

Winchester City Council

Procurement Strategy for the Repairs, Maintenance & Planned Works Programme

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Prepared for



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Winchester City Council
Procurement Strategy for
The Repairs, Maintenance & Planned Works Programme

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Winchester City Council
Procurement Strategy for
The Repairs, Maintenance & Planned Works Programme

1. INTRODUCTION

- 1.1 The current repairs service carries out approximately 19,000 repairs to circa 5,500 homes and refurbishes around 300 void properties prior to re-letting every year.
- 1.2 Alongside the day-to-day repairs service, the Council invests circa £14m per year into the refurbishment and maintenance of the housing stock by renewing key building components and retrofitting various energy efficiency measures.
- 1.3 The existing contract with Osborne Property Services Ltd (now part of the Cardo Group) was awarded and commenced on 1st August 2011 for a fifteen year term to 31st July 2026.
- 1.4 A separate but concurrent contract is in place for three star gas servicing and repairs with Correct Contract Services Ltd. Their contract is also due to expire on 31st July 2026.
- 1.5 The Council is now preparing for a new procurement to be conducted over the next 18 to 24 months to ensure a new contractor ('Provider') can be appointed by the winter of 2025 such that they can mobilise and complete all pre-construction activity over a four to five month period ready for a contract start on 1st August 2026.
- 1.6 The Council intends to deliver the new Programme through a strategic alliance with a single, suitably experienced and competent Provider. It is intended the new alliance contract will set clear objectives for both the Council and the appointed Provider to improve performance, increase resident satisfaction, jointly solve problems, resolve any disputes before they escalate, and commit to a programme of continuous improvement.

1.7 The anticipated annual value of the Programme is expected to be circa £20m broken down into the following work streams. All costs quoted exclude VAT:

i)	General responsive repairs	£3.5m
ii)	Void repairs	£1.5m
iii)	Compliance services (gas, electric, H&S, etc)	£700k
iv)	Cyclical maintenance & decorations	£300k
v)	Planned investment programme	£10m
vi)	Retrofit energy efficiency measures	£4m

Total Approximate Annual Value **£20m**

1.8 The strategy outlines the parameters within which the Council will deliver the procurement to ensure it is commissioned pursuant to the Public Contracts Regulations, 2015 ('PCR 2015') and in accordance with the Council's Constitution at Part 4.6 Financial Procedure Rules, and Part 4.7 Contract Procedure Rules.

2. EXECUTIVE SUMMARY

- 2.1 **Term:** The new service will commence on 1st August 2026 for an initial fixed term of nine years and eight months, extendable by a further five years to a total of fifteen years. The value of the contract over the first term is therefore estimated at up to £200m. It is not intended to offer a break clause after the first five years. Instead the Council will offer a long term opportunity to the market and may agree to extend the contract by a second and final five year term at their discretion.
- 2.2 **Options Appraisal:** The current service provides for gas servicing and repairs being delivered by a specialist contractor run concurrently but entirely separately from the day to day repairs contract. Consideration was given to bringing the gas servicing and repairs service into the overall repairs and maintenance service to be delivered by a single 'lead' Provider. Consultation with staff and Members considered the pros and cons of various packaging options and concluded there are advantages to the Council in operating a 'Lead Contractor' model. The outcomes are outlined in more detail at section 3.7.
- 2.3 **No fault termination:** Notwithstanding the provision for a fixed term, the contract will provide for a 'no fault' right of termination able to be exercised by either party at any time. In the event the Council exercises its right to terminate at will, it will serve notice on the Provider of not less than 6 months. Should the Provider wish to terminate, it will need to give notice to the Council of not less than 12 months in order to allow the Council sufficient time to conduct a fresh procurement. The final notice periods will be discussed during the tender period and will be agreed by the Council before the final version of the contract is issued.
- 2.4 **Evaluation model:** It is essential the evaluation model rewards the tenderer submitting the highest quality bid at the right price. That does not mean the lowest price. Pursuant to guidance on collaborative procurement from the UK Government set out in the *Construction Playbook*, and the recommendations of Dame Judith Hackitt in her *Building Safer Futures* report, the evaluation model will avoid a race to the bottom by not rewarding the lowest price with the highest mark. Instead it will use the Optimum Price model that in simple terms applies the highest mark to the price nearest the mean average of all bids received. The evaluation model is further explained at section 4.3.

- 2.5 **Specification:** Articulating the service requirement to tenderers is key. The ‘Term Brief’ is the primary document within the Invitation to Tender pack that sets out the required outputs, the way in which the Council expects to work in a collaborative alliance with the appointed Provider and importantly, how the needs of residents will always be central to effective service delivery. Staff, residents and those contractors participating in market testing will continue to be consulted in what a good service will look like that in turn will inform drafting the Term Brief.
- 2.6 **Contact Centre:** Good customer service relies on a well-run repairs contact centre. The contact centre will continue to be operated by the Council and the appointed Provider will manage scheduling and planning appointments as current. Handling calls from residents, diagnosing the extent of the repair required and offering an appointment at a time that suits the resident is a function best managed by the Council working in collaboration with the Provider.
- 2.7 **Pricing:** The Programme will be priced by way of a fixed ‘Price per Repair’ for Repairs & Maintenance, a ‘Price per Void’, and a ‘Three Star’ rate for gas servicing, supported by open book pricing of those exceptional repairs not included in the fixed rates; all as further explained at section 5.1
- 2.8 The Capital Investment programme will be priced initially by way of bespoke basket rates for key component replacements, that will be supported by open book supply chain tenders led by the Provider. The pricing approach is explained in more detail at section 5.2
- 2.9 **Form of Contract:** To ensure the Council has the most effective tools at hand to administer the Programme, it is recommended that the ACA Standard Form of Contract for Term Alliancing, ‘TAC-1’ will underwrite the Programme. TAC-1 is a relatively new contract, having been drafted in 2016 as an iteration of TPC2005, the standard form for term partnering contracts. The contract terms are discussed in more detail at section item 5.4

- 2.10 **Route to Market:** The procurement was to be initially conducted under the provisions of the new Procurement Act 2023 ('PA 2023') that was due to come into effect from 28th October 2024. On 12th September 2024, the Cabinet Office announced PA 2023 will now commence on 24 February 2025, a delay of four months from the original go-live date to allow time for a new National Procurement Policy Statement ('NPPS') to be produced.
- 2.11 The procurement timetable planned to publish the Notice that triggers the formal procurement process in early February that means the Council will now no longer be caught by the new Regulations.
- 2.12 In that regard, the procurement will now be conducted by way of the Competitive Dialogue Procedure under the current Regulations, PCR 2015, a tried and tested format which reduces the risk of challenge. The opportunity to hold constructive dialogue with Tenderers around the more complex and developing areas of service delivery, particularly in respect of ICT and digitalisation, and residents' access to the service, will be key to shaping the final outputs. The procurement route is discussed in more detail at item 4.1

3. MARKET ENGAGEMENT

- 3.1 Whilst the Council felt the value and scope of the proposed procurement would be attractive to the market, it was agreed to conduct a market engagement exercise to gauge the actual level of interest. The exercise allowed the Council to test various procurement options, the proposed pricing model and the route to market with key players in the sector. The outcomes helped shape the Council's final approach and this procurement strategy.
- 3.2 A Prior Information Notice ('PIN') was published on the Find a Tender service on 27th June 2024 inviting expressions of interest from those organisations willing to participate in the exercise. Fifteen firms responded to the PIN and were invited to attend an online briefing session on 25th July 2024.
- 3.3 The session provided some background to the Council, explained the scope and value of the proposed procurement and set out the Council's expectations for the required standards of service and quality. Each contractor attending was issued a copy of the presentation slides and were invited to complete a questionnaire seeking their views on a variety of commissioning and contract management approaches. The presentation and questionnaire are appended to this strategy at **Appendix 1**.
- 3.4 The following fourteen firms subsequently returned a completed questionnaire, including all of the top six repairs and maintenance contractors in the sector (those marked with an asterisk):
1. * Axis Europe plc
 2. * Breyer Group plc
 3. Correct Contract Services Limited
 4. Dodd Group (Midlands) Limited
 5. * Fortem Solutions Limited
 6. Ian Williams Limited
 7. Ladrillos Facilities Ltd
 8. Lancer Scott Limited

9. * Mears Ltd
10. * Morgan Sindall Property Services Ltd
11. Cardo South Limited
12. PHS Compliance Limited
13. United Living (South) Limited
14. * Wates Property Services Ltd

3.5 Both of the incumbent Providers, CCS and Cardo attended the briefing session and returned a questionnaire.

3.6 The contractors were all interested in the Programme and confirmed they would be willing to submit a tender if invited. The key outcomes of the market engagement exercise are summarised below:

- i) All contractors agreed the proposed pricing model was appropriate and attractive to them. The current Price per Repair model was favoured over the alternative Price per Property.
- ii) Thirteen of the fourteen respondents confirmed they have the experience and required competencies to deliver the gas servicing and repair programme. One (Mears Ltd) confirmed they could deliver the gas servicing workstream using directly employed staff, all the others would appoint a specialist sub-contractor.
- iii) Most preferred a collaborative form of contract and confirmed they were comfortable with the proposed Term Alliance Contract, TAC-1.
- iv) All agreed the using a form of competitive dialogue was the most appropriate route to market.
- v) All were content with a price evaluation model that doesn't reward the lowest price with the highest mark.
- vi) All were comfortable with the proposed 60:40, Quality : Price weighting ratio

3.7 Options Appraisal

- 3.7.1 In addition to consulting the market on work packaging and procurement options, the Council consulted staff in the housing Property Services team on the most appropriate contracting model.
- 3.7.2 Options considered were to commission either a Lead Contractor or a Management Contractor to deliver the entire scope of service (including gas servicing and repairs), or disaggregating the service (lotting) into a series of individual workstreams each to be delivered by a number of specialist Small & Medium Enterprises.
- 3.7.3 Property Services staff were consulted in a number of briefing sessions held during July and August and were provided with a detailed options appraisal. A workshop was held on 12th August where the consensus agreed a Lead Contractor able to deliver circa 75% of the services using their own directly employed staff, and circa 25% by appointed specialists was the most appropriate model.
- 3.7.4 It was agreed having due regard ¹to any barriers SMEs may face, the Lead Contractor will provide the gas servicing and repairs programme that may either be by their directly employed staff, or by specialist sub-contractors. It is expected the majority of Lead Repairs & Maintenance Providers will sub-contract the gas service that provides opportunities for local supply chain members in Winchester, including Correct Contract Services Ltd as the incumbent. Mitigations will be put in place to ensure that SMEs are able to participate.
- 3.7.5 Being a key supplier, it is expected the appointed gas servicing provider will be invited to join the Core Group and participate in the joint decision making and problem solving discussions necessary to manage a successful service.

3.8 The project team met on a number of occasions to review the responses both from staff and the contractors participating in the market engagement exercise to agree the next steps. This procurement strategy has been drafted in the light of those responses and the subsequent agreements of the project team.

4. PROCUREMENT APPROACH

4.1 Route to Market

- 4.1.1 The value of the Programme obliges the Council to comply with the Public Contracts Regulations, 2015 ('PCR 2015') that will govern the tendering and selection exercise. PCR 2015 was scheduled to be superseded by the new Procurement Act 2023 due to come into effect from 28 October 2024. However, the Cabinet Office announced on 12 September 2024 that the go live date has been delayed to 24 February 2025.
- 4.1.2 In that regard, the procurement strategy has been revised to include for commissioning the procurement under PCR 2015.
- 4.1.3 The strategy initially considered the various routes to market available under the new 'Competitive Flexible Procedure' prescribed in PA 2023. The new Procedure allowed the Council to design a procurement route best suited to the programme that may be modelled on similar procedures to those in PCR 2015. The following procedures were considered as part of the new Competitive Flexible Procedure under PA 2023, noting they have been amended as necessary to reflect the current Regulations.
- 4.1.4 **Competitive Dialogue:** It is recommended the procurement is conducted using the Competitive Dialogue Procedure. The opportunity to hold constructive dialogue with tenderers around the more complex and developing areas of service delivery, particularly in respect of ICT and digitalisation, will be key to shaping the final service outputs. Being able to hold those discussions during the tender process allows any misunderstandings or assumptions set out in the tenderers' outline submissions to be aired and clarified before they become binding.

- 4.1.5 The technology used in the repairs and maintenance sector is ever developing and the latest service offerings around digital systems to record, collate and report on repairs data, together with the ways in which residents can access the service are all sound topics for dialogue. The procedure was also supported by the contractors responding to the market test questionnaire.
- 4.1.6 Whilst the final topics for dialogue are still to be agreed, they will centre around delivering a first in class customer service. Sessions are expected to include:
- i) The ICT and the data management systems necessary to deliver a sector leading service for residents to report a repair, have it diagnosed and an appointment offered at a time that suits them, all within a single transaction.
 - ii) Quality management systems that ensure repairs are completed right first time, on time and to the satisfaction of residents.
 - iii) The terms and conditions of contract.
- 4.1.7 **Open Procedure:** The Open Procedure allows any interested party to submit a tender and the Contracting Authority will decide whom to award the contract to on the basis of that tender. It is designed for more straight forward procurements, or for those with a limited pool of suppliers. Neither of those features applies to this procurement so the Open Procedure was dismissed.
- 4.1.8 **Restricted Procedure:** The Restricted Procedure was dismissed on the grounds there is no opportunity to conduct any form of post tender negotiation or dialogue on any part of a tenderer's bid. It was agreed conducting formal dialogue on selected topics offers an advantage to the Council the Restricted Procedure does not permit.
- 4.1.9 **Competitive Dialogue with Negotiation:** The procedure is attractive on the face of it as it allows the Council to enter into negotiation on any or no topic following tender evaluation. It offers sufficient flexibility such that in the event the tenders received fully addresses the required outcomes, no negotiation is necessary.

4.1.10 However, the Regulations state the Procedure can only be used where:

- i) The needs of the Contracting Authority cannot be met without adaptation of readily available solutions.
- ii) The works or services include design or innovation solutions.
- iii) The contract cannot be awarded without negotiation because of specific circumstances related to the nature, the complexity or the legal and financial makeup of the service.

4.1.11 It was felt neither of those conditions that would trigger the Procedure apply to the proposed procurement so it was also dismissed.

4.1.12 **Calling off an existing Framework:** The perceived benefit of using an existing Framework is the potential to save time in the procurement by avoiding the need to conduct the pre-selection process (the first stage Selection Process). However, there are likely to be numerous eligible contractors on Frameworks and it is not feasible to invite them all to tender. In that regard, the Council would need to conduct a mini competition to select a suitable tender list that will be similar to the selection process that needs to be followed in any event. The time saving is therefore lost.

4.1.13 The Council could be required to pay a levy to the Framework Provider (via the contract) that are typically between 0.75% and 2% of the annual contract value. In this case, framework fees could amount to circa £150k, assuming say 0.75% of £20m. There is little value to be derived from this option that justifies that level of investment.

4.1.14 Finally, the Council would need to ensure both the Cardo Group and CCS are on the selected Framework. They are on some but not all the current Frameworks, that would limit the Council's choice. For those reasons, calling off an existing Framework will not provide the benefits that at first seems apparent.

4.1.15 **Setting up a DLO:** Consideration was given to the repairs service being brought in house and operated by a Direct Labour Organisation (a 'DLO'). However, a DLO would require a considerable period of time and investment to establish and implement. A minimum of two years is a realistic timescale to recruit the requisite members of staff, establish a working base and office, set up procurement arrangements with merchants and suppliers (that would require a public procurement in itself), procure and implement an ICT system, and purchase a van fleet. From speaking with a neighbouring Local Authority, recruitment and retention of staff for a DLO required considerable effort due to the scarcity of resource in some trades.

4.1.16 Establishing a DLO is a significant undertaking that cannot be underestimated. The level of up front capital investment is considerable with no certainty as to when a break-even point will be reached.

4.1.17 Moreover, the majority of work streams within the current repairs service and capital works programme could not be delivered by directly employed staff. That would require the DLO to sub-contract the entire capital works programme, the gas servicing and electrical service and part of the voids work stream that brings any business plan for operating a DLO into question.

4.1.18 Creating a DLO was dismissed for those reasons.

4.2 Tender Evaluation

4.2.1 50% of the marks available will be allocated to the qualitative submissions, 10% to environmental and social value matters, and the remaining 40% to price.

- 4.2.2 The marks available for the qualitative submissions will be split into a range of individual elements and weighted according to their importance. Evaluation will be a measure of the extent to which the Tenderer has met the requirements of the Term Brief by answering a series of 'Tender Action Points.' The answers each Tenderer provides will be assessed and scored.
- 4.2.3 Each Tender will be marked by a panel comprising Council officers and resident representatives. Each member of the evaluation panel will mark every submission individually and will later agree a final score for each bidder at a moderation session. That approach ensures the final score awarded has been marked consistently and is agreed by the panel as whole.
- 4.2.4 The process to involve residents in shaping service delivery and evaluating tenders is further described at Section 6.
- 4.2.5 Agreed roles and responsibilities for all evaluation team members will be defined by the Council's Procurement Team and guidance will be shared and presented at a group session before the process begins.

4.3 Evaluation of Price

- 4.3.1 The construction industry has endured a torrid time recently following a period of hyperinflation brought about from a combination of Brexit, interruptions to world supplies after the Covid-19 pandemic, and the effects of the war in Ukraine.
- 4.3.2 Against that backdrop, the Council wants to encourage tenderers to submit sensible, sustainable bids. Accordingly prices will be evaluated using the Optimum Price Model where the tender closest to the mean average of all bids received will be awarded the highest marks. This approach avoids rewarding the cheapest price with the highest mark and allows the Council to allocate higher marks to the tenderer bidding the right price to deliver the Programme.

- 4.3.3 Put simply, the model works by awarding the highest mark to the price closest to the average of all tenders received. Some refinement and testing of the model will be conducted to ensure the best outcome for the Council. Prices that are more than say 25% higher or lower than the average (or another percentage to be agreed) will be set aside and the average of the remaining bids re-calculated. In order not to skew the results, a minimum of two prices will be required in the recalculated average. Scores will be awarded based on a calculation against the revised average that may sometimes result in the highest and the lowest price scoring no marks at all.
- 4.3.4 Use of this model is gaining traction. PCL have used it successfully on a range of projects over the last five years including fire safety remedial works to high risk buildings, capital investment programmes and repairs & maintenance services with a scope of work similar to this procurement. Council Officers will meet with Contracting Authorities that have used the model to ensure all are satisfied it meets the aspirations set out in this document and local requirements.
- 4.3.5 Most of the top six Repairs Contractors in the UK have experienced and understand the model, and applaud its use as it allows them to submit tenders that are realistic and sustainable.
- 4.3.6 Often tenderer's quality submissions score well. They are well versed in writing answers to questions around delivering quality works on time and in working with residents in occupation, to the extent their price is often the deciding factor. By using the Optimum Price evaluation model and not placing too high a weighting on price, the Council will be able to reward good quality bids at the right price. The evaluation model and weighting ratios will be designed to ensure a low quality bid with a low price does not come out on top.
- 4.3.7 In that regard, it is recommended a Quality : Price evaluation ratio of 60 : 40 is applied to this procurement.

4.4 Timescales

- 4.4.1 The ‘soft’ part of the procurement got underway in July when the PIN was published. However, the formal procurement will not be triggered until the Contract Notice is published inviting expressions of interest from those willing to tender.
- 4.4.2 Prior to publishing the Contract Notice, the full suite of draft tender documents needs to be prepared and signed off. Those documents will be ready by the end of January 2025 that will allow the Contract Notice to be published on 3rd February 2025 as planned. The procurement and dialogue sessions will be carried out over the course of 2025 with the contract award expected by early 2026 to allow a five to six month mobilisation period in preparation for a start on site of 1st August 2026.
- 4.4.3 The procurement timetable below summarises the principle milestones to be delivered prior to a start on site, noting the timetable may be subject to change as the project unfolds. Key milestones are highlighted in purple text.

Table 1 – Indicative Procurement Timetable

Key Activities	Date
Procurement strategy approvals:	
<i>Senior Managers</i>	<i>23 August 2024</i>
<i>Economy & Housing Policy Committee</i>	<i>17 September 2024</i>
<i>Leaders Board</i>	<i>29 October 2024</i>
<i>Scrutiny Panel</i>	<i>12 November 2024</i>
<i>Cabinet</i>	<i>20 November 2024</i>
First stage leaseholder consultation (NoI) issued	2 December 2024
NoI consultation closes	10 January 2025

Key Activities	Date 2025
Update and sign off draft tender documents	by 17 January
Publish Contract Notice	24 January
Clarification deadline	17:00 17 February
SQ return time and date	12:00 25 February
Evaluate SQs and agree tender list (allow 4 weeks)	by 28 March
Issue Regulation 55 feedback letters	4 April
Finalise tender documents	by 11 April
Issue Invitations to Submit Outline Solutions	14 April
ISOS return date (allow 6 weeks)	26 May
ISOS evaluation (allow 4 weeks)	27 May to 20 June
ISOS moderation and agree shortlist for dialogue (1 week)	by 27 June
Dialogue sessions (allow 4 weeks)	30 June to 25 July
Prepare Invitation to Submit Final Tender pack (2 weeks)	by 8 August
Issue ISFT	10 August
ISFT return date (allow 3 weeks)	28 August
ISFT evaluation and confirm winning bidder (allow 3 weeks)	by 15 September
Tender approval report signed off by the Council	by 29 September
Prepare Regulation 86 feedback letters	29 September
Issue second stage notice to leaseholders (NoP)	29 September
NoP consultation period expires	29 October
Issue Regulation 86 letters	30 October
Observe 10 day Standstill period	to 10 November
Appointment of Provider	14 November
Contract completion	by 30 November
Mobilisation and pre-commencement activities	December to July 2026
Commence main programme	1 st August 2026

5. CONTRACT MANAGEMENT

5.1 Pricing Repairs and Void Refurbishments

5.1.1 The current service is priced by way of a Schedule of Rates. Operating a repairs service under a SoR was common place when the contract was tendered in 2011 but a number of alternative pricing models have since been introduced that streamlines contract administration. The Council considered each of the four models widely used in repairs and maintenance contracts across the housing sector that included discussion with the contractors participating in the market engagement exercise.

1. Schedule of Rates

Pros

- The Council pays for the actual scope of work for each repair based on a tendered percentage adjustment against the NHF SoR as current
- No room for argument over what's in and what's out of each order
- Can be simplified by agreeing a fixed sum for the contractor's overheads and profit to be paid monthly

Cons

- Requires survey and measurement before and after completion of each job that adds additional time and expense
- Risk of 'rate building' by the contractor

2. Price per Property ('PPP')

Pros

- Straightforward client administration
- Provides some cost certainty

Cons

- Places disproportionate risk on the contractor to the extent some are no longer willing to tender for PPP models (as borne out from the market engagement exercise)

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- The risk needs to be mitigated by setting a clear exclusions list, agreeing a value cap on each order and introducing a mechanism where the PPP rate can be re-visited if the volume of repairs exceeds +/- 5% of the number quoted in the tender documents
 - Can encourage contractors to do the bare minimum

3. Open Book

Pros

- The client pays the actual cost of each job plus the contractor's tendered overheads and profit
- Allows both parties to understand where the costs lie that protects the contractor's margin and assists in decision making

Cons

- Contractors tend to consider Open Book as 'cost plus'. They often don't realise they are required to evidence value throughout and not just to incur cost and pass it on to the client for payment
- Clients are required to employ an independent open book auditor
- Not many contractors properly understand how to operate it and struggle to produce accurate cost ledgers

4. Price per Repair ('PPR' - also known as the 'Average Order Value')

Pros

- The client pays a fixed rate for every repair that simplifies administration
- Provides a more equal spread of risk between client and contractor
- Requires a clear definition of what constitutes a repair e.g. a multiple visit to fix a single job is defined as one repair to avoid the client paying for each visit

Cons

- Contractors may be less inclined to fix right first time. It may be in their interest to return multiple times if the definition of a repair is not made clear
- The more repairs ordered, the higher the spend

- 5.1.2 Having considered each model. It was agreed the repairs service will be priced by way of a fixed Price per Repair ('PPR'). In order for that approach to offer the required efficiencies to the Council and to reduce the Provider's risk, the model will be supported by a £750 value cap. In the event the cost of a single repair exceeds £750, the repair will be priced by way of the NHF SoR for Repairs & Maintenance v8.
- 5.1.3 **Voids** will be priced against a fixed Price per Void ('PPV'). In order for that approach to safeguard the Council and better spread the risk, the model will be supported by establishing three categories of void refurbishment: Minor, Standard and Major. Each category will set a clear list of repairs to be excluded from the PPV rate. In the event the extent of work required exceeds the defined scope for each category, the repair will revert to being priced by way of the NHF SoR for Repairs & Maintenance v8.
- 5.1.4 Repairs to remedy damp and mould reported in residents' flats will be excluded from the PPR rate. Those are exceptional items that are better dealt with on a case by case basis, to be priced either by way of the NHF SoR or lump sum quotations, whichever offers the best value for money.
- 5.1.5 **Gas servicing and repairs** will be priced by way of an annual 'Three Star' rate for each gas appliance that includes all servicing, safety checks and repairs required. Any replacement gas appliance will be priced from lump sum quotations to be agreed with the Provider.

5.2 Pricing Planned Works programmes

- 5.2.1 Planned capital investment to replace roof coverings, windows and doors, kitchens, bathrooms and the like will be priced at tender stage using a series of all in basket rates. For example, the rate for a kitchen replacement would include to strip out and dispose of the old kitchen, and supply and install a modern new one to the Council's specification. The rate would include all ancillaries like plastering, decoration, floor coverings and the installation of smoke and heat detectors.

- 5.2.2 Similarly for external components such as roof coverings, a series of basket rates will be priced for varying sizes of roof area and type (e.g. flat, pitched, gable, or hipped). It will be necessary to include separate price lines for pitched roofs in clay and concrete tiles for example.
- 5.2.3 The appointed Provider will be required to survey each property in the actual programme for the year and jointly agree the scope of work required with the Council. That scope will then be priced using the tendered basket rates, or quotations from supply chain tenders led by the Provider where that approach offers better value.
- 5.2.4 Throughout the term, the Capital Works Programme will include measures to improve the thermal efficiency of the housing stock and to reduce carbon emissions that will contribute to the Council's target of becoming net zero by 2030.

5.3 Building cost inflation

- 5.3.1 **Repairs & Maintenance:** Tenders submitted shall be fixed until 31st March 2027 as stipulated in the Pricing Document. In order to satisfactorily deal with building cost inflation, prices for the Repairs & Maintenance service will be adjusted each year by the rate of inflation published by the Consumer Price Index ('CPI') each September. In that regard, prices for each financial year from April will be adjusted by the CPI rate published the previous September.
- 5.3.2 Inflation averaged 9.07% in 2022 and 6.84% in 2023 but current projections forecast a fall to 3% for 2024 and 1.8% in 2025, indicating a more stable outlook. Pegging annual inflationary increases to the CPI aligns to the Council's discretionary annual rent increases and offers both the Council and the Provider cost certainty.

- 5.3.3 **Planned Works:** The planned works programme will be treated differently. Tenders submitted will also be fixed until 31st March 2027 as stipulated in the Pricing Document. Thereafter any adjustments for building cost inflation, material increases and the like will be reflected in the prices proposed for each subsequent year of the Programme. Agreed prices will remain fixed for twelve months from 1st April each year.
- 5.3.4 The Council will set a budget for each year based on the overall budget for the Programme and the extent of works required from scoping surveys. The Provider will be expected to work with the Council to provide a best value price solution in accordance with the tender documents and the contract.
- 5.3.5 The Council expects the Provider to explore ways of mitigating any inflationary pressure through application of the following measures:
- i) Innovation and efficiencies.
 - ii) Sound supply chain management, including refreshing the supply chain at biennial intervals to demonstrate best value.
 - iii) The buying power of the Provider to secure long term, high volume supply agreements.
- 5.3.6 It should be noted the proposed contract does not guarantee the Provider any work. Any out turn under expected volumes will not trigger a claim for loss and expense, or loss of profit.

5.4 Form of Contract

- 5.4.1 The Council is delivering the current Programme using the Joint Contracts Tribunal Measured Term Contract, JCT MTC, 2016 (as amended). To ensure the Council has the most effective tools at hand to deliver the Programme by way of collaborative working and alliancing, it is recommended the ACA Standard Form of Contract for Term Alliancing, TAC-1 will underwrite the service. TAC-1 was introduced in 2016 as an iteration of TPC2005, a contract widely used in the public sector specifically drafted for term programmes of repairs, maintenance and planned works.
- 5.4.2 The JCT MTC form provides no contractual requirement to collaborate nor does it include any formal processes for innovation. It does not provide for a Core Group for joint decision making or problem solving, and is not suited for large, planned works programmes. It was therefore not considered appropriate for the new Term Programme.
- 5.4.3 TAC-1 includes updated provisions to comply with new legislation and policies, although it is expected some bespoke drafting will be required for this procurement to provide for the Building Safety Act, 2022 that came into effect from April 2023, and more specifically The Building (Higher-Risk Buildings Procedures) (England) Regulations 2023 that came into effect from October 2024.

5.5 Works Orders

- 5.5.1 **Repairs & Maintenance:** An Order will be raised under TAC-1 for each year's service based on the allocated revenue budget approved by the Council. Subsequent orders for repairs raised and voids instructed will be by way of individual job numbers issued against each address as current.

5.5.2 **Planned Works:** The Order for the first year will be based on the tender sums received. Orders for the second and subsequent years of the Programme will contain the address list and an instruction to conduct validation surveys and any other pre-commencement activity required to enable the Provider to return with their proposed Task Price. When the Council are satisfied the Provider's Task Price, Proposals and Timetable are acceptable, the Council will issue a Task Commencement Order that is the Provider's instruction to start.

5.5 Contract Management and Payment

5.5.1 **Repairs & Maintenance:** It is intended the Provider will submit a monthly application to the Council setting out all repair and void jobs completed as current. The Council will assesses the application, match the quantity of jobs completed to the PPR and PPV rates, make any adjustments, and certify the amount due for payment.

5.5.2 **Planned Works:** It is intended a simple process will be adopted to build up the cost for each property based on prices per component using the rates in the Pricing Document. It is not the intention for works to be re-measured on completion. Instead, the Provider's Task Price will include for completing all instructed Tasks in each property based on the scoping survey and the Providers' design before any work begins.

5.5.3 The Council will inspect a sample of works in progress and completed works as part of agreeing the payments due. The Council will not pay for materials on site, but rather will pay a final payment on completion of each property for which a handover certificate has been issued.

5.5.4 The Provider will submit a monthly progress and cost report to the Council tracking progress against programme and spend against budget. Performance against an agreed suite of KPIs will be monitored monthly and any interventions will be agreed with the Provider in the event any one KPI target has been missed for three consecutive months.

6. RESIDENT INVOLVEMENT

- 6.1 Delivering a quality repairs service is essential. Residents often view how well the repairs service is run as representative of the performance of the Council as a whole. The views of residents will therefore be a key driver in designing and setting the new service standards.
- 6.2 The prime focus of the new procurement is to build on the success of the current service and make it easier for residents to report a repair, be briefed on its progress and make any follow up enquiries. The service standards will be tailored to meet the needs of residents, supported by the use of the latest thinking in digitalisation and information technology to improve the ways in which residents can access the service.
- 6.3 The Council's Consumer Standards Group have been briefed on the proposed procurement and will continue to be consulted throughout the design and planning stages. Residents will latterly be invited to contribute to the tender evaluation and selection stages that will include joining the Council in the dialogue sessions.
- 6.4 They will be coached by the Council's Procurement Team and PCL in how to conduct an objective evaluation and will be supported throughout to sit on the evaluation panel as equal members alongside Council officers.
- 6.5 Those same residents will later be invited to join the Core Group to be formed post award comprising senior members of the Provider and the Council that among other things, will monitor performance. Having two or three residents on the Core Group who were also involved in the tender selection process sends a powerful message to the Provider that residents are genuinely at the heart of the Council's decision making.

7. CONCLUSION & RECOMMENDATION

7.1 This procurement strategy sets out the principles and parameters within which the Council will deliver the new Repairs, Maintenance and Planned Works Programme. It recommends the most appropriate procurement route to maximise value for money and service quality, and describes the most appropriate delivery framework.

7.2 It is recommended that:

- i) The Council commissions a Term Alliance Contract to be awarded to a single Provider on a nine year and eight month term from 1st August 2026. The contract may be extended for a further five years at the Council's discretion.
- ii) The procurement is conducted pursuant to PCR 2015 under the Competitive Dialogue Procedure.
- iii) Tenders are evaluated on a Quality : Price ratio of 60 : 40.
- iv) Tendered prices will be evaluated using the Optimum Price model that avoids lowest price tendering by contractors in an effort to win the work.
- v) The Term Alliance Contract, TAC-1 (as amended) will be the form of contract to underwrite the Programme.
- vi) The procurement will be supported by resident involvement throughout the design, commissioning and post award monitoring stages.
- vii) The procurement will be conducted in accordance with the timetable set out in section 4.4.

Ends
October 2024

APPENDIX 1

Market engagement presentation and questionnaire