service failings. It could prove difficult to directly recruit and retain high calibre management and operative teams given the relatively high labour and living costs in South Cambridgeshire.

<p>Effective Performance Measurement and Monitoring</p>	<ul style="list-style-type: none"> • An in-house arrangement would give more direct operational control over the service and the ability to move resources to respond to specific priorities, service needs or to address performance issues. 	<ul style="list-style-type: none"> • The Council may find it difficult to establish an arrangement between a 'client side' and 'delivery-side' that provides sufficient drive and rigour to bring about the service and performance improvements needed.
<p>VfM, Cost and Risk Control</p>	<ul style="list-style-type: none"> • There is the potential to deliver financial benefits to the Council with the use of profits or surpluses to reinvest in the development and progression of the service. • There is direct control over the different cost elements and in the event of cost pressures direct action can be taken (change suppliers, reduce workforce, change balance of in-house/ subcontractor (with external contractor there will be negotiation over overall price). 	<ul style="list-style-type: none"> • A significant investment of time and cost will be required to make the DLO fit-for-purpose with potential financial savings or commercial benefits being easily lost through poor management practice and lower levels of productivity. • If a trading company is established it could require some difficult decisions around employing staff/operatives on different contracts with lower 'benefits' than other LA staff.
<p>Continuous Improvement – Service Progression and Adding Value</p>	<ul style="list-style-type: none"> • It would be for the Council alone to set, deliver and monitor goals for continuous improvement. • There are particular opportunities and the ability to put in place and deliver added and/or social value e.g. training and employment opportunities to local people, all determined by the Council and done in the Council's preferred way. 	<ul style="list-style-type: none"> • Without the dynamic and 'push' of a client/contractor relationship there is the risk that the drive to improve may be less.

Option 3 – Hybrid model – mixing in-house and external contractor delivery		
Assessment Criterion	Advantages	Disadvantages
Customer Focus	<ul style="list-style-type: none"> Offers the potential for increased visibility of the Council over the currently wholly externalised service. The outsourced element may give opportunities for contractual requirements for a stronger customer focus, possibly with some potential for financial incentives for meeting target levels of satisfaction. 	<ul style="list-style-type: none"> A hybrid arrangement may be particularly confusing for tenants and residents and may end up with the Council and the contractor each blaming the other for service failures.
Asset and Intelligence Led	<ul style="list-style-type: none"> At least some of the information and data would be held by the Council so more easily available for developing the data driven approach sought. The contractor could have requirements for actively using information and data from their delivery elements included within the contract terms. 	<ul style="list-style-type: none"> With a split of information and data there is the potential for poor integration/links between the information and data held by the Council and the information and data held by the contractor. This may hamper efforts and the ability to provide the joined-up approach sought. It may be difficult to sufficiently incentivise the contractor to deliver the Council’s ambitions and aspirations for an asset and intelligence led approach if their overall input to the service is limited.
Quality Service and Works	<ul style="list-style-type: none"> The Council would have partial control in ‘growing its own’ repairs quality and service arrangements built around its own strategic and business plans. Provides some flexibility to change those elements of the service undertaken by the Council without needing to engage in potentially extensive contract renegotiation. 	<ul style="list-style-type: none"> The Council will have less operational control and flexibility than with a wholly in-house service, with some service changes potentially requiring contract renegotiation. The quality and level of service may end up being compromised by the limited financial capacity within the commercial arrangements of the contract.

<p>The Right Skills and Resources</p>	<ul style="list-style-type: none"> • Commercial expertise can continue to be utilised, in relation to the supply chain and ICT. • The Council will have some control over recruitment of some members of the management and operational teams. 	<ul style="list-style-type: none"> • The Council is not geared up to put in place or deliver an in-house service and to do so even in part would require a significant and substantial 'step-change' along with considerable investment of time and money. • It could prove difficult to directly recruit and retain high calibre management and operative teams given the relatively high labour and living costs in South Cambridgeshire.
<p>Effective Performance Measurement and Monitoring</p>	<ul style="list-style-type: none"> • Provides more direct operational control than a wholly externalised service with some ability to move resources to respond to specific priorities, service or performance issues, subject to the hybrid arrangement. 	<ul style="list-style-type: none"> • The Council may end up with a confused 'client side' and 'delivery-side' between the Council run aspects of the service and the contractor led aspects, leading to insufficient drive and rigour to bring about the service and performance improvements needed.
<p>VfM, Cost and Risk Control</p>	<ul style="list-style-type: none"> • There may be the potential to deliver some financial benefits to the Council with the use of profits or surpluses to reinvest in the development and progression of the service. • Has the potential for spreading the trading risk between the Council and the contractor. 	<ul style="list-style-type: none"> • Due to the more limited size of the outsourced contract it will not be of sufficient critical mass to secure either the right level of interest of contractors or deliver the economies of scale (lower prices) of a wholly outsourced arrangement.
<p>Continuous Improvement – Service Progression and Adding Value</p>	<ul style="list-style-type: none"> • The Council would have some autonomy to set, deliver and monitor goals for continuous improvement. • There may be some opportunities to deliver added and/or social value e.g. training and employment opportunities to local people. 	<ul style="list-style-type: none"> • The relatively small scale of each part of the arrangement could end up diluting the possibilities and opportunities for delivering a joined up, cohesive and comprehensive approach to ongoing service improvement. • Opportunities for adding value could also be compromised or 'watered down' due to the split of arrangements.

Option 4 – New innovations – ‘Plentific’ type arrangement

Assessment Criterion	Advantages	Disadvantages
Customer Focus	<ul style="list-style-type: none"> There could be the potential to drive customer focus through the adoption of ‘Tripadvisor’ style ratings for each of the contractors, which may provide them with incentives to ‘go the extra mile’. 	<ul style="list-style-type: none"> From a customer perspective, there will be poor visibility of the Council and the service could appear extremely disjointed as so many different contractors could attend at their home. It will be difficult for the Council to provide consistency of approach between all the different contractors and it could be difficult to drive up or install a strong approach to customer excellence.
Asset and Intelligence Led	<ul style="list-style-type: none"> The Council will have the opportunity to develop a data-driven approach if it is able to put arrangements in place to collect and hold all the information in one place. 	<ul style="list-style-type: none"> With a large and disparate range of contractors this could present particular difficulties in developing and then effectively using comprehensive information and data to drive informed decision making.
Quality Service and Works	<ul style="list-style-type: none"> There could be the potential to drive up the quality or works and service through the adoption of ‘Tripadvisor’ style ratings for each of the contractors, which may provide them with incentives to ‘go the extra mile’. There are opportunities for the ‘panel’ of available contractors to include some highly competent and specialist trades people. 	<ul style="list-style-type: none"> With a large of disparate range of contractors it could be very difficult for the Council to manage the provision of a consistently high quality standard of works and service.

<p>The Right Skills and Resources</p>	<ul style="list-style-type: none"> • The Council will be in complete control of recruiting the management and administration teams of its choosing and deploying them as it wants, subject to TUPE requirements. • The Council will be able to devise its own arrangements for determining the criteria for inclusion within the list of approved contractors, placing an appropriate emphasis on skill and experience requirements. 	<ul style="list-style-type: none"> • Setting up the management arrangements needed for this council run but externalised arrangement would require significant investment of time and money. • It could prove difficult to directly recruit and retain high calibre management team needed given the relatively high labour and living costs in South Cambridgeshire. • It could prove difficult to attract sufficient firms to the platform to provide sufficient resource to work peaks.
<p>Effective Performance Measurement and Monitoring</p>	<ul style="list-style-type: none"> • There is the potential for the IT platform to offer facilities for helping measure and monitor contractor performance. 	<ul style="list-style-type: none"> • Delivering good quality contract management of so many individual contractors may prove very cumbersome, time consuming and challenging.
<p>VfM, Cost and Risk Control</p>	<ul style="list-style-type: none"> • The nature of the platform means that pricing is constantly put out to the market to competitive pricing ought to be secured on each occasion. 	<ul style="list-style-type: none"> • There are inherent risks in using this model as the sole means with which to provide repairs, cyclical and planned works and industry experience to date has shown it works best as a supplementary arrangement. • There are significant risks of price surges at particular times where contractors are stretched.
<p>Continuous Improvement – Service Progression and Adding Value</p>	<ul style="list-style-type: none"> • It would be for the Council alone to set, deliver and monitor goals for continuous improvement. • This option provides the most scope and opportunities for building relationships with and utilising local SME contractors. • There are particular opportunities and the ability to put in place and deliver added and/or social value e.g. training and employment opportunities to local people, all determined by the Council and done in the Council's preferred way. 	<ul style="list-style-type: none"> • Delivering continuous improvement could be challenging given the significant reliance of a large number of separate contractors who will be working independently of the Council and independently of each other.

Sifting the four shortlisted options

7.17 Given the comparative assessment of the advantages and disadvantages of the four shortlisted options against the assessment criteria, we think the decision around a preferred option comes down to a choice between **Option 1: Outsourced service through a single contractor** and **Option 2: Establishing an in-house contractor (IHC/DLO)**. The principal reasons for arriving at this conclusion are that:

- The outsourced model has been shown to work for the Council under the PPP arrangements (albeit with a range of management and performance shortcomings that would need addressing if a new contract were to be let).
- The DLO model offers a range of potential opportunities for more direct control and customer visibility of the service (albeit with a range of management and cost risk factors).

Meanwhile:

- The hybrid model does potentially provide some valuable elements of control over the service, with opportunities for greater council 'visibility' for customers and flexibility to change or drive service improvements or enhancements. However, it also brings with it a range of challenges relating to the split of service provision between the council and the contractor, with potential shortcomings around effectively holding and using information and data, providing consistency of service to customers and abilities to operate a commercially viable operation for either the council or the contractor. Ultimately, the option has the danger of 'falling between two stools', diluting the advantages but still having some of the disadvantages of either the outsourced or DLO arrangements. This is largely due to the size and scale of the Council's housing stock and repair and maintenance operations, creating difficulties in generating sufficient 'critical mass' through each half of a hybrid option.
- The 'Plentific' type arrangement would require considerable management and organisation by the Council and would come with significant capacity and reliability risks as the sole delivery mechanism for all repairs and maintenance. This is because it relies wholly on constant engagement with the market to generate interest and competition between SME partners. This runs the real risk of providing a fragmented service to tenants, with the council struggling to maintain control.

7.18 On this basis, we develop our further financial analysis and deliverability assessment for just the remaining two option choices.

Financial Analysis

7.19 The size and scale of the Council's repair and maintenance operations are critical to an assessment of the financial and deliverability of the two remaining options under consideration. Based on budgets provided to ARK, forecast expenditure at the commencement of the new arrangements are as follows:

- Total Expenditure of £8.9m per annum (based on 2022/23 forecasts) broken down as:
 - Responsive repairs £2.12m (av. 2.3 repairs per home per year)
 - Void property works £1.14m
 - Heating works £0.6m
 - Cyclical works £0.3m
 - Planned works £4.8m

7.20 This baseline however includes a much higher cost per property and per repair for responsive repairs, increased by 22% from 2019/20 and high unit void costs at around £4,500, twice the sector benchmark.

7.21 Therefore, for the purposes of conducting a financial analysis of the options, we have worked from the basis of what the target level of expenditure for responsive and voids should be, based upon ARK's sector benchmarks, which generates a revised baseline spend of £7.94m as follows:

- Responsive £1,684,287 (based on £321 net per unit per annum)
- Voids £776,556 (based on £148 per unit per annum – this still generates a higher than average cost per void of £2,900)
- Gas £423,118 (based on £128 per unit per annum)
- Planned and Cyclical £5,060,100 (as per 2022/23 forecast)

7.22 Based on the above annual expenditure assumptions, the following headline estimates of cost are provided for each of the two options.

Option 1 – Outsourced service through a single contractor

- A tendered Price Per Property of £290 (net) totalling £1,521,639
- 20% allowance for exclusions outside PPP totalling £304,326
- A total net cost for responsive repairs of £1,825,926

- A tendered Price Per Void of £1,900 (net) which with a 5% stock turnover totals £498,465
- 20% allowance for exclusions outside PPV totalling £124,616
- A total net cost for voids of £623,081
- A tendered Price Per Gas 3* service of £125 per property (3,300no.) totalling £413,201
- If the expenditure on planned and cyclical is based on 2022/23 estimates (£5.1m) then the total service cost for responsive, voids, kitchens and bathrooms would be **£8.0m** as follows:

	Gross cost p.a.
Responsive Repairs	1,888,920
Voids	623,081
Gas	413,201
Planned & Cyclical	5,060,100
Total	7,985,303

- The timescale involved is likely to be in the region of 15 to 18 months to allow for sufficient pre-planning of the requirement, management of a two-stage Restricted Procedure procurement and a minimum recommended mobilisation period of up to six months.
- Implementation costs will be in the region of £295,000 broken down as follows:

	Gross cost
Procurement resources/ support	70,000
Legal costs	75,000
Pre-commencement costs (payable to contractor)	100,000
Mobilisation support	50,000
Total	295,000

Option 2a – Establishing an in-house contractor (IHC/DLO) on commercial terms and conditions

- Baseline turnover of £7,944,061 as per 7.21 above
- Average net turnover per operative of £85,000 for responsive and void and £90,000 for planned/cyclical
- 6 gas services per day and 4 heating repairs per day (0.5 heating repairs per property per annum) for gas engineers

- Average salary of £36,000 for gas engineers and £32,000 for all other operatives
- 40-hour week, 23 days' annual leave plus Bank Holidays, Statutory Sick Pay only and 5% employer's pension contributions; assumed 1,776 productive hours per operative per annum
- 90% direct delivery and 10% subcontracting (apart from gas – 100% direct delivery)
- Materials 23% of turnover
- Overheads and preliminaries 25% of turnover
- The expected breakdown of this cost between the different elements is shown in the table below, and produces a total gross cost for responsive, voids, kitchens and bathrooms of **£7.8m**:

	Net cost p.a.
Labour (84 operatives)	3,212,352
Materials	1,827,132
Subcontractors	752,094
Overheads & Prelims	1,986,015
Total	7,777,596

- Implementation costs will be in the region of £850,000 broken down as follows:

	Gross cost
Business Plan	30,000
Legal, tax & financial costs	20,000
HR Costs (early recruitment pre go-live)	200,000
Recruitment fees	50,000
ICT implementation	250,000
Premises & equipment	150,000
Project support	150,000
Total	850,000

Option 2b – Establishing an in-house contractor (IHC/DLO) on local government terms and conditions

- Baseline turnover of £7,944,061 as per 7.21 above
- Average net turnover per operative of £73,313 for responsive and void and £77,625 for planned/cyclical

- 6 gas services per day and 4 heating repairs per day (0.5 heating repairs per property per annum) for gas engineers
- Average salary of £36,000 for gas engineers and £32,000 for all other operatives
- 37-hour week, 30 days' annual leave plus Bank Holidays, six month's full sick pay and 16% employer's pension contributions; assumed 1,532 productive hours per operative per annum
- 90% direct delivery and 10% subcontracting (apart from gas – 100% direct delivery)
- Materials 23% of turnover
- Overheads and preliminaries 25% of turnover
- The expected breakdown of this cost between the different elements is shown in the table below, and produces a total gross cost for responsive, voids, kitchens and bathrooms of **£8.7m**:

	Net cost p.a.
Labour (98 operatives)	4,096,488
Materials	1,827,132
Subcontractors	752,094
Overheads & Prelims	1,986,015
Total	8,661,732

- The timescale involved is likely to be in the region of 12 to 15 months for implementation of insourcing – the key tasks affecting the timescale are implementation and integration of ICT and procurement of the vehicle fleet.
- Implementation costs will be in the region of £850,000 broken down as follows:

	Gross cost
Business Plan	30,000
Legal, tax & financial costs	20,000
HR Costs (early recruitment pre go-live)	200,000
Recruitment fees	50,000
ICT implementation	250,000
Premises & equipment	150,000
Project support	150,000
Total	850,000

- 7.23 The financial analysis shows that, in cost terms, there is not a material difference between the two main options, with Option 1 having total costs of c. £8m p.a., with Option 2 having total costs p.a. of marginally less at £7.8m for the commercial terms and £0.7k more p.a. on local government terms. Looking at the 'one-off' set up costs, these are significantly higher for Option 2 than Option 1 at c. £850k compared with c. £295k.

Deliverability Assessment

- 7.24 Ultimately, in deciding between the two remaining options and arriving on a preferred option, the Council's overall appetite and capacity to deliver the new arrangements are the critical factors and price should rarely be the determining factor. It is in 'deliverability' where the context of the Council's position really matters.

Option 1 – Outsourced service through a single contractor

- 7.25 As the Council already outsources its service to a single contractor (under two separate contracts), this option would undoubtedly be the easier to put in place from 2022. The Council's teams are already familiar with the concept and fundamentals of the outsourcing model and the Council's staffing and other structures are already in place to help support it.
- 7.26 However, as ARK has set out, the current arrangements with Mears are conventional in their nature and lack many of the elements that form the basis of best and leading practice in repairs and maintenance service provision. Some areas of performance fall below industry benchmarks and the nature of the contract, coupled with the current management practices both within the Council and Mears, is failing to deliver sufficient scrutiny, constructive challenge and continuous improvement.
- 7.27 Therefore, if new contractual arrangements with an external provider are to secure the improvements needed then the following range of elements would need to be put in place over the course of the next 18 months and beyond:
- An immediate process of 'soft market testing' - designed to help formulate and finalise the requirements for the new outsourced arrangements, including seeking interest from potential bidders.
 - Development and agreement of a new 'fit for purpose' service specification - one that contains the key hallmarks of leading industry practice with an emphasis on customer focus, high performance metrics, added value and aspects that drive the right culture and behaviours.
 - A well-managed, compliant, tendering process and procedure – one

that is sufficiently open, robust and rigorous to secure positive results for both the Council and the successful contractor, with clear and transparent pricing arrangements built around sound data and a maximum price of delivering the specified service, any agreed added value and with the potential for shared savings.

- A sound process of implementation – a process that ensures that the specified arrangements are properly put in place by the contractor and that the range of promises and commitments are provided.

7.28 If this option is chosen, the ultimate aim would be to secure new arrangements that deliver the sort of high-quality management, works and service needed to meet the shared vision, aims and objectives of the Council, its tenants and residents. It is possible for the Council to achieve this, but it would take careful thought and an 'intelligent' approach to securing the best result from the tendering process and then a strong approach to managing the new arrangements well.

Option 2 – Establishing an in-house contractor (IHC/DLO)

7.29 Moving from outsourced arrangements to establishing and operating a DLO would require a significant and concerted effort over a period of up to 18 months to mobilisation and then beyond as the new DLO and service becomes established. Without any current in-house operation on which to build the Council would be starting from scratch.

7.30 The main elements that would need to be put in place in establishing the DLO are as follows:

- Dedicated business project and planning team to manage and oversee the project. This will come with significant associated costs, probably including consultancy requirements.
- New IT systems and infrastructure, including arrangements for call logging, allocating/scheduling jobs, making and communicating customer appointments, mobile IT for operatives, recording job/works costs and conducting job/work analysis.
- Agreements for supplies across all areas of responsive, void, cyclical and planned maintenance.
- Subcontractor arrangements and agreements for specialist trades and for providing additional capacity as and when needed, procured in a compliant manner or through a dynamic purchasing system (e.g.

'Plentific' type platform).

- Purchase/leasing of a vehicle fleet, together with organising van stocks
- Finding and organising office and depot facilities.
- Creation of a high calibre leadership and management team within the Council for running a well performing, business focussed DLO, with appropriate staffing and TUPE arrangements.

7.31 This forms a considerable list of activities, all of which would take careful management and coordination and considerably higher 'up front' set up costs. Whilst something like a timetable of c. 15 months for establishing the new DLO is achievable, there must always be the risk that some elements or aspects run up against problems with resulting time slippages. Failure to meet the timetable could leave the Council without secured maintenance arrangements in place following the end of the Mears contracts.

7.32 Whilst there has been a trend over recent years for bringing maintenance services 'back in-house', there is no guarantee that the self determination or greater control it brings will necessarily turn into the provision of higher quality or better value works and services for the Council, tenants and residents. There are many success stories, but also examples where delivering and maintaining consistently high levels of productivity have proved difficult, especially in arrangements where levels of commerciality are poor. In addition, if local government terms were to be used for staffing arrangements then this option could cost an additional c. £0.5m a year, money that could potentially be invested in the housing stock under Option 1.

8 CONCLUSIONS, RECOMMENDATIONS AND NEXT STEPS

- 8.1 Following an appraisal of four shortlisted options, these have been further refined down to just two potentially viable options. These are Option 1 – Outsourced service through a single provider and Option 2 – Establishing an in-house contractor (IHC/DLO).
- 8.2 A financial analysis and deliverability assessment have been carried out on these two remaining options and this has concluded that:

Financial

- In cost terms, there is not a material difference between the two main options, with Option 1 having total costs of c. £8m p.a., with Option 2 having total costs p.a. of marginally less at £7.8m for the commercial terms and £0.5k more p.a. on local government terms.
- Looking at the 'one-off' set up costs, these are significantly higher for Option 2 than Option 1 at c. £850k compared with c. £295k.

Deliverability

- An outsourced arrangement could deliver the sort of high-quality management, works and service needed to meet the shared vision, aims and objectives of the Council, its tenants and residents. However, it would take careful thought and an 'intelligent' approach to securing the right result and then a strong approach to managing the new arrangements well.
 - There is a considerable list of activities that would need progressing and coordinating over the next c. 18 months if a new DLO is to be successfully established, with a range of associated risks if one or more of these is subject to problems or delays, as well as a risk that the Council could struggle to build the skills and capacity in-house needed to fully accrue the range of potential benefits.
- 8.3 The principal questions for consideration against each option are as follows:

Option	Key Questions to Consider
1. Outsourced service through a single provider	<ul style="list-style-type: none"> • Does the private sector have the credentials and commitment to provide the high performing repairs and maintenance service and works that the Council is seeking to deliver for tenants and residents? • To what extent can the Council ensure that a well-constructed specification, robust tendering process and ongoing effective contract management can minimise the risks of an under-performing externalised service?
2. Establishing an in-house contractor (IHC/DLO)	<ul style="list-style-type: none"> • Does the Council have the capacity and appetite to establish and deliver a high performing DLO that will secure the full range of potential benefits? • To what extent are the risks of establishing and then successfully managing a new in-house service worth taking when a new outsourced arrangement could potentially deliver the Council’s ambitions for a high performing service with far fewer financial and other associated risks?

8.4 Given our work to date, ARK’s judgement and conclusion is that, on balance, given the relative merits and potential shortcomings of the two remaining options and the range of financial, deliverability and risk factors, these give more weight to the Council pursuing a preferred option of procuring a new outsourced service with a single contractor. This is because, on the whole, we believe the Council’s current position lends itself less well to establishing a new DLO and that a well structured new outsourced arrangement can deliver a wide range of necessary service and other improvements whilst at the same time offering opportunities to help minimise and manage the associated risks.

Recommendations and Next Steps

8.5 ARK’s recommendation is therefore for a continuation of an outsourced model of delivery, but with a radically different approach to procurement and contractor management, including both the packaging together of services and the use of a payment model that drives the right behaviours and outcomes.

- 8.6 The recommended new arrangements are for:
- A single contract for responsive, void, gas and planned maintenance
 - A commercial model based upon Price Per Property (PPP) for responsive repairs, Price Per Void (PPV), Price Per Gas (PPG) and Price Per Archetype (PPA) for planned works.

- The PPP arrangements being supplemented by a limited range of exclusions, plus Schedule of Rates for communal areas and repairs rechargeable to leaseholders.
- Contractual arrangements for an initial five-year term with the option to extend by up to two further five-year terms.
- Suitable supply arrangements for 'big ticket' materials for the planned programme.

8.7 ARK's advice is that the Restricted Procedure as defined by the Public Contracts Regulations 2015 is the most effective route for this procurement.

8.8 The new outsourced arrangements would be 'Qualifying Long-Term Agreement' under the Landlord & Tenant Act 1985 and as such would require a Section 20 consultation with leaseholders.

8.9 ARK therefore recommends that the Council moves quickly to consider this Options Appraisal Report with a view to adopting the preferred option and then puts steps in place to secure its delivery within the timescales available. This means having new contractual arrangements in place and mobilised ready for a start date of 1st July 2022 as the two recently extended current contracts with Mears come to an end on 30th June 2022. This gives a period of just under 18 months to put the new arrangements in place, a timetable which is tight but achievable.

8.10 A proposed summary timetable is as follows:

February – June 2021	Determine service specification and contract requirements (commercial model, packaging, contract term, form of contract, changes in requirements)
May – June 2021	Section 20 consultation (notice of intentions)
July - August 2021	Selection Stage (SSQ)
Sept– Oct 2021	Tender period
Oct – Nov 2021	Tender evaluation
Dec 2021 – Jan 2022	Section 20 consultation (notice of proposals)
January 2022	Contract Award and commence Mobilisation
1 st July 2022	Contract start date

8.11 The main elements of the recommended process are summarised within five stages as follows:

- A. Preparation
- B. Procurement documentation
- C. Selection
- D. Tender, evaluation and award
- E. Mobilisation

A. Preparation Stage

It will be critical to determine the right requirement to take to the market to generate both sufficient interest and to secure cost-effective proposals. The challenge is to seek from the market cost effective, but also sustainable, PPP and PPV rates, along with a supporting ICT infrastructure that is robust and enables appointments at the first point of contact with regular updates to customers, whilst offering a potentially shorter contract period than would be optimal for contractors to recover their investment.

Careful consideration will therefore need to be given to the options for packaging the contract so that it delivers the above, but so it also secures proposals that meet the Council's vision, aims, objectives and comprehensive specification for the service.

During this stage, our work will therefore include the following:

- Engagement with some suitably sized and skilled contractors to discuss the outcomes sought by the Council and seek views on how the contract can be packaged to generate sufficient interest and appropriate responses.
- Working with members of the Council's assets team to produce a detailed data pack identifying key stock and repairs information to inform the tender process, along with the identification of other reporting requirements. This will require a refresh of the analysis from the Option Appraisal using up to date data and is critical to enable the market to respond effectively to pricing PPP and PPV rates.
- Working with officers from across the Council, elected members and involved tenants/residents to develop a detailed, comprehensive service specification and standards, building on

the work already carried out by ARK in the Options Appraisal stage.

- Incorporating any potential changes in technical standards.
- Assessing and proposing the most appropriate form of contract.
- Collating TUPE information from the current contractor.
- Modelling options for the commercial model and price framework (for example exclusion limits) using the most up to date data.
- Producing a report setting out the recommended structure and terms of the new contract, for sign-off by the Council

B. Procurement Documentation Stage

During the stage we will draft and compile all procurement documentation, making appropriate use of our existing ARK templates. The documents will include:

- Draft Section 20 Notice (Notice of Intention)
- Contract Notice (Restricted Procedure / Contracts Finder)
- Standard Selection Questionnaire (SSQ)
- ITT Document 1 (Invitation to Tender)
- ITT Document 2 (Term Brief)
- ITT Document 3 (Pricing Document)
- ITT Document 4 (Response Document)
- ITT Document 5 (Appendices)

C. Selection Stage

Our work in this stage will involve:

- Publishing the Contract Notices and SSQ documentation.
- Managing any queries during the SSQ period.
- Checking compliance with the return and exclusion criteria.
- Undertaking financial checks against the Economic & Financial Standing criteria (ratio calculations and third-party credit checks).
- Facilitating evaluation and moderation of the assessment by the Council of the Professional & Technical Capability criteria (scored questions).
- Producing feedback to all bidders

D. Tender, Evaluation and Award Stage

In this fourth stage we will:

- Finalise and release the tender documentation
- Manage queries during the tender period
- Support and facilitate the evaluation of the quality submissions
- Evaluate pricing submissions
- Manage clarifications (including potential clarification meetings)
- Provide advice as required on any procurement and evaluation issues
- Produce tender report, award notices, notifications to bidders
- Draft Section 20 Notice (Notification of Estimates)
- Draft contract documentation

E. Mobilisation Stage

Areas that would need to be covered are:

- Project governance (Mobilisation Board)
- Operational advice
- Re-engineering processes (repairs, voids, out-of-hours, disrepair etc.)
- Planned and cyclical programmes
- Customer contact model
- ICT integration
- Finance
- Negotiation and conclusion of contract
- Invoicing and payment processes
- Annual order volumes (including planned programme)
- Communications (internal and external)

8.12 Putting the new arrangements in place will require a considerable amount of time and resources and the Council may wish to secure external specialist support to help deliver the process.