



Briefing Paper

**Housing Management
CCT in London**

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May 1996

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Part 1

Pattern of tendering in London

The first round of housing management CCT can only reasonably be described as a farce with the main contractors expressing an interest in a very high proportion of contracts. This may have given the impression of 'competition' for a short period. Many small companies and housing associations expressed an interest in authorities and contracts which they had little hope of winning, let alone delivering a service to tenants. A great deal of public (and some private) money was wasted in this process. We accurately predicted a 90-95% in-house win rate.

Contractor complaints and their investigation by the Department of the Environment must be kept in perspective. Local authorities need to continue CCT best practice and the recent DoE Circular 5/96, which is very repetitive of previous advice, should not deter authorities from this course of action.

It should be noted that the Local Government Management Board (LGMB) database now combines VCT and CCT contracts in the information it provides on white collar services. Given the scale of VCT housing management contracts where there was no in-house bids, this information is misleading because it shows private contractors and housing associations winning a higher proportion of contracts than they have in reality under CCT.

Table 1.1: Tender Invitations and bid submissions in London

Contractor	Tender Invitation but no bid	Submitted bid
Amey	Harlow	Westminster
Balfour Beatty	Barnet Harlow Oxford	
CSL	Camden Greenwich Hackney Merton Newham Southwark Harlow	Barnet Brent Hillingdon Lewisham Lambeth
Jaygate	Newham Wandsworth	Brent Hillingdon Lambeth

Johnson Fry	Camden Greenwich Haringey Hillingdon Islington Lewisham Merton Newham Sutton	Brent Lambeth Hackney Southwark Wandsworth Westminster
Parkman Group	Camden Southwark Westminster	
PSEC	Hillingdon Merton	Sutton
SERCO	Brent Wandsworth	Sutton Westminster
Serviceteam	Tower Hamlets	Brent

Table 1.2: **Housing Associations Bidding in London**

Housing Association	Tender Invitation but no bid	Submitted bid
Beaver HA	Merton Wandsworth	
Bethnal Green HA	Tower Hamlets	
Chiltern Hundreds HA		Richmond East Northants
Circle 33	Islington	
Hyde HA		Lambeth
London & Quadrant HA	Lambeth	
Metropolitan HA	Lambeth	
MidSussex HA		Sutton
Paddington Churches HA		Westminster
Shaftesbury HA	Wandsworth Test Valley Winchester	East Northants
Shepherds Bush HA		Brent
Southern Housing Group	Islington	

It should be noted that there are two types of housing association expressing an interest in housing management contracts in London.

Firstly, a few locally based associations bidding for contracts in there area of operation, for example, Paddington Churches HA bidding in Westminster, Circle 33 interest in Islington and Shepherds Bush HA in Brent.

Secondly, there are associations formed as a result of Large Scale Voluntary Transfers (LSVT) outside of London who have been bidding or expressing interest, for example, Hyde HA (Dartford BC transfer) in Lambeth, Chiltern Hundreds HA (Chiltern DC transfer) in Richmond, Mid Sussex HA (Mid Sussex DC transfer) in Sutton. High Weald HA (Tunbridge Wells BC transfer) has also expressed interest.

Table 1.3: **Housing Management CCT London Contract Awards 1996**

Council	Contractor	% of stock tendered	No of contracts	Annual value £m	Stock
Barnet	In-house		4	4.1*	16,200
Brent	In-house		2	1.2	4,800
	CSL		1	0.6	3,500
Camden	In-house**	40	4	3.5*	14,000
Greenwich	In-house**	40	3	3.8	15,000
Hackney	In-house	40	3	4.9	18,650
Haringey	In-house**		6	7.0	22,300
Havering	In-house		5	3.3*	13,000
Hillingdon	In-house		4	3.5	13,200
Islington	In-house**		5	4.0	20,000
Lambeth	In-house	40	5	3.7	12,570
	Hyde HA		2	1.5	5,300
Lewisham	In-house		7	4.5	17,500
Merton	In-house**		4	3.3*	13,000
Newham	In-house**		4	9.0	21,000
Richmond	In-house		2	2.2*	9,100
Southwark	In-house	100	19	14.6	54,000
Sutton	SERCO	100	3	2.0	10,200
Tower Hamlets	In-house**	40	3	3.9	16,300
Wandsworth	In-house		21	3.0	12,100
	Johnson Fry		3	0.4	1,900
	Jackson-Stoops		1	0.5	1,580
Westminster	In-house		7	2.0	10,150
	Paddington Churches HA		2	0.5	3,100
	Johnson Fry		1	0.2	1,190
Total			119	87.2	329,640

Source: Centre for Public Services, Housing CCT Update

** indicates no external bids

* estimated

London - National contract award analysis

The in-house win rate in London was only marginally below that nationally (see Table 1.4). In-house teams in London won 93.5% of contracts by value compared with 95.2% nationally. In London private contractors won £3.7m or 4.2% of contracts compared with housing associations who won £2.0m by value or 2.3%.

The national contract value was about £203m covering some 1,157,000 dwellings.

Table 1.4: **London - National contract award analysis**

	% of number of contracts		% value of contracts	
	In-house	External	In-house	External
London	89.1	10.9	93.5	6.5
National	-	-	95.2	4.8

Tendering does not apply

Tendering for housing management contracts does not apply in three London boroughs for the reasons noted below.

Borough	Reason
Kensington & Chelsea Bexley	Borough wide Tenant Management Organisation Management contract to London & Quadrant HA and Orbit HA
Bromley	Large Scale Voluntary Transfer to Broomleigh HA

London Boroughs Housing Management CCT contracts to start April 1997

The following boroughs are tendering in 1996-97 plus those boroughs from phase 1 which did not tender all contracts.

Table 1.5: **Housing Management CCT contracts, London, start April 1997**

Borough	No of contracts	Stock
Barking & Dagenham	7/8	26,500
Camden	3	5,389
City of London	1	2,800
Croydon	3	15,000
Ealing	4	19,000
Enfield	4	11,800
Greenwich	2	10,000
Hackney	4	20,000
Hammersmith & Fulham	5	19,500
Harrow	1	7,300
Hounslow		
Islington	4	10,400
Kingston		
Tower Hamlets	3	16,950
Redbridge		
Waltham Forest	6	15,500
Wandsworth	22	19,833
Westminster	10	5,481

Source: CCT Update, June 1996 based on advertised contracts

Contracts awarded to the private sector

Five London boroughs have awarded contracts either to private contractors or to housing associations (see Table 1.6). Most were relatively small contracts in the 1000-2000 dwelling range. The 10,200 dwelling Sutton contract awarded to Serco was the exception.

Table 1.6: **CCT contracts awarded to the private sector**

London	Contractor
Brent	CSL
Lambeth	Hyde Housing Association
Sutton	Serco Group
Wandsworth	Johnson Fry
	Jackson-Stoops & Staff
Westminster	Johnson Fry
	Paddington Churches Housing Association
Outside of London	
East Northants DC	Longhurst Housing Association

Why contracts were lost in London

There are very specific reasons why private contractors and housing associations won contracts in London.

Brent: CSL already had a base in the borough having won the Church End contract under VCT. The in-house team won two other contracts. CSL won the North Kilburn contract after the in-house team failed to cross the quality threshold although it was allowed to submit a bid. The council is strongly committed to externalisation and privatisation.

Lambeth: The level of private contractor bids was expected to be much greater in Lambeth where the level of commitment to in-house services was under scrutiny and at one stage there was even talk of preventing the in-house service from bidding. Johnson Fry, Jaygate and CSL submitted bids but did not meet the quality criteria.

Sutton: Serco won the three contracts with a total bid of £11.3m, some £2.9m below the in-house service. Two other bidders, Psec and Mid Sussex HA bid £10.6m and £11.8m respectively. Significantly, the Serco bid was based on generic working whilst the in-house team was based on the existing system of separate teams of staff for specific housing functions and activities.

Westminster: Westminster has a strategy of tendering small housing management contracts, usually with between 1200 - 1500 dwellings per contract. This makes them more attractive to contractors and housing associations. Clearly, Westminster's rolling programme of tendering housing management contracts has been used by some contractors such as Serco, Psec and Johnson Fry as a learning process to test and improve their pricing and tendering strategies. By early 1995, Johnson Fry has reached the stage where it was on about 90% of tender list yet had not won a CCT contract. As detailed in Part 2, Johnson Fry won the Marylebone contract with a substantial loss leader. The in-house service has won seven out of ten contracts, a significant record given the boroughs tendering and housing track record.

Wandsworth: Wandsworth has also sought to maximise competition by packaging very small contracts. The majority of the VCT contracts were won by the in-house service. Johnson Fry has won three contracts in the borough but they cover only 1,900 dwellings.

Effect of tendering on jobs, terms and conditions

This briefing paper focuses on the pattern of tendering in London. In-house 'successes' have often been gained at the expense of jobs and/or changes to terms and conditions of service. A distinction needs to be made between relatively small changes to staffing levels, negotiated with trade unions during the tendering process, and substantial cuts in staffing levels as part of in-house bids which are budget linked and/or a result of a last minute loss of confidence in the authorities tendering strategy (or the lack of one).

About 100 jobs, a 13% cut in the establishment, were lost in Greenwich. The in-house bid in Tower Hamlets was based on the loss of 8 jobs which increased to about 14-15 fewer jobs in the final DSO structure. A dispute over staffing levels in Camden was resolved, with the loss of 2.5 jobs compared to 8 originally planned by management. The in-house bid in Southwark was based on staffing cuts and changes to terms and conditions including up to 15% staffing cuts, abolition of long service payments to staff, changed responsibilities of some officer grades and the position of long term temporary staff. Unions had previously blocked a proposal to reduce SO1 posts to Scale 6.

The Public Services Privatisation Research Unit (PSPRU) has been obtaining information on staffing levels and changes to terms and conditions. Contact them at 1 Mabledon Place, London WC1H 9AJ (Tel. 0171-388 2366) for further information.

VCT tendering in London and the south east

Eighteen VCT housing management contracts were awarded in 10 local authorities (excluding the three Harrow contracts and six small Liverpool HAT contracts). Only two were won by private contractors where they bid against in-house services (see Table 1.4). It should be noted that the Bexley, Brent and Harrow (since stopped) contracts were won by housing associations with no in-house bids being submitted. The same point applies to other VCT contracts in the south east region, for example, Dartford, East Herts and South Oxfordshire.

Brent

The Church End and Poundwood estates form the Church End Landlord Service, one of nine contract areas. It consists of 1,470 two and three-storey flats built mainly in the 1930s and considered to be in average condition. Brent contracted out the work to CSL as a pilot project in November 1992 followed later by full tendering in 1994. CSL has a two-year contract with option for a third year. SERCO and PSec submitted tenders. No in-house bids were allowed. IT and housing office accommodation were made available at no cost to the company. The contract was valued at £420,000 in 1994/95 or £286 per unit per annum. TUPE was not applied in the pilot contract in 1992.

Wandsworth

The borough tendered five contracts with contracts commencing September 1993. Four contracts covered between 109 and 531 dwellings (see Table 1 in Part 1) and the fifth covered between 4,500 - 5,000 dwellings in the Tooting district. This latter contract was awarded in-house. A bid from Chesterton's was more than twice the cost of the in-house service. The in-house tender was £2m representing a unit cost of just over £400 per annum (tenders priced in 1993).

Newham

As a DoE pilot authority, Newham tendered a single housing management contract

covering 7,800 dwellings in 1994. PSec, SERCO and CSL were invited to tender but did not do so. The contract was awarded in-house on a bid price of about £3m and a unit cost of £385 per unit per annum (contract priced January 1994). The contract covered the southern area of the borough which has a high level of unemployment together with problems of voids, rent arrears and vandalism.

Table 1.7: VCT Housing Management contracts, July 1995

Authorit,	Contractor	No of houses	Value £m	Length	Start Date	
Bexley*	Orbit HA	4,000	0.80	4 years	April 1994	
	London & Quadrant HA	4,300	0.77	4 years	April 1994	
Brent*	CSL	1,470	0.42	2 years	April 1994	
Dartford*	Hyde HA	5,166	n/a	5 years	Oct. 1994	
East Herts*	Network HA	3,574	1.40	5 years	April 1995	
	Wherry HA	3,107	1.03	5 years	April 1995	
Harrow*	Jephson Homes HA	3,500	n/a	5 years	DoE stop	
	Chiltern Hundreds HA	2,700	n/a	5 years	DoE stop	
	Housing 21	550	n/a	5 years	DoE stop	
Newham	In-house	7,800	3.00	3 years	Aug 1994	
Rutland*	CSL	1,700	0.55	5 years	April 1993	
South Oxfordshire*	P-Sec	5,500	1.27	5 years	April 1995	
Wandsworth (Tooting)	In-house	4,500	2.00	3 years	Aug 1993	
	(Ethelberg estate)	In-house	531	0.16	3 years	Aug 1993
	(Park Court)	In-house	109	0.02	3 years	Aug 1993
	(Harwood Court)	In-house	418	0.10	3 years	Aug 1993
	(Wendelsworth)	Scotts	129	0.02	3 years	Aug 1993
Westminster	In-house	1,794	0.27	3 years	Sept. 1994	
	In-house	1,151	0.25	3 years	Sept. 1994	
	In-house	1,395	0.28	5 years	Oct. 1995	
	Johnson Fry	1,190	+0.24	5 years	Oct. 1995	

* No in-house bid. + based on a 'corporate discount' of £101,000.

Source: Centre for Public Services, 1995

Bexley

The Bexley VCT contracts were significantly different from other housing management contracts in London. The borough wanted to achieve a large-scale voluntary transfer, hence there was no in-house bid. The specification differed from other VCT contracts in the following ways in that area housing offices are not responsible for day-to-day repairs and maintenance as this is contracted out to Bexley Building Consultancy, now part of the Parkman Group. In addition, cash collection and rent accounting is the responsibility of the Director of Finance.

The borough was divided into two areas: the north with 4,000 dwellings covering some highrise blocks. Orbit HA won this contract with an £800,000 tender (£200 per dwelling per annum) and London and Quadrant HA was awarded the southern area (mainly small estates and individual properties) with a £770,000 tender for 4,300 dwellings (£180 per dwelling per annum).

Harrow

The local authority awarded three housing management contracts to Jephson Homes (3,500 dwellings), Chiltern Hundreds HA (2,700 dwellings) and Housing 21 (550 dwellings) with the intention of seeking a LSVT. However, the DoE refused to sanction the contracts on the basis that tenants had not been properly consulted and that non-UK contractors had been excluded.

VCT contract in the London region

East Hertfordshire DC

The local authority awarded two contracts, one for the western area and another for the more rural eastern area. The western area contract, covering 3,574 dwellings, was awarded to Network HA which tendered at £1.40m per annum. The eastern contract, covering 3,107 dwellings, was awarded to Wherry HA with a £1.03m tender. The specification included homelessness, housing advice and sheltered units in addition to the defined activities. The unit costs were £331 and £392 per annum.

South Oxfordshire DC

One contract was let for the entire stock of 5,500 dwellings which are in average to good condition and did not include any high rise blocks. The specification covered a full housing service. PSec won the five year contract with a £6.37m bid which averages at £1.27m per annum or £231 per unit which was £50 per unit lower than the next competitor. The overall price was £1.25m cheaper than the next lowest bid and some £1.35m lower than the current cost of the housing service. No in-house bid was allowed.

The other tenders ranged from £7.65m, £8.16m, £8.18m, £8.40m, £8.56m, £8.61m, £8.76m, £8.77m, £9.44m, £10.06m and £12.64m which indicated an average unit cost of between £278 and £460 per annum, with most bids at about £310 per annum. PSec already had a base in South Oxfordshire DC providing finance and revenue services. PSec has admitted that this situation had "allowed some joint use of support services, savings on accommodation and better links between computer systems. We can also handle both sides of housing benefit and there are staff economies there" (Inside Housing, 28 April 1995).

Part 2

Pricing Information

Guidelines on using Competitor prices

The use of contract unit prices from VCT and CCT contracts must be carried out with the utmost care. The simple transfer of prices from one contract to another is fraught with difficulties of comparability.

In-house bids must focus on meeting the requirements of the specification in a manner which is sustainable over the length of the contract. The bid must highlight the competitive advantages of the in-house service in terms of quality and technical abilities. To divert too much attention to the 'prices' of competitors could lead to major problems at tender evaluation.

Difficulties in comparing prices

Any comparison of tender prices must take all the following points into account:

- **Differences in the scope of the specification.** Some contracts are drawn up around the defined activities whilst others have included non-defined activities. For example, the Bexley VCT contract did not include the repairs service which is operated on a separate contract.
- **Differences in the type and condition of the housing stock.** The housing stock in some contracts will be in generally good condition compared to others. There are also important cost differentials between low density suburban housing and high rise inner city flats.
- **The size of contracts is also an important factor.** Westminster's contracts have been between 1,000-1,500 dwellings whilst others have been substantially larger. Southwark's contracts ranged from 1,300 to 5,200 dwellings. Tower Hamlet's tendered three contracts which had 4,140, 5,750 and 6,400 dwellings respectively. There will also be substantial cost differences between different contract packages within each local authority depending on the type of housing, its condition and the size of the contract.
- **There are also problems in assessing costs on a unit basis.** The information available on the ratio of tenanted and leasehold properties is often not immediately available. Also some tenders, particularly those covering a comprehensive housing service, are not priced on this basis and hence assessing units costs is not always appropriate.
- **Differences in local social and economic conditions in terms of levels of unemployment, rent arrears, vandalism and other issues are also significant.** Only the Newham contract can provide any comparable guide for inner London boroughs faced with such problems