

Report of: Head of Property Maintenance and Investment – Belle Isle TMO

Report to: Director of Resources and Housing

Date: 4th July 2017

Subject: Procurement Project for the BITMO 2018-2023 Responsive and Planned Repairs, Minor Refurbishment Works and Adaptations (Schedule of Rates) Contract

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Middleton Park	<input checked="" type="checkbox"/> Yes	<input 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. Belle Isle Tenant Management Organisation (BITMO), on behalf of Leeds City Council, has a legal obligation to undertake repairs, maintenance and adaption works to dwellings which are under their current management agreement.
2. Morrison FS Ltd., which was subsequently purchased by Mears Group Plc, was awarded a five year contract from 1st October 2011 to 30th September 2016 for the delivery of responsive repairs, internal refurbishment and adaptation works to the Belle Isle TMO managed housing stock. This followed a formal procurement exercise undertaken on behalf of Leeds City Council and under the guidance of the then Leeds City Council Procurement Team.
3. In January 2016, Leeds City Council agreed to formally extend the existing contract for the maximum two year period allowed for under the terms and conditions of this contract as proposed by Belle Isle Tenant Management Organisation (BITMO). This contract will now expire on 30th September 2018

Recommendations

1. In accordance with Contract Procedure Rules it is recommended that the Director of Resources and Housing approves this proposal to undertake a formal procurement for Responsive and Planned Repairs, Minor Refurbishment Works and Adaptations (Schedule of Rates) to housing stock, land and buildings managed within the Belle Isle Tenant Management area for the budget sum set out in section 2.5 . The contract start date will be October 1st 2018 and is intended to run for a period of five years until September 30th 2023 with an option for a further two year extension.

1.0 Purpose of this report

- 1.1 To provide detail of the requirement to engage the services of a building maintenance contractor to undertake responsive and planned repairs, minor refurbishment works and adaptations to housing stock, land and buildings managed by Belle TMO on behalf of Leeds City Council from 1st October 2018.

2.0 Background information

- 2.1 The provision of a property repairs and maintenance service is a legal requirement that the Council and its appointed Management Organisations are obliged to undertake to ensure that each property meets minimum lettable standards.
- 2.2 Belle Isle TMO manages a contract on behalf of Leeds City Council in the Belle Isle area of the City. Mears Group Plc are the incumbent contractor and deliver this particular service to the Belle Isle TMO managed housing stock of approximately 1900 dwellings plus additional land and buildings within the management area.
- 2.3 The current contract commenced on 1st October 2011 for the period of five years following a formal procurement exercise undertaken on behalf of Leeds City Council and under the guidance of the then Leeds City Council Procurement Team.
- 2.4 Clause 11.4 of the JCT Measured Term Contract allowed for the option to extend the existing contract by a period of up to twenty four months from 1st October 2016 to 30th September 2018. Following formal consultation with the Belle Isle TMO Board and Leeds City Council Housing Contracts Board, this option was exercised and the contract will now end on 30th September 2018.

2.5 Contract Value

The current non-guaranteed combined capital and revenue values indicated in the original contract documentation for this contract are:

Repairs **£550,000.00** (Five Hundred and Fifty Thousand Pounds per year)

Void Work **£1,000,000.00** (One Million Pounds per year)

Adaptations **£250,000** (Two Hundred and Fifty Thousand Pounds per year)

These cost profile has gradually changed over the last 68 months with significant improvements being made in the housing stock condition. A greater proportion of revenue and capital funded work has now migrated to planned schemes. A more accurate profile for the 2016-2017 financial year would be.

Revenue Repairs **£550,000.00** (Five Hundred and Fifty Thousand Pounds per year)

Planned Revenue & Capital Works **£650,000.00** (Six Hundred and Fifty Thousand Pounds per year)

Revenue & Capital Void Work **£400,000.00** (Four Hundred Thousand Pounds per year)

Major Adaptations **£200,000** (Two Hundred Thousand Pounds per year)

3.0 Main Issues

- 3.1 It is a legal requirement that Leeds City Council to ensure that each dwelling meets minimum lettable standards.
- 3.2 Adequate time is available to undertake a formal competitive tender for the appointment of a replacement maintenance contractor before 1st October 2018 subject to the proposed critical path outlined below being adhered to:

June 2017	BITMO Board Approval to Procure
July 2017	Leeds City Council Approval to Procure
August 2017	Market Sounding
August 2017 to October 2017	PQQ & Evaluation
November 2017 to January 2018	Tender
February 2018	Tender Evaluation
March 2018	Contract Award
April 2018 to September 2018	Contract De-Mobilisation / Mobilisation
October 2018	Contract Commencement

- 3.3 The Board established a Procurement Subcommittee for the procurement of the Repair, Minor Refurbishment and Adaptation Contract in 2011 and Board Members need to consider whether they wish to set up a similar committee at this point or for the evaluation process.

3.4 Alternative Options for Consideration

- Having noted the options available through both Efficiency North and Fusion 21 framework contracts available through LCC; the management team at BITMO would not recommend this approach as the selection of contractors is limited. Efficiency North has no general building maintenance framework in place and Fusion 21 does not have a framework that replicates the scope of the work covered by the existing responsive repairs contract. These framework contracts are also based on the use of an NEC form of building contract whereas the existing contract and current staff recommendation is for a JCT Measured Term Contract.
- The existing LCC direct labour service provider would need to employ additional staff and undertake their own mobilisation to service this contract effectively including the provision of a reliable out of hour's service. The BITMO management team have reservations of the ability of the in house service provider to deliver a bespoke service to meet the current contractual requirements for the anticipated budget available and operate a satellite office from within the BITMO office. It would be preferable to allow the LCC direct labour service provider to apply to enter a competitive tender process to fully evaluate their capabilities.

- Use of incumbent Housing Leeds responsive repairs providers under existing contracts would be limited to the use of Mears Group Plc currently engaged under the extension period of an existing contract which commenced in April 2011 and will end in March 2021. This would provide a maximum two and a half year contract period and adopt a different schedule of rates that operates on an NEC form of building contract whereas the existing contract and BITMO management recommendation is for a JCT Measured Term Contract. Keepmoat currently provide housing maintenance to specific areas of social housing in Leeds under a PFI agreement which is linked to investment already made. This would not be an appropriate contract to utilise.

3.5 To ensure value for money it would be prudent to tender and engage a service provider under another five year contract based on the existing tried and tested model with an option to negotiate and extend this contract period for a further two years

4.0 Corporate Considerations

4.1 Consultation and Engagement

1.0.1 Following discussion with Leeds City Council Procurement Team it was agreed that a market sounding exercise followed by the evaluation of a pre-qualification questionnaire should be utilised to create an approved short list of interested contractors to invite to engage in the full tender process. The process would be monitored in full by the Leeds City Council Public Private Partnership Unit.

1.0.2 The current service provider, Mears Group Plc., is a medium/ large national enterprise with an area office based in Leeds servicing several housing maintenance contracts. The BITMO management team would recommend a similar sized enterprise located in this region with a willingness to provide a BITMO based contingent of staff to plan, undertake and supervise work on a day to day basis and meet the Boards requirement for local employment.

1.0.3 TUPE will apply to a future award of contract and BITMO have confidence that Mears Group plc., will co-operate fully if required to consult with a potential replacement service provider.

1.0.4 Belle Isle TMO would require confidence in any future service provider to meet service levels required by Leeds City Council for the duration of this contractual period.

4.2 Equality and Diversity / Cohesion and Integration

Leeds City Council contract screening process will be used to ensure that all our strategies, policies, service and functions, both current and proposed have given proper consideration to equality, diversity, cohesion and integration.

4.3 Council policies and City Priorities

It is a legal requirement that Leeds City Council undertake repairs and maintenance to dwellings where they are the landlord.

4.4 Resources and value for money

4.4.1 Existing BITMO resources are currently in place, and will work jointly with support from PPPU to ensure a smooth mobilisation and de mobilisation period.

4.4.2 It is felt that a formal competitive tender with carefully selected regional contractors will provide both the best value and best service delivery for the work required under this contract. It would be desirable to tender and engage a service provider.

4.4.3 It is proposed to be a five year contract with an option to negotiate and extend this contract period for a further two years under a JCT Measured Term Contract with 'built-in' annual percentage adjustments for efficiency savings.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The decision is subject to call in. There are no grounds for treating the contents of this report as confidential within the Council's Access to Information Rules.

4.5.2 This is a Key Decision which is subject to call-in as the maximum cost of the extension within this decision is more than £250k per annum. A notice will be published on the List of Forthcoming Key Decisions following the full Belle Isle TMO Board approval..

4.6 Risk Management

4.6.1 BITMO are effectively monitoring/managing the contract on a day to day basis to ensure continuity of service in accord with required Leeds City Council KPI targets and that they will not be in a position where innumerable orders for either remedial or installation works are outstanding at the time the termination of the contract comes into effect.

4.6.2 A contract management plan as required by the Councils Contract Procedures Rules will be provided for the new contract to ensure all repair programmes remain 'on track' and ensure a 'smooth' transition between incumbent and proposed contractor.

5.0 Conclusions

5.1 If the proposed action(s) are not approved no contractor could be potentially available to undertake repair and maintenance work to any dwellings managed by Belle Isle TMO on 1st October 2018

5.2 Leeds City Council would be in breach of the legal requirement to undertake due Landlord Maintenance to Council dwellings in the area managed by Belle Isle TMO

6.0 Moving forward / Next Steps

6.1 To commence the procurement process as detailed at item 3.2

7.0 Recommendations

In accordance with Contract Procedure Rules it is recommended that the Director of Resources and Housing approves this proposal to undertake a formal procurement for Responsive and Planned Repairs, Minor Refurbishment Works and Adaptations (Schedule of Rates) to housing stock, land and buildings managed within the Belle Isle Tenant Management area for the sum set out in section 2.5 . The contract start date will be October 1st 2018 and is intended to run for a period of five years until September 30th 2023 with an option for a further two year extension

8.0 Background documents¹

Belle Isle TMO Full Board Papers 29th June 2017
