



**Report of:** Head of Property Management

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

**Date:** January 2021

**Subject:** DN3466021 – Authority to commence a procurement exercise in connection with citywide major repair works in occupied properties.

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

- This report replaces an authority to procure report which was submitted and approved in September 2020. The previous report is revoked as the content is not in-line with the recently reviewed preferred approach.
- The previous recommendations sought to establish a contract with up-to 2 contractors to undertake a city wide multi trade disrepair service to the Council's housing stock. However, it is now recommended to establish a framework of up-to 6 contractors to deliver major repair works in occupied properties across the city. These works will be identified as a result of Disrepair Claims made against the Council by our tenants.
- The current provision for major repair works in occupied properties (previously referred to as Disrepair Works), is being delivered by Mears in South and West of the city until 30<sup>th</sup> September 2021 with no opportunity to extend further, whereas Engie Regeneration Ltd currently provides similar service in the East area of the city until 30<sup>th</sup> September 2021 with no opportunity to extend.
- It is recommended that going forward a framework is established to deliver works of this nature across the city. This approach will allow the authority to increase competition by engaging with smaller local providers more effectively, and to improve the contract management process with the priority of direct delivery of the works programme.

- The proposed contract start date is 1<sup>st</sup> October 2021 and the framework will be let for 3 years plus 1 x 12 month extension with an approximate value of £4.1m per annum giving a potential total contract value of £16,4m over the 4 years.

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

- These major repair works in occupied properties will 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– 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**

- 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.
- The procurement activity will encourage competition in an effort to identify both quality and financial efficiencies through identifying the most economical advantageous tender for contract award.
- The service will operate on the agreed tender prices with clear costs and ways of working laid out during the tender process, utilising the NHF Schedule of Rates
- It is proposed to award contracts to 6 organisations each with the capacity to deliver in the region of £500k to £700k per annum. Works are proposed to be allocated on a rotational basis and in a batched manner, up-to 25 batches dependent on number of cases, and location. The first batch to be assigned to the highest ranked contractor based on quality and price combined following tender evaluation.

### Recommendations

- a) In accordance with the Council's Contract Procedure Rules 3.1.6, this report requests the Director of Resources & Housing to:
  - Approve the use of Restricted FTS tendering process as the procurement route to establish a framework with up to 6 contractors. The framework commencement will be approximately October 2021 for a duration of 3 years with an option to extend for a further 1 x 12 month. The contract value is estimated at £4,100,000 per annum and a potential total contract value of £16,400,000

## **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 in competition to establish a framework with up to 6 contractors for the delivery of major repair works to the Council's occupied properties across the city.

## **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. In order to seek to improve delivery further and enhance effective contract management with an emphasis on direct delivery it is felt that, there is a need to separate major repairs works in occupied properties from the current RRV&CM contracts and undertake a full procurement for the whole city under one new contract to ensure that major repair works in occupied properties 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 It is critical that the authority has a well-established contract in place to deliver works as a result of disrepair claims, 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.
- 3.3 The scope of the works includes the repair, maintenance and improvement to the Council's properties that have fallen into disrepair
- 3.4 It is proposed that the framework will be let for a 3 year period starting 1<sup>st</sup> October 2021 with the option to extend for a further 1 x 12 months and the framework contract will be under a JCT Measured Term Contract.
- 3.5 A procurement options review has been undertaken and the following procurement options have been considered in line with CPR 3.1

## **3.6 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. On this occasion 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 that have existing repairs and maintenance frameworks, however, none of these provide the maximum opportunity to test the market fully to deliver specifically disrepair services which are complex and are of a specialist nature that require contractors with specific delivery experience to provide these services.
- **FTS Procurement (Recommended)** – Following an assessment of procurement routes, it is proposed that as an Authority we undertake a Restricted FTS compliant procedure route for this procurement requirement as it will likely generate more interest from small, medium and large organisations around the region thus leading to healthy competition.

3.7 The proposed timetable for the delivery of this arrangement is

An Indicative timetable for the proposed procurement process is set out below	
Issue Pas91	1st March 2021
Pas91 Deadline	14 <sup>th</sup> April 2021
Issue Tender Documentation to shortlisted tenderers	10 <sup>th</sup> May 2021
Tender Deadline	16 <sup>th</sup> June 2021
Tender Evaluation,(including Panel Review, general consensus and preferred identification and QS stage)	16 <sup>th</sup> June 2021 – 16 <sup>th</sup> July 2021
Contract Award	24 <sup>th</sup> August 2021
Contract Mobilisation	30 <sup>th</sup> August 2021 – 30 <sup>th</sup> September 2021
Contract Start	1 <sup>st</sup> 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 Management and the Disrepair team. Councillor Debra Coupar, Deputy Leader and Executive member for

Communities and Councillor Denise Ragan, Support Executive member have both been consulted.

- 4.1.3 In collaboration with the Tenants and Residents' Associations, tenants will be informed of the services when the contract has been awarded. It is proposed that the appointed 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.

## **4.2 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 The procurement exercise will be undertaken so as to ensure openness, transparency and fairness whilst been procured in line with Leeds City Council's Contract Procedure Rules and appropriate FTS related legislation.
- 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 be procured using the National Housing Federation Schedule of Rates and accompanying specifications to ensure works are priced and costed in a fair and transparent way.
- 4.5 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,

- 4.6 This procurement will be evaluated through the social value portal against proportionate TOMS.
- 4.7 Approval of the evaluation criteria will be sought from the Director of Resources and Housing prior to the invitation of tenders in line with CPR 15.1
- 4.7.1 The contract once established, will be managed within Property Management by the Disrepair Service Manager.

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

- 4.8.1 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
- 4.8.2 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
- 4.8.3 This Procurement due to its value, is required to be advertised in the FTS market, to ensure compliance with the Public Contracts Regulations 2015.
- 4.8.4 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.

#### **4.9 Risk management**

- 4.10 A risk register will be developed to support the FTS procurement process requirement and subsequent contract. The risk register will also form part of the scheme's Contract Management Plan
- 4.10.1 The risks identified on this procurement and framework contract are:
- Uncompetitive pricing – this will be managed through the FTS 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.
- 4.10.2 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 proposed contract structure in relation to major repairs works in occupied properties to Council housing stock.

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

- To secure a number of dedicated, specialised contractors specifically for the major repair works in occupied properties.
- 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**

a) In accordance with the Council's Contract Procedure Rules 3.1.6, this report requests the Director of Resources & Housing to:

- Approve the use of Restricted FTS tendering process as the procurement route to establish a framework with up to 6 contractors. The framework commencement will be approximately October 2021 for a duration of 3 years with an option to extend for a further 1 x 12 month. The contract value is estimated at £4,100,000 per annum and a potential total contract value of £16,400,000.

## **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.