



TRANSFORMATION

Memorandum of Information

Procurement of a JV Partner for **A2 Dominion**,
for the Delivery of Service Excellence

Introduction

The A2Dominion Group (**A2D**) is a group of registered providers made up of A2D Homes Limited, A2D South Limited, A2D Housing Options Limited and A2Dominion Group Limited. A2D are running a procurement exercise in accordance with the Public Contracts Regulations 2015. This is intended to lead to the appointment of a partner to enter into a joint venture (**JV**) arrangement.

The core requirement will be the delivery of responsive repairs and void refurbishment works to A2D's housing stock in London (the **Programme**). The scope of works to be provided from the start of the contracts will also include the electrical testing programme (**EICR programme**) and works arising from fire risk assessments (**FRA works**). There is potential for further growth, predominantly in respect of other cyclical and planned refurbishment works and even with external housing providers. A2D foresee this as a remote opportunity in the early years of the long term joint venture arrangement, and is not a primary objective of A2D or this procurement. In the context of a long term joint venture arrangement however, A2D foresee that this opportunity could become more attractive and beneficial in future years.

A2D aims to award a contract to the selected tenderer in March 2023, with the mobilisation of a new service and potentially a new JV vehicle through a 5 month period to a contract start date of 1st October 2023.

The primary objective of the new arrangement is to evolve A2D's joint venture arrangements with a JV Partner, and transform the quality of services provided to customers.

Market Engagement exercise

In preparation for the procurement process, A2D ran a market engagement exercise and engaged with repairs and maintenance service providers in the marketplace. The purpose of this market engagement was to assist A2D and its advisers in structuring the procurement exercise and clarifying key aspects of the proposed Programme, as now set out in this Memorandum of Information (the **Memorandum**).

About A2Dominion

A2D is a housing association, who for over 70 years has been building and maintaining quality homes in London and Southern England. It has a social purpose, putting 100% of profits back into building new homes, stock investment, service delivery and investing in local communities. It maintains circa 38,000 homes that are a mixture of tenures including general needs, housing for older people, supported housing, leasehold, shared ownership, market rented, student accommodation and key worker properties.

It has a development programme to build 4,500 properties over the next 5 years. It is estimated that 2,700 (60%) will form part of its own managed housing stock and the remainder sold privately.

A2D has an active geographical stock rationalisation programme. It is estimated that approx. 2,000 homes will be disposed of over the next 5 years across London and Southern England in order to reduce its operating area and improve both efficiencies and customer satisfaction.

About the current repairs and maintenance service

In 2012, A2D entered into a series of contracts under two joint venture arrangements, with underlying maintenance contracts operating on a 10 year initial term. The current scope of services includes repairs, void refurbishment works, the EICR programme and FRA works.

Pyramid Plus South is the joint venture company that maintains around 25,000 A2D units (including c.21,000 homes of mixed tenure) in the South of England and in surrounding areas of London. A2D is pursuing the extension of this joint venture arrangement for a further 5 years.

Pyramid Plus London (PPL) is the joint venture company that maintains around 22,000 A2D units (including c.18,750 homes of mixed tenure) in and around London. The existing maintenance contract with PPL is expected to end on 30th September 2023 and is subject to this procurement exercise.

The estimated number of repairs, voids, electrical tests & FRA work volumes with PPL for the last 4 years are:

Year	Repairs (orders raised)	Voids (orders raised)	Electrical Tests (core programme)	FRA Works (orders due)
2018/19	32,469	456	n/a	n/a
2019/20	31,542	569	n/a	n/a
2020/21	34,326	688	1,766 (9 month)	205 (part year)
2021/22	36,315 (f/cast)	726 (f/cast)	2,422	482

The following are indicative annual spend figures, inclusive of VAT and excluding profit share, across the workstreams included above;

Budget line	Indicative spend (£)
Repairs AMP	6,812,000
Repairs Exclusions and Projects	4,916,000
Repairs Maintenance Officers	507,000
Voids	3,072,000
EICR and FRA	2,296,000
TOTAL INDICATIVE VALUE	17,604,000

The above includes historic volumes and spend relating to circa 1100 properties in the Bristol area that are excluded from the new contract (to be maintained by PPS). To aid in understanding the potential impact on work volumes and spend, Bristol represented circa 5% of the stock historically maintained by PPL; also with the deployment of 2 maintenance officers.

Accounting for the above and a level of growth over the potential contract of 26.5yrs, the total contract value is estimated to be £575m (excluding inflation over the term). This value includes an allowance for the EICR programme and FRA works extending over the full term, an allowance for ongoing project works arising from repairs, plus an allowance for an allowance for planned works delivered under an annual preventative maintenance programme and growth into additional cyclical and planned works over the term of £150m. It should be noted that the future property count will vary and will impact on contract values (not considered in the above).

As a note in the context of the financial structure of a JV arrangement, the indicative JV annual sum direct and indirect costs of the works, as set out above, exclusive of profit, management fees and service charges (charged/received by both A2D and the JV Partner) are c.£15m (including applicable VAT).

The Strategic Objectives, and A2D's requirements

A2D has set the following strategic objectives for the evolution of the joint venture arrangements, whereby the delivery of these objectives constitute **A2D's requirements** for the contracts and this procurement:

- Providing an improved customer journey in the provision of repairs services, including faster response
- Providing the services through predominantly directly employed operatives (>90% of the work by volume); with recruitment, training and development solutions that enable a sustainable direct delivery model for the long term. The direct delivery model is seen as a critical enabler for an improved customer journey
- Capitalising on the benefits of a long-term strategic partnership, including a direct contribution to achieving carbon zero by 2050 and reducing the volume and cost of repairs through a new approach to preventative maintenance
- A more integral relationship between the employees of the Joint Ventures, housing management and lettings to realise improved outcomes for customers, properties and improved employee satisfaction
- To modernise the service, through technology as an enabler for an improved customer journey, through delivering social value, through a contribution to the carbon agenda, and through evolving performance measures that better drive improvements in service and cost
- Improving the customer journey and the approach to asset management through deploying MS Dynamics

across the services, capitalising on technology solutions available in the market and digital access; also exploring the benefits of the JV Partner providing the call centre in the context of a digital evolution

- A solution for the provision of surveying services within the JV Partnership to address complex property repairing needs and issues, and solutions for the project management of complex repairs
- A stronger A2D brand with customers in repairs, where individual JV brand value (i.e. different to A2D) to support external growth is less relevant into the future
- Improved cost governance, through solutions that include clearer price model rules
- Incentives that drive the achievement of A2D's strategic objectives.

About the procurement

A2D will run a Competitive Dialogue exercise for a new joint venture partner in accordance with the Public Contracts Regulations 2015.

A2D intends to work to the following indicative timetable (these dates are subject to change at A2D's discretion):

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|----------------------------------|------------------------------|
| • Market Engagement exercise | Complete |
| • Selection Questionnaire (SQ) | July – September 2022 |
| • Competitive Dialogue (ITPD) | September – December 2022 |
| • Final Tenders (ISFT) | January 2023 – April 2023 |
| • Award | April 2023 |
| • Mobilisation | April 2023 – September 2023 |
| • New Maintenance Contract Start | 1 st October 2023 |

A2D intends to shortlist down to 3 or 4 organisations through the evaluation of SQ submissions. Those shortlisted organisations (the **Participants**) will be invited to participate in Competitive Dialogue (**ITPD**). The ITPD will be accompanied by the tender documents that will include:

- Draft contract documents
- Service specifications (Term Brief, inclusive of the general requirements, service specifications for each workstream, an ICT Term Brief, the specification of services to be provided by the JV Partner to the JV, and a social value framework and schedule for population by each Participant)
- Price Framework and pricing schedule for completion by each Participant at ITPD and Final Tender (ISFT) stage (evaluated at ISFT stage only)
- Supporting information that will include a property list, historic repairs data, draft TUPE list and relevant policies and procedures
- Instructions for the provision of proposals in response to a series of questions/ matters for Dialogue. These proposals may be required to be provided ahead of the Dialogue sessions, and/or for presentation at the sessions
- A timetable for the Dialogue sessions, anticipated to be carried out over a 4 to 6 week period
- A series of Quality questions for response at ISFT stage. These questions will include the requests for final proposals in relation to the matters discussed at Dialogue, with a series of further questions relating to other areas of A2D's requirements as set out in the Term Briefs and other tender documents
- The evaluation criteria, for ISFT stage. Evaluation at ISFT stage will be on a MEAT basis (e.g. a mixture of quality and price).

In many areas of the service specification, to be reflected in the Term Brief, A2D's focus will be on the provision of an output specification to capitalise on prospective JV Partner's own solutions, potentially unique capabilities and innovative proposals; all tailored to realise A2D's strategic objectives.

A2D intend the Dialogue to focus on discrete matters, with many centred on areas of the output specification. In essence, A2D will specify what outcomes they want to realise through the JV arrangement, for Participants to

enter into Dialogue with A2D on proposed solutions, finalised then and evaluated at final tender stage (ISFT stage) on a price:quality basis.

Competitive Dialogue

This procurement model is intended to enable Participants to develop their proposals for A2D in Dialogue, in response to specific challenges and opportunities to be addressed through the design of the JV arrangement, the scope and specification of services, and the provision of those services by the JV and JV Partner. These matters for Dialogue are expected to include (varied at A2D's sole discretion):

1. Review and development of cost and price proposals to be submitted by the Participants for Dialogue. The information for dialogue will include the proposed delivery model (e.g. direct delivery and subcontract) for each workstream, design productivity for trade operatives, supervision ratios, supporting management structure and the proposed costs for the provision of services to the JV by the JV Partner (as set out later in this Memorandum)
2. The review and development of an improved customer journey in repairs and the realisation of A2D's data strategy through the provision of all works and services under the contracts, based on proposals from Participants for Dialogue. This will include the process flow for works delivered by both directly employed operatives and subcontractors, proposed KPIs and targets that describe service excellence, and key enablers that include technology, resourcing, the provision of the handyman service and any changes to the service specification
3. The role the JV Partner can take, and the supporting solutions, to enable the services to be delivered predominantly through directly employed operatives (>90% of the work), and the creation of a sustainable workforce in the long term (to include recruitment, training and development solutions)
4. The role the JV Partner can take in addressing the carbon agenda over an up to ~26yr contract to 2050. This is to include commitments to move to a fleet of electric/low carbon vehicles in the short term, i.e. how long, to what extent and with what requirements on A2D to enable
5. The design of a Preventative Maintenance [model] and the delivery of associated project works for the purpose of reducing ongoing repairs demand and cost through data led proposals from the JV Partner. The model is intended to be enabled by a commitment from A2D to ring-fence a planned maintenance budget (value to be informed by Dialogue) in works to be delivered by the JV and the sharing of the financial benefits through the JV profit distribution model
6. An option for the inclusion of customer access solutions (including the call centre) in the scope of services to be provided by the JV Partner, as an alternative to the provision of the call centre as a service to the JV by A2D. The Dialogue and resulting service specifications will extend to cover all channels of communication for residents to raise and track repairs, including online and via chatbot
7. Evolving the IT requirements and system architecture with identification of technology led solutions to be implemented by A2D, and those to be provided by the JV Partner. Proposals will be requested from Participants for Dialogue on what they can offer, all tailored to be enablers to an improved customer journey, and to enable the requirements and architecture to be finalised for ISFT
8. The development of people, process and IT led solutions to the challenge of diagnosing complex repairing issues, and the project management of complex repairs
9. The opportunity for Participants to ask questions in relation to the model and specification for the provision of support services to the JV by both the JV Partner and A2D (including call centre, health and safety, HR, finance etc.)
10. The development of incentives: the development of a JV employee incentives scheme that links to customer led leading performance measures that drive the right behaviours whilst not becoming a distraction or open to abuse in the method of measurement. And the development of a link between a minority portion of JV profit and rent loss reduction on void properties for relet through a risk:reward model. On the successful development of a risk:reward model through Dialogue, Participants will be

asked to identify a proportion of bid profit to apply to the model and set out their cross-partnership solutions to reducing rent loss on a year on year basis.

Following the completion of Dialogue the tender documents will be reviewed and updated to incorporate any necessary changes, such as updating service specifications as a result of the learning through Dialogue.

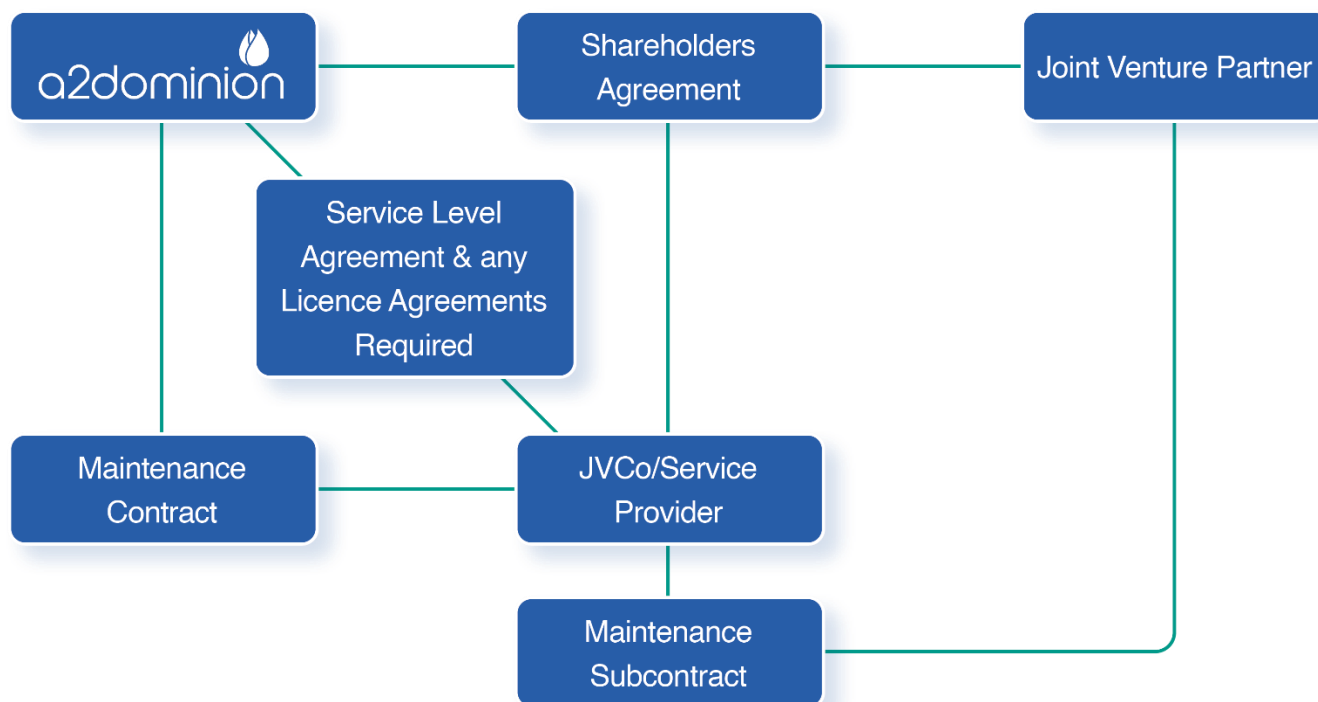
The JV delivery model and contract structure

Under the proposed contractual structure:

- i A2D and the JV Partner would enter into a Shareholders' Agreement to establish the JV. JV proportions will be 70:30 (A2D: JV Partner). Profits arising from the JV will be distributable in line with the 70:30 split, and the terms of the Shareholders' Agreement. Shareholder representation will be 3:2 (A2D: JV Partner)
- ii A2D would enter into a Maintenance Contract (TPC2005, amended 2008) with the JV, as Service Provider, for the delivery of the Programme over a 10.5 year initial term, to 31st March 2034
- iii Contract extensions to the term may be awarded in 2 x 8yr periods, potentially running to 31st March 2050. A2D intends that the award of contract extensions, at their absolute discretion, will be first predicated on performance (KPIs), and the delivery of A2D's strategic objectives and the JV business plan (referenced back to the original procurement and evolving through the life of the contract)
- iv The Maintenance Contract will include an A2D right to voluntary termination, on notice, within the contracts. Its purpose for A2D is principally to recognise the potential for changes in their corporate structure (e.g. mergers or acquisitions) that may impact on the JV arrangements over the term of what could be a very long term arrangement
- v A2D will include a right to vary the scope of services in respect of the ability to remove either or both of FRA works and the EICR programme at their sole discretion. A2D maintain the view that the provision of these non-core services by the JV can continue to provide improved risk assurance and value for money, whilst wanting to retain the flexibility for these services to be delivered separately in future
- vi Key Performance Indicators (KPIs) will link to A2D's right to seek performance improvement in the event of a failure to achieve Minimum Levels of Acceptable Performance (MLAPs), and a right to terminate the Maintenance Contract and/or Subcontract should those failures not be remedied. A wider set of performance incentives for the JV (and JV Partner) and employees are intended to be applied, and will be explored at Competitive Dialogue further to the receipt of proposals from Participants
- vii The JV Partner would enter into a Maintenance Subcontract (STPC2005, issued 2010) with the JV. The Maintenance Subcontract will require the JV Partner to be singularly operationally and commercially accountable and responsible for the JV and the JV Partner will provide an express duty of care for the delivery of the Programme
- viii A2D would enter into a Service Level Agreement with the JV to provide a range of support services to the JV in delivery of the Programme
- ix It is anticipated that the JV Partner would also provide a number of support services to the JV, and these services would also be incorporated into the Maintenance Subcontract.

To support the long term sustainability of the contract and the relationship, the contract will provide for regular 360 partnering reviews to be completed. The purpose will be to test, maintain and evolve the relationship, evolve and modernise the service specification and technology solutions for the long term. This will be conducted with involvement from residents, as the key stakeholder group and an influencer of how the service needs to evolve. A2D intends that the reviews be conducted every 2yrs, and prior to potential award of contract extension(s).

A2D will adopt a contractual structure whereby A2D and the successful Participant will enter into a contractual joint venture arrangement, establish a JV vehicle (the JV) and deliver the Programme, with the benefit of a retained workforce:



Management and Support service provision to the Joint Venture Company

A2D believes that there are a range of support services where it would not be most effective and/or economically advantageous for those services to be provided in-house by the JV. It is anticipated that A2D would provide at least the following services under its Service Level Agreement with the JV:

- Finance (utilising cost and value information provided monthly by the JV Partner)
- Performance reporting (utilising data to be provided to A2D by the JV & JV Partner)
- Office space, with facilities management, for colocation and local IT infrastructure
- Company secretarial
- PR and communications

A2D anticipates that the JV Partner would provide management services and the following support services under its Maintenance Subcontract with the JV. This service provision will also align with the JV Partner taking single-point responsibility for the delivery of the Programme and providing a duty of care in respect of the services:

- Responsibility for the management of works and services provided by the JV
- Health, safety and compliance (including registrations and certification with external bodies)
- HR (including recruitment, employee development and training)
- Social Value, employment and skills, including the coordination of apprenticeships
- Payroll (at least to the point of providing payroll information, acting as a payroll bureau)
- Fleet management
- Procurement and supply of vehicles, materials, equipment & subcontractors (inc. van stock management & purchasing, and waste)
- Work management and scheduling IT solutions and mobile

Both A2D and the JV Partner will need to account for their own costs for insurances within their respective charges. A2D believe that there is the potential for either A2D or the JV Partner to procure insurances for the JV, and potentially this could even vary at a policy level. A2D intends for a provision to be fixed within the price model to account for an estimate of the costs to the JV.

Scope of services to be provided by the JV to A2Dominion

A2D considers that over the last 9 years its JV delivery model has provided a greater level of control and risk assurance in the provision of vital maintenance services to A2D and its customers. A2D considers that a JV model can be cost effective and bring inherent efficiencies where services are provided predominantly by directly employed operatives.

Repairs and void refurbishment works will be core services provided by the JV to A2D under the Maintenance Contract.

The repairs service includes the provision of a dedicated handyman service for a number of blocks. This service has been well received by residents and continues to be seen by A2D as well worthy of the ongoing investment.

The scope of services will also include the EICR programme and FRA works for the continued extension of the JV's core self-delivery capabilities into these critical compliance workstreams for A2D. Bidders are requested to reflect on the opportunity for control, risk assurance and cost efficiency benefits arising from the JV delivery model.

A strategic objective for the Partnership is the self-delivery of all services, with only strictly specialist works being subcontracted by the JV. A2D are keen to capitalise on the potential for 90%+ of works being delivered by directly employed operatives.

A strategic objective of the partnership is to design a preventative maintenance model, and deliver project works to reduce ongoing repairs demand and costs. This is likely to be through an annual planned works programme to deliver variety of maintenance and improvement works specifically for this purpose.

A2D will explore through Dialogue an option to incorporate the call centre and the provision of digital access to the repairs service for customers online. A2D are keen to understand the service and cost benefits from the provision of an "end to end" maintenance service by the JV, with market leading IT solutions that enable customers to access services how they want to, when they want to.

A2D's current assumption is that the new JV would not have opportunities to deliver planned investment programmes through the majority of the initial contract term. This reflects the fact that the delivery of many of A2D's planned programmes are covered by existing term contracts and frameworks, and A2D sees value in continuing to procure these separately at this time. In addition A2D wishes the new JV to focus on delivering the Repairs and Voids work in particular to the agreed service standards. That said, given the combination of the potential contract term, the relevance to the strategic objectives and the incentive for growth on providing an excellent service, the incorporation of planned and additional cyclical works is a realistic prospect in the long term.

Modernising the service requirements

A2D recognises that its current service offer to customers falls short of what its customers expect to receive. A2D wish to capitalise on the evolution of its JV arrangements by taking the opportunity to transform the services provided to customers. A2D anticipates that a greater use of technology for digital customer access to services, technology in the delivery of services, setting higher performance expectations and creating social value in A2D communities are all key enablers to transformation.

A2D also recognises that the new JV arrangement may extend to coincide with the term of addressing the Carbon Zero agenda to 2050. A2D wishes to capitalise on all opportunities that exist to contribute to an objective to reduce the carbon impact from the services that will be core to the Maintenance Contract. At this stage A2D is not looking to understand how the partnership could deliver planned investment works as a means to contribute.

Partnership solutions for the provision of surveying services

A2D wishes to receive proposals from Participants on how project surveying services can be best established within a JV arrangement. The core purpose of the function is the diagnosis and project management of larger and more complex repairing issues.

A2D believes that supervisory roles can extend to manage larger repairs that involve multiple operatives, subcontractors and visits, but that its core competency is people management and its capacity often limits its ability to do this well all of the time. A2D believes that client side building surveying teams can assist with diagnosis but that their role often ends up focusing on the approval of the cost and completion of work. A2D's experience is that larger, complex repairs are a common source of poor customer service, extended time periods to address repairing issues, and are a primary source of complaints (where the volume of complaints is entirely disproportionate to the volume of these repairs).

A2D requires that a solution is designed into the JV arrangement, including people and process. This includes decisions on who the people will work for, their roles, competencies and qualifications, responsibilities and their objectives with reference to the purpose of the function, the activity they will manage, and the processes that will be put in place.

The price model

A2D is employing an Agreed Maximum Price (AMP) for repairs that is varied each year based on changes to the size, tenure and resulted repairing responsibilities of the stock. This is a subtle variation on a Price Per Property model that is intended to emphasise the objective to maintain the stock within a defined budget cost, for the vast majority of repairs.

For repairs where the actual cost is recoverable from third parties, such as Leaseholders, these will be priced on the NHF V7.3 SOR: simply for that purpose.

For repairs where the NHF SOR value, after adjustment, is greater than £1,500 (excluding VAT), these will also be priced on the NHF SOR to mitigate pricing risk for high value and unpredictable repair volumes.

A2D will ask Participants to populate a price model with the expected resources and associated costs required to deliver the services: repairs, voids, EICR programme and FRA.

The pricing structure for the delivery of services by the JV will be based on fixed prices including an AMP for repairs and Price Per Void (inclusive of site overheads and profit), a Price Per Test (EICR programme), and NHF SOR% adjustments for works and services priced outside the fixed prices.

Preventative maintenance works are expected to be costed and priced annually, forming part of the annual proposals for approval by A2D. Price rules will require a competitive quotation process for works delivered by subcontractors, and benchmarked costs and prices for self-delivery in the demonstration of value for money.

Separate fixed prices will exist for A2D and JV Partner Management Fees and Service Charges (prices for the provision of support services to the JV).

The non-core services of the EICR programme and FRA works will be priced and evaluated separately (direct cost and site overheads). This is to enable transparency and monitoring of these services on a value for money basis in isolation of the core services, and facilitate ease of separation should A2D choose to remove those services from the scope of the contracts at any point during the term of the contracts.

FRA works will be priced on an open book basis, cost reimbursable (plus profit) basis.

Where Participants identify pricing risks that cannot be accommodated, there will be an opportunity to identify these risks and associated costs for discussion through the Dialogue process and the potential incorporation of a level of risk mitigation within the Price Framework. All price risk is to be priced into the contract prices at ISFT stage.

Participants, as prospective JV Partners, will be requested to price a management fee and provide further prices for the provision of support services (JV Partner Service Charge). Participants will also have full visibility of the price that the JV will be charged for the provision of services by A2D (A2D Management Fee and Service Charge).

Participants will price a Profit % that they would seek to recover as the JV Partner's share through the JV profit distribution. As a means to account for the A2D share of profits arising, the total profit applied within the prices will be uplifted to account for the 70:30 split.

Incentivising the achievement of A2D's strategic objectives

The customer led measures of service transformation for A2D and customers may be described by;

- Continuously improving levels of EICR compliance and FRA action completion
- A quicker speed of response for customers in repairs
- Reduced customer effort, and lower levels of chaser calls from customers into the A2D call centre
- Higher levels of customer satisfaction
- Lower levels of complaints and a reduction in compensation paid to customers
- A reduction in rent loss arising from vacant properties

A2D wishes to establish a closer financial link between financial outcomes for A2D, the JV, JV employees and the JV Partner so all share in the benefits of success. This includes where outcomes are as a result of JV and A2D performance, and employees can be commonly incentivised to work together and perform.

A2D considers that if the JV is incentivised to perform, as a direct consequence so will the JV Partner, and overall A2D is more likely to achieve its objectives. Equally, where incentives have a direct impact on JV revenue, those incentives can be reflected in a suitable bonus scheme for employees; in combination with individual performance.

A proportion of the JV profit, priced by the Participants, will be encompassed within a risk:reward model linked to ring fenced measures intended to drive the right behaviours. The opportunity will exist to achieve the targets against those measures resulting in a super-profit up to a ceiling defined by the risk:reward model.

A proportion of the JV profit attained is expected to result in JV employee bonuses being payable through an employee incentives scheme proposed by the Participants; with discussion at Dialogue.

A2D believes that the risk and reward sharing dynamics made possible by the JV arrangement creates an environment where the Partners can work together to deliver a great service, recover costs, account for proportionate risk and generate an appropriate level of profits as a return on investment, and reward JV employees for great performance and improved outcomes for customers and A2D.

JV branding strategy and its link to real prospects for external growth

The Current JV's are named "the Pyramids" to reflect the strength of the tri-party relationships and create a level of brand separation that supports external growth by the Pyramids as a specialist maintenance provider.

A2D's experiences are that the financial benefits arising from growth may provide insufficient reward to A2D and JV Partners from investment in growth. Its conclusions are that the risk of distraction from core service delivery to A2D outweigh the financial benefits. The only caveat lies in the prospects of A2D and other local housing providers integrating their maintenance service provision as part of a wider business case.

A2D is therefore considering the potentially greater benefit of an identity that is more closely aligned to A2Dominion. The driver is to support an objective for customers to see the JV employees attending their homes as being part of A2D as their landlord, and reinforce a closer relationship between A2D and JV employees.