

Report of: Head of Strategy and Investment

Report to: Director of Resources and Housing

Date: 22nd June 2020

Subject: Authority to Procure Report for a Re-roofing and Associated Works Framework to housing stock and associated buildings to be in place for April 2021

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of ward(s): City-wide (all wards)		
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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, access to information procedure rule number: Appendix number:		

Summary of main issues

- This report seeks approval from the Director of Resources and Housing for the strategy, scope and budget for a contract framework to deliver planned investment re-roofing works to council housing stock from 1st April 2021 for 4 years.
- A review of procurement options has been undertaken and this report identifies the preferred option. This report seeks authority under CPR 3.1.6 to undertake a procurement in competition via a restricted OJEU process and it is proposed the framework mechanics will work as the current successful contract that has been operating since April 2018. This is that four contractors will be appointed to the framework and each year there will be a call off to award the work packages to the two most competitive contractors.
- The proposed expenditure over a four year term is circa £14m (£3.5m per annum). It is proposed that a maximum of approximately £2.5m will be delivered per year through this procurement of external contractors and £1m through Leeds Building Services (LBS).

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

- The works undertaken will contribute to the Best Council Plan in making sure that the council is being responsible to the local needs of the tenants and making sure that the property are safe from any issues resulting from the works.

1. Resource Implications

- The framework is anticipated to start in April 2021 for 4 years. Each call off from the framework will be for a 12 month period 1st April to 31st March and last for 12 months. Executive Board of 21st February 2020 and Full Council of 26th February 2020 approved the Capital programme for 2020 to 2024 that contained £3.5m per annum for re-roofing to council housing stock.
- This resources required to deliver this procurement exercise will be from within the Strategy and Investment team with support from procurement and legal services. As is the case with the current framework contract the Strategy and Investment team will be responsible for managing the works on site and a Contract Management Plan will be put in place which will outline how the contract will be managed, including performance reporting processes and how payments will be made.

2. Recommendations

- The Director of Resources and Housing is recommended to approve the use of an OJEU restricted tender process to undertake a procurement process to establish a framework of four contractors to deliver reroofing works from 1st April 2021 to 31st March 2025.
- The Director of Resources and Housing is asked to note that annual call-offs for each years work (1st April to 31st March) will be carried out to appoint 2 contractors from the framework each year to carry out the works.

1 Purpose of this report

- 1.1 To provide an update on the proposed approach that Strategy and Investment are seeking to take for the procurement for re-roofing from 2021/2022 for 4 years, providing the context for the recommendations in this report.
- 1.2 To seek approval from the Director of Resources and Housing to undertake a competitive procurement exercise in line with CPR 3.1.6 to establish a re-roofing framework. This decision will be a key decision and will be subject to call-in. This activity was published on the list of forthcoming key decisions on 9th June 2020 and a decision to implement cannot be taken until at least 8th July 2020.
- 1.3 To note that the subsequent decision to award the contract will be a further report as a Significant Operational Decision, with separate approvals and decisions taken for each subsequent call-off from the framework. These are anticipated to be further Key Decisions, as all call-offs are anticipated to have a value of over £500k.

2 Background information

- 2.1 This is a proposed procurement of a new framework to along the similar lines and principles of the existing and successful framework that commenced in April 2018 for 4 years.
- 2.2 The existing framework with 4 appointed contractors is in its third year and the works have been delivered by 2 contractors each year as follows:

- Year 1 – A Connolly and Liberty
- Year 2 – A Connolly and Liberty
- Year 3 – A Connolly and DLP

It should be noted also that these contracts have also resulted in the engagement also of local domestic sub-contractors from the Leeds and West Yorkshire areas that has proved very successful.

- 2.3 As identified in the initial Key Decision on 9th December 2019 and contract award report on 24th March 2020, the call off for year three of the current framework agreement will be the final one. This is based on the fact that the level of actual expenditure to date under the framework is greatly in excess of the anticipated 36m at year 3. Consequently this is the reason to develop and deliver a new procurement strategy to ensure the delivery of works for April 2021.
- 2.4 In summary the scope of the works involves the delivery of reroofing work across the city to the following property architypes:
 - Semi Detached,
 - Terrace,
 - Back to Back,
 - Low Rise Blocks,
 - Bungalows,
 - Garages
 - Maisonettes.

2.4 It is proposed that the first year's work will be awarded to the first 2 ranked contractors as part of the initial tender evaluation and was awarded on both quality and price. For subsequent years 2, 3 and 4 the contractors will be awarded that years' work after a mini competition between the four framework contractors and accessed on a price only basis.

3 Main issues

3.1 Vision and Strategy

3.1.1 Strategy and Investment are to deliver the Asset Management Strategy priorities of delivering modern, fit for purpose homes and neighbourhoods; reducing fuel poverty, cutting carbon and improving health outcomes. This includes increasing affordable housing supply and intelligence-led stock portfolio management. The quality and safety of council homes will be maintained for residents through planned reroofing works, making sure that robust contractors are in place to deliver these.

3.1.2 The planned benefits are expected to be:

- The existing framework has delivered more than a thousand new roofs across the city in the first 2 years and the 3rd year is anticipated that in the region of 500+ properties will be reroofed. The delivered works has covered a multitude of roof types from standard 3 bed houses to large complex roofs on listed properties. During these works customer satisfaction scores achieved 95%. The new framework will build on these strong foundations
- The ability to conduct annual mini competitions has ensured the Council achieve value for money on a continual basis.
- The ability to have 4 skilled contractors within the reroofing framework at all times that will also provide the flexibility to hold mini competition for one off specialised pieces of work e.g. complex listed roofs.
- City wide consistent approach to delivery of planned reroofing works programme
- Increased value for money of externally contracted service
- Employment and training opportunities provided

3.2 Scope and Delivery

3.2.1 The scope of works includes the roofs of all dwellings as referenced in para 2.3 excluding multi-storey flats (MSFs).

3.2.2 It is proposed that a maximum of approximately £3.5m will be delivered per year £2.5m through external contracts and £1m through LBS.

3.2.3 The above annual contract values are approximate, and are based on the Housing Leeds Investment Strategy, which may be subject to revisions to the HRA Business Plan. No minimum values are being guaranteed to any contractors, and the OJEU notice and contract will outline this in more detail.

- 3.2.4 The current framework contract has worked well and it is hoped to build on its success to procure, manage and operate the new framework in this way. A market sounding exercise is being carried out and any lessons learned will be incorporated into the new procurement.
- 3.2.5 As with the current successful arrangements it is proposed that the NEC3 framework Contract will be used to manage allocation of works, with contracts based on NEC3 Engineering and Construction Contract (ECC), Option A.
- 3.2.6 The following procurement options have been considered in discussion with Procurement Officers and these are explained below in 3.3.

3.3 **Procurement Options:**

3.3.1 Option 1 – Do Nothing

This is not a viable option since there would be no procurement activity and this is necessary as there remains provision of £3.5m in the annual capital programme as part of Strategy and Investment for works on this nature.

3.3.2. Option 2 – Use of Internal Service Provider

After discussion with the Head of Leeds Building Services (LBS) it is proposed that LBS, given their scope and business planning will deliver a maximum annual value of £1m of works included in the scope of this project. Thus requiring £2.5m per annum to be delivered via an external procurement route.

3.3.3 Option 3 – Restricted Tender via Constructionline

This is not a viable option because the contract value is in excess of the OJEU works threshold of £4.7m so would not be compliant with procurement regulations.

3.3.4 Option 4 – Restricted OJEU Tender (Recommended)

This route is compliant with procurement regulations and provides for maximum coverage in the market place for scope and interest of tenderers. By utilising the restricted process tenderers can be shortlisted at the pre-qualification stage by evaluating the PAS91 to create a short list that are invited to the tender stage. The contractors will have the capacity and ability to carry out the works and also ensure that a manageable amount of tenders are received whilst still ensuring that the competition is there. This does take longer than the other options, but there is enough time within the procurement timetable to complete all of the required tasks.

3.3.5 Option 5 – External Frameworks

YORbuild2, Efficiency North and Fusion 21 have all been considered since they all 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. However, having considered these options due to the impact on reduction of competition and the scope to engage Major contractors as opposed to seeking to entice specific specialist roofing contractors, that an OJEU Contract notice will do, this option has been discounted

on this occasion. Contractors on these frameworks will still be able to apply for consideration under the recommended option.

3.3.6 After due consideration of all the above options it is considered that delivering the competitive procurement exercise through an OJEU restricted tender as identified in option 3.3.5 above provides the Council with the most appropriate option.

3.4 The proposed timetable for this procurement is as follows:

Task	Date
OJEU Contract notice published PAS91 / PQQ and 90% tender documents issued	Mid July 2020
PAS91 / PQQ Return date	Late August 2020
PAS91 / PQQ Evaluation to shortlist	September 2020
Tender Out	Early October 2020
Tender Return	Mid November 2020
Tender Evaluation, standstill and Governance approval	Mid November 2020 – end January 2021
Contract Award	February 2021
Contract Start	1 st April 2021
Contract Period	4 years

4 Corporate considerations

4.1 Consultation and engagement

4.1.1 Within Resources and Housing the Strategy and Investment team, capital programme team as well as procurement and legal officers in Procurement and Commercial Services have worked together to develop the proposed procurement strategy.

4.1.2 The Head of LBS has confirmed that on this occasion given the nature of the works that they can only deliver a maximum value of £1m per annum. LBS constantly review works to identify what can be aligned to LBS strategy and this decision is in line with that strategy. The review of the business plan is with a focus on continuity of works and these specialist works do not align to that long term approach.

4.1.3 Leaseholder consultation is underway and the notice of intention has been issued.

4.2 Equality and diversity / cohesion and integration (EDCI)

4.2.1 An EDCI has been completed and no issues have been identified.

4.3 Council policies and best council plan

4.3.1 These works will contribute towards the delivery of a number of Best Council and City priorities, notably for everyone in Leeds to be able ‘to live in good quality affordable homes within clean and well cared for places’.

4.4 **Climate Emergency**

4.4.1 At Full Council on 27th 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 increase to no more than 1.5c.

4.4.2 The proposed re-roofing programme will have a positive impact on the climate emergency or emissions as loft insulation is improved or installed as part of all new roof replacements. This will help reduce CO2 emissions from power stations. Properties will be more energy efficient so tenants will use less gas and electricity to heat their homes.

4.5 **Resources and value for money**

4.5.1 The procurement will be carried out in an open and transparent manner in line with the Council's Contract Procedure Rules whilst ensuring competition is sought to identify best value.

4.5.2 This contract will be managed by the Strategy and Investment team and, in line with the council's governance processes, a Contract Management Plan will be put in place which will outline how the contract will be managed, including performance reporting processes and how payments will be made.

4.5.3 The proposal to carry out a restricted OJEU tender will enable sufficient competition since any contractor will be able to submit a PAS91 for consideration, thereby hoping ensuring value for money achieved through a competitive process.

4.6 **Legal Implications, access to information and call In**

4.6.1 This is a key decision due to the value. The notice of the proposed decision was first published on 9th June 2020 and the decision cannot be taken before 8th July 2020. Decisions that flow from this including the award of the contract will be treated as significant operational decisions in accordance with Article 13. Further decisions will be taken in accordance with the delegation scheme of Resources and Housing.

4.6.2 This report is subject to Call In under the provisions made in the Council Constitution. There are no grounds for keeping the contents of this report confidential under the Access to Information Rules.

4.6.3 Given the size of the annual spend related to Re-Roofing and Associated Works, the Key Decision for Authority to Spend with each contractor each year will be aligned with housing annual capital programme budget decision each spring.

4.6.4 In making their final decision, the Director of Resources and Housing should note the above comments and be satisfied that the course of action chosen will provide best value for the Council.

4.7 **Risk management**

4.7.1 A risk register has been produced and will be managed throughout this procurement process. The project team will continue to monitor the identified risks and consider any new risks moving forward through contract award and mobilisation.

4.7.2 Notable risks relevant to this procurement are:

a) **Integration with the new Housing ICT system and its readiness for training and use by the new contractors.**

Mitigation: This involves work to maintain links, including through involvement of key staff. Housing ICT project staff will be involved in what is communicated to bidders about the new system, and this will involve working with them to plan contractor training throughout the process in particular during mobilisation. It should be noted that the current project plans suggest that the new contracts will be mobilising on the new Civica systems in the new year; however mobilisation on the current PS Team system is a back-up option

b) **Reputational risk of any redundancies linked to contract changes including TUPE activity.**

Mitigation: In accordance with normal procedures we will take legal advice in relation to TUPE, which may apply contractor to contractor, and made sure that bidders have the appropriate TUPE workforce information in order to enable them to consider such aspects in the bidding process.

c) **Not able to provide contractors with continuity of work.**

Mitigation: Work has been undertaken by Housing Leeds to ensure that investment planning targets are achievable, and works are given to contractors quarterly to support surveying resources. In addition pricing for elemental pre-works surveys will be obtained, so that if internal resource were insufficient to meet this need, the Council can procure further capacity.

d) **Contractors not adequately resourced to deliver works.**

Mitigation: This will be a key focus of both the shortlisting and the quality evaluation process to ensure that bidders have sufficient resources to carry out these works. As part of the process it is expected that mobilisation plans and programmes will be submitted to determine that bidders will have resources in place, as well as how these can be scaled up as appropriate to ensure effective delivery. In addition the KPIs in the contract measure planned delivery, and if this falls under a certain threshold – the Council can reallocate works to another framework contractor.

e) **Contractors do not perform to expected standards.**

Mitigation: Extensive work was carried out to produce a clear and detailed performance specification for these works. This means that the requirements of

the Council will be clear to bidders. In addition there will be an extensive mobilisation period where the Council's contract managers will work with Contractors to ensure that they are ready to deliver to expected standards from day one of contract delivery.

- 4.7.3 Lessons learnt from the current contract include ensuring we are able to provide contractors with current stock data and able to inform contractors of the future work programme, promoting partnership working; establishing a robust performance management framework and having a clear understanding of how the framework will operate.

5 Conclusions

- 5.1 The procurement strategy in order to procure a new framework contract is well under way in order to have new arrangements to be in place for 1st April 2021.
- 5.2 A restricted OJEU procurement route has been chosen as the best option to engage the market since the estimated contract value is well in excess of the current works threshold of £4.7m.
- 5.3 It is proposed that four contractors will be placed on the framework and then annual call-offs will be conducted to award the work to the two most competitive contractors who will each be given an equal split of the work.
- 5.4 This strategy is aimed to build on the current successful framework that was established in April 2018 and has successfully delivered a total of £10.4m of work in years 1 and 2 and will deliver £12.5m over the 3 years of the framework (2018 to 2021).

6 Recommendations

- 6.1 The Director of Resources and Housing is recommended to approve the use of an OJEU restricted tender process to undertake a procurement process to establish a framework of four contractors to deliver reroofing works from 1st April 2021 to 31st March 2025.
- 6.2 The Director of Resources and Housing is asked to note that annual call-offs for each years work will be carried out to appoint 2 contractors from the framework each year to carry out the works.

7 Background documents¹

N/A

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.