

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Homes Sub Committee 6<sup>th</sup> February 2022</b>
<b>REPORT TITLE:</b>	<b>Update on the re-procurement of repairs/voids and Heating</b>
<b>LEAD OFFICER:</b>	Susmita Sen – Corporate Director for Housing Stephen Tate – Director of Housing Estates and Improvements
<b>PERSON LEADING AT THE SCRUTINY COMMITTEE MEETING</b>	Stephen Tate – Director of Housing Estates & Improvements
<b>PUBLIC/EXEMPT</b>	Public
<b>ORIGIN OF ITEM</b>	The Council’s improvement work on its Housing Service has been prioritised as a key area for scrutiny. This paper provides an update on the repairs/void and heating procurements.
<b>BRIEF FOR THE COMMITTEE</b>	The Scrutiny & Overview Committee is asked:  1. To note the content of the report

## 1 SUMMARY OF REPORT

1.1 The purpose of the report is to provide an update of the Repairs & Voids and Heating procurement since the Cabinet decision in June 2023.

## 2 BACKGROUND AND DETAILS

2.1 The Council is procuring new contracts to replace the current service which is due to end at the end of July 2023. To mitigate the risk of appointing a single provider the Council is proposing to split the contract up into four parts as follows:

- Contact Centre – to be insourced
- Area 1 Responsive repairs excluding gas
- Area 2 Responsive repairs excluding gas
- Heating related services.

2.2 The Contracts will be initially let for 6 years and 8 months; with a total contract duration of 10 years and 8 months. As part of the scope of the gas procurement it is being proposed to extend the scope of gas boiler installations to include the planned programme. Incorporation of planned

domestic boiler replacements into the servicing and repairs contract is the industry standard as it ensures single point responsibility, consistency of product and installation and transfers responsibility and cost of maintenance to the party installing the boilers.

- 2.3 The Scrutiny Committee met in June 2022 to evaluate the work undertaken in preparation for the re-procurement of the Responsive Repairs Contract. The committee were informed by the views of the residents, the feedback of which have been incorporated into this procurement.

#### Resident Engagement

- 2.4 Croydon is committed to working with our tenants and leaseholders to ensure they have opportunities to be involved in and influence policies, decisions, monitoring performance and developing service standards in the housing service.
- 2.5 Listening to residents about their views and priorities for a high performing repairs service that provides value for money sits at the heart of our approach to procuring a new provider and monitoring their performance in delivering the service. This paper sets out how we will continue to work with Croydon tenants, leaseholders and freeholders throughout the process to ensure that their objectives and aspirations are incorporated in the design, procurement and monitoring of our new repair's provider.
- 2.6 The following steps were agreed:
- A broader group of residents will be recruited to support the tender evaluation stage
  - A working group will be established to ensure the tender documents reflected and addressed what the residents told us they wanted from a new repairs service.
  - Support and training to be provided for all residents involved in the tendering process.
  - A survey was carried out to capture the views of the resident.
- 1.7. Training was provided for residents in advance of the procurement and were key part of scoring all evaluations at all stages. This included a specific resident session with the contractors at the negotiation stages. See appendix 1

### **3 Key Procurement Stages – Repairs and voids**

3.1 The 2 Contracts being procured cover day to day responsive repairs and void works in 2 distinct areas:

- Lot 1- the majority of the borough covering approximately 70% of the stock
- Lot 2- covering New Addington, Fieldway, Shrublands and surrounding areas, approximately 30% of the stock.

3.2. The procurement is being carried out using the Competitive Procedure with Negotiation Route (CPN) where following a pre-qualification and shortlisting process initial tenders are submitted and evaluated. A further shortlisting exercise typically takes place reducing the number of Bidders to 3, and then a negotiation takes place with shortlisted Bidders, tender documentation is modified, and final tenders are sought.

#### Pre-Qualification

3.3. The Contract Notice which included all Pre-Qualification information was issued on 4<sup>th</sup> July 2022 with a return date of 4<sup>th</sup> August 2022. Submissions were received from 6 bidders in Lot 1 and 10 bidders in Lot 2.

3.4. On receipt, the financial standing of all the Contractors were evaluated in accordance with the criteria set out within the Pre-Qualification documentation. Two of the Contractors had insufficient turnover allied with their 'health score' under the Companywatch rating to qualify. As a result of this evaluation two Contractors submissions were non-compliant and not considered further.

3.5. Initially another Contractor was omitted based upon their financial standing but following an informal challenge and submission of further information they were reinstated.

3.6. Submissions were evaluated during August/September by Council Officers, specialists and residents. Within the Contract Notice a minimum of 5 contractors could be shortlisted for Lot 1 and 8 for Lot 2.

3.7. Following evaluation, 5 bidders were shortlisted for Lot 1 and 7 for Lot 2

#### Invitation to Submit Initial Tenders (ISIT)

3.8. Initial tenders were issued to the above on 30<sup>th</sup> August 2022 in accordance with the programme.

3.9. The ISIT pack contained the following key documents:

- The ISIT and response document including qualitative questions and evaluation weighting
- Repairs and property data
- Term Brief (Specification) including IT requirements
- Price Framework, Price Schedule, and associated information
- KPI Framework and Schedule
- Quality questions
- Form of contract
- Policy and information documents

3.10 Several bidders declined to tender or withdrew from the tender process during the tender period. The bidders and the reasons provided are set out below:

Lot(s)	Reason
Lot 1 and 2	Withdrew – suggested that have not ‘seen’ notifications on procurement portal and would therefore require major extension of time to prepare a tender.
Lot 1	Withdrew – citing internal gateway process and governance issues.
Lot 2	Declined to bid – no reason provided
Lot 2	Declined to bid citing limited bidding resources and concerns regarding TUPE.

- 3.11. A number of clarifications were received during the tender period and responses were issued to all bidders.
- 3.12. Initial tenders were received in accordance with the programme and scored by panels of partners including residents. The quality/price evaluation ratio is 60/40.
- 3.13. The commercial offers received at the initial stage suggest that final tenders will be within budget expectations.
- 3.14. In accordance with the Contract Notice the top 3 organisations for each Lot were invited to negotiation.
- 3.15. While 1 Contractor is bidding for both Lots, they cannot be awarded both Lots. In the event they are successful on Lot 1, either one of the other bidders will be awarded the contract subject to Council approval.

## Negotiation

- 3.16. Formal negotiations have concluded and were primarily held face to face with some sessions via Teams. Residents had a separate dedicated session with each Bidder via Teams where we discussed Social Value and Commercial Aspects of the Contract.
- 3.17. The negotiations appear to have been productive and should reduce risk and uncertainty for both Contractors and the Council resulting in more bespoke tenders.
- 3.18. While the performance of the Contractors in negotiation was variable the Officers felt they were all capable of delivering the required service.

## Points of clarification

- 3.19. During the negotiation stage a number of points of clarification were raised. These have been highlighted below.
- 3.20. Further and better information on repairs data - The move to an Average Order Value (AOV) pricing model from a Price per Property (PPP) model necessitates provision of substantial amounts of historical data.
- 3.21. During negotiation it became clear that the calculations provided within the initial tender documentation could be misinterpreted and the volumes of AOV jobs appeared low. We have re-visited the data and recalculated volumes of both AOV jobs and non AOV jobs.
- 3.22. The revised pricing documentation should more accurately reflect work content and avoid disputes during the early stages of the contract.
- 3.23. Recognition of different pricing for disrepair and backlog work (WIP) - Within the initial tender documentation disrepair work was priced within the general repair work and contractors therefore provided 'blended rates' covering both disrepair and non-disrepair work.
- 3.24. It became clear during negotiations that separation of disrepair work from general repair would provide pricing that more accurately reflect the service levels required.
- 3.25. At commencement of the contract there is likely to be a higher level of backlog work than would usually be acceptable as Axis withdraw from delivery. Reducing this quickly is a priority for the Council and will require additional resources from the Contractor that will not be necessary over the long term.

- 3.26. We have therefore included a facility for Contractors to price separately this backlog work together with a regime to ensure that it is cleared within 4 months from commencement.
- 3.27. Any backlog work relating to the PPP will be deducted from amounts due to Axis.
- 3.28. Further and better TUPE information from Axis - During negotiations, Contractors asked if the Council could request further information relating to those employees that may transfer to the new Contractor. Information requested included any proposed salary rises or bonuses between now and commencement and if there are any historical claims regarding health issues.
- 3.29. The Council is requesting this information from Axis to provide to Bidders.
- 3.30. Clarity of requirements around co-location of Contractor's staff within the Council premises - Discussions with Contractors during negotiation clarified the optimum solution with regards to co-location. Contractors generally saw potential benefits both commercially and operationally in sharing premises with the Council.
- 3.31. The Council have decided to provide a total of 14 desks free of charge to the Lot 1 and 2 Contractors within Bernard Weatherill House. While charging for the space was considered it would simply be re-charged back to the Council through the pricing model.
- 3.32. Refinement of Performance measures for Voids and Repairs to ensure clarity of Council's right to make deductions - In negotiation all contractors did not welcome deductions for poor performance but understood why such provisions would be made. They also highlighted that clarity on how such deductions would be made was necessary to avoid disputes. In light of the negotiations the Council have re-visited the wording in the contract documents to ensure that the basis of such deductions is entirely clear. The Council felt that it was important to have a contract with penalties.
- 3.33. Modifications to Social Value Requirements - A number of modifications of the Social Value requirements have resulted from the negotiations. Specifically:
- An emphasis upon the contractual nature of any Social Value Commitments
  - Reference to the Mayor's Business Plan and report to Cabinet dated 22 June 2022
  - An emphasis on working with other Providers to maximise benefits from collaborative working

- Clarification that Social Value requirements will cascade down the Supply Chain and be required from Sub-Contractors and Suppliers
  - Recognition of the current Cost of Living crisis and inclusion of Social Value measures to address this
- 3.34. Out of Hours Call Centre - During negotiation it became apparent that the major contractors bidding for Lot 1 operate their own out of hours call centre to deliver works for Clients. The cost of this is included in the tender as the taking of calls and allocation of work is required whether the Client operates an out of hours call centre or not. The arrangements that are made during normal working hours are not applicable as virtually all out of hours calls are emergencies.
- 3.35. In discussion the Lot 1 Contractors stated they would be willing to provide an out of hours call centre for both Lot 2 and the heating contract, and the costs appear competitive in particular as the call centre costs for Lot 1 are included whoever answers residents calls.
- 3.36. The Lot 1 contractors will therefore be asked to price as an option the operation of an out of hours call centre for Lots 1, 2 and the heating contract.
- 3.37. ICT integration - Implementation of the contractors ICT with the Council's new NEC system is included within the tendered prices. However, there is a risk that NEC will not be operational by the time the contract is awarded; as a fallback position the contractors are being asked to provide an optional price for integration of the ICT systems if NEC is not operational. We must have assurance of this in the final bid.
- 3.38. Pricing evaluation - At initial tender stage the contractors' prices were evaluated on the basis of their year 1 tender.
- 3.39. Negotiations highlighted that some of the one-off costs including mobilisation and risk pricing could influence price evaluation more significantly than intended. This has been exacerbated by some of the other changes referenced above.
- 3.40. In view of the above multipliers will be applied to the tendered rates to reflect the Council's liability and the contract period with recurring costs adjusted to reflect 6 years 8 months costs (the initial contract period) and one off costs included as tendered, This will ensure all elements are weighted more accurately.

## Final Tender Stage

- 3.41. The final Tender stage started on 12<sup>th</sup> December 2022. Bids were submitted by 16<sup>th</sup> January 2023 and the evaluation of the bids started on 17<sup>th</sup> January 2023.

See Appendix 2 – Scoring process

## **4. Heating Servicing Repair & Replacement**

- 4.1 The Heating Servicing Repair & Replacement Contract is a single contract covering the whole Borough that comprises replacement, repairs and servicing of domestic boilers and servicing and repairs of communal boilers.
- 4.2 The procurement is being carried out using the Restricted Procedure where tenders are submitted and evaluated following a Pre-Qualification process and the successful Bidder is appointed.

### Pre-Qualification

- 4.3 Following the publication of a Contract Notice on 5<sup>th</sup> August 2022 submissions were received from 13 Contractors on 5<sup>th</sup> September in accordance with the timetable.
- 4.4 On receipt, compliance and completeness checks were carried out by the Council's procurement team. 1 had not returned a submission, just a copy of their Public Liability Insurance certificate and they were therefore rejected from the evaluation process.
- 4.5 The Council's finance function evaluated the 12 compliant submissions received. all have passed the initial financial review following discussions regarding the surety they are able to provide.

### Final Tender Stage

- 4.6 6 submissions were taken through to the final stage and were evaluated during September 2022 by panels of Partners including residents. They were invited to submit tenders on 14<sup>th</sup> October 2022 with a Tender return date of 21<sup>st</sup> November 2022. The tender return date was subsequently extended to 28<sup>th</sup> November 2022 due to issues in obtaining TUPE data from an incumbent Contractor. This delay has not impacted upon the overall timetable.
- 4.7 During the tender period 1 Contractor withdrew from the competition citing insufficient in-house resource to bid.
- 4.8 Tenders were received on 28<sup>th</sup> November 2022 and have been evaluated by panels of Partners including residents.



4.9 The outcome of the evaluation is currently being drafted for submission.

See Appendix 2 – Scoring process

## **5. Housing Responsive Repairs Contact Centre**

5.1. The contact centre will be in-sourced to allow the council greater control over service delivery and provide an improved customer experience to the council's residents.

5.2. We are aiming to have a multi-channelled contact approach to suit the residents requirements.

5.3. The in-sourced contact centre will be operational 08:00 – 18:00 Monday to Friday. Out of hours will continue to be outsourced and will cover evenings, weekends, and Bank Holidays.

5.4. Out of hours is covered further in 'negotiation' section, and it is anticipated that the successful Lot 1 bidder will provide this service, allowing for a cost-effective solution for the council.

5.5. Contact centre personnel will transfer to the council via TUPE with an estimated date to transfer in the early part of the new financial year. This allows a phased migration approach, to maintain service delivery during a significant period of change for the service, and to reduce the risks associated with a 'big-bang' approach.

5.6. Whilst this is being transferred over as a Repairs Contact Centre, we will be looking at future opportunities for the Team to answer other Housing queries beyond Repairs.