

Report of Head of Housing Contracts

Report to Director of Environment and Housing

Date: 24 September 2015

Subject: Housing Disrepair supplier: The commissioning and award of contract to Keepmoat Regeneration Services

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. This reports seeks the Director of Environment and housing approval to appoint a contractor, Keepmoat Regeneration Service's to undertake the Disrepair works for the city from 19 October 2015 for 1 year, with the option to extend for a further 12 months.
2. Over the past 9 months a backlog of Disrepair cases has built up significantly increasing the risk of the Council being held in contempt of court and receiving additional compensation claims from respondents for failure to complete repairs on time. As a result the council needs to have a second contractor working in the city, with the current provider focusing on the West and South area, and the new provider Keepmoat to focus on the East area.
3. A strategy will be developed over the next 2 months to propose a longer term solution for Disrepair works suppliers.

Recommendations

That the Director of Environment and Housing:

- 1.1 Approve the appointment of Keepmoat Regeneration Services to provide the Disrepair service for the city, with a focus on the East area from 19 October 2015 for 12 months with an option to extend for a further 12 months.

- 1.2 Approves the scope of works described in paragraph 4.11 , the approximate budget set out in 3.3 and procurement through the Efficiency North Framework.
- 1.3 Receives a further report in February 2016 stating the outcome of the option appraisal which will determine future Disrepair procurement arrangements from October 2016 onwards for the city.

2 Purpose of this report

- 2.4 This report is to seek approval from the Director of Environment and Housing to appoint a repair contractor for the Disrepair service for the city, focusing on the East Area.
- 2.5 This report will ensure compliance with the Contract Procedure Rule number 3.1.8 on the chosen procurement route and Rule number 18.5 seeking approval to award the contract to Keepmoat Regeneration Services.

3 Background information

- 3.1 A disrepair claim is a civil claim arising from the condition of residential premises brought by a tenant against their landlord. The types of claim which this covers include those brought under Section 11 of the Landlord and Tenant Act 1985, Section 4 of the Defective Premises Act 1972, common law nuisance and negligence, and those brought under the express terms of a tenancy agreement or lease.
- 3.2 A Protocol, the 'Pre-Action Protocol for Housing Disrepair Cases' was implemented in 2013.
- 3.3 Disrepair works are funded from the Housing Revenue Account revenue budget. This is approved by Full Council annually. The current disrepair budget is c£2m per annum.
- 3.4 In 2013, a review of the disrepair service was undertaken. A principle was adopted that the Responsive Repair contractor for that area should also undertake any disrepair works that arise in that area. Previously, a separate contractor, procured under a different pricing model and schedule of works to the responsive repair contractor had undertaken the disrepair works. As a result, from August 2013 the Councils Internal Service Provider (ISP), Construction Services, undertook the Disrepair works in the East Area and Mears Group PLC (referred to as Mears) undertook such works in the South and West Area.
- 3.5 However, due to insufficient resourcing being given to this service to meet the increasing demand, a backlog of cases arose. Initially the ISP sought to bring in an additional sub-contractor to support the in-house team. However, this could not be provided without a new procurement. As a result, the Project Manager approached Mears as the biggest responsive repair provider in the city to see if they had the resources to undertake this work. Mears initially thought they did have sufficient resources, but as the number of disrepair cases increased over the summer 2015, Mears approached the Council to be released from the work for the East area only.
- 3.6 Based on the current number of cases there are 3 times the number for both the South Area and West Area combined, as shown in Table 1 below.

Table: 1 Number of disrepair cases per Area – as of 21 August 2015

	East Area	South Area	West Area
Number of disrepair cases per Area – as of 21 august 2015	189	50	69

- 3.7 The risks that arise for Leeds on permitting Mears to continue managing the city wide disrepair service are:
- 3.7.1 Due to the resource intensity needed for Disrepair cases there is a possible adverse impact on the core service delivery for Mears providing the responsive repairs workstream to all 35,000 customers in the West and South Area.
- 3.7.2 There is a considerable risk to Leeds that if Disrepair cases are not completed within the timescales agreed with the claimants legal teams (56 working days) then Leeds may be liable to additional compensation claims on a case by case basis. This would also have a reputational risk for Leeds.
- 3.8 To support Leeds, Mears have agreed to clear the current backlog of cases in the East area. A resource plan to manage this until January 2016, using its own in-house resources supported by and 3 additional sub-contractors has been agreed with the Council. This backlog is being overseen by a Project Manager from Housing Leeds.
- 3.9 However an additional service provider is needed for all new Disrepair cases from October 2015. Therefore the driver for the re-procurement is:
- To procure and mobilise a suitable contractor in under 6 weeks from the time the Chief Officer: Property and Contracts asked that the procurement of an additional contractor should be considered, with a start date of ideally 1 October 2015.
 - To appoint a competent contractor that Leeds City Council is confident can undertake Disrepair works. .
 - The ability for the contractor to develop IT interfacing with Council IT systems, within two weeks of contract start.

4 Main issues

The procurement strategy for a second Disrepair supplier.

- 4.1 Since the implementation of the current Disrepair procurement strategy whereby Mears and initially the ISP undertook the repair works for Disrepair, a review of the principle will be undertaken by January 2016. This review will consider whether the ISP can undertake the works (this isn't known at present due to the current re-alignment) and will consider all other options for delivery including the use of both internal and external providers. The Director of Environment and Housing will be asked to consider the Procurement Strategy for Disrepair suppliers in February 2016.
- 4.2 The current Procurement Strategy is based upon the principle that the Responsive Repair contractor should undertake Disrepair cases that arise in its geographic area of responsibility.
- 4.3 In developing the options to provide the proposed short term procurement an options appraisal was undertaken. The options were:

4.4 Option 1: Leeds to ask Mears Group Ltd to undertake Disrepair works for the East area. As stated in paragraph 3.7 this is option will not deliver what the Council needs.

4.5 Option 2: Ask the ISP (Construction Services) to undertake the works again. Whilst this work was transferred from the ISP to Mears in March 2015; in April 2015, a multi trade sub-contractor framework with 4 contractors went live. Potentially this Framework could be used to undertake the Disrepair works in the East area. Alternatively Property Maintenance, who have now re-aligned into Housing Leeds also has a multi trade Framework which could potentially be used. However, both these options are not considered suitable because:

- It is considered the wrong time to give additional work to either ISP whilst both services are currently going through a significant reorganisation in terms of the re-alignment of Council's two Property based ISPs: Property Maintenance and Construction Services.
- Construction Services do not have sufficient project management capacity to manage Disrepair works, in addition to the core responsive repair works and current Planned works within the required timescales.

4.6 Option 3: To seek an additional external supplier:

4.7 Efficiency North Ltd has a Framework for Planned works, known as the Installers Framework. This Framework went live in August 2015. Lot 50 of the Framework, 'Whole house Internal and External Installations' could be potentially used. 10 contractors are on the Framework. These are:

- Emanuel Whittaker
- FT Finley & Co Ltd
- Gentoo Construction Limited
- Henry Boot Construction Limited
- Herbert T Forrest Ltd
- Jackson and Jackson & Sons Ltd
- Keepmoat Regeneration Limited
- Lovell Partnerships Limited
- The Casey Group (P Casey & Co Ltd
- Willmott Dixon Partnerships Limited

4.8 There are 2 possible 'call off' arrangements using this Lot:

- Mini competition
- Direct Call off.

4.9 The advantages of accessing the Efficiency Framework are:

- Due to the time pressures placed upon this project, Leeds could implement this contract using the Direct Call off provision.
- A JCT Measured Term contract is used, Therefore, should the expected volume of work change, as this is a demand led service then this contract form accommodates this.
- Provision of social Value: all contractors through the Efficiency North Framework are required to provide 1 apprentice for every £0.5m spend (pro rata).

4.10 In procuring the Framework, Efficiency North have ranked each contractor based upon their quality and price submissions. In undertaking a direct call off Efficiency North will then undertake due diligence regarding which contractors would be suitable for the works required by the Council. The top 5 providers on this Framework have been dismissed due to not being able to mobilise within the very tight timescales required by Leeds due to either not having a presence in Leeds and/ or not have an IT interface with Leeds city council. As a result Keepmoat Regeneration Services are the preferred contractor.

4.11 The Contract will be with Keepmoat Regeneration Services (KRS), However the works will be delivered by Keepmoat Property Services (KPS) who will act as an internal sub-contractor to Keepmoat Regeneration Services. This has been approved by Efficiency North, as the Framework provider.

Contract scope and spend

4.12 The contract will be to provide a city wide service, with a focus on undertaking the works for the East area of the city. Should a backlog build up for the West and South area, then this provision will enable an additional contractor to support Leeds clear the work as soon as possible. The anticipated contract spend is circa £300k based upon an anticipation of receiving circa 150 jobs per annum. Each Disrepair job costs on average £2,500 and takes on average 8 days to complete.

4.13 Commencement of the contract will be 19 October 2015.

4.14 The contract form used by Efficiency North Ltd is a JCT Measured Term Contract 2011. The Council has added in it's specification and process maps, as well as the agreed SORs and KPIs.

Award of contract to Keepmoat Regeneration Services

4.15 Keepmoat are to be appointed as the contractor for this work due to having:

4.15.7 The capacity to commence the contract by 19 October 2015. Keepmoat currently have a responsive repair depot in the city as they are the Little London /Holbeck and Beeston Hill Private Finance Initiative (PFI) contractor. In addition, Keepmoat are undertaking a large refurbishment scheme for the council in the Beeston area, and currently have a responsive repair contract for Leeds Federated Housing Association as well as refurbishment schemes for Connect Housing.

- 4.15.8 An existing IT interface with the council as a result of the PFI. This enables a very short mobilisation time, with no additional significant IT related work, to enable the contract to be implemented.
- 4.15.9 Keepmoat are a competent contractor to undertake Disrepair. They have a history of undertaking Disrepair work. In pre contract commencement workshops Keepmoat have offered to share their good practice from working with other authorities in the Disrepair field.
- 4.15.10 Confirmation from Keepmoat that all staff resource for works will be undertaken by their own in house team, sub-contracting only specialist works.

5 Corporate Considerations

5.16 Consultation and Engagement

- 5.16.11 In adherence with the council's PM Lite methodology, the project team have developed a Communication Plan. The key stakeholders that have been the Project team, Councils PPPU team, Efficiency North Ltd and Keepmoat Regeneration Services.

5.17 Equality and Diversity / Cohesion and Integration

- 5.17.1 The Equality, Diversity, Cohesion and Integration Screening document has been considered and completed. No adverse or otherwise impacts have been identified.

5.18 Council policies and the Best Council Plan

- 5.18.1 The works undertaken by the contract will contribute to the key City Priorities of
- 5.18.2 "Improving Housing Conditions" and help maintain properties in good repair condition.
- 5.18.3 The contract in Schedule 3 will include 4 Key Performance Indicators (KPIs). This will include a KPI to that all jobs completed within agreed timescales, 2 HKPIs relating to Health and Safety and a KPI that reducing waste to landfill.
- 5.18.4 Keepmoat have a very strong record for undertaking Social Value in their contracts. Leeds and Keepmoat will develop a social value plan for this contract. This will be incorporated into the Contract Management Plan. If the value of the work exceeds £0.5m, then Keepmoat will be expected to employ an apprentice, as a condition of the Efficiency North Framework.

5.19 Resources and value for money

- 5.19.1 The Efficiency North Ltd Installers Framework was a competitive tender and complied with the Public Contracts Regulations 2015. Officers acknowledge that the prices given by Keepmoat may not be absolutely cheapest due to choosing a direct call off, rather than a mini competition; although the Schedule of Rates book will be a market price.
- 5.19.2 Leeds has asked Keepmoat to price a Schedule of Rates for this contract. A comparison has been undertaken with current internal and external contractors that use this Schedule, and the price is broadly comparable. Therefore, Officers are confident that value for money will be met.

- 5.19.3 An action plan has been developed to reduce the possibilities of the Council being taken to court as a result of the 'Pre-Action Protocol for Housing Disrepair cases'.
- 5.19.4 The contract will be managed by the Disrepair team, based in Housing Leeds. A Contract Management Plan has been developed.

5.20 Legal Implications, Access to Information and Call In

- 5.18.1 Undertaking the rectification of works as a result of a claim for Disrepair is a legal requirement through the 'Pre-Action Protocol for Housing Disrepair Cases'.
- 5.18.2 The council's Projects, Programmes and Procurement unit (PPPU) legal team have confirmed that the Council has the right to use the framework contract. They have also carried out a review of the call – off contract terms and confirmed that they are acceptable subject to some comments and amendments
- 5.18.3 Notification of a Key Decision was published on the 26th August 2015.
- 5.18.4 The decision is subject to call in. The value for the construction works exceeds the Key Decision threshold and is circa £300,000 pa (based on current volumes received since April 2015).

5.21 Risk Management

- 5.21.5 During the commissioning phase a risk register has been developed. In addition, a further risk register will be developed and utilised as part of the contract implementation as required.
- 5.21.6 The key risks highlighted so far are:
- Inability to procure a contractor quickly in accordance with procurement legislation Mitigation has been the use of the Efficiency North Ltd Framework.
 - Governance: Implementation of the contract within the required times. This has been mitigated through postponing go live date by 2 weeks to Monday 19 October 2015. Operationally this does not have a major impact as cases received from 1 October will be given to Keepmoat. As the target time to complete repairs is 56 days, Keepmoat has assured the Council that they will be able to take on such works.
 - IT. An IT connection will be live by 19 October. The council's Information Knowledge and Management Team and IT services have confirmed that Keepmoat will be able to use the council's Orchard IT system and sufficient staff will be trained before go live.

6 Conclusions

- 6.1 Due to the backlog of Disrepair cases, and the resulting potential risk of the Council being held to be in contempt of court or receiving subsequent additional compensation claims for failure to complete repair works on time, the Project Sponsor asked the project team to enable an award of contract ideally by the beginning of October. The usage of the Efficiency North Framework and the appointment of Keepmoat Regeneration Services will provide the council with a highly competent contractor that will provide value for money for the council and reduce the risks to the council.

7 Recommendations

That the Director of Environment and Housing:

- 7.1 Approve the appointment of Keepmoat Regeneration Services to provide the Disrepair service for the city, with a focus on the East area from 19 October 2015 for 12 months with an option to extend for a further 12 months.
- 7.2 Approves the scope of works described in paragraph 4.11 , the approximate budget set out in 3.3 and procurement through the Efficiency North Framework.
- 7.2 Receives a further report in February 2016 stating the outcome of the option appraisal which will determine future Disrepair procurement arrangements from October 2016 onwards for the city.
- 7.3 The officer responsible for implementation is Gareth Mellor, Disrepair Manager.

8 Background documents¹

- 8.1 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.