

# Thurrock Council

## Tender Briefing Note: Delivery Model Evolution

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Table of Contents
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1	Tender Briefing Note .....	3
1.1	Purpose of this Note .....	3
1.2	Stock Condition and Funding for Investment .....	4
1.3	Data and Performance .....	5
1.4	Price Model .....	5
1.5	Exit .....	8
1.6	Client Team .....	8
	Appendices .....	11
	Appendix 1 – Thurrock BI .....	11

## 1 Tender Briefing Note

### 1.1 Purpose of this Note

1.1.1 This Tender Briefing Note outlines a number of updates which have been made to the tender documents in order to provide further clarity in some areas, and respond to feedback from the market. It also provides additional information about the anticipated requirements and spend of the Contract to help Participants better understand the opportunity.

1.1.2 In the event of any discrepancy between the tender documents and this briefing note, this briefing note shall take precedence.

1.1.3 Defined terms in this briefing note have the same definitions given to them in the tender documents.

#### About the Opportunity

1.1.4 This Contract is an Alliancing arrangement that is intended to embody the spirit of a true partnership for the delivery of asset management and maintenance of Thurrock's housing stock.

1.1.5 Thurrock is committed to establishing a long-term successful partnership to enable it, and the Provider, to deliver on a set of shared objectives, and manage each risk in collaboration.

1.1.6 Whilst the Model will continue to evolve through dialogue during the tender process, Thurrock has reviewed the risk and reward profile of the Contract and will make a number of updates to the tender documents to be issued at ISOS stage. These changes are summarised within this Tender Briefing Note.

#### Briefing Summary

1.1.7 In relation to financial opportunity and risk, it is Thurrock's intention to work with a single strategic partner to maintain its housing stock within an existing budget affordability envelope. In relation to revenue funded works, Thurrock recognises that it may need to deliver less work, at least in the short term. What it is not intending to do is inappropriately outsource risk to the Provider.

1.1.8 Thurrock has designed a delivery model that unlocks efficiency savings through a single provider model across all services. Thurrock needs the Provider to work with it to deliver the works and services within its available budgets.

1.1.9 The Provider will need to be efficient in cost management to therefore minimise the risk of overspend, which would otherwise result in the Provider and Thurrock having to reappropriate funds or at worst case stop some works.

1.1.10 This is a low-risk financial model for the Provider. Therefore, Thurrock need assurance that the Provider is sufficiently incentivised to do a good job and be committed to managing risks in relation to compliance, efficiency and overspend.

#### SQ Period Extension

1.1.11 To afford sufficient time for all prospective Applicants to assess these changes ahead of the SQ submission deadline, the SQ submission deadline has been extended to 23<sup>rd</sup> February 2024.

### **Applicants' Briefing**

- 1.1.12 Thurrock will hold a further Applicants' briefing to help demonstrate Thurrock's historic spend, levels of investment, stock condition and compliance levels with the intention of providing further information to ensure Applicants are informed about the level of risk under the current delivery model and how Thurrock will work with the Provider to mitigate those risks.
- 1.1.13 The Applicants' briefing will be held at Thurrock's Civic Office (New Rd, Grays, RM17 6SL) on Wednesday 31<sup>st</sup> January between 10:00 and 12:30.
- 1.1.14 To ensure all Participants are treated fairly, any questions which are asked on this briefing date will be transcribed and the questions and answers published on the Portal.

### **Competitive Dialogue Process**

- 1.1.15 Thurrock would like to remind Applicants of the nature of the competitive dialogue procedure which has been selected for this procurement.
- 1.1.16 Documents which have been issued at SQ stage, and will be issued at ISOS stage, are draft only, with the opportunity for bidders to engage in dialogue with Thurrock on any areas which may need refinement or amendment prior to final issue.
- 1.1.17 Thurrock understands that the Model as proposed is innovative and therefore is open to discussion with Bidders including feedback throughout the procurement process to ensure the best solution is found.

### **Note**

- 1.1.18 All figures provided within this Tender Briefing Note exclude VAT.

## **1.2 Stock Condition and Funding for Investment**

- 1.2.1 Since 2013 Thurrock have invested a minimum of £11m per annum to undertake capital investments works, such as decent homes work across their housing portfolio. This investment to date has resulted in Thurrock having a current non-decent rate of less than 5%.
- 1.2.2 In addition to the core capital expenditure noted above, Thurrock have undertaken a number of other significant one-off projects to address the asset investment needs of the portfolio. Key projects include:
  - a) External tower block refurbishment to six blocks
  - b) Non-traditional housing refurbishment
  - c) Installation of ground source heat pumps to 273 homes within three tower blocks.
- 1.2.3 These sit alongside multiple other projects across various workstreams, resulting in a total capital asset investment over the previous five-year period of circa £122m.
- 1.2.4 The figure provided within the Tender pack for capital works (£13.5m per annum) represents the normal level of investment required to continually maintain the condition of the assets, and is an increase on the £11m (for comparable works) available previously.

- 1.2.5 As part of the Tender pack, some information has already been provided to demonstrate the condition of Thurrock's stock (Asset Data). This is based upon works completed and stock condition surveys which have been carried out recently as described in the Term Brief – Asset Management Planning, Investment and Compliance.
- 1.2.6 During the future stages of the Tender process there will be opportunities for Bidders to request further information to enable them to carry out their due diligence. It is expected that this will:
- a) Allow Thurrock to demonstrate alignment between historic maintenance costs, current condition and future investment requirements
  - b) Provide Bidders with the necessary levels of assurance to support their proposals
  - c) Allow Thurrock to work with Bidders to:
    - i) Understand the risk of budget overspends
    - ii) Understand the ability for efficiency savings to offset that risk
    - iii) Identify opportunities to reduce the amount of work delivered to mitigate residual risks.

### **1.3 Data and Performance**

- 1.3.1 Thurrock have significant data available in relation to delivery of the services which will be included in the Term Programme. It is the intention that this data will allow Applicants to formulate an understanding of current performance levels in relation to key areas such as:
- a) Repairs
  - b) Voids
  - c) Compliance
  - d) Damp and mould
  - e) Disrepair.
- 1.3.2 Included at Appendix 1 are a number of images relating to Thurrock's performance dashboards in these areas (and others). It is Thurrock's intention to present these dashboards in further detail at the Applicants' briefing.

### **1.4 Price Model**

- 1.4.1 It is vital that Thurrock does not overspend its available budgets, and it is therefore putting its whole budgets, without discounting for risk, with the Provider for the asset management and maintenance of the stock. Thurrock wish to create a risk profile that the Provider can effectively scope, measure and mitigate, based on the Provider's own offer and management capabilities.
- 1.4.2 Any budget overspend related risks will be discussed during dialogue, including the Model as set out in this document, for the purpose of refining its design and terms ahead of Final Tenders. It is important to Thurrock that Bidders contribute to this process to evolve the Model to be effective and appropriate; ultimately providing for an Alliancing arrangement that is successful in achieving the objectives and mitigating risk.

### Capital Works

- 1.4.3 To complement the process already set out in the Term Brief – Asset Management Planning, Investment and Compliance, each year, the Provider will determine an appropriate capital programme for delivery in that year. It is the intention that the Provider uses their knowledge of the stock, most likely gathered through reactive works, and the existing stock condition data to establish the programme. The Thurrock team (in addition to those who have TUPE transferred to the Provider) will support the Provider in this process sharing their in-depth knowledge of the stock beyond that which can be held in data alone.
- 1.4.4 It is intended that the programme is designed to best utilise the available capital budget to both improve decency, and help reduce reactive revenue spend in future years. Thurrock understand that the available capital budget available will be directly correlated with the work deliverable, and have no intention of requiring the Provider to programme more works than are feasible.
- 1.4.5 Throughout the year, should additional works be required, the Provider will have the ability to review the programme, and if necessary propose reductions in other works to reappropriate funds ensuring they are available for the most pressing capital requirements. Where needed Thurrock will provide advice on, and sign-off of, the most appropriate reduction and reallocation.
- 1.4.6 On a monthly basis, the Provider will be reimbursed based on the cost of the works completed in the month plus the tendered central overhead and profit as set out in section 5.3 of the Pricing Instructions.

### Revenue Works

- 1.4.7 Thurrock appreciates the level of risk it is asking the Provider to manage in relation to revenue works and has therefore reviewed the approach and wishes to provide further clarity on how it will assist the Provider in managing this risk.
- 1.4.8 The current year (FY23/24) forecast revenue expenditure for works is circa £13.2m. The FY25/26 anticipated revenue works budget is £11.5m (before inflation is applied) as set out in the budget provided with the Tender pack. Through this Tender process Thurrock wish to understand from bidders the opportunity to generate efficiencies, how it can best achieve the savings required, and what work it can and may need to reduce.
- 1.4.9 The design of the outsourcing model, i.e. combining all services into a single Strategic Delivery Partner, is intended to help to generate the opportunity for cost savings. The following are examples of some of the areas where savings are anticipated:
- a) Reducing the number of contracts held by Thurrock from over 30 existing contractors to a single Provider resulting in reduced overhead and administration
  - b) Reduction in decision-making time as the majority of elements are in the remit of the Provider
  - c) The ability of the Provider to control and manage both the revenue and capital budgets under a single Contract enabling co-ordinated delivery between reactive and planned works, utilising the capital budget to deliver the “right” works to reduce ongoing reactive demand
  - d) The enhanced commercial skills of the Provider to ensure efficient categorisation of works spend between the revenue and capital budget
  - e) Better identification, by the Provider, of resident responsibility repairs, and stronger implementation of rules in relation to Thurrock’s repairing responsibilities

- f) Alignment of the specification between repairs, voids and component replacement allowing the Provider to reduce the number of unique materials used and drive towards standardisation across the stock.

1.4.10 To incentivise efficiencies, the price model includes a shared savings mechanism that the Provider would financially benefit from, with Thurrock's apportionment of this being used to increase the available revenue budget for future years.

1.4.11 At ISOS stage, Bidders will be required to submit a Pricing Schedule which will not be scored. The aim of this is to provide Thurrock with an understanding of the funding gap between the service as currently described, and the available revenue budget. The Pricing Schedules received at ISOS stage will be used to inform the dialogue sessions to refine the Delivery Model and scope of service to deliver Thurrock's commercial needs.

1.4.12 It is intended that the final documents issued under the tender, which will ultimately become the Contract documentation, will reflect a level of service which is achievable for the available budget.

#### **In-Year Revenue Spend Risk**

1.4.13 On a monthly basis, revenue spend review meetings will be held between the Provider and Thurrock to ensure that any potential overspends are highlighted at the earliest opportunity so that they can be mitigated. This may be due to factors such as:

- a) Increased repair volumes
- b) Changes in legislation
- c) Previously unknown defective materials
- d) Other circumstances or demands beyond the control of the Provider.

1.4.14 Should there be a risk of overspend, which is outside of the Provider's control, the Provider and Thurrock will work together to agree any required measures to return spend to an acceptable level. This may include, but not be limited to, the following:

- a) Reducing the scope of the service
- b) Reducing the void lettable standard
- c) Reducing or stopping non-essential works.

1.4.15 The Provider is to present to Thurrock recommendations on the most appropriate way of reducing spend. It shall then be for Thurrock to select the best approach, taking ultimate responsibility for the decision on which works to curtail. Thurrock is clear that, should they fail to take action in relation to the Provider's recommendations, additional funds will need to be found.

1.4.16 The Provider shall not be penalised for poor performance where this has been affected by a reduction in the service in order to reduce spend.

1.4.17 It is the intent of Thurrock to ensure the cost of revenue works does not exceed the available budget for reasons beyond the Provider's control, and where challenging circumstances result in a need for difficult decisions to be made, the Provider will have the full support of the Thurrock team.

### **Staff Costs**

- 1.4.18 As shown in the budget as issued with the Tender pack, there is a separate budgetary allocation of £1.6m (not including inflation) available in relation to staff who may TUPE from Thurrock to the Provider. This mirrors the existing cost of those posts and on the basis the functions to be delivered by the Provider remain consistent with the functions as currently described in the Term Brief, including this document, this will become additional budget available to the Provider.
- 1.4.19 In future years, this figure will be incorporated into the revenue budget, and if the Provider is able to make savings through overhead efficiency, any funds would be available for use against revenue works.

### **Revenue Profit at Risk**

- 1.4.20 It is vital that compliance in relation to gas, fire, asbestos, water, lifts and electrical systems is achieved and maintained throughout the life of the Contract. Thurrock continually report a high level of compliance and it is critical that this is maintained by the Provider.
- 1.4.21 Based on this, the Tender documents, as currently drafted, put 100% of the Provider's revenue profit at risk in relation to achieving compliance. This will no longer be the case.
- 1.4.22 Incentivisation is intended to be discussed during dialogue, and an appropriate approach developed in conjunction with Bidders. This may be:
- a) The level of profit at risk forming part of the Provider's offer to be evaluated as part of the final submission
  - b) A lower proportion of profit linking to compliance performance
  - c) A proportion of profit linking to efficiency in Model delivery.
- 1.4.23 What must remain is a level of assurance to Thurrock that the Provider is sufficiently incentivised to deliver on a critical objective to maintain compliance, and deliver within its available budget envelope.

## **1.5 Exit**

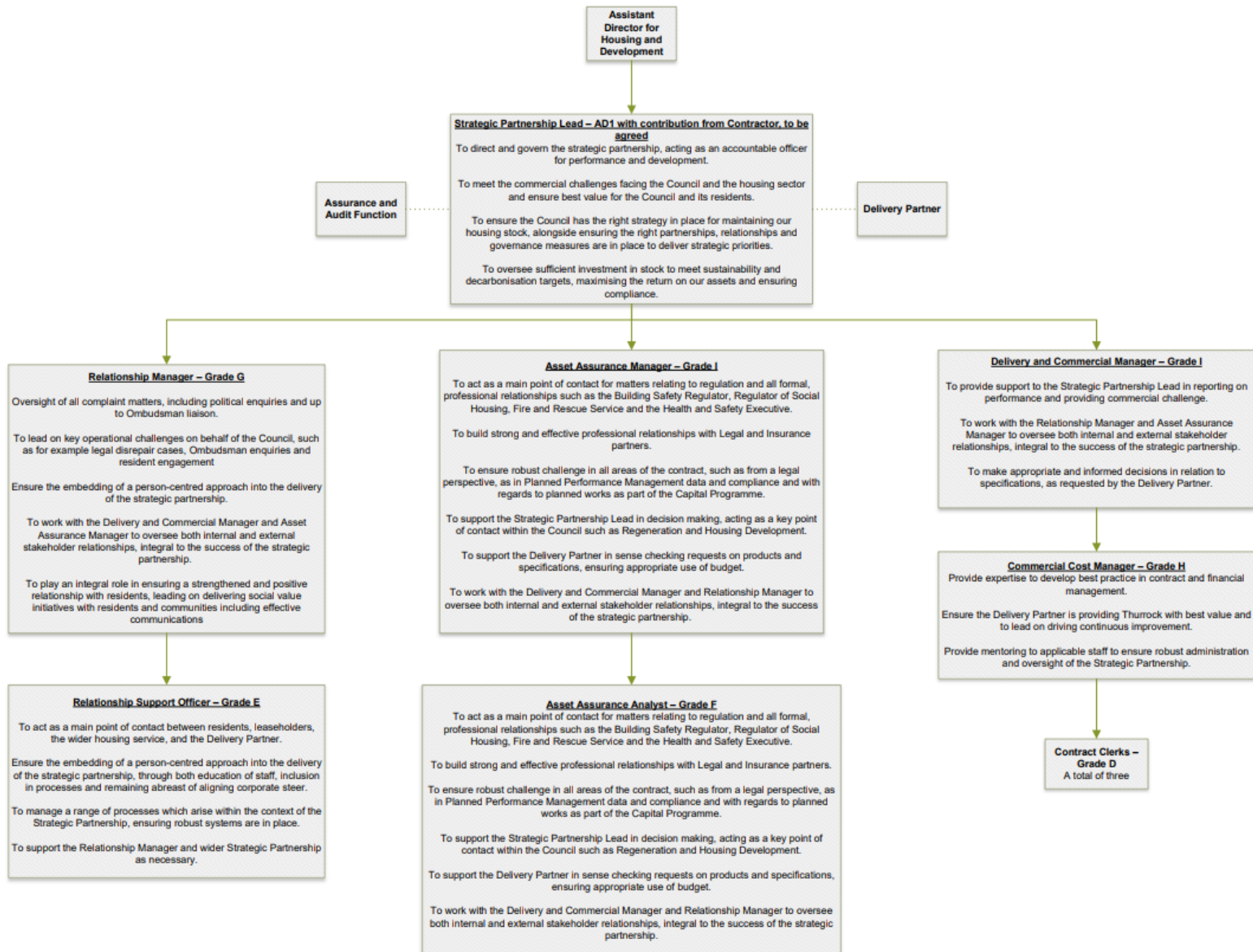
- 1.5.1 Thurrock recognise that this Contract incorporates a level of control and responsibility for asset management services that is not regularly outsourced in the housing market. Circumstances may evolve that may be less predictable, and the Provider will want to be clear on their ability to exit on notice.
- 1.5.2 The no fault termination provision on 12 months' notice will be amended to be available at any point in the Contract Term.

## **1.6 Client Team**

- 1.6.1 Thurrock recognise that a sufficiently sized and experienced Client team will be required in order to work with the Provider to control service standards, costs and risks, working together to ensure a good service is delivered and preventing budgets from being overspent. Thurrock is committed to the Provider being able to engage with and rely on an effective and adequately resourced Client team.



1.6.2 Included below is a structure chart which sets out Thurrock’s anticipated structure, for the management of the Contract, engagement with the Provider and the delivery of Thurrock’s ongoing responsibilities generally. High-level role descriptions have been included to give further clarity to Applicants on the functions to be undertaken by Thurrock and where assistance and collaboration will be available in relation to the management of risk, and the Contract more generally.



1.6.3 The table below sets out the pay scales in relation to the roles above in order to further demonstrate the anticipated skill and experience level of each individual:

Grade	Pay Low £	Pay High £
AD1	78,500	91,000

I	71,193	82,275
H	59,925	69,165
G	50,511	58,266
F	42,917	49,133
E	36,524	41,792
D	31,199	35,579

- 1.6.4 Thurrock will work with Bidders during dialogue to further refine the design of the Client team to deliver on these requirements and meet the objectives.

## Appendices

### Appendix 1 – Thurrock BI

Included as a separate document