

Authority to Procure Additional Contractors to Support Voids Work

Date: 11th January, 2022

Report of: Chief Officer Civic Enterprise Leeds

Report to: Director of Resources

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- This report seeks authority to procure up to 7 contractors in accordance with Contract Procedural Rule 3.1.7 to support both the clearance of the voids backlog which has accumulated due to unforeseen circumstances and also to ensure prevention of an increase in the backlog in the short to medium term. The annual estimated value of the work is £1.5m with a proposal to let the contract for 1 year with an option to extend by 1 year. At the same time a competitive procurement exercise will be commenced to secure additional contracting capacity over the medium term in order to minimise the risk of a voids backlog recurring. The main body of the report will set out the unforeseen circumstances and address value for money considerations.
- Housing authorities have a statutory duty under part 7 of the Housing Act 1996 to prevent homelessness. The current waiting list for a Council home is in excess of 22,000 and with the voids backlog in excess of 300 properties, it is essential that urgent action is taken to clear this backlog so that homes can be made available to individuals and families in urgent need. In addition, this will generate rental income for the Council and mitigate costs by minimising rental payments to the private sector where the Council has had to provide accommodation in an emergency.
- Approving this report will aid meeting the Best Council Priority for Housing and has an associated positive impact on the Best Council Priorities for both Health and Wellbeing and Safe, Strong Communities for individuals and families in urgent need of housing.

Recommendations

That the Director of Resources provides authority to procure up to 7 additional contractors using any of Constructionline, the Efficiency North Framework and Fusion21 Empty Property Framework to support voids work in the South and East of the City in compliance with the

Council's Contract Procedure Rules on a 1 year contract with option to extend by 1 year with an annual estimated value of £1.5m.

Why is the proposal being put forward?

- 1 In February 2021 the Director of Resources authorised a competitive procurement exercise for multi trade contractors to support LBS with housing repairs, voids and maintenance in the South and East Leeds. Ten contractors submitted tenders of which 2 were discounted as they did not meet the minimum quality threshold. The contract commenced in July 2021 and was awarded to 4 contractors across 7 lots with an annual contract value of £3m for 4 years with most contractors being awarded a maximum of 2 lots. In reviewing the procurement timeframe, it is likely that prices tendered will have been based on the available published inflation data for late 2020.
- 2 Since the award of this contract a number of key unforeseen events have happened during the course of 2021 which have combined to delay and impact on both the timescales and therefore the number of properties being repaired and refurbished so that they can be available for tenants. The cumulative impact of this has resulted in a backlog of void properties exceeding 300. This report will detail these events which have created the urgent need for additional contract capacity to both clear the backlog and prevent a recurrence in the short to medium term.
- 3 The first of these unforeseen events is the significant inflationary increase in materials prices since late 2020 upon which the current contracted rates are likely to be based on. This is likely to have a potential adverse financial impact on the current contractors and may prove a dis-incentive for them to apply limited resources to less lucrative contracts within their portfolio. According to the Department for Business, Energy and Industrial Strategy, the material price index increased by 24.5% in October 2021 compared to October 2020. It is estimated that materials account for 15% of trading costs which means that the 24.5% increase has a significant financial impact on the profitability of contracts. The inflationary price increase has been fuelled by an increased demand for building materials at a time when supply chains have been restricted for a variety of reasons.
- 4 The supply chain constraints have led to a significant increase in delivery lead in times for materials which has exacerbated the voids back log issue. For example, the lead in time for sourcing kitchen units has increased from 2-3 weeks to 6 weeks with fire and composite doors lead in time increasing to 6-8 weeks.
- 5 Inflationary pressures on energy and fuel, coupled with logistic issues with the widely reported shortage of more than 100,000 HGV drivers in the UK has further caused an increase in transportation costs for contractors and contributed to the longer lead in times for materials.
- 6 There are labour supply issues within the construction sector reflected in a record number of vacancies combined with a labour market which has contracted for a variety of reasons since January 2021. According to Construction News published in October 2021, vacancies hit an all time high in the construction sector and topped 40,000 for the first time since data was recorded in 2001. For the 3 months to the end of September 2021 43,000 jobs were unfilled. A survey of SMEs reported that 40% said the availability of workers was a significant challenge to their business. There has been a widely reported shortage of some trades for at least 2 years.

- 7 Finally, the new Omicron variant with its significantly increased transmission rate has exacerbated the labour issue with attendance levels being adversely impacted across the construction sector. This and all of the unforeseen events outlined in this report have contributed to the build up of the voids backlog issue for which approval is sought to procure additional contracting capacity.
- 8 With respect to the selection process for negotiation, the first contractors we will contact will be those who submitted tenders last year but were ranked 5-8 with the key being do they have the ability to commit immediate resources and at what price against the National Housing Federation (NHF) schedule of rates.
- 9 To make up the balance of the required contractors, ideally local contractors registered with Constructionline will be approached as well as those on the Efficiency North Framework and Fusion21 Empty Property Framework who can demonstrate a willingness to quickly mobilise resources to help us tackle the voids backlog issue. To secure Constructionline membership, contractors need to meet the relevant PAS91 (Publicly Available Specification) which provides contracting authorities with assurance as to their competence around, for example, their health and safety systems, CDM regulations, quality management and equality and sustainability. They will then be asked to submit prices against the NHF rates which will be followed by benchmarking of these prices against those we secured following a competitive tender exercise. To ensure integrity of the process, colleagues from Procurement and Commercial Services as well as the service will be involved in this process.
- 10 The current contract does not guarantee any minimum work or exclusivity. Work will be ordered on a price ranked basis (including the original contractors secured last year) on the premise that any orders placed must be completed within acceptable timeframes. The proposed timeline is for the negotiation/benchmarking to be completed in February 2022 with a contract start date in March 2022.
- 11 Approving this short-term procurement will enable the Council to urgently deal with the voids backlog whilst at the same time a competitive procurement exercise will commence to provide additional contracting capacity over the medium term.

What impact will this proposal have?

Wards affected:

Have ward members been consulted?

Yes

No

What consultation and engagement has taken place?

- 12 Consultation has been taken place with colleagues in Procurement and Commercial Services Legal (PACS), Housing, Finance and those attending the CEL Weekly Assurance Meetings.

What are the resource implications?

- 13 There will potentially be an additional marginal cost caused by the increase in material prices but as a part of the negotiation process we will benchmark any prices we receive to those tendered under the existing contract to ensure that they reflect the economic conditions within the market. Considerable commercial experience within the Council will be applied in the assessment of value for money from the negotiated prices.

What are the legal implications?

- 14 Constructionline is a register of pre-qualified contractors and consultants used by the construction industry. It provides procurement and supply chain management services and has been deemed suitable for use under the Council's Contract Procedure Rules.
- 15 The Efficiency North Framework Agreement and the Fusion21 Empty Property Framework Agreement are third party framework agreements that have been established such that public sector organisations can utilise the agreement should they chose to do so. The Agreements have been reviewed by the Legal Team within PACS and have been approved for use by the Council.
- 16 In accordance with rule 2.5 of the Executive and Decision Making Procedure Rules, this decision is to be treated under the general exception because it is impracticable to defer the decision until it has been included in the list of forthcoming key decisions for 28 clear calendar days. If this exception was not applied and the decision delayed for 28 calendar days this would significantly increase the voids backlog, exacerbating the housing shortage within the Authority.

What are the key risks and how are they being managed?

- 17 The key risk is a continuing increase in the number of voids, exacerbating the shortage of housing and increasing the difficulty for the Authority to discharge its statutory housing function as detailed in part 7 of the Housing Act 1996. Not taking immediate action will also increase the risk for the Council in not meeting its Best Council Priority for Housing.

Does this proposal support the council's three Key Pillars?

Inclusive Growth Health and Wellbeing Climate Emergency

- 18 Completion of the works will support the Council's ambitions of inclusive growth by ideally attempting to contract with local suppliers and by resolving the housing voids backlog issue this will help to improve the health and wellbeing of individuals and families in urgent need of accommodation.

Options, timescales and measuring success

a) What other options were considered?

- 19 It is believed that this is the quickest route to secure additional contracting capacity to tackle the growing backlog issue rather than undertaking a full procurement exercise at this time, which will take between 18 and 24 months to complete.

b) How will success be measured?

- 20 By the successful elimination of the voids backlog.

c) What is the timetable for implementation?

- 21 The procurement process to be completed in February 2022 and contracts to commence in March 2022.

Background papers

22 None