

Authority to Spend and Approval to undertake an external procurement exercise to appoint a consultant to carry out Stock Condition Surveys to domestic properties.

Date: 24th October 2024

Report of: Head of Asset Management

Report to: Director of Communities, Housing & Environment

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

Housing Leeds have identified the need to undertake additional Stock Condition Surveys to the domestic stock in accordance with The Social Housing (Regulations) Act 2023.

Following an internal review the stock condition surveying process adopted a whole dwelling approach to ensure LCC compliance with the Decent Homes Standard 2006. This has resulted in approximately 23,500 of the circa 51,000 assets being surveyed to date.

This procurement will ensure the delivery of compliant assessments to domestic stock in conjunction with internal delivery resource with a target to have 100% compliance over the next 2 years.

The procurement will be undertaken via engagement with the Fusion21 Consultants Framework for a mini competition in compliance with the Council's Contracts Procedure Rules and Public Contracts Regulations 2015.

Recommendations

The Director of Communities, Housing & Environment is recommended to:

- a) Approve expenditure of £5.5m from the Housing Revenue Account (HRA).
- b) Approve the competitive procurement via Fusion21 Consultants Framework (Lot 2 - Stock Monitoring & Appraisal) to engage a single consultant to undertake Stock Condition Surveys to domestic stock for a period of 2 years with the option to extend for a further 2 x 12 months valued at £1.375m per annum (£5.5m over 4 years total contract term).

What is this report about?

- 1 The Social Housing (Regulation) Act 2023 (the 'Act') places new Consumer Standards on local authorities in the assessment and long-term management of housing stock, acting as a responsible landlord in meeting all Health and Safety standards, and minimising risk to residents.
- 2 The Council is required under the Act to maintain an accurate and up-to-date record of its housing stock. The Council is required, under the Act, to use this data to inform strategic investment plans to improve the living standards of residents to meet health and safety legislation whilst also meeting the Decent Homes Standard 2006 (DHS 2006).
- 3 A project to coordinate the organisational response has been established to ensure the delivery of compliant stock condition assessments to 100% assessment of all Housing Leeds assets, including the external delivery of approximately 15,000 surveys in line with the Stock Condition Strategy 2024, with a total budget of £5.5m across 4 years delivery.
- 4 The procurement exercise will drive Housing Leeds ambition to establish a contract that will be for 2 years in duration with the additional option of two one-year extensions.
- 5 A review will take place in 2026, to determine requirements for contract extensions to ensure the achievement of 100% stock condition assessed assets.
- 6 Housing Leeds have formed a stock condition surveying process following an internal review, and to ensure the Council's compliance with the DHS 2006. This has resulted in 23,500 of the 51,000 assets being surveyed to date. The contract awarded will support Housing Leeds to survey the remaining assets; improving the asset data held and giving the Council a better understanding of each property.
- 7 The procurement route as outline within this report is to seek competitive tenders from the Fusion21 Consultants Framework, the submissions received will be evaluated on a price separated approach, this will entail tenderers being required to meet the minimum thresholds assigned to the quality criteria, and the lowest price bid being awarded. Ensuring that value for money is attained.

What impact will this proposal have?

- 8 The proposals are intended to deliver value for money based on competitive tendering. In addition, the contractor will be required to achieve additional social value benefits.
- 9 Equality, Diversity, Cohesion and Integration (EDCI) has been considered, and the impact assessment is included as Appendix 1 to this report.
- 10 This project has the following business objectives:
 - a) **Improve the quality and volume of asset data recorded**; via the assessment of data maturity to meet the statutory requirements of the Act , as well as enhancement of the delivery process so that surveys are completed by staff who have appropriate qualifications/development.
 - b) **Increase the volume of assets with a whole-dwelling stock condition assessment**; via the procurement of a principal contractor to conduct approximately 15,000 stock condition surveys within the £5.5m budget.
- 11 The project has an overall budget of £5.5m and this money must be spent with clarity, consistency and with a high degree of control given the current financial climate. The project seeks to spend these resources in line with the following:
 - a) **Organisational Alignment**: spending in line with the Council's values, processes and organisational objectives to maximise value-for-money.

- b) **Rigour / Control**: indexation, budgetary allocation and expenditure based upon agreed contract management practices, processes, terms and conditions.
- c) **Budgetary Tracking**: tracking of planned expenditure against actual to determine the root cause of any variation and minimise impact.

How does this proposal impact the three pillars of the Best City Ambition?

- Health and Wellbeing Inclusive Growth Zero Carbon

- 12 **Health and Wellbeing**: this project will support the aspiration to improve poor quality housing so that all our homes support good health and wellbeing.
- 13 **Inclusive Growth**: The procurement exercise will incorporate the use of Social Value Themes, Outcomes & Measures, which will be monitored through the Social Engine during the life of the contract.
- 14 **Zero Carbon**: whilst this project will not directly impact carbon reduction via the delivery of products or services, future carbon reduction data analyses may utilise the data collected during stock condition assessments to firm conclusions.

What consultation and engagement has taken place?

Wards affected: City-wide

Have ward members been consulted? Yes No

- 15 Leeds Building Services (LBS) were consulted to ascertain their ability to undertake this provision. This has been declined, and therefore activity began to engage an external marketplace.
- 16 A market sounding exercise has been undertaken to determine interest from the surveying market. This has concentrated on approaching 2 established above services threshold external frameworks, these being YORConsult and Fusion21.
 - a) YORConsult has been approached in line with the provisions of Contracts Procedure Rule (CPR) 3.1.6, however, the responses have not been encouraging with only 2 providers with some experience of the provision expressing an interest, therefore there is concern that this approach does not demonstrate a strong level of competition. In addition, the current YORConsult2 framework is due to expire on 6th November 2024 and its replacement YORConsult3 will not be awarded and available for until January 2025. Therefore, on this occasion this will not provide the Council with a viable route to market.
 - b) Fusion 21 Consultants Framework (Lot 2 - Stock Monitoring & Appraisal) has been approached and has resulted in 8 organisation providing submissions from experienced providers within the marketplace. Demonstrating there is a strong level of stock condition expertise and thus competition with this procurement route.
- 17 Therefore, for the reasons addressed in paragraph 15 on this occasion in order to seek to maximise competition and engage with specialist stock condition experience it is proposed to use Fusion 21 Consultants Framework (Lot 2 - Stock Monitoring & Appraisal) as the preferred procurement route.
- 18 Consultation on the need and plans to accelerate the stock condition programme has taken place with key stakeholders through the updates which are being provided on progress against

the Regulator of Social Housings' Safety & Quality Consumer Standard. This has included updates to the Social Housing Regulation Board, and the Leeds Housing Board.

19 In addition, the service proposals to procure additional stock condition surveys externally has been discussed with Trade Union members through the Workplace Consultative Review Meeting (WCR) framework.

What are the resource implications?

20 This procurement will support the current internal resource that undertakes stock condition surveys. The internal resource consists of 6.8 Technical Officer FTEs, with 5.8 FTEs currently in post. Recruitment to the vacant post is assumed as part of the stock condition strategy and it is anticipated that the post will be filled by January 2025.

21 The increased volume of stock condition surveys will put additional pressure on the Investment Strategy team. Following a review of vacant posts and team workloads, it has been identified that recruitment to the vacant 0.6 FTE C1 Technical Support Officer post within the team will ensure there is sufficient capacity to cover the additional workload.

22 The proposals are intended to deliver value for money based on competitive tendering. In addition, the appointed external consultant will be required to demonstrate quality expertise as part of their tender submission that will also require to achieve additional social value benefits.

23 Capital Cash Flow Table:

Authority to Spend required for this Approval	TOTAL £000's	TO MAR 2024 £000's	FORECAST				
			2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	2028/29 £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
INTERNAL DESIGN FEES (6)	0.0						
OTHER FEES / COSTS (7)	5,500.0	0.0	0.0	1,375.0	1,375.0	1,375.0	1,375.0
TOTALS	5,500.0	0.0	0.0	1,375.0	1,375.0	1,375.0	1,375.0
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MAR 2024 £000's	FORECAST				
			2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	2028/29 £000's
HRA Revenue Contribution	5,500.0	0.0	0.0	1,375.0	1,375.0	1,375.0	1,375.0
Departmental Borrowing	0.0						
Any Other Income (Specify)	0.0						
Total Funding	5,500.0	0.0	0.0	1,375.0	1,375.0	1,375.0	1,375.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

24 Budget: There may be insufficient funds to have a whole-dwelling survey conducted on all 51,000 assets. A mop-up programme fulfilled by optional contract extensions will be put in place.

25 No Access/Refusals: Residents have the right to refuse access, there is a risk that properties will remain non-compliant due to inability to access properties. These may impact significantly on contract delivery. The contract will include targets for revisits to obtain 100% target.

26 System Change / Implementation: There is a risk that Keystone Asset Management System will undergo system upgrades during contract delivery, this could instigate the contract change process and incur costs to the Council. This could impact timescales of delivery. This risk will be monitored throughout delivery, a risk log will be maintained throughout the procurement and live contract.

27 Council repair budgets: there is a risk that upon project delivery, significant volumes of dwelling repairs will be escalated to live repair contracts exceeding the current sums contracted via LBS. Management are aware and will monitor.

28 Performance, Capacity and resources: once the contract goes live it will need to be monitored using a robust Contract Management plan that will be developed during the stock condition project.

What are the legal implications?

- 29** The procurement will be carried out in an open and transparent manner in line with the CPRs and Public Contracts Regulations 2015 (PCRs), ensuring competition is sought to identify best value.
- 30** The Council shall have due regard to Regulations 28(4), 65(1) and 65(3) of the PCRs during the tender process. For the avoidance of doubt, the aforementioned Regulations relate to the minimum number of candidates under a restricted procedure which the Council is seeking to utilise in this procurement.
- 31** The Fusion 21 Consultants Framework has been procured in compliance with the PCRs.
- 32** Non-Compliance could result in significant fines by the Social Housing Regulator ('SHR').
- 33** Disrepair Claims could increase where the Council are not meeting expectations as a Social Housing Landlord.
- 34** Given the costs related to this contract, the proposed procurement exercise was listed on the forthcoming key decisions on the 24th September 2024 and therefore this decision report is a Key Decision and is eligible for call in.
- 35** There will be separate report on the tender evaluation following the procurement activity and this will be the Publishable Administrative Decision to award the contracts.
- 36** There are no grounds for keeping the contents of this report confidential under the Access to Information Rules.
- 37** Due diligence checks of the preferred contractors will be done to ascertain their financial position prior to contract award. This will ensure we are contracting with financially sound organisations limiting the risk of works not being completed.
- 38** In their consideration for approval, the Director of Communities, Housing & Environment should note the above comments outlining the reasons why the preferred route to market represents best value for money for the Council.

Options, timescales and measuring success

What other options were considered?

39 Service Options:

- a) **Utilise a mix of existing internal resources and skillsets** - Discounted based on the negative impact that this would have on other essential services (repairs, voids, etc). Placing the Council at risk of failing to meet other statutory requirements.

40 Procurement Options:

- a) **Internal Delivery** – There is insufficient internal resources available with Housing Leeds to undertake the high volume of surveys required, whilst some internal delivery will occur, it is felt that this need to be enhanced via an externally procurement consultant to supplement and ensure that the volume expectations can be met in the next 2 years.
- b) **NPS Leeds Ltd** – This route has been considered as per the Council's Joint Venture design partner and discussions have taken place, however on this occasion agreement has been reached that they are not able to support the delivery on the nature and scale required.

- c) **Externally procurement framework (recommended)**– As referred to earlier in paragraphs 15 and 16 of the report a couple have options have been considered and the preferred option is to engage consultants via the Fusion21 Consultants Framework.
- d) **Council’s own external procurement** – this option was considered but it would offer no improved guarantee from the use of the proposed external framework that is above threshold compliant and would also add potentially a further 3-4 months to the programme which is time that is not available, so it has been discounted.

How will success be measured?

41 Benefits

- a) Higher degree of asset stock condition data which is based on a whole-dwelling approach and provides robust assessment of and significant safety hazards.
- b) Regulatory compliance with SHR Board, SHR regulations, DHS 2006 and the Senior Management team.
- c) Improved Housing Stock Quality:
 - i. Structure
 - (1) Pre-empt of structural surveying requirements / programmes.
 - (2) Referral of significant structural concerns to structural engineer’s contractors.
 - ii. Internals
 - (1) Improved functional design to correct inadequate spaces.
 - (2) Removal of identified contaminants, pesticides, environmental toxins or harmful substances.
 - (3) Assurance minimum standards being met for dwelling security, temperature, acoustics, lighting and comfort.

42 Additional Measures of Success

- a) Cost savings; reduction in non-required planned works via informed investment planning with associated cost savings. These reductions will be realised through ‘just in time’ improvements which tackle the highest priority investment needs and maximise the life of components.
- b) Improved resident safety: pre-empt of required repair and maintenance works before impacting on residents habitation which will be achieved through a rolling cycle of property inspections and robust monitoring of hazard identification and trends.

What is the timetable and who will be responsible for implementation?

43 The procurement programme is outlined below:

- a) Tender Publication – Week commencing 10th November 2024
- b) Tender Submission – Week commencing 6th January 2025
- c) Tender Evaluation Period – Mid Jan – Mid Feb 2025
- d) Consultation, Governance & Reporting – Mid February – Mid March 2025
- e) Contract Awarded – Week Commencing 10th March 2025
- f) Contract Commencement – 1st April 2025

Appendices

- [Appendix 1 - EDCI](#)

Background papers

- None.