



**Report of Chief Officer Property & Contracts**

**Report to Director of Resources and Housing**

**Date: 31 October 2019**

**Subject: Request to extend the additional positions created to deliver the procurement strategy for Leeds Building Services (LBS) from 2018/19 - 2020/21**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<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 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**

- In March 2018, the Director of Resources and Housing approved the recommendation for the creation of 5 additional temporary Procurement positions onto the Property & Contracts structure to commence in 2018/19 to deliver an indicated £100 million procurement strategy for Leeds Building Services (LBS).
- The initial recommendation report outlined that the additional posts would be required for approximately 12 months to deliver the strategy and these posts are currently due to finish on 31<sup>st</sup> March 2020.
- Since the original report was presented, the overall strategy for delivery has been subject to further review to ensure it is still viable in line with current market conditions in order to establish best value, fit for purpose contracts to support the continued growth of LBS as the Council's Internal Service Provider (ISP).
- The outcome of this review determined that a change in strategy was necessary to reflect the volatile change in market conditions as it was previously agreed that the majority of the LBS sub-contracts would be amalgamated into more encompassing larger Multi Trade agreements with large construction providers.
- Additional time was therefore required to fully understand the anticipated future requirements of LBS and the structure of their sub-contractor/framework support base to ensure contracts were not simply re-procured in a like for like manner but were done so in the most efficient, cost effective way without compromising service

or quality, as well as ensuring compliance with Council policies, strategies, and EU procurement regulations where necessary.

- As a result of this, a range of temporary arrangements were established through approval on 28<sup>th</sup> January 2019 of a waiver to provide continued sub-contractor support to LBS whilst a revised strategy was created to support LBS Growth.
- There is also the desire to significantly increase and improve our efforts to engage the contractor market to establish new and innovative ways of procuring contracts, as well as encouraging quality submissions and encouraging greater levels of competitions which all require additional time to be planned into the procurement timescales for each requirement.
- Therefore the continued and successful delivery of the current procurement strategy is dependent on the extension of the posts outlined.
- To date approximately £43m worth of LBS managed subcontracts have been let since August 2018 and the current strategy shows another £93m to be delivered for contracts commencing between October 2019 and March 2022.

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

The resulting contracts will contribute to the following Best Council Plan objectives

- Supporting Communities and Tackling Poverty
- Promoting sustainable and inclusive economic growth
- Cutting carbon in Leeds

## **3. Resource Implications**

- Temporary procurement resource will be required to effectively deliver this procurement plan. The nominated resources will work under the direction of the Heads of Service Property & Contracts and in conjunction with the Head of Operations from LBS

## **Recommendations**

- a) The Director of Resources and Housing is recommended to approve the request to extend the additional positions created to manage the delivery of the procurement strategy for Leeds Building Services for a period of 12 months effective from 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 at a total cost of approximately £237,500 inclusive of employment on costs.

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

- 1.1 To obtain approval to temporarily extend the additional positions created in 2018 to support delivery of the LBS Procurement strategy.

### **2. Background information**

- 2.1 LBS are the Council's ISP for constructions works and supplies. To ensure delivery of works required to other Council Departments LBS sub-contract out certain elements of work – these are sub-contracted where LBS do not have the direct

capacity to carry out the works internally, or to cover fluctuation in resource levels. A proportion of these works are also specialist in nature and require skilled and appropriately trained contractors to undertake them in the absence of specialist skills available within the LBS workforce.

- 2.2 LBS also utilise their sub-contractors to deliver at times of peak volumes of work to support the demand where internal resources are limited or do not exist, covering both responsive repairs, voids, planned investment works on housing areas as well as larger planned works schemes such as summer school works, and larger multi trade schemes to other areas of the Council's Asset Management portfolio.
- 2.3 The Long-term strategy for LBS is to gradually undertake more of the work currently carried out by subcontractors and grow its direct delivery of the business. This will lessen the dependence on the use of non-specialist subcontractors however it is anticipated that a small element of sub-contracts will always be required due the specialist nature of some services where it is not feasible for LBS to deliver the work directly.

### **3. Main issues**

- 3.1 LBS as the in-house construction provider are currently contracting with 100+ elemental contractors across multiple trades, with frequent mini-competition exercises being administered by the business to comply with Contract Procedure Rules.
- 3.2 Whilst the process of undertaking mini-competitions complies with internal governance procedures, this method to deliver works will not achieve best value for money as requirements as being quoted/tendered on an ad-hoc basis
- 3.3 The current procurement strategy supports the longer term delivery of approx. £150m of spend on works and supplies across the lifecycle of new and re-procured contracts with these running for varying lengths to support both responsive and planned works across the Housing and Civic estates portfolio of property.
- 3.4 The procurement strategy still confirms to the basis of ensuing significant project outputs and efficiencies are generated from any future procurement to include:
  - A greater focus on quality where possible particularly on larger spend contracts which are subject to the EU Procurement Contract Regulations, and in excess of the appropriate OEJU thresholds.
  - Where beneficial, consolidation of housing and non-housing works to maximise economies of scales and to achieve better value for money contract.
  - Undertaking of whole market procurements to include market testing, bidders/open days, and multiple stage procurements to introduce and encourage competition to drive value for money.
  - Rationalisation of existing arrangements to reduce the number of contracts to benefit the service area.
  - Ensure contract terms and conditions are specific to each requirement and adopt a more commercial approach to how the contract is managed to derive best value.
- 3.5 In order for LBS to benefit from the successful delivery of this procurement strategy this will require the current temporary posts to be extended for a period of no less than 2 years from 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 at a total cost of £237k as shown below:

Name	Job Title	Grade	Annual Salary inc. oncosts
Richard Nelson	Procurement & Commercial Lead	PO6	£58,077
VACANT	Senior Procurement Officer	PO4	£51,797
Callum McIntyre (Acting up, substantive permanent SO2 post) Sean Womack (Acting up, substantive permanent SO2 post)	Procurement Officer x 2	PO2	£44,033 (Total: £88,066)
Maria Stoneley	Procurement Support Officer	SO2	£39,591
	<b>TOTAL</b>		<b>£237,531</b>

- 3.6 As job roles already existing for these positions there is no requirement for the creation of new job descriptions.
- 3.7 Currently the PO4 post is vacant with occasional resource and support to maintain delivery of the procurement strategy being provided from staff in the wider Property & Contracts Procurement Team however this is not a long term solution due to an impending increase of workload across the wider Property & Contracts Procurement Team.
- 3.8 Although agency resource was in place to cover this post up until July 2019 we have been unsuccessful in previous attempts to recruit to this position on a fixed term contract basis due to the short length of the contract not being attractive to entice suitably qualified and appropriately skilled candidates.
- 3.9 The remaining 4 posts are currently recruited to and this recommendation also seeks to extend the temporary contracts of those staff members to align with the recommended temporary post end dates of 31<sup>st</sup> March 2021.
- 3.10 Two of these are existing Procurement staff who have been promoted on a temporary basis from SO2 to PO2 within the Procurement Team however we are unable to recruit to their substantive posts to backfill due to the same issues facing recruitment to the PO4 post in terms of duration of the fixed term contract.

#### 4. Corporate considerations

##### 4.1 Consultation and engagement

- 4.1.1 Local HR and the relevant Financial Management Team have been consulted in relation to this requirement.
- 4.1.2 Staff and trade union representatives have been informed in relation to this requirement and consultation is underway (anticipated to close on 14<sup>th</sup> November 2019).

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

- 4.2.1 Recruitment to the vacant posts would comply with the council recruitment and selection policy and procedures.

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

- 4.3.1 The extension of these posts will ensure the necessary contracts and frameworks are established to support delivery of the LBS change programme and that activity is delivered such that service and operational improvements can be implemented which in turn will help the Council meet its Best Council plan objectives.

### Climate Emergency

- 4.3.2 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 temperatures to no more than 1.5°C.
- 4.3.3 Whilst it is not believed that the proposed extensions and the decision to implement these are likely to have a direct impact, either positive or negative in carbon emissions and the climate emergency, it is important to note that the staff recruited to these posts will be focused on ensuring that the procured contracts will have targets directly relating to addressing the climate emergency, such as targets for waste management, carbon reduction and increased biodiversity.

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

- 4.4.1 The cost of these posts represent less than 1% of the total value of contracts being procured and therefore offer significant value for money for the council, whilst also supporting the delivery of the Best Council Plan.
- 4.4.2 In addition, there will be significant efficiency savings within LBS as a result of the reduction in operational costs that the new streamlined business processes will offer, in comparison to the existing arrangements for the organisation.
- 4.4.3 The introduction of competition to existing contractual arrangements, some of which have been in place for a number of years, will ensure better commercial terms and improved value for money for the Council through effective planning to ensure opportunities are focused on innovation and are carried out in a manner to maximise market attractiveness. The resulting contracts will also contribute to an improvement in the performance of commercial terms and social value outcomes which will be achieved through increased engagement with local suppliers, the third sector and small medium sized enterprises, employment and skills etc. in addition to the fostering, maintaining and strengthening of positive working relationships with external markets.

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

4.5.1 It is not believed that there are any legal implications in relation to this decision.

## **4.6 Risk management**

- 4.6.1 The extension of these posts is critical to ensuring LBS can deliver its procurement strategy to support the LBS Change programme and will reduce the risk of failing to meet its business and service plan objectives. If these temporary posts are not extended, there will be insufficient and appropriately skilled resource within the Authority with the ability to deliver the procurement programme and this will significantly impair and reduce the ability of LBS to meet its growth targets for the coming years, as the necessary supporting contractual arrangements required to support growth will not be in place.
- 4.6.2 The continued delivery of the LBS procurement strategy will reduce the level of risk the Council has to manage by introducing open competition to a number of significantly enhanced works packages. It will put in place an improved cohort of contractors and will widen the supplier base to support the continued growth of LBS as the Council's ISP.
- 4.6.3 Should the recommendation to extend these posts not be approved there will be ongoing high levels of non-contract spend incurred, as the services provided under the existing sub-contracts will need to continue until resource can be allocated from the existing Property & Contracts Procurement team to establish new contracts; non-contract spend may also put the Council at risk of challenge from other contractors
- 4.6.4 This recommendation will ensure that LBS effectively manages these contractors to get the support they need to avoid any disruptions to existing work programmes, whilst being provided with the opportunity to establish robust and fit for purpose contracts through ongoing procurement activity.

## **5. Conclusions**

- 5.1 Extending these temporary posts for a period of 12 months on the Property & Contracts staffing structure is critical to ensuring that LBS can deliver their procurement strategy to support their continued growth as the Council's ISP, and to meet predicted business plan targets.
- 5.2 These posts will continue to provide a key resource required to deliver value for money for the Council.

## **6. Recommendations**

- 6.1 The Director of Resources and Housing is recommended to approve the request to extend the additional positions created to manage the delivery of the procurement strategy for Leeds Building Services for a period of 12 months effective from 1<sup>st</sup> April 2020 to the 31<sup>st</sup> March 2021 at a total cost of approximately £237,500 inclusive of employment on costs.

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

None.

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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.