



**Report of: Repairs Manager (Cyclical)**

**Report to: Director of Resources & Housing**

**Date: 30<sup>th</sup> September 2019**

**Subject: BITMO Gas Servicing, Maintenance, Installations & Repairs – Contract Extension**

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s): Middleton park – Bell Isle	
Has consultation been carried out?	<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
Will the decision be open 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:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Summary**

**1. Main issues**

- The Belle Isle Tenant Management Organisation (BITMO) have responsibility of approximately 1900 properties within the city of Leeds, this responsibility includes all servicing, maintenance, repairs and installations in order to maintain the housing stock to acceptable levels.
- The BITMO Gas servicing, Maintenance, Installation and Repairs Contract delivered by Sayes Service Limited following a competitive procurement exercise, commenced 1<sup>st</sup> April 2015 and expires at the end of March 2020 with the option to extend for a further 2 x 12 months.
- The Gas Safety (installation and use) Regulations 1998 (the Regulations) make it mandatory that gas appliances are maintained in a safe condition at all times. Landlords are required by the Regulations to ensure that all gas appliances are adequately maintained and that an annual safety check is carried out by a registered contractor. The requirement is to provide annual servicing, as well as responsive repairs and maintenance and new installations to dwellings. The provision is an ongoing provision, so either needs extending as permitted within the awarded contract, or re-procuring to commence 1<sup>st</sup> April 2020.
- The annual contract value of this provision is £550,000 per annum.

## **2. Best Council Plan Implications**

- The works undertaken throughout the remaining contract term and extended term will contribute to the Best Council Plan by supporting Housing.

## **3. Resource Implications**

- Should this extension not be approved, the Repairs & Maintenance contract would need to be re-procured late 2019, along with the re-procurement of the responsive repairs and maintenance contract which would need to commence in late 2019 as well. This would lead to 2 complex procurement activities running side by side, causing adverse impact on the availability of resources within BITMO, Procurement and Commercial Services (PACS) and the BITMO Tenant Board.

## **Recommendations**

- a) The Director of Resources & Housing is recommended to approve the extension of BITMO Gas servicing, Maintenance, Installation and Repairs Contract to Sayes Service Limited for a period of 24 months (1 April 2020 to 31 March 2022), with an estimated value of £550,000 per annum.

## **1. Purpose of this report**

- 1.1 To obtain approval to extend the current contract for BITMO Gas servicing, Maintenance, Installation and Repairs Contract for a further 24 months, the maximum period as available from the current contract terms. This proposal is supported based on the performance of the current contract with Sayes Service Limited

## **2. Background information**

- 2.1 The BITMO Gas servicing, Maintenance, Installation and Repairs Contract delivered by Sayes Service Limited, commenced 1<sup>st</sup> April 2015 and expires at the end of March 2020 with the option to extend for a further 2 x 12 months.
- 2.2 BITMO Board agreed the recommendation to extend the contract at a BITMO Full Board Meeting, following this discussions have been held with Sayes. Sayes are happy to extend this contract for the additional 24 months.

## **3. Main issues**

- 3.1 Contractor performance has been exemplary and Sayes Service Limited continue to maintain or exceed all Key Performance Indicators outlined within the contract and available below. Please see
- KPI 1 – Properties with a valid Gas Safety Certificate – Average of 99.84% compliancy rate over the past 2 years.
  - KPI 2 – Repair First Time – BITMO has a 100% record of Gas repairs started and finished in the same day for 2019/20.
  - KPI 3 – Customer Satisfaction – Sayes have achieved 100% customer satisfaction in each of the last 2 years.
  - KPI 4 – Gas Safety Defect – BITMO has a 100% record on safety defects for 2019/20.
- 3.2 In particular the monthly Quality Audit carried out by Housing Leeds, for all Gas Contractors working in Leeds, shows that Sayes sets the bar for quality standards across the City whilst delivering the BITMO contract with regards to both the compliance recording and workmanship. Sayes have received a perfect 100% for workmanship throughout the last contractual year.
- 3.3 Customer Satisfaction from Sayes is also consistently high with feedback stating that tenants find them professional, prompt and courteous.
- 3.4 Contractual performance has shown the benefits of BITMO working with an SME<sup>i</sup>.e.g. speed/efficiency and satisfaction with service. This can be attributed to SME's usually operating and headquartered within the immediate locality. SME's are therefore more attuned to residents' opinion and able to respond without unnecessary delays. Sayes work on BITMO is carried out by a team of engineers that work exclusively and permanently on the BITMO contract and in no other areas or on other contracts. This approach ensures that Sayes engineers are well known to the residents of BITMO and have developed a good working relationship.
- 3.5 Costs are determined 'year on year' as per contract terms and conditions and because of this we are able to offset efficiency savings against the BCIS<sup>ii</sup> Indices

cost increases applied to contracts of this type. If we were to re-procure now we would certainly be subject to further increases as contractors would submit higher costs in an attempt to offset the uncertainty surrounding the economy and safeguard potential losses. Two years will hopefully allow this situation to stabilise before undertaking a new procurement exercise.

3.6 In accordance with the contractual requirements Sayes have provided a 3% year on year efficiency saving adjusted against figures obtained from the BMI Local Authority Maintenance Cost Index. This has represented an accumulative saving of 12% that has already been applied to the contract rates over the last 5 years of the contract.

3.7 In line with the contract requirements Sayes are proposing for the additional 24 months contract the following measures:

- Applying of a 1% discount against all existing rates from 1<sup>st</sup> April 2020.
- Apply no annual increase for contract extension year 2020-21, effectively representing a saving for BITMO against 2019/2020 costs of between 4% and 5% (based on historical inflation rates obtained from the BMI Local Authority Maintenance Cost Index – General as published by the RICS Building Cost Informative Service).
- Funding match of the Vaillant's contribution on the CSR Funding initiative, throughout the 2 – year extension period. (in accordance with existing financial arrangements)
- Continue to financially support BITMO endorsed social events, such as providing high quality raffle prizes for the various events annually.
- Continue to full support selected BITMO community projects, including full support for the 'Adaptive House Project – Low surface temperature radiators throughout replacing existing radiators'. (Sayes will provide labour free of charge to BITMO to enable the competition of this project up to the value of £1500,000)
- Sayes will also continue to provide a first-class professional service, ensuring the proposed cost savings, on top of the 12% discount already applied to the contracts costs, will not impact on the service levels they provide.

3.8 The current contract is due to expire 31<sup>st</sup> March 2020, with the option to extend for a further 2 x 12 months. Considering the exemplary performance, and financial efficiencies identified throughout the contract term and during extension negotiations, it is the view of the BITMO Tenant Board that the full 2 years extension be offered to maximise the contract for both the BITMO and Sayes Service Limited.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

4.1.1 The BITMO Tenant Board have been consulted on the proposal outlined within this report.

4.1.2 PACS have been consulted in the development of this report, including contribution from the Housing Leeds Procurement Team.

- 4.1.3 Leaseholder consultation was undertaken as part of the procurement exercise, however it should be noted that formal leaseholder consultation is not mandatory in respect to the optional 'safety check' offered to leaseholders as it is valued below £250.

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

- 4.2.1 An EDCI was undertaken as part of the initial procurement exercise (and can be seen here: <https://democracy.leeds.gov.uk/documents/s127732/EIA-Award%20of%20gas%20Contract%20in%20BITMO.pdf>), it is not anticipated that the proposed extension influences any changes to those outcomes. A refresh of the EDCI will be carried out as part of the re-procurement activity.
- 4.2.2 The service and inspection element is governed by the fact that there is an obligation as a landlord to comply with the Regulations, and installation requirements are based upon pre-determined criteria i.e. the need to replace systems / appliances beyond economical repair, rather than any direct assessment of tenants themselves.

## **4.3 Council policies and the Best Council Plan**

- 4.3.1 The extension provision is compliant with the Contracts Procedure Rules and the terms of the contract.
- 4.3.2 The works undertaken throughout the remaining contract term and extended term will contribute to the Best City Priorities of:
- 4.3.2.1 'Housing of the right quality, type, tenure & affordability'
- 4.3.2.2 Improving energy performance in homes, reducing fuel poverty.
- 4.3.3 Climate Emergency
- 4.3.3.1 The use of a local SME's to carry out this contract will have a positive impact on the climate emergency by reducing carbon emissions in the local area and the overall Leeds area. The extension of this contract will continue this positive impact on the Climate Emergency.

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

- 4.4.1 Financial efficiencies have made throughout the duration of the contract, as per terms and conditions, which have required a 3% efficiency saving (each year) offset against the BCIS Cost Indices percentage increase or decrease. This has been implemented with no reduction in resource or service delivery from Sayes Service Limited. Furthermore Sayes have agreed to apply the current Schedule of Rates for the period of the extension and waive any percentage increase

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

- 4.5.1 The works outlined in this provision are governed by the Regulations and taking up the available extension provision within the contract is compliant with Contracts Procedure Rules.
- 4.5.2 The value of this extension is a subsequent decision of the original Authority to Procure and Award Decision for this contract which was a Key Decision, and is therefore a Significant Operational Decision and is not subject to call-in.

## **4.6 Risk management**

- 4.6.1 The contract is JCT Measured Term Contract (2011 Edition) as published by the Joint Contracts Tribunal Limited and is managed by Belle Isle Tenant Management Organisation.
- 4.6.2 A contract management plan is in place for the existing contract which will be used for the proposed extension period. This conforms to LCC's Contract Procedure Rules and we will continue to utilise LCC's bespoke project management software for day to day operation. This will allow us to not only maximise benefits, determine the roles and responsibilities related to the management process but also allow all risk to be recognised and managed accordingly. Through this structured approach a clear and comprehensive audit trail of all actions will be available.

## **5. Conclusions**

- 5.1 The contract has demonstrated success through high levels of performance and good levels of financial efficiencies, as such implementing the available extension is considered to be the most advantageous option for both BITMO and Sayes Service Limited. As per section 3.7 there are financial and service benefits to the extension of this contract for the additional 2 years.
- 5.2 Re-procurement of this contract should commence no later than April 2020 to maximise the opportunity for efficient procurement activity, early supplier involvement and robust mobilisation, particularly TUPE transfer should a change in contractor occur.

## **6. Recommendations**

- 6.1 The Director of Resources & Housing is recommended to approve the extension of BITMO Gas Servicing, Maintenance, Installation and Repairs Contract to Sayes Service Limited for a period of 24 months (1 April 2020 to 31 March 2022), with an estimated value of £550,000 per annum.

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

7.1 Authority to procure Report:

7.1.1 <https://democracy.leeds.gov.uk/ieDecisionDetails.aspx?ID=40931>

7.2 Contract Award Report:

7.2.1 <https://democracy.leeds.gov.uk/ieDecisionDetails.aspx?ID=42040>

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<sup>i</sup> SME - Small and medium sized enterprise

<sup>ii</sup> BCIS – Building Cost Information Service

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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.