

Report of Chief Officer Property and Contracts, Housing Leeds

Report to Director of Resources and Housing

Date: 23 March 2018

Subject: Procurement strategy for Asbestos Surveying 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 surveying contract that was awarded in July 2015 for the city ends in August 2018. There is a 12 month extension available and 8 months of this will be taken up to enable the new contract to commence on 1st April 2019. At the time it was only possible to award the works to just one provider across the whole City as they were the only one that met the tender evaluation criteria.
2. The Compliance Team wish to reconfigure the Asbestos service in the city, based on workstreams. LBS undertake the majority of asbestos surveys required in Void properties and this will continue. As a result it is proposed that 2 external contractors are procured to deliver asbestos surveys for predominately planned works.
3. It is proposed that the Efficiency North framework is used to provide the asbestos surveying service. The contracts will be for 3 years with a 1 year extension.

Recommendations

That the Director of Environments and Housing approves

- The proposed procurement strategy for Asbestos Survey provision as stated in section 3 of the report.
- The procurement route in respect to Contract Procurement Rule 3.1.8 using Efficiency North Framework for Asbestos Surveying to source two external

contractors at a total contract value of £650k per annum based on external spend only.

- To extend the current contract with McHale Contracts & Plant Environmental LLP for 8 months commencing on 1st August 2018 until 31st March 2019. The estimated contract value is £360,000.

1.0 Purpose of this report

This report seeks approval for the procurement strategy and the proposed procurement route as required under Contract Procedure Rules 3.1.8 for the future provision of Asbestos Surveying from 1st April 2019.

2.0 Background information

2.1 The current provision for the Asbestos service is:

2.2.1 Leeds Building Services (LBS), the Council's own Internal Service Provider (ISP) provides all asbestos surveys for void properties for the whole city, unless they don't have the resources and then the current external provider undertakes the surplus. LBS undertook 813 void surveys 17/18.

2.2.2 In addition and separately to any LBS work delivery MCP undertook 650 void surveys, 1127 other Revenue surveys + 6827 planned Capital surveys 17/18.

2.2.3 In 2017/18 Housing Leeds will have spent an estimated £358,434.00 on Revenue surveys and £451,394.00 on Capital surveys.

2.3 The asbestos surveying contract was procured in 2015 and will end on 31 July 2018. The option to extend the existing contract for 12 months has been declined by the Housing Leeds Asbestos Team as the 2015 exercise sought three external providers but only one was successful thus increasing risk of capacity issues or risk to service delivery should anything happen to the one remaining external contractor as LBS would not be in a position to undertake tenanted surveys citywide. However, an 8 month extension will be taken to enable the new procurement to be concluded and the contract awarded.

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. Dependent on peaks in parts of the city, other contractors' capacity can be considered if one cannot meet the demand.
- To have three providers in the city thereby reducing the risk, and enabling internal benchmarking of services.
- To ensure that the volume of work undertaken by LBS is not reduced since all of the voids work is offered to them in the first instance.

- That LBS undertake citywide asbestos survey in void properties. This would also enable greater council accountability on the void re-let time.

3.2.1 The value of the contract that will be externally procured per annum is £650K to be split by two external contractors (dependent on the successful bidders' pricing).

In addition, the works that will be allocated to the ISP will have a value of circa £387K (if capacity allows them to undertake citywide void surveys, dependent on their 18/19 uplifts.)

3.2.2 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 surveying work is approved in the annual Capital/Revenue Programme and is usually in the region of £1m with £650k split between the two external contractors on planned works and £350k with LBS spent on Void surveys.

3.3.1 For asbestos surveys the proposed service provision is:

	LBS		Procured Providers	
	No of surveys	Expected value (£)	Number of surveys	Expected value (£)
Void works	1800	387,000	0	0
Adaptations	0	0	500	45,500
Planned works	0	0	4000	451,394
Responsive repairs	0	0	330	35,000
Total:	1800	387,000	4830	496,929

Notes: Survey figures only are based on surveys undertaken in 2017/18 and then extrapolated for the year future external contractors may not charge the same price as existing contractor per survey)

3.4.1 The number of resources required to delivery this contract:-

- For LBS 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 structure and new IT surveying system which should double their operational productivity through IT efficiencies. 17/18 has seen less surveys through LBS due to HLAT IT issues but their business plan was to undertake more with their current staffing levels. However, the QA stage of the survey process in the back office may need review as there is a risk of bottlenecks occurring. As per the current arrangement, should LBS have capacity issues, external contractors will be able to undertake the additional work in order to maintain continuity of

service. This will be offered to the external contractors based on the postcodes that have been allocated to them.

- For external contractors, Housing Leeds believe that to deliver the required number of asbestos surveys, 2 companies will be required delivering a minimum of 9 surveys per day each. Having two companies should increase capacity to deliver and reduce risk through increased flexibility and mean that HLAB are not dependent on the existing company to deliver the vast majority of LCC surveys alone. LBS won't undertake surveys in tenanted properties, so only having one external provider for 72% of the workload elevates the risk to the service should that provider cease to deliver.

3.5 In discussion with Procurement Officers within the Projects, Programmes and Procurement Unit (PPPU) the following Procurement options have been considered in line with Contract Procedure Rule 3.1;

Procurement Options:

Do nothing – This option was discounted as there would be no procurement activity and therefore no contractor to deliver the programme.

Internal Service Provider (ISP) – The internal service provider has been consulted with as required by Contract Procedure Rule 3.1.4 with regards to the scope of works. They have accepted some of the works and will be surveying the voids.

Procure LCC framework – This route would provide an opportunity to test the market through a competitive exercise. A bespoke specification, pricing documents, robust shortlisting and evaluation process to determine a value for money solution can be developed. This would include initially advertising to the open market via Yortender and carry out a Pre-Qualification Questionnaire (PQQ) process with bidders being evaluated through a price / quality evaluation methodology. However, this route takes more time.

Constructionline – This route cannot be used because the procurement is in excess of the OJEU threshold. This route is only suitable when the procurement is below the OJEU threshold.

External Frameworks - Recommended – Efficiency North and Fusion 21 have both been considered since they both have suitable lots with relevant contractors on them. Bidders appointed to the framework have already been assessed through an OJEU compliant competitive tendering exercise and have been deemed as best value in this. They have already had their technical capacity and ability evaluated. Through a call off of these frameworks, a mini competition exercise can be carried out to test the appointed providers based on Leeds City Council specific requirements. Timescales for the procurement can be reduced as the frameworks are already established and no shortlisting is required. This is the preferred option subject to there being enough interest from the contractors.

- 3.6 It is proposed that the contract length is 3 years + 1 x 12 month extension. This is based upon the fact that Framework has a term of 4 years, and upon the advice of the Framework provider. An 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.
- 3.7 It is proposed that the Tender evaluation will be undertaken on a 60% quality; 40% cost split. The asbestos industry is the second highest regulated industry after the nuclear industry. With a higher level of scrutiny, from regulatory bodies, elevating the quality criteria above emphasis on pricing is an essential requirement to evidence sufficient check/challenge has been applied to appointed contractors to meet our stringent criteria as a social landlord.
- 3.8 The high level procurement timetable is set out below:

Task/Milestone	Date
Current contract extended by 9 months	July 2018
Specification and Tender Evaluation Criteria finalised	Early August 2018
Current Contractor written to and TUPE Information obtained	Early September 2018
Tenderers invited to tender and issued with tender documents	Mid September 2018
Last date for tenderers to submit tender clarification queries	28/09/19
Tender submission date (Appendices 1 and 2)	12/10/19
Assessment and evaluation	Mid November 2018
Governance – Contract Award Report and DDN	Early Dec 2019
Tenderers notified of outcome	Mid Dec 2019
Contract awarded	Mid/End Dec2019
Contract Mobilisation (required because TUPE potentially applies)	Jan – March 2018

Contract start date	01/04/19
Contract end date (excluding extensions)	31/03/22
Contract Extensions – 1 x 12 months	31/03/23

3.11 An enhanced specification for surveys has already been developed in preparation for the tender. The specification is based on the NEC nationally recognised works template inclusive of revised KPIs, which will improve performance for surveys. 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 as per the new Property and Contracts streamlined IT processes. Additional service enhancements are that the ISP will be able to concentrate on delivering citywide void surveys and peaks and troughs in tenanted properties will be smoothed by having two external contractors.

3.12 A Contract Management Plan will be developed before the contract commences.

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 PPU officers, legal advice sought from the Procurement Legal team. With external stakeholders, the incumbent contractors have been informed of the intention to re-procure; and discussions have been undertaken with the both Framework options: Fusion21 and Efficiency North.

4.1.2 PPU have been engaged in discussions with respect to the procurement route and have offered advice.

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 1.

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 training opportunities are undertaken through the Efficiency North Contract.

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 LBS.

4.4.2 Framework fees are:

- Efficiency North Fee is 4% i.e. £26k 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.

4.4.3 The contract extension is to be taken to enable the project team to procure a new contract with more contractors to increase capacity, flexibility and prepare processes for the new Housing ICT systems and process changes. The contractor (McHale Contracts and Plant Environmental LLP) is meeting the majority of KPIs and their prices are competitive, so complying with the requirements of CPR 3. This is an essential capital programme service.

5.0 Legal Implications, Access to Information and Call In

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

5.2 The Contract Procedure Rules (CPR) require in 3.1.4 that the ISP is asked if it wishes to undertake any works. This has been complied with and the ISP is going to undertake some of the required works as described in this report. 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 the Efficiency North framework.

6.0 Risk Management

6.1 A detailed risk assessment has been undertaken. The key risks are:

- Procurement time: This is a high risk as the contractors needed to be appointed by August 1st 2018 when the contract expires. However, after reviewing the dates a decision has been taken to extend the contract by 9 months. This is permissible because the current contract has a 12 month extension.
- L.C.C. IT: This is considered to be a medium risk. A new IT system will have been implemented by summer 2018, which will enhance the service offer but affect existing works management and finance management processes. However, further work will be required to enable systems to work for LBS/P&C to save double handling post commencement of contract.
- TUPE – An evaluation will need to be undertaken to assess if the new contractors need to commence TUPE procedures with the existing external contractor.

7.0 Conclusions

- 7.1 The Asbestos survey contract has to be re-procured by March 2019. Discussions have been undertaken with LBS to continue their service to provide asbestos surveys in void properties to Property and Contracts. For the external procurement, it is proposed that 2 external contractors are procured for asbestos surveys from Efficiency North framework in addition to the ISP.
- 7.2 WYJS have stated that they would like to develop an asbestos surveying arm to their analytical services. Currently they provide bulk sample analysis and air monitoring services as LBS do not offer these services. LBS already provide a surveying service as our ISP. This would mean allowing a second 'ISP' to be set up and directly compete with our in-house ISP.

8.0 Recommendations

8.1 That the Director of Resources and Housing approves:-

- The proposed procurement strategy for Asbestos Survey provision as stated in section 3 of the report.
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- To extend the current contract with McHale Contracts & Plant Environmental LLP for 8 months commencing on 1st August 2018 until 31st March 2019. The estimated contract value is £360,000.

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.