



Report of: Head of Property Management

Report to: Director of Resources and Housing

Date: 20th July 2020

Subject: DN3466021 – Authority to commence a procurement exercise in connection with the delivery of disrepair works on a citywide basis.

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 checked="" type="checkbox"/> Yes <input 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

- Leeds City Council has a need to procure 2 contractors to undertake a city wide multi trade disrepair service to the Council's housing stock. It is proposed that the contract will be split into 2 lots to cover the following wards
 - (a) Lot 1: Alwoodley, Harewood West, Wetherby, Moortown, Roundhay, Chapel Allerton, Gipton, Harehills, Killingbeck, Seacroft, Crossgates, Whinmoor, Burmantofts, Richmond Hill, Temple Newsam
 - (b) Lot 2: Beeston, Holbeck, Hunslet, Riverside, Morley North, Morley South, Middleton Park, Ardsley, Robin Hood, Rothwell, Garforth, Swillington, Kippax and Methley: Guiseley, Rawdon, Otley, Yeadon, Wharfedale, Horsfoth, Weetwood, Kirkstall, Calverley, Farsley, Bramley, Stanningley, Headingley, Hyde Park, Pudsey, Armley, Little London, Wood House, Farnley, Wortley
- The current provision for disrepair service requirement is being delivered by Mears in South and West of the city until March 2021 with no opportunity to extend and Engie Regeneration Ltd currently provides similar service in the East area of the city with their contract due to expire 14th October 2020 with no further extensions available.
- In order to undertake this proposed procurement strategy a separate report is seeking approval to a short term contract with Engie Regeneration Ltd to continue delivering disrepair work in the East area until 30th September 2021 in order to allow

the expiration and to align with that of the Mears arrangements in the South and West of the city. Establishing the interim contract will also allow disrepair works to continue whilst the re-procurement of the new contract is being carried out.

- The proposed contract start date is 1st October 2021 and the contract will be for 3 years with 2 x 12 months extension and the approximate value of the contract is £4.9m per annum giving a potential total contract value of £24,500,000.00.

2. Best Council Plan Implications

- These Disrepair services support Leeds City Council's ambition for Leeds to be a compassionate and caring city that tackles poverty and reduces inequality. Through the provision of these service we ensure that council tenants (including some of the most vulnerable people in our city) are able to enjoy living in safe, accessible and well maintained homes
- The services will contribute to the 'Best Council Plan 2018/19 – 2020/2021 – tackling poverty and reducing inequalities'
- With regard to housing it will contribute to having 'Housing of the right quality, type, tenure and affordability in the right places'

3. Resource Implications

- Current expenditure for disrepair services is £1,300,000 per annum in the East of the city and £1,100,000 per annum in the South and West of the city however due to the increase in disrepair claims we estimate an increase of £1,600,000 for the East of the City and £900,000 for the South and West of the City.
- The introduction of The Homes (Fitness for Human Habitation) Act 2018, has identified that an additional financial resource provision is required from March 2020 onwards to meet the additional obligations of the Act. This will require a service resource uplift of 10% for disrepair services across the city.
- The procurement activity will encourage competition in an effort to identify both quality and financial efficiencies through identifying the Most Economical Advantageous Tender.

Recommendations

- a) The Director of Resources and Housing is recommended to approve the Open OJEU compliant procurement activity in line with CPR 3.1.6 to establish the proposed contract as follows:
 - b) Citywide Disrepair Provision:
 - Lot 1 – East Area – 1 supplier for a period of 3 years with the option to extend for a further 2 x 12 months. Value £2,900,000 per annum.
 - Lot 2 – South & West - 1 supplier for a period of 3 years with the option to extend for a further 2 x 12 months. Value £2,000,000 per annum.
 - c) The potential contract value for both lots is approximately £24,500,000 over the duration of the contract

1. Purpose of this report

- 1.1 The purpose of this report is to seek approval from Director of Resources and Housing in accordance with CPR 3.1.6 to carry out a compliant procurement exercise to establish a contract with 2 contractors for the delivery of disrepair services to the council's housing stock.

2. Background information

- 2.1 Leeds City Council has a statutory duty under Section 11 of the Landlord and Tenant Act 1985 to ensure homes are fit for people to live in and as such need a service to repair and maintain homes which have fallen into disrepair.
- 2.2 The Homes (Fitness for Human Habitation) Act 2018 (the Act) came into force on 20th March 2019 and has a direct effect on disrepair. This new legislation is intended to ensure that all rented accommodation is fit for human habitation and to strengthen tenants' rights against landlords who do not fulfil their legal obligations to keep their properties safe. There is more onus on the landlord to know the condition of its assets rather than relying on tenants to report repairs. From 20 March 2020, the Act applies to all periodic tenancies (which is all tenancies that started before 20 March 2019) and subsequent tenancies and it is anticipated that nationally this will lead to an increase in the number of disrepair claims received from 20 March 2020 onwards
- 2.3 This procurement will give the council adequate capacity to address the high volume of repairs and support the council in the delivery of its strategic obligations of preventative maintenance and strategic disrepair prevention activity.

3. Main issues

- 3.1 The current contract with Mears for the South & West of the city is part of the larger responsive repair contract which is due to expire in 2021 and it was agreed that for an effective contract management, there was a need to separate Disrepair from the current RRV&CM contracts and undertake a full procurement for the whole city under one new contract to ensure that disrepair works can be segregated and prioritised to aid the authority in meeting the legislative timescales. Failure to meet timescales will result in increased compensation and cost to Housing Leeds
- 3.2 Previous experience of engaging suitable contractors to undertake disrepair works has proved challenging in that multi trade disrepair is a complex and specialist area of work. Ahead of the OJEU procurement process a detailed market sounding exercise has been completed to establish contractors who can provide this requirement.
- 3.3 It is important that this requirement is carefully managed to get a suitable contract in place, given that disrepair claims are currently estimated to be costing the council £1,300,000 per annum in the East, and £1,100,000 per annum in South and West. This is a net loss of £2.4million annually along with a disproportionate reputational damage to the council when these services fail to meet tenant's needs.
- 3.4 The scope of the works includes the repair, maintenance and improvement to the Council's properties that have fallen into disrepair

- 3.5 It is proposed that the contract will be for a 3 year period starting 1st October 2021 with the option to extend for a further 2 x 12 months
- 3.6 The proposed tender evaluation criteria is to be based on 60/40 quality/price split, with proportionate minimum threshold of 50% in the quality submissions. This will encourage quality submissions as each bidder will be required to score a minimum of 50% of the overall quality score available,
- 3.7 Approval of the evaluation criteria will be sought from the Chief Officer of Resources and Housing in line with CPR 15.1
- 3.8 The contract will be under a NEC4 Option A Service Form of Contract
- 3.9 A procurement options review was undertaken and the following procurement options have been considered in line with CPR 3.1

3.10 **Procurement Options**

- **Do nothing** – This option was discounted as there would be no procurement activity and therefore no contractor to deliver the legislative requirements.
- **Internal Service Provider** –As the internal service provider the Head of Leeds Building Services has been consulted as required by Contract Procedure Rule 3.1.4 with regards to the scope of the requirement. They have declined the opportunity to take on the work due to the complexity and specialist nature of the requirement and volume of work. Written confirmation of this has been received. There are no other appropriate internal providers or exclusive suppliers which could be utilised
- **External Frameworks** – A number of housing frameworks have been considered, such as Efficiency North, and Fusion 21 and existing repairs and maintenance frameworks, however, none of these provide the maximum opportunity to test the market fully as disrepair services are complex and are of a specialist nature with a limited number of contractors able to provide these services.
- **OJEU Procurement (Recommended)** – Following an assessment of procurement routes, it is proposed to use the Open OJEU compliant procedure route for this requirement as it will likely generate more interest from medium to large organisations around the region thus leading to healthy competition.

3.11 The proposed timetable for the delivery of this arrangement is

An Indicative timetable for the proposed procurement process is set out below	
Issue Tender Documentation	02 November 2020
Tender Deadline	06 January 2021
Tender Evaluation,(including Panel Review, general consensus and preferred identification and QS stage)	07 January 2021 – 19 February 2021
Contract Award Report Published	29 March 2021
Contract Award	10 May 2021
Contract Mobilisation	17 May 2021 - 30 September 2021
Contract Start	01 October 2021

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The Council's Procurement & Commercial Services and Housing Leeds have been consulted and all are supportive of the proposals contained in the report.
- 4.1.2 There has been a detailed internal consultation in developing this procurement strategy and this has focussed within Property & Contracts and Disrepair team
- 4.1.3 In collaboration with the Tenants and Residents' Associations, tenants will be informed of the services when the contract has been awarded. The contractors will assist in facilitating consultation events (coffee mornings /meetings). Letters will be sent out notifying residents of any large schemes of work that will affect their area.
- 4.1.4 The authority to procure the Disrepair Citywide contract was published on the council's list of forthcoming key decisions on 19th February 2020 subject to call in not before the 19th March 2020.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 An equality, diversity, cohesion and integration screen has been undertaken which has indicated that there are no negative impacts arising from undertaken this procurement.

4.3 Council policies and the Best Council Plan

- 4.3.1 It is paramount that procurement within Leeds City Council is underway with a view to ensure openness, transparency and fairness and procured in line with Leeds City Council's Contract Procedure Rules.
- 4.3.2 This contract will contribute to the delivery of the Best Council Plan key priorities by ensuring- safe and strong communities in particular keeping people safe from harm and protecting the most vulnerable with focus on maintaining quality housing through disrepair service

Climate Emergency

- 4.3.3 The Council declared a Climate Emergency for the City on the 27th March 2019 and one element is to reduce carbon emissions. How this could be achieved is by scheduling the planned works requirements so that repairs to houses take place nearby each other which help to reduce multiple journeys to deliver materials around the City, thus reducing carbon emissions. Energy efficient materials will be use in these repairs to lower carbon emissions.
- 4.3.4 As Disrepair claims are addressed, older and more energy inefficient materials will be replaced with more up-to-date versions. This will not only improve the condition of the housing stock in question, but in many instances improve its energy and thermal efficiency.

4.4 Resources, procurement and value for money

- 4.4.1 The procurement will be carried out in an open and transparent manner in line with Contracts Procedure Rules and the Public Contract Regulations 2015 whilst ensuring competition is sought to identify best value throughout the contract term

4.4.2 It is proposed that this service will operate on the National Housing Federation Schedule of Rates and accompanying specifications to ensure works are priced and costed in a fair and transparent way.

4.4.3 The contract once established, will be managed by the Disrepair Service Manager.

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

4.5.1 Data Protection Impact Assessment (DPIA) will be completed and relevant consideration will be given to Information Governance in terms of information sharing to identify any areas which need addressing both as part of the tender process and any subsequent contract requirement to provide disrepair services

4.5.2 Given the cost related to this procurement, this decision will be a Key Decision and will be eligible for call in. There are no grounds for keeping the contents of this report confidential under the Access to information Rules

4.5.3 This Procurement due to its value, is required to be advertised in the OJEU market, to ensure compliance with the Public Contracts Regulations 2015.

4.5.4 In making a final decision, the Director of Resources and Housing should note the above comments and be satisfied that the course of action proposed will deliver best value for the Council.

4.6 Risk management

4.7 A risk register will be developed as part of OJEU process requirement and subsequent contract. The risk register will also form part of the scheme's Contract Management Plan

4.7.1 The risks identified on this procurement and subsequent contract are:

- The procurement approach may fail to engage with the appropriate organisations to tender for this work. This has been mitigated through the completion of a detailed Market Sounding Exercise, each interested party will be notified of the tender opportunity upon its publication.
- Uncompetitive pricing – this will be managed through the OJEU competitive tender process, on-going competition and contract management that the successful contractor will be subjected to during the contract period.
- Failure to meet minimum quality thresholds – this will be managed through detailed instructions to the market as well as ensuring that thresholds are proportionate and achievable.
- Poor Contract Management – this will be managed through the use of a proportionate contract management plan and ensuring its use.

4.7.2 A contract management plan will be developed that will clearly identify roles and responsibilities of officers with contract ordering and performance management & monitoring activities. This plan will also emphasise the perceived aims and objectives of the contract and how their realisation and contract success will be received and managed, in addition to the plan will clearly set out the responsibilities of the contractor

5. Conclusions

5.1 In conclusion, this report highlights the proposed procurement route and sets out the contract structure in relation to disrepair service to Council housing stock.

5.2 The outcomes hoped to be achieved thorough the new contract are;

- To secure a dedicated, specialised contractor specifically for the Disrepair work.
- There will be a specific disrepair contract to refer to including a specific Contract Management Plan
- To ensure continuity of the service to meet demands in terms of volume and required timelines in line with specified Key Performance Indicators and targets.
- To establish clearly defined roles and responsibilities for both the council and contractors in terms of day to day services, contract management, monitoring, payment mechanisms and performance.
- To ensure legislative and regulatory compliance.
- To improve the condition of domestic housing stock across the city.

6. Recommendations

6.1 The Director of Resources and Housing is recommended to approve the Open OJEU compliant procurement activity in line with CPR 3.1.6 to establish the proposed contract:

a) Citywide Disrepair Provision:

- Lot 1 – East Area – 1 supplier for a period of 3 years with the option to extend for a further 2 x 12 months. Value £2,900,000 per annum.
- Lot 2 – South & West - 1 supplier for a period of 3 years with the option to extend for a further 2 x 12 months. Value £2,000,000 per annum.

b) The potential contract value for both lots is approximately £24,500,000 over the duration of the contract

7. Background documents¹

7.1 [Approval for Authority to procure - New Disrepair citywide contract list of forthcoming key decisions](#)

7.2 [Waiver](#)

7.3 [EDCI](#)

7.4 [DPIA](#)

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.