

**Report of Head of Operations, Leeds Building Services**

**Report to Director of Resource and Housing**

**Date: 21<sup>st</sup> February 2019**

**Subject: Contract Award for External and Internal Communal Painting Including Prior to Painting Repairs Works**

Are specific electoral wards affected? If yes, 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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number 1 Access to information rule 10.4.3:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Summary of main issues**

1. Leeds Building Services (LBS) are looking to award a contract for the External and Internal Painting including Prior to Painting Repairs Works to Housing Leeds stock, with the internal element only applying to communal areas – no work will be commissioned as part of this programme to undertake painting, and/or decorating services within leaseholder and/or tenant properties.
2. We have successfully followed the leaseholder process to enable the Council to recharge all relevant contributions to leaseholder properties.
3. This report demonstrates the process undertaken and the results from a recent procurement exercise utilising the Efficiency North Installers framework, and seeks approval to award contracts to three external contractors.

## Recommendations

1. The Director of Resources and Housing is recommended to note this contract award report and approve the award of a contract to three external contractors for the External and Internal Communal Painting including Prior to Painting Repairs Works to Housing Leeds Stock for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2021, with the option to extend for two further 12 months periods (maximum of 4 years). The proposed contractors are;
  - Mitie Property Services (UK) Limited
  - Alfred Bagnall & Sons (Leeds) Limited
  - Wharfedale Decorations Limited
  
2. The Director of Resources and Housing is asked to note that the estimated contract value over the initial 2 year contract period is £4,400,000 (£2,200,000 per annum) with a maximum of £8,800,000 if the extension periods are utilised. The planned works will be allocated to the three external contractors proposed for award on an equal value share per annum basis, subject to satisfactory performance.

### 1. Purpose of this report

- 1.1 The purpose of this report is to document the procurement process undertaken, including how tenders were evaluated and which three preferred external contractors are proposed to be appointed for the initial 2 year term of this contract.

### 2. Background information

- 2.1 LBS has been requested to deliver £2,200,000 of painting works to approximately 7,500 domestic properties across the city on behalf of Housing Leeds, per annum.
- 2.2 LBS do not currently have the internal capacity to deliver all of the works directly and are proposing to contract out approximately £1,700,000 per annum, shared between three external contractors, with the remaining £500,000 being delivered through internal resource. If LBS are unable to deliver any or all of the retained work using their internal resources, the contract allows for the full £2,200,000 to be contracted out to the three successful contractors.
- 2.3 LBS' longer term strategy will be to directly deliver this work internally through its own in-house resources. It is anticipated that this will take place over the next two years through the recruitment of additional resources and TUPE transfer from other contracts previously managed by Housing Leeds directly and existing and proposed subcontractor arrangements.
- 2.4 The procurement strategy report as required under CPR 3.1.6 in order to invite external competition was approved in November 2018, with an effective date of decision from 23<sup>rd</sup> November 2018. This report considered appropriate procurement options and approved the use of the Efficiency North Framework as the manner in which to proceed with an external procurement competition. This report also acted as the Key decision under the Constitution.

### 3. Main issues

- 3.1 In order to deliver a consistent service to Housing Leeds in maintaining the housing stock across the city, LBS will need to establish compliant and sufficient contractual arrangements in order to support the established workforce.
- 3.2 We are proposing to establish a contract for a two year period starting in April 2019 with the option to extend for a further two x 12 months.
- 3.3 Due to the nature of the works, there is no guarantee of any volume of works throughout the contract term.
- 3.4 We conducted an Expression of Interest through the Efficiency North Installers OJEU compliant framework and 7 suppliers were subsequently invited to tender. Out of the 7 suppliers, 5 submitted tenders and 2 opted out.
- 3.5 The 5 remaining were assessed on a 70% price, 30% quality basis. There was a minimum threshold for the quality criteria of 40% (120 points out of the 300 available). The evaluation team comprised of officers from Housing Leeds and Leeds Building Services.
- 3.6 Following the completion of the quality review, a summary table is listed below;

<b>Organisation</b>	<b>Quality Score (300 Points)</b>
Alfred Bagnall & Sons (Leeds) Limited	192
DLP Services (Northern) Limited	166.50
Mitie Property Services (UK) Limited	267
Novus Property Solutions Limited	234
Wharfedale Decorations Limited	187.50

- 3.7 The Council's Quantity Surveyor was responsible for evaluating the pricing tenders. The cheapest price submitted was Mitie Property Solutions who scored the maximum number of points (700) and DLP Services received the lowest possible mark due to being 115% more expensive.
- 3.8 The combined Scores were as follows

<b>Organisation</b>	<b>Quality Score (300 points)</b>	<b>Price Score (700 Points)</b>	<b>Total (out of 1000 points)</b>	<b>Rank</b>
Mitie Property Services (UK) Limited	267	700	967	1
Alfred Bagnall & Sons (Leeds) Limited	192	361.74	553.74	2
Wharfedale Decorations Limited	187.50	341.14	528.64	3
Novus Property Solutions Limited	234	67.93	301.93	4

DLP Services (Northern) Limited	166.50	0	166.50	5
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- 3.9 Full details of both the quality and pricing review can be found in the Appendix 1 Confidential Tender Analysis
- 3.10 The three organisations who are recommended for the contract award are:
- Mitie Property Services (UK) Limited
  - Alfred Bagnall & Sons (Leeds) Limited
  - Wharfedale Decorations Limited
- 3.11 The project team acknowledges the disparity of scoring between Mitie, and both Alfred Bagnall and Wharfedale Decorations (400+ points difference between the first and second/third places). This was reviewed as part of the evaluation process and the recommendation to appoint all three tenderers is based on the following considerations;
- 3.12 All three tenderers have exceeded the minimum quality threshold put in place as part of the tender process and therefore are all eligible to continue in the process in accordance with published tender documentation. The Council has worked with all three contractors on previous contracts of a comparable nature and is satisfied that they have the skills, knowledge and experience to deliver the service to the required standards. The overall evaluation/due diligence process has not identified any significant risks in terms of awarding the contract to the successful bidders. All contractors have significant operational experience within this kind of work.
- 3.13 The established contract including allocation of work packages will be managed by LBS, who will develop and implement a Contract Management Plan. This will ensure that any underperformance is efficiently identified and appropriate action taken. A draft contract management plan will be available for review prior to contract award.
- 3.14 In addition, the rates submitted by the successful providers have been benchmarked against current and historic 'industry' rates and are deemed to be within acceptable parameters for work of this nature.
- 3.15 Prior to award, financial checks have been completed of all three contractors to ensure there is no risk to the authority. The results will be kept on file.

#### **4. Corporate considerations**

##### **4.1 Consultation and engagement**

- 4.1.1 Consultation and Engagement with council stakeholders have taken place when developing the procurement work stream as well as assessing the tenders when they were returned. This has involved the Projects, Procurement and Contract Management team, Housing Leeds and LBS. When necessary, legal advice has been sought from the Procurement Legal team.

## **4.2 Equality and diversity / cohesion and integration**

4.2.1 An Equality and Diversity Screening was carried out and completed when we asked for the procurement strategy to be approved in November 2018. This indicated that there was no expected impact on the protected characteristics of individuals and therefore it was not applicable to do an EDCI impact assessment.

## **4.3 Council policies and best council plan**

4.3.1 We ensured that the procurement was undertaken with a view to ensure openness, transparency and fairness and in line with the Council's Contract Procedure Rules.

4.3.2 The contract will contribute to the delivery of the following Council's policies and priorities;

- Working with communities
- Best city for communities
- Spending money wisely – through competitive tendering

## **4.4 Resources and value for money**

4.4.1 This procurement was undertaken as part of a programme of procurements being undertaken within LBS to support subcontracting arrangements and the ability for LBS to manage and deliver works on behalf of service areas across the authority.

4.4.2 The project team had consistency throughout the procurement process with representatives from the Projects, Procurement and Contract Management team, Housing Leeds Team and LBS.

4.4.3 Due diligence was undertaken when evaluating both the quality and pricing elements of the tender to make sure that they were realistic, sustainable and offer value for money.

4.4.4 The contract is valued at approximately £2,200,000 per annum for the initial two year contract period with the option to extend for a further two 12 months periods, totalling a potential spend of £8,800,000.

## **4.5 Legal implications, access to information, and call-in**

4.5.1 This report is a significant operational decision to award new contracts with a value of over £250,000 per annum and flows from the original key decision that is referred to in 2.4. Other than the confidential appendix, there are no grounds for keeping the contents of this report confidential under the Access to Information Rules.

4.5.2 The procurement was undertaken in line with EU legislation, Public Contract Regulations 2015 and LCC Contract Procedure Rules.

4.5.3 The tender has been evaluated in accordance with the quality / price criteria set out in the tender documents.

4.5.4 If requested, written feedback will be provided to unsuccessful tenderers.

## **4.6 Risk management**

4.6.1 Key areas to monitor and potential areas of risk are:

4.6.1.1 Establishing robust specifications and ensuring the contractors are working compliantly within the required specifications.

4.6.1.2 Ensuring the identified contractors are managed effectively with robust contract management plans being identified and actively implemented.

4.6.1.3 LBS will ensure that regular contract meetings are taken place throughout the duration of the contract and they will monitor Performance Measures/KPI's that are included within the specification and Contract Management Plan. LBS will ensure performance standards are met by the contractors and if they are found to be underperforming and failing to meet minimum standards, appropriate action will be taken to rectify the cause of failure.

4.6.1.4 Budgets will be monitored regularly to ensure that they're on track with expected levels of spend.

4.6.1.5 There is a risk that once the contract is awarded, a contractor(s) may not accept the work/may fall into financial difficulty. Financial checks have already taken place and all three contractors are financially stable. If they reject work packages, LBS will closely monitor the contractor(s) and identify reasons for rejection of the work.

## **5. Conclusions**

5.1 There is a requirement from Housing Leeds for the cyclical external painting, internal communal painting and prior to paint repair works of the Council's housing stock. This equates to approximately 7,500 homes per annum.

5.2 We therefore undertook a procurement process in accordance with the Public Contract Regulations 2015 and the Council's Contract Procedure Rules, with guidance and support from the Housing Leeds Team, in order to meet this requirement.

5.3 The painting requirement has now been through a robust tender process and three providers have been successful in their submissions. Two of these are current incumbents, but the Council has worked with all three in the past.

## **6. Recommendations**

6.1 The Director of Resources and Housing is recommended to note this contract award report and approve the award of a contract to three external contractors for the External and Internal Communal Painting Including Prior to Painting Repairs Works to Housing Leeds Stock for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2021, with the option to extend for two further 12 months periods (maximum 4 years. The proposed contractors are;

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6.1.1 The Director of Resources and Housing is asked to note that the estimated contract value over the initial 2 year contract period is £4,400,000 (£2,200,000 per annum) with a maximum of £8,800,000 if the extension periods are utilised. The planned works will be allocated to the three contractors proposed for award on an equal value share per annum basis, subject to satisfactory performance.

## **7. Background documents<sup>1</sup>**

7.1 Appendix 1 Confidential Tender Analysis

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<sup>1</sup> 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.