



**Report of: Director of Resources and Housing**

**Report to: Executive Board**

**Date: 16 October 2019**

**Subject: Procurement of Housing Responsive Repairs and Voids Services for the West of Leeds.**

Are specific electoral wards affected? If yes, name(s) of ward(s): citywide	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Will the decision be open 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:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

## Summary

### 1. Main issues

- Housing's responsive repairs and voids services, including cyclical maintenance activities, keep council housing assets – including over 50,500 homes – safe and well maintained for our residents. These are essential services, helping us to meet our commitments and legal obligations as a caring and responsible landlord.
- The current arrangements for who delivers these services in different parts of Leeds stem from when housing services were delivered by the three former Arm's Length Management Organisations (ALMOs) and their historic boundaries. Although there are complexities in the delivery arrangements, in essence an external contractor (Mears Limited) delivers in the South and West thirds of the city, with our in-house service provider Leeds Building Services (LBS) delivering in the East.
- The council now has the opportunity to choose how to best organise future service delivery, as existing key contractual arrangements expire on 31 March 2021.
- An options appraisal has been undertaken to consider how the service should be delivered in the future. The preferred option is for LBS to deliver for the East and South, and an external contractor to be procured to deliver for the West of the city.
- Careful planning and consideration has been undertaken to ensure that this proposal meets the needs of the City and its tenants.

- A service delivery strategy is being developed for the services to be internally delivered through LBS, identifying the mechanisms for pricing, specifying, delivering and monitoring the service.
- A procurement strategy has been developed for the services to be externally contracted, identifying the procurement route, form of contract, and proposed contract length, taking into account the need to attract effective competition to secure best value for money. The decision to undertake this procurement is needed in line with our Contract Procedure Rules (notably 3.1.6). Contract award, and decisions on undertaking extensions, will be separate resulting decisions.
- The existing external contracts for the South & West of the city are due to expire in 2021. In order to ensure that the services continue to be delivered to a high standard, and that arrangements are in place in line with these timescales, the internal delivery strategy for LBS and the related external procurement strategy are being developed concurrently. In order to ensure that the programme allows for sufficient time to include a thorough mobilisation of the new arrangements, a variation to potentially allow works to be delivered through existing arrangements between 31<sup>st</sup> March 2021 and September 2021 is being progressed.

## **2. Best Council Plan Implications** (click [here](#) for the latest version of the Best Council Plan)

- These services support the council's ambition for Leeds to be a compassionate and caring city that tackles poverty and reduces inequality, by making sure that our tenants, including some of the most vulnerable people in our city, are able to live in safe, accessible and well maintained homes.
- The services contribute to the following Best Council Plan ambitions:
  - Housing – in particular housing of the right quality, and the key performance indicator of percentage of council housing repairs completed within target; and
  - Safe, Strong Communities – in particular keeping people safe from harm and protecting the most vulnerable.
- The increase in this service provision by LBS also supports internal growth and investment.

## **3. Resource Implications and value for money**

- Funding for the services comes from the Housing Revenue Account (HRA).
- The external procurement activity will be undertaken utilising the Restricted Procedure, and advertised in accordance with the Public Contracts Regulations 2015. The procurement exercise will encourage competition in the market in an effort to identify the Most Economically Advantageous Tenderer, by utilising a quality and price approach of 60/40.
- The LBS Growth Programme will provide the potential to make legitimate returns to the council's general fund, supporting the authority in developing and maintaining services. All repairs services will be funded through the HRA.

## Recommendations

Executive Board is recommended to:

- a) Approve that LBS should deliver housing responsive repairs and voids services for the East and South of the city, with an external contractor to deliver for the west (option 4), noting that the new arrangements are planned to start from autumn 2021.
- b) Note that this involves changing existing service delivery boundaries to align with Leeds electoral wards.
- c) Note that feedback from the proposed consultation exercises will be considered and taken into account by the Director in implementing these proposals.
- d) Agree that a procurement should be undertaken for housing responsive repairs, voids & cyclical maintenance services in the West of the city, using a restricted procedure in accordance with the Public Contracts Regulations 2015, to establish a contract.
- e) Agree that the procured contract should be for a period of 5 years, with an estimated total value of £72m, given an estimated annual value of £14.35m.
- f) Note that LBS' housing responsive repairs and voids service delivery will expand, from 33% of the city currently (circa 17,000 of a total of circa 51,000 properties), to delivery of services to 61% (circa 31,000 properties). This represents an 83% increase.
- g) Delegate the responsibility for implementing these proposals to the Director of Resources and Housing.

## 1. Purpose of this report

1.1 To obtain approval of the proposed strategy to deliver Housing Responsive Repairs, Voids & Cyclical Maintenance to the city's housing stock from 2021, including approval of:

1.1.1 Internal delivery of the service through LBS in the South and East of the city, noting this represents an 83% growth in comparison with existing arrangements;

1.1.2 The proposed procurement routes in line with CPR 3.1.6 with regards to Housing Responsive Repairs, Voids & Cyclical Maintenance for the West of the city.

## 2. Background information

2.1 It should be noted that the services being considered by this report and strategy exclude delivery of Domestic Gas services, Major Adaptations to housing and any planned maintenance (capital works).

2.2 The table below shows the numbers of council homes managed in each area of the city, as an indication of scale of service activity.

Former ALMO area	Area	No. homes
Aire Valley homes	South	14,055
West North West homes Leeds	West	19,582
East North East homes Leeds	East	16,905
	<b>Total</b>	<b>50,542</b>

2.3 **South & West.** In the South and West service delivery is currently through two contracts, both held by Mears Limited and awarded as part of two large partnership contracts (at that point also covering planned works activity) in 2011. These expire on 31st March 2021, having been previously extended to contractual limits. The current cost is approximately £23.5m per year.

2.4 These contracts were initially awarded to Morrison Facilities Services in early 2011 to commence from April 2011. In the early stages there were a number of difficulties in the delivery of the works on site with the contractor, difficulties in implementation of the performance management and charging mechanism in delivering the contract to the ALMOs. In late 2012 Morrison was taken over by Mears who took on the contracts and have delivered the contract in a proactive manner and to the general satisfaction of the Council since this time.

2.5 **East:** LBS deliver this service for the East of the city. The current cost is £18.4m per year to the HRA, of which £2m is a dividend returned to the General Fund. The former ALMO used East North East Construction Services as their in-house service provider, who in 2014 merged with Property and Maintenance to create LBS.

2.6 LBS is the in-house service provider for construction, repairs and maintenance works for directorates across the council. As well as delivering responsive repairs, maintenance and planned works to council homes, it provides such services for 2,100 other council assets across 800 sites including schools, the civic estate, offices, sports and leisure centres and children's homes. Services are delivered via direct labour force and a range of subcontractors.

- 2.7 There are also separate contractual arrangements for services for BITMO and for private finance initiative areas in Beeston Hill, Holbeck, Little London and Swarcliffe.
- 2.8 In planning how the new service will be delivered, our objectives include:
- a) maintaining the quality and safety of council homes for our residents, making sure we have arrangements in place to deliver these essential services;
  - b) improving customer satisfaction;
  - c) aligning new service arrangements delivery with electoral wards, and having a city wide approach where appropriate e.g. on service standards and timescales;
  - d) achieving value for money; and
  - e) achieving wider social value, including to reduce carbon emissions given the climate emergency, and to support inclusive growth through local employment and skills development.

### 3. Main issues

#### Options appraisal

- 3.1 An options appraisal has been undertaken, with five main options identified for how the services should be delivered in the future.
- 3.2 During the appraisal consideration was given to key themes including:
- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Achieving value for money (incl financial modelling &amp; affordability)</li> <li>• Risk allocation and resilience</li> <li>• Customer satisfaction and service quality</li> <li>• Alignment with political ward boundaries</li> <li>• Geographical spread of all properties</li> <li>• Stock condition and property archetype of housing</li> </ul> | <ul style="list-style-type: none"> <li>• LBS existing areas</li> <li>• TUPE potential and risks</li> <li>• Rate of expansion for LBS</li> <li>• Social Value</li> <li>• Need for one or more additional depots for LBS</li> <li>• Recruitment potential</li> <li>• Systems and digital services</li> <li>• Feedback obtained from the market</li> </ul> |
|---|---|
- 3.3 In summary, the options are as follows:

#### **Option 1: External contractors to deliver the service citywide.**

- 3.4 This option would involve LBS ceasing to provide services, and external contractors being procured to deliver across all parts of the city.
- 3.5 Although this option could allow for the most challenge on costs given a competitive procurement process, there is no guarantee that costs would be lower than the existing. As well as resulting in reductions of existing staff numbers, with attendant industrial relations issues, progressing with this option would lose any dividend to the General Fund generated from that LBS activity. Complete reliance on external contractors for the service also increases the risk to the council based on historic events such as private contractor failure (i.e. Carillion) and given the challenges to the commercial sector in the current economy.

### **Option 2: Maintain current arrangements, LBS deliver for the East only.**

- 3.6 This option involves LBS retaining service delivery across 33% of the city, with no change to the number of LBS properties or geographical boundaries. External contractors for the remainder would be re-procured in line with volumes and geographical boundaries of the existing two contracts.
- 3.7 This option maintains the status quo, and is anticipated to be a cost effective approach. Ongoing productivity improvements by LBS to reduce service costs would enable resources to be used even more effectively and support meeting any changing service needs. However, it does not maximise the benefits of in-house provision. The option misses opportunities to provide more resilience to private contractor failure, embed a clear Leeds City Council branding and ethos across the city, generate financial returns to the council's general fund (reducing 'leakage' of profits) and create greater social value through creation of more secure jobs locally.

### **Option 3: LBS and external contractors each deliver to about half of the city.**

- 3.8 This option grows LBS to deliver across 53% of the city – adding 9,864 homes to its responsibility, principally extending into much of the South and aligning delivery with ward boundaries, taking its homes total to 26,769. An external contractor would be procured for service delivery to the remaining 47% of the city, covering 23,752 homes.
- 3.9 This represents substantial but sustainable internal growth, increasing internal delivery by 58% from current levels. Such growth provides both an opportunity to increase financial returns, create greater social value through creation of more secure jobs locally and helps embed a clear Leeds City Council branding and ethos across the city. However, TUPE legislation (see 4.5) would be expected to apply, and may be complicated given the partial expansion into South areas (currently wholly delivered through one external contract). Notably, if TUPE did not apply, this could increase the risks related to achieving required levels of staff recruitment and training, alongside the readiness and capacity of systems, fleet and premises.

### **Option 4: LBS delivers for the East and South, an external contractor delivers for the West.**

- 3.10 This option grows LBS to deliver across 61% of the city – adding 14,055 homes to its responsibility, extending fully into the South and aligning with ward boundaries, taking its homes total to 30,960. An external contractor would be procured for service delivery to the remaining 39% of the city, covering 19,582 homes
- 3.11 This represents ambitious and sustainable internal growth, increasing internal delivery by 83% from current levels. Such growth provides both an opportunity to substantially increase financial returns to the council's general fund, to create greater social value through creation of more secure jobs locally, to provide greater resilience against private sector failure and help embed a clear Leeds City Council branding and ethos across the city. Further social value benefits which may be derived from the council's employment values and apprenticeship and training opportunities could also be delivered. TUPE legislation (see 4.5) would be expected to apply for contractor staff who operate in the South area.

### **Option 5: LBS deliver the service citywide.**

- 3.12 This option fully internalises current services, with no Housing Leeds external contracts procured. LBS delivery would increase from current by 33,637 homes, taking its total to 50,542.
- 3.13 This represents a highly risky level of growth for LBS, increasing their delivery by almost 200% from current levels. Positives include the potential for creating greater social value including more secure job opportunities for local people; the potential for more responsive and flexible changes to the service as needed unbound by commercial contract terms; embedding a clear Leeds City Council branding and ethos across the city and generating a significant return to the general fund. However, without competition from a private contractor delivering elsewhere in the city to act as a comparator, evidencing best value is more difficult and service provision may be unaffordable. In addition, rapid LBS expansion to this scale exposes the council to unacceptable levels of risk to service performance – including demands on existing staff, rapid recruitment and training requirements, no resilience or ‘back-up’ from the market in the event of internal failure, and increasing pressures on systems and premises to meet expanding needs.

#### Preferred option

- 3.14 Following considerable review with the relevant services, and consultation with Trade Union colleagues, **Option 4** (LBS delivers for the East and South, external contractor delivers for the West) is recommended as the preferred option for service delivery from 2021.
- 3.15 This option for a mixed model of delivery will enable a quality service to be provided while limiting risks to the council and residents, providing greater resilience, together with competition and comparison and assurance in relation to the service and its costs.
- 3.16 TUPE legislation (see 4.5) would be expected to apply for all contractor staff who operate in the South area of the city. This is anticipated to provide a clearer position for both the existing provider and LBS as it will be linked to the transfer of one whole contractual area.
- 3.17 In order to deliver these ambitious growth plans for LBS and enable a consistent, efficient and professional service to be provided to our tenants, a number of workstreams and associated actions have been established.
- 3.18 The key workstreams established to deliver efficiencies and improvements to the service are: 1) Improving Performance, 2) Improving Productivity and 3) Business and Financial Planning.
- 3.19 Key activities being undertaken to deliver efficiencies include: embedding digital improvements and processes (for example reducing referrals through using a dynamic scheduling and appointment timing tool), reducing staff absence levels and reducing materials and sub-contractor spend.
- 3.20 The activities identified in the workstream action plan are anticipated to be delivered and achieved by Spring 2021, to ensure that LBS is equipped to provide a competitive service to tenants and leaseholders by September 2021 in line with the existing contract expiry dates. Progress against these actions is being effectively monitored and reported to the Director of Resources & Housing through the LBS Improvement Board on a 6 weekly basis.

- 3.21 A map of the options, and changes by ward are detailed in Appendix A.
- 3.22 Appendix B provides a summary of the intended scope of LBS versus external contractor service delivery. Where LBS already provides city wide services these will be retained, and some new areas of appropriate city wide delivery have been identified.
- 3.23 Following an options appraisal to ascertain the most efficient way of pricing the service, both internally and externally, the preferred approach is to use the National Housing Federation Schedule of Rates. This approach provides consistency across the service for both LBS and the external contractor.
- 3.24 Over the coming months, key elements of service delivery and service specifications are being reviewed to identify where improvements might be made to benefit residents and improve customer satisfaction, whilst remaining affordable. This may include activity such as looking at repairs categorisation, timescales for response, and availability of appointments.

#### Delivering the preferred option – external service delivery

##### 3.25 Procurement Route – Restricted Procedure.

In order to ensure that procured services and/or goods provide value for money solutions through an optimum mix of quality and price over the contract period, all public sector procurements (including those carried out by the council) must comply with the Public Contract Regulations (2015). These regulations encourage open competition and value for money, in line with internationally and nationally agreed standards.

To ensure adequate competition and compliance with the above mentioned Public Contracts Regulations 2015 and the Contracts Procedure Rules, an external procurement of this value is currently subject to EU advertisement. In addition, due to the high number of potential tenderers suitable for works of this nature it is recommended that the number of bidders is limited through a restricted procedure, allowing for the efficient management of resources throughout the evaluation process.

##### 3.26 Contract Structure & Duration – The intention is to procure a contract with an external provider to deliver the Responsive Repairs and Voids service in the West of the city. This contract will be awarded to a single supplier for a 5 year term, with the intention of Leeds City Council staff and the external contractor working alongside each other to formally embed an adequate sharing and transfer of knowledge, experience and expertise. This will help ensure that the council is appropriately equipped with enough support and information at an operational and management level to enable further potential insourcing of the service at the end of this five year term, whilst maintaining performance levels. The proposed duration takes into account market feedback and the amount of investment needed by bidders to make a profitable return, and the likely cost consequences to the Council of a short term contract over a longer term one. The proposed contract duration of 5 years is anticipated to attract the best value for the council. This takes into consideration:

- Feedback from the market around financial modelling generally projecting profits in year 4 onwards, and therefore allowing Bidders to tender more competitive pricing models.

- Level of council resources required for a procurement is the same regardless of contract duration.
- A shorter contract would provide less scope to deliver social value commitments and carbon reduction initiatives as bidders could not make long term commitments with a short term contract.
- The proposed contract period is also anticipated to maximise market interest, in turn increasing competition and driving value for money.
- Offering less than 5 years initial contract term would be unlikely to provide a value for money service for the council, as a shorter term contract would affect financial models and Bidders may therefore front load costs into the early years which will increase their respective bid price. As a result of this, it is anticipated that there would be less interest in the market for a shorter contract term.
- The proposed contract period is expected to allow sufficient time both for LBS to embed itself into the new delivery arrangements in the South of the City, and to provide adequate time for the external contractor to provide a knowledge exchange through joint working with the council. This is anticipated to enable the council to be in a better position to take on this further work in the remainder (West) of the city when the contract terminates.

3.27 Form of Contract. There are two principal model forms of contract that are widely accepted and relevant for works of this nature, these are JCT and NEC. Both contracts provide a variety of options that suit the needs and requirements of clients (employers). JCT is seen as the 'traditional' form of contract. The NEC on the other hand is formed on a contemporary requirement for clarity, flexibility and collaboration.

Essentially, the NEC strives to provide a fair balance of risk between parties and takes a proactive approach in effective contract management and administration. Conversely, JCT maintains a comparatively traditional approach that concentrates on the transfers of risk and liabilities under the contract. Following an options appraisal of these available contract forms, it is proposed that NEC4 – Option A is utilised. This has been identified as the most effective approach with regards to market and service area experience and understanding.

NEC contracts have become public sector contracts of choice in the UK, and are intended to provide improvement/dispute avoidance through three major aspects:

- Flexibility – Covers building and civils works
- Clarity & Simplicity – Uses ordinary language, no cross referencing, no subjective terms
- Stimulus to good management – collaborative approach, proactive processes to agree variations and claims as works progress

These aspects are in contrast to the JCT contracts that:

- Use traditional contract terminology

- Very detailed text, contains lengthy sentences, lots of defined terms, lots of cross referencing and can be difficult to understand
- Has limited details for processes with timescales to manage issues.

3.28 Specifications. The external contractor will operate on the same specifications and schedules of rates as LBS to ensure consistency of service provision to tenants across the whole city.

3.29 A summary timetable for the procurement activity is as below:

Creation of first draft of all service information	Nov 2019
Leaseholder first consultation starts	Dec 2019
All contract and tender documents final	Jan 2020
Invite to tender – shortlisting	Feb 2020
Invite to tender – full tender	July 2020
Leaseholder second consultation starts on procurement outcome	Dec 2020
Contract award	Mar 2021
Current contracts end	31 Mar 2021
New services commence (subject to mobilisation and programme)*	April - Sept 2021

\* In order to ensure that the programme allows for sufficient time to include a thorough mobilisation of the new arrangements, a variation to potentially allow works to be delivered until September 2021 is being progressed.

3.30 The timetable reflects the length of period needed to undertake a procurement of this complexity, and includes a period of up to 6 months service mobilisation.

## 4 Corporate considerations

### 4.1 Consultation and engagement

- 4.1.1 Engagement and consultation with the Trade Unions regarding the proposed growth for LBS and the approach as outlined in this report have been ongoing from July 2019.
- 4.1.2 Key lessons and conclusions from recent customer surveys and feedback is being taken into account, with specific tenant and leaseholder engagement activity programmed to be undertaken throughout the procurement activity.
- 4.1.3 To date, key tenant and residents groups including the Repairs and Investment Group and VITAL have been kept updated on the existing service arrangements and key dates in relation to future proposals. Specific consultations regarding the principle of LBS taking on the repair work in the South, and of letting a new contract for the West will take place following publication of this Executive Board Report and the associated recommendations made being approved.
- 4.1.4 Representatives from these key tenants groups will also be involved in commenting on more specific relevant and proportionate aspects of the future repairs arrangements, for example, performance indicators, evaluation criteria, and providing their feedback on elements of subsequent tender submissions. Leaseholder consultation will also be undertaken in line with legislation. Feedback

received will be considered and taken into account to help shape and influence future service provision.

4.1.5 Procurement and legal colleagues from Procurement & Commercial Services have been closely involved with the project and with procurement planning, and their continued engagement and support will be with regards to the development of the contract and procurement commercial risks.

4.1.6 In early 2019 market sounding and engagement activity was undertaken with prospective bidders. This demonstrated a good level of interest in potential contracts, and much useful intelligence and feedback which has been reflected in the proposed strategy wherever possible.

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

4.2.1 An Equality, Diversity, Cohesion and Integration screening and impact assessment have been completed. The impact assessment is attached at Appendix C.

4.2.2 Key findings to highlight include:

- Failure to agree viable proposals for service delivery arrangements or, provide sufficient time for these to be implemented, would result in service disruption following the expiry of the current Mears contracts. This would affect all residents, particularly those who are most vulnerable such as the disabled or elderly.
- Increasing the proportion of work delivered through LBS, and change of external contractor for the West of the city could potentially impact service delivery for residents across all equality characteristics but will not negatively impact any single group.
- The proposed expansion of staff for LBS provides an opportunity to actively target underrepresented groups - including female and minority ethnic residents - to work for the service. Likewise, externally procured contracts will provide further opportunities to target underrepresented groups for employment and skills opportunities.
- The proposals provide an opportunity to ensure that all housing and repairs staff, in regular contact with residents, receive safeguarding training. This would help to protect vulnerable residents and ensure consistent safeguarding arrangements city-wide.

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

4.3.1 These housing repair and maintenance services support the council's ambition for Leeds to be a compassionate and caring city that tackles poverty and reduces inequality. Through the provision of these services we ensure that our tenants, including some of the most vulnerable people in our city, are able to live in safe, accessible and well maintained homes.

4.3.2 The services contribute to the following Best Council Plan ambitions:

- Housing – in particular housing of the right quality, and the Best City key performance indicator of percentage of council housing repairs completed within target; and

- Safe, Strong Communities – in particular keeping people safe from harm and protecting the most vulnerable.

4.3.3 The increase in this service provision by LBS also supports internal growth and investment. Dividends to the General Fund from service provision to council homes will be retained within the Council, ultimately protecting the ability to provide crucial services to Leeds residents. The growth of LBS will also lead to a growth in council jobs, many in skilled and technical trade roles, whilst building and maintaining excellent knowledge about council assets.

4.3.4 Externally procured contracts will provide further opportunities to support the wider local economy and deliver wider social value benefits including employment and skills opportunities.

#### Climate Emergency

4.3.5 At Full Council on 27 March 2019, Leeds City Council passed a motion declaring a Climate Emergency. In addition, the Leeds Climate Commission have proposed a series of science based carbon reduction targets for the city so that Leeds can play its part in keeping global average surface temperature increases to no more than 1.5C.

4.3.6 LBS will contribute to this target by:

- Reducing air pollution e.g. increased electric vehicles and reduction in fuel
- Improving energy efficiency of homes
- Reducing waste and use of resources in delivering repairs and maintenance
- Improving biodiversity outcomes in the repaired homes where possible.

4.3.7 LBS is committed to reducing air pollution and has the largest fleet of electrical vehicles across the Council. Following further expansion of LBS electric vehicles in October 2019, Leeds City Council will have the largest fleet of electric vehicles of any council in England.

4.3.8 Procurement activity undertaken will seek to appoint contractors who can demonstrate they have arrangements in place within their organisation which reduce their impact on climate change, in addition contractors will be required to demonstrate what measures they will put in place to reduce emissions as a result of travelling, as well as reduction in landfill.

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

4.4.1 Funding for the services comes from the Housing Revenue Account (HRA). The current budget for the service is approximately £43m per year.

##### Service delivery by external contractor

4.4.2 The procurement activity will be undertaken utilising the Restricted Procedure, and advertised in line with Public Contract Regulations. The procurement exercise will encourage competition in the market in an effort to identify the Most Economically Advantageous Tenderer, by utilising a quality and price approach of 60/40.

4.4.3 The contract will be delivered based on the New Engineering Contract (NEC4) model contract form, in line with market familiarity and standards.

- 4.4.4 The contract will be priced utilising the National Housing Federation Schedule of Rates.
- 4.4.5 Key Performance Indicators will be built into the contract which will be comparable to those within the Service Level Agreement with LBS, to ensure consistent service delivery across the city.
- 4.4.6 As referenced in 3.1.4, the preferred option is that works within the East and South areas of the City are undertaken by the internal service provider (LBS) and in the West of the City by the successful bidder in the procurement. It is intended to align LBS rates to the National Housing Federation Schedule of Rates to ensure comparable costs of service across the City, irrespective of service provider. If the internal and external service providers rates are the same, then the cost of the service to tenants should be the same (per job) assuming that the both providers achieve the same delivery targets.

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

- 4.5.1 The decision set out in this report is a key decision and subject to call in.
- 4.5.2 There are no grounds for keeping the contents of this report confidential under the Access to Information Rules.
- 4.5.3 The contract award decision will be a resulting significant operational decision.
- 4.5.4 In addition, decisions to award any subsequent contract extensions will also be resulting significant operational decisions, in accordance with the July 2019 revised Contract Procedure Rules (section 21.2).
- 4.5.5 In relation to the procurement, leaseholders will be consulted in line with national legislation to make sure that we can re-charge where appropriate for the costs of any works related to leasehold properties.
- 4.5.6 The Transfer of Undertakings (Protection of Employment) Regulations 2006 (known as TUPE) is expected to apply to those eligible external contractor staff, involving their transfer into the council. The appropriate consultation activity will need to therefore take place.
- 4.5.7 The council is committed to being a caring and responsible landlord, and these services are an essential contribution to meeting our legal obligations and statutory responsibilities, including those set out in:
- The Landlord and Tenant Act 1985,
  - The Secure Tenants of Local Housing Authorities (Right to Repair) Regulations 1994
  - The Regulatory Framework for Social Housing in England 2012, and
  - The Homes (Fitness for Human Habitation) Act 2018.

#### **4.6 Risk management**

- 4.6.1 Risk registers for the project, and for the LBS Growth project are in place; very high or high risks currently identified, and mitigation plans, include:
- **Risk of costs of service provision being unknown at this stage.**
  - As this is a competitive tender exercise, there is a risk that the outcome of the procurement results in tendered rates that could be higher or lower than those in

the National Housing Federation Schedule. This could result in differential costs across the City.

- **Challenges of expansion for LBS and/or a new service provider being commissioned result in a quality service not being able to fully start when needed.**
- In order to prepare LBS to deliver a high quality service from the outset, service improvement plans are being developed and implemented by the service. Dedicated workstreams and an associated action plan are being closely monitored and managed to enable performance standards to be maintained and efficiencies delivered to ensure that the cost of the service is comparable across the City.
- A detailed and thorough tender exercise will allow for service delivery plans to be robustly assessed to provide assurance around the future quality of service provision.
- **TUPE information is not adequate and/or the expected number of contractor staff do not transfer in to LBS.**
- Although the aspiration is clearly for LBS to be able to directly employ operatives to deliver the services directly, the sub-contractor procurement strategy is being developed to provide an element of contingency and flexibility to the workforce, particularly during the initial months of transition.
- **Tenants in different areas of the city receive different levels of service based on the provider.**
- Internal and external service providers will use the same Schedule of Rates, the same specifications and be monitored on the same performance indicators.
- LBS have a commitment to benchmark on cost and quality against external contractors in the city.

4.6.2 All risks are being closely monitored, and mitigating actions progressed.

## 5 Recommendations

Executive Board is recommended to approve:

- a) Approve that LBS should deliver housing responsive repairs and voids services for the East and South of the city, with an external contractor to deliver for the West (option 4), noting that the new arrangements are planned to start from autumn 2021.
- b) Note that this involves changing existing service delivery boundaries to align with Leeds electoral wards;
- c) Note that feedback from the proposed consultation exercises will be considered and taken into account by the Director in implementing these proposals.
- d) Agree that a procurement should be undertaken for housing responsive repairs, voids & cyclical maintenance services in the West of the city, using a restricted procedure in accordance with the Public Contracts Regulations 2015, to establish a contract.
- e) Agree that the procured contract should be for a period of 5 years, with an estimated total value of £72m, given an estimated annual value of £14.35m.

- f) Note that LBS' housing responsive repairs and voids service delivery will expand, from 33% of the city currently (circa 17,000 of a total of circa 51,000 properties), to delivery of services to 61% (circa 31,000 properties). This represents an 83% increase.
- g) Delegate the responsibility for implementing these proposals to the Director of Resources and Housing.

## **6 Background documents<sup>1</sup>**

6.1 None.

## **7 Appendices**

Appendix A – Map of options, and changes by ward

Appendix B – Scope of service delivery

Appendix C – Equality, Diversity, Cohesion and Integration Impact Assessment

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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.