

Appendix 3 Proposed Packaging of lots

To mitigate the risk of appointing a single provider and to attract local and SME contractors, the Council is proposing to split the contract up into three parts as follows:

- Area 1 Responsive repairs excluding gas
- Area 2 Responsive repairs excluding gas
- Gas related services

The Council have the opportunity to re-procure the works within a single contract, or separately either by geography or work type or both.

While this decision is made up of a number of separate decisions the issue regarding management capacity and capability identified is critical. Procurement of more than one contract will require more internal resource than a single contract. We therefore consider there are only four realistic options:

- Option 1 - Single cross borough contract covering all services (one in total)
- Option 2 - two geographically based contracts covering all services (two in total)
- Option 3 - two service based contracts, one covering gas related services and the other all other services (two in total)
- Option 4 - one cross borough contract providing gas related services and two geographically based (three in total)

The latter two options all involve separate gas services.

The decision regarding which option is most suitable requires consideration of the interplay of a number of factors in addition to the internal management capacity.

In particular decisions regarding provision of gas related repairs and servicing within the contract or separately.

The majority of large-scale responsive repairs contractors have in-house capability to deliver gas servicing and maintenance or an established supply chain to deliver this element although medium sized contractors will invariably sub-contract this element. For any contractor that sub-contracts gas repairs and servicing there is increased risk which may result in higher prices or an unwillingness to tender.

In summary therefore, inclusion of gas repairs and servicing within the contract(s) is less likely to attract medium sized contractors and will be more attractive to, and favour, larger organisations.

In addition, we have found that some of the espoused benefits of contractors with in-house gas servicing and repairs are not reflected in practice; often, the management of gas servicing and repairs is entirely separate from the general responsive repairs service.

The table below sets out the advantages and disadvantages of retaining gas servicing and maintenance within the contract.

Retention of gas servicing and maintenance within the contract	
Advantages	Disadvantages
Procurement costs and resourcing reduced compared to separate contracts	While main contractors have in-house expertise they may not be perceived as experts.
Provides single point of responsibility.	Reduces opportunity to tender for smaller organisations and attractiveness
Major contractors have in-house capability	Espoused benefits of in-house capability often not achieved in practice
Access provided by annual gas service ensures virtually all properties are visited by single contractor	Poor performance in one work type difficult to separate from general performance issues
Reduced contract management costs compared to separation	

On the basis of the issues identified above we consider separation of gas servicing and repairs from the general responsive repairs service would be beneficial for the Council in providing a wider market response. This recommendation is contingent upon the Council arranging itself to align with the both the procurement and operational requirements.

If the above recommendation is accepted the available options become either two service based contracts across the borough or two geographically based responsive repairs and voids contracts and a single borough wide gas servicing and repairs contract.

As both options include a single gas servicing and repairs contract the only decision to be made is whether to separate general responsive repairs and voids into 2 areas.

We consider that two contracts would be attractive to a wider group of contractors including both large and medium sized and can be managed effectively.

The procurement documentation will prevent one contractor winning both lots to ensure the Council ends up with two separate repairs contractors.