Appendix 3. Options Analysis Procurement Strategy

Procurement for Housing (PfH) consulting were appointed to support the council in undertaking the procurement strategy options analysis. The procurement strategy options that have been considered are:

1. Single external repairs partner contractor
2. Two external repairs partners contractors
3. In-house delivery

<u>Option 1, Integrated into a single external repairs partner contractor</u>

Under this option, LBWF appoints one prime contractor responsible for Reactive Repairs, Planned Works and all M&E Compliance Services. This creates a single operating and reporting environment with unified KPIs and shared delivery systems.

Across the sector, fully integrated contracts combining Repairs, Planned Works and M&E Services are used by some larger councils and housing associations seeking to achieve simplified governance, stronger alignment to customer experience and economies of scale.

Where contractors are mature, well-resourced and experienced in multi-disciplinary delivery, this model can work effectively and offer a seamless resident journey. However, these contracts require significant client-side capacity to manage performance risk, technical assurance and commercial drift. This challenge can be amplified in organisations like LBWF where operating with lean contract management teams. In practice, integrated models are less commonly adopted where statutory M&E compliance requires specialist oversight or where the organisation wishes to maintain competitive tension across distinct technical disciplines.

<u>Option 2, Retained as distinct service areas with two specialist partnering contractors</u>

LBWF procures two distinct prime contracts: one for Repairs & Planned Works and one for M&E Services. Each is delivered by a specialist provider with LBWF managing coordination between the contracts.

Most councils and housing associations continue to favour separate contracts for Repairs & Planned Works and M&E Services, reflecting the high-risk, highly regulated nature of gas, electrical, fire safety and water hygiene disciplines.

Specialist M&E providers offer deeper technical competence, stronger compliance cultures and more resilient supply chains, making this model particularly effective for organisations with leaner client-side structures who require clear accountability and reduced systemic risk.

The model also aligns well with trends toward specialist frameworks and DPS-based sourcing, enabling access to a broader market and supporting SME participation. While maintaining two contracts requires coordination across interfaces, this is typically outweighed by the benefits of targeted expertise, clearer performance management, and improved regulatory assurance.

<u>Option 3, bring the service in-house/Direct Labour Organisation (DLO)</u>

In-house teams deliver strong community presence, local employment and direct control over quality and customer service. They often have deep familiarity with the housing stock and can respond flexibly to local priorities.

However, they require significant initial start-up investment including in-sourcing the contact centre and ongoing investment in workforce development, specialist capability, technology and management capacity. Key set-up cost drivers are:

- **Mobilisation & Implementation:** Establishing the service requires one-off mobilization costs, including project management, ICT system integration, and setting up the depot. Similar projects have incurred extra mobilisation costs ranging from hundreds of thousands to over £1 million.
- **Fleet Acquisition:** Purchasing or leasing 30-50 specialized vans (contract hire or purchase).
- **Depot & Stores Setup:** Costs for warehousing, workshop space, IT systems, and inventory for materials.
- **Recruitment:** Hiring a team of multi-skilled tradespeople, plus management staff. There are also legal and TUPE implications.
- **ICT Systems:** Implementing repairs management software, mobile devices for staff, and vehicle tracking systems.

Overall set up costs are estimated at £3 - £5m.

Setting up a new council internal repairs service is a major undertaking that typically takes 24 to 36 months to fully operationalise, covering the following key stages

- Initial feasibility and business plan
- Planning and procurement
- Mobilisation and transfer of the service
- Go-live/launch

Scaling for peaks in demand is challenging, and productivity depends heavily on internal culture and performance management. There is an option to build a DLO in a small way by area or function rather than insourcing in one step. There is no need to build this into the current procurement if the council wishes to undertake this in the future.

Evaluation Criteria	Single Contractor model	Two Partner model	In-house model
Value for Money	**Advantages:** Economies of scale; reduced duplication. **Disadvantages:** Risk of hidden costs and profit margin stacking.	**Advantages:** Competitive specialist markets; cost clarity. **Disadvantages:** Less scale efficiency; duplicated overheads.	**Advantages:** Direct control over spend; predictable costs for core tasks. **Disadvantages:** High fixed overheads; risk of lower productivity.
Resource Availability	**Advantages:** Integrated workforce; easier mobilization. **Disadvantages:** Limited market - fewer suppliers offer full integration.	**Advantages:** Wider supplier pool; specialist depth. **Disadvantages:** Requires stronger coordination.	**Advantages:** Stable, locally based workforce. **Disadvantages:** Limited scalability during peaks; specialist skills harder to maintain.
Social Value	**Advantages:** One SV plan, easy to monitor. **Disadvantages:** SV may dilute across disciplines.	**Advantages:** Targeted SV per discipline; SME-friendly. **Disadvantages:** SV could differ between contractors.	**Advantages:** Strong local employment, apprenticeships and community benefits. **Disadvantages:** Constrained by council budgets and workforce profile.
Risk Mitigation	**Advantages:** Single accountability. **Disadvantages:** High dependency risk.	**Advantages:** Failure in one area contained. **Disadvantages:** More interface risk.	**Advantages:** Full internal oversight and control. **Disadvantages:** All operational and compliance risk retained in-house.

Performance Management	**Advantages:** Unified KPIs, simpler reporting. **Disadvantages:** Harder to isolate discipline issues.	**Advantages:** Discipline-level accountability. Scope for knowledge sharing and innovation between contractors **Disadvantages:** Dual KPI structures.	**Advantages:** Immediate intervention possible; consistent standards. **Disadvantages:** Performance depends heavily on internal culture and management capability.
IT Integration	**Advantages:** One system, simplified integration. Disadvantages: Higher vendor lock in risk.	**Advantages:** Best-in-class systems by discipline. **Disadvantages;** Integration complexity, more than one partner system.	**Advantages:** Can tailor systems to council needs. **Disadvantages:** Requires significant investment; may have lower digital maturity.
Energy Efficiency	**Advantages:** Integrated retrofit and programme planning. **Disadvantages:** Weaker specialist capability.	**Advantages:** Stronger compliance and retrofit focus. **Disadvantages:** Requires coordination to avoid duplication.	**Advantages:** Work can align closely to council sustainability priorities. **Disadvantages:** Limited internal expertise for retrofit unless resourced.
Resident Experience	**Advantages:** Single "front door". **Disadvantages:** Entire journey impacted if provider fails.	**Advantages:** Tailored communication. Pooling of engagement resources between contractors. **Disadvantages:** Potential fragmentation if not coordinated approach and standard.	**Advantages:** Direct ownership of customer experience. **Disadvantages:** Setting up/maintaining OOH triage is costly.
Locality	**Advantages:** Attractive to larger providers. **Disadvantages:** SME access greatly reduced.	**Advantages:** Better local market access. **Disadvantages:** Less attractive for large national contractors.	**Advantages:** Maximum local employment and supply-chain engagement. **Disadvantages:** Limited access to wider market expertise.

To support an evidence-based recommendation, each delivery option has been assessed quantitatively against the nine strategic evaluation criteria. These criteria reflect the Council's priorities for service resilience, value for money, compliance assurance, operational performance, digital integration and local market engagement.

A qualitative scoring scale has been applied to each option:
1 = Poor (least favourable outcome for LBWF)
2 = Fair
3 = Good
4 = Very Good
5 = Excellent (most favourable outcome for LBWF)

Scores are based on the strategic analysis set out earlier in the report and sector best practice on delivery models for Repairs, Planned Works and M&E services, with a total score of 45 available for each option. The following table summarises the scores for each option:

Evaluation Criteria	In-House Delivery	Single Combined Contract	Separate Contracts (Recommended)
Cost/Value for money	2	3	4
Resources	2	4	4
Social Value	4	3	4
Risk Mitigation	2	2	5
Performance/innovation	3	3	4
IT Integration	2	4	3
Energy Efficiency	2	3	4
Resident Experience	3	4	4
Locality of Suppliers	4	2	4
Total Score	**24**	**28**	**36**

Rationale for Scoring

In-House Delivery (Score: 24/45)

- Benefits from strong locality and social value potential.
- However, limited scalability, high fixed cost, weak IT capability and high compliance risk reduce suitability for LBWF's lean operating environment.

Single Combined Partnering Contract (Score: 28/45)

- Gains points for IT integration, scalability and streamlined customer experience.
- Loses significant points for risk concentration, reduced specialist compliance focus and limited SME participation.
- Performance risks are high for councils with lean client-side contract management.

Two Partnering Contracts (Score: 36/45 – Highest)

- Scores strongly across cost, risk mitigation, performance, compliance, market engagement and locality.
- Maintains specialist focus on M&E; preserves flexibility and competitive tension; reduces systemic dependency risk; and aligns well with LBWF's internal capacity.
- Slightly lower on IT integration compared to a single contract, but manageable through mandated standards, APIs and unified reporting requirements.
- Scope for knowledge sharing and innovation across contractors

Conclusion

The scoring model clearly indicates that separate contracts (Repairs & Planned Works + M&E) provide the strongest alignment with LBWF's strategic priorities. This option delivers:

- Clearer accountability between the M&E/compliance services and the general repairs services.
- Stronger compliance assurance by having a specialist partner for this service area.
- Reduced dependency risk on a single supplier, providing more flexibility and agility to address performance issues or demand/supply constraints
- Encourages innovation and competition between repairs partners
- Aligns with the council's Target Operating Model for managing two partnering contracts