

Report of Chief Officer Property and Contracts, Housing Leeds

Report to Director of Environment and Housing

Date: 15th January 2015

Subject: Procurement strategy for Asbestos Survey, Removals and Audit services for the city

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The Asbestos survey and removal contract for the West and South Area ends in July 2015. As a result of the Property and Contract Restructure, the Compliance Team wish to reconfigure the Asbestos service in the city, based on workstreams. CEL has agreed to reconfigure the Asbestos survey and removal work that they undertake, to concentrate on voids and reactive repairs. As a result it is proposed that 2 external contractors are procured to deliver asbestos surveys and removals for predominately planned works, to improve that service.
2. It is proposed that Northern Housing Consortium are commissioned through their Framework to provide the asbestos surveys; and Efficiency North to provide the asbestos removals and audit services. The contracts will be for 3 years with a 1 year extension.

Recommendations

- That the Director of Environments and Housing approves
 - The proposed structure for Asbestos provision as stated in 3.4 and for Asbestos Surveys; 3.5.1 for Asbestos Removals
 - The procurement route in respect to Contract Procurement Rule 3.1.8 using:

- Northern Housing Consortium for Asbestos
- Efficiency North Framework for Asbestos Removal
- Efficiency North for Asbestos Audit

1.0 Purpose of this report

This report seeks approval for the procurement strategy in respect of Contract Procedure Rules 3.1.8 for the following services:

- Asbestos survey
- Asbestos removals
- Asbestos Audit service

2.0 Background information

2.1 The current provision for the Asbestos service is:

2.2.1 Civic Enterprise Leeds, the Council's own Internal Service Provider (ISP) provides all asbestos surveys for the East Area and undertake the asbestos removals for the whole city. Currently CEL undertake 3,190 surveys per annum and 4430 removals jobs per annum.

2.2.2 Mc Hale Environmental Ltd (trading as MCP) Ltd and Envirotech Ltd provided the service to the West and South area for all workstreams for both asbestos surveys and removals. The workload is largely split by workstream with Envirotech undertaking more work than MCP.

2.2.3 In 2013/14 Housing Leeds spent £306,000 on asbestos surveys, and £1.16m on asbestos removals.

2.3 The asbestos survey contracts were procured in 2011 and will end on 31 July 2015. The contract has been extended for 1 year.

3.0 Main issues

3.1 Aims of the procurement

- To change the current provision by Area (i.e. by geography) to make the service more consistent through being based upon each workstream. This will affect the current arrangements in East more than the rest of the city.
- To have multiple providers in the city thereby reducing the risk, and enabling internal benchmarking of services.
- Where external contracts are employed, to ensure any conflict of interest is avoided through a separation of contractors undertaking either asbestos surveys from removals. Furthermore, the Asbestos audit company would be a third party as well. However, to ensure VfM is achieved for the ISP they would be subject to the service audit, and a financial audit.

- To ensure that the volume of work undertaken by CEL is not reduced, but reconfigured.
- That CEL undertake city wide asbestos survey and removal work in void properties. This would also enable greater council accountability on the void re-let time.

3.2 The value of the contract that will be externally procured per annum are:

- Asbestos survey: £1m
- Asbestos removal: £1m
- Asbestos audit: £6,500

In addition, the works that will be allocated to the ISP will have a value of circa £1m.

3.2.1 The values for the proposed contracts are greater than the current spend due to the increased asbestos programme. This is due to the policy decision taken in autumn 2014 that all void properties will have a Refurbishment survey, whereas before, only some void properties had a Management survey undertaken, and the increased value of Planned works programme in 2015/16 and 2017/18. The planned works programme for future years has not been planned in detail, but based on current known resources is expected to be slightly reduced than the current programme.

3.3 The budget for asbestos work is approved in the annual Capital Programme

3.4 For asbestos surveys the proposed service provision is:

	CEL		Procured Provider	
	No of surveys	Expected value (£)	Number of surveys	Expected value (£)
Void works	4500	900,000		
Adaptations		0	1778	213,360.00
Planned works		0	6791	814,921.00
Responsive repairs	554	110,800	554	0
Total:	5054	1,010,000	9123	1,028,280

Notes:

Survey figures only are based on surveys undertaken in 2014/15 Q1 +2 and then extrapolated for the year

3.4.1 An Analysis has been undertaken to establish the number of resources required to delivery this contract.

- For CEL undertaking the city wide void work there would be no need to change the staffing establishment, as they can accommodate this additional work within their current establishment.
- For external contractors. Housing Leeds believe that to deliver the required number of asbestos surveys, 2 companies will be required delivering a minimum of 20 surveys per day, and 1 removal company. For removals there will also be the CEL sub contractor framework, and the

ambition that CEL will be licenced to undertake such works by summer 2015.

- 3.4.2 To undertake the Voids work, CEL has indicated that it would re-apply for a Licence. A further business case including resourcing requirements will be provided to the Director of Environment and Housing for approval.
- 3.5 For Asbestos Removals CEL currently undertakes all asbestos removals in the city. Asbestos Removals consists of either licenced or unlicensed works. 10% of all removals are licensable works. Examples of unlicensed work are textured coating and floor tiles. CEL sub contract circa 50% of all removals related work. This includes all Licenced works. The current Framework procured by CEL is due to expire in December 2015, with an option to extend for a further year. A separate procurement plan will be considered for this in early 2015.
- 3.5.1 One of the aims of this procurement strategy as stated in 3.1 is to ensure there are multiple providers in the city to reduce the risk to the authority should one of the providers fall in financial difficulty or provide a poor performance. Therefore the strategy will ensure that there is an external contractor appointed whilst supporting CEL gain a licence and utilising CEL's sub contractor.

	CEL		External Procurement	
	Number	Expected value (£)	Number	Expected value (£)
Commercial work to LCC asset			115	69,000
Void works	1747	1,048,200		0
Adaptations		0	314	188,400
Planned works		0	1600	960,000
Reactive	736	441,600	354	212,400
Total	2483	1,489,800	2283	1,429,800

- 3.6 It is proposed for reassurance purposes that LCC appoint an external auditor to look at the Property and Contracts asbestos procedures including undertaking random audit of both asbestos survey & removal companies. This contract will be based on a draw down facility. This will consist of 10 working days per year per annum. The audit will seek to reassure the council and the Health and Safety Executive that the asbestos contract administration and any work undertaken by the council is in line or better than industry standards.
- 3.6.1 The detailed specification will be drawn up each year to cover the team's particular requirements. The areas to be audited are documentation, surveying and removals. This will include some site visits to confirm that the work on site reflects each companies' risk assessments and methods of working.

3.6.2 The estimated value of the service per year is circa £6,500. This is based on the expenditure for the gas servicing audits undertaken.

3.6.3 The Audit company will need to be a separate company, one that does not survey or remove asbestos for L.C.C.

3.7 A search of all Frameworks undertaking asbestos works was undertaken. From this, officers undertook a detailed options appraisal (attached in appendix 1) on 2 frameworks: Efficiency North and Northern Housing Consortium (NHC). Officers recommend that NHC are utilised for surveys and Efficiency North are utilised for removals and audit work. This is based upon:

- The policy aim (as stated in 3.1) that where possible for external contractors that there will be different suppliers undertaking surveys from removals.
- NHC has the greatest number of contractors on the list, enabling the council to maximise its opportunity to deliver value for money from the contract through the proposed mini competition. Many of the contractors on the Framework already have offices based within West Yorkshire.
- NHC contractors have provided Value for Money to their current clients. This has been provided by case studies that NHC have provided officers.
- NHC will undertake market testing to assess the number of contractors that are interested in bidding for this work in advance of the mini competition.
- Asbestos removals has a considerable greater contract value, thereby enabling the council to maximise the opportunity in Training and Apprenticeships.
- NHC separate the lots for licence and unlicensed works, whereas Efficiency North simplify things with one contractor that is licenced, enabling all works to be undertaken by one contractor.

3.8 It is proposed that the contract length is 3 years + 1 x 12 month extension. A extension will be considered in line with the CPRs, in particularly looking at the Value for Money of the current contract, and the supplier performance.

3.9 It is proposed that the Tender evaluation will be undertaken on a 60% quality; 40% cost split.

3.10 The high level procurement timetable is set out below:

Tender Documentation developed		12/01/2015
Tender period	26/1/2015	18/3/15
Contract Award	20/4/15	

Mobilisation (3 months)	01/05/2015	31/07/2015
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- 3.11 An enhanced specification for both surveys and removals has already been developed in preparation for the tender. A new specification has been developed for Audits, as this is a new service area. The specifications based on the EEC nationally recognised works template include significantly more detail than the current specification and revised KPIs, which will improve performance for surveys and non –licenced removals. The specification includes flowcharts to illustrate the IT processes. A price list has been developed using SORs. Furthermore, it is intended due to IT improvements, all contract management will be undertaken in one IT system. Additional service enhancements are that the ISP will be able to undertake licenced removals (subject to approval by the HSE); there will be an increased contractor capacity, in particular due to two external contractors for surveys and the ability to sub contract through their framework for removals when they have service peaks. Finally there will be an audit service will be procured as part of this strategy.
- 3.12 A Contract Management Plan will be developed before the contracts commences in August 2014.

4.0 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Within the Council a number of stakeholders have been involved in the development of the procurement plan for this workstream. This involves PPPU officers, legal advice sought from the Procurement Legal team and Housing Contracts Board have been informed of the proposed procurement. With external stakeholders, the incumbent contractors have been informed of the intension to re-procure; and discussions have been undertaken with the both Frameworks: NHC and Efficiency North. In addition, Leeds has asked that each Framework undertake an expression of interest amongst the suppliers in each framework once this report has been approved by the Director. Finally, an Open day is planned through each Framework to support each potential bidder understand the Council's requirements in the tender.
- 4.1.2 Housing Contracts Board were consulted on this decision in the December cycle meeting.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 An Equality and Diversity Screen assessment has been completed. This is attached in Appendix 2.

4.3 Council policies and City Priorities

4.3.1 This procurement will meet the Councils' 'Best City' objectives by:

- "Improving the quality of housing" through reducing the risk of asbestos in council homes
- "Promoting sustainable and inclusive economic growth" through ensuring that at least 2 full time training opportunities are undertaken through the Efficiency North Contract.
- The culture of civic enterprise would be further developed due to CEL providing a more customer focused service through the proposed re-configuration.

4.4 Resources and value for money

4.4.1 Due to the re-configuration for the proposed asbestos service, there will be no additional resources needed in either the Property and Contracts team or CEL. If a licence is gained, then additional resources may be needed. A separate business case and approval for resources will be sought for this.

4.4.2 Framework fees are:

- Northern Housing Consortium: 2% applied to the contractor. Therefore this fee will be included in the SOR rates submitted by the contractor. There is no 'Community Value service offered by this Framework.
- Efficiency North Fee is 4% i.e. £40k per annum based on expected value of works. This includes 1% that goes towards the 4Good Homes fund. This fund, financially funds the apprenticeship scheme, enabling the appointment of 1 apprentice for every £0.5m spent.

5.0 Legal Implications, Access to Information and Call In

5.1 The provision of an Asbestos service (surveys and removals) is required to comply with Health and Safety and work Act (1974) and the Control of Asbestos Regulations (2012) legal requirements.

5.2 The Corporate Procured Rules (CPR) require in s3.1.4 that the ISP is asked if it wishes to undertake any works. This has been complied because the ISP has stated that it wishes to undertake the void and responsive repairs works, and not the planned works. CPR 3.1.8 requires a Key decision to be made if the value of the procurement strategy exceeds £250k or significantly affects more than one ward. AS a result this report is a key decision and had been made of the register of forthcoming decisions. This report is subject to call in for 10 days.

5.3 PPPU legal team have approved the use of both the frameworks. PPPU legal team have stated:

- That the risk for both Frameworks is that Leeds is not specially mentioned in either OJEU notice. For EN, it states "all authorities in Yorkshire and Humber" and for NHC, it states "all authorities in the UK". Whilst Leeds recognise that there is a risk

of challenge as a result, this is mitigated as most regional/ national Frameworks have such wording.

- Highlighted the need for the contract management team to fully understand both contracts. This will be undertaken before contract commencement with the support of the Property and Contracts' Contracts team.
- Requested additional clauses to be added to the EN framework. This will be undertaken.
- There is a clause enabling both sides to terminate the contract with 3 months' notice on either side. Should this occur, and it is considered a low risk, then this is sufficient time to mobilise another Framework.

5.4 Whilst each Framework has its own call –off process, officers in Housing Leeds and PPPU will ensure that these work alongside the Councils procedures, to ensure full council approval. PPPU legal team are happy with this approach.

5.5 To mitigate the possibility of the same contractor being awarded both the Survey and Removal contracts, then a clause will be added into the evaluation process for both Frameworks stating this. This concept has been approved by PPPU legal team.

6.0 Risk Management

6.1 A detailed risk assessment has been undertaken. The key risks, which are all low are:

- Procurement time: This is a low risk as the procurement through both Frameworks can be undertaken based upon the current timetable;
- Reconfiguration of CEL service to meet proposed work requirements: This involves a change from undertaking surveys in Planned works to just voids and responsive repairs. Furthermore, there will be additional work undertaken by CEL. This is considered to be a low risk;
- L.C.C. IT: This is considered to be a low risk. A new IT system will have been implemented by spring 2015, which will enhance the service offer. However, further work will be required to enable systems to work for CEL/P&C to save double handling post commencement of contract.
- TUPE – An evaluation will need to assess whether there is any TUPE into the ISP, and then if new contactors are appointed, then TUPE will be required to occur between each other.

7.0 Conclusions

7.1 The Asbestos survey and removal contracts have to be re-procured by August 2015. In addition Property and Contracts wishes to procure an Asbestos Audit contract. Discussions have been undertaken with CEL to reconfigure their service to provide an improved service to Property and Contracts. For the external procurement, it is proposed that 2 external contractors are procured for asbestos surveys from Northern Housing Consortium in addition to use of the ISP, and for

removals that 1 external contractor from Efficiency North is procured in addition to the ISP, and their sub contracting arrangements.

8.0 Recommendations

8.1 That the Director of Environments and Housing

8.1.1 Approves the proposed structure for Asbestos provision as stated in 3.4 and for Asbestos Surveys; 3.5.1 for Asbestos Removals and,

8.1.2 Approves using:

- a. Northern Housing Consortium for Asbestos Surveys;
- b. Efficiency North Framework for Asbestos Removal;
- c. Efficiency North for Asbestos Audit

Background documents¹

None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.