

Authority to procure a contract for the replacement of kitchens and/or bathrooms including electrical re-wires and whole house tenanted re-wires of Leeds City Council owned residential properties.

Date: 31st 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 are requesting authority to spend and authority to procure a contract to carry out Kitchen and/or Bathroom Replacements including rewiring and whole house tenanted re-wires to Leeds City Council (“the Council”) owned residential properties (“the Properties”).
- This report provides information on the scheme, seeks approval to progress it and approval of the proposed procurement strategy in line with the Rule 3.1.7 of the Council’s Contracts Procedure Rules (“CPRs”) and Public Contracts Regulations 2015 (“PCRs”).
- This is a new procurement and the scope of works proposed are scheduled to commence in April 2025, initially for a period of 2 years with the option to extend for a further 2 x 12 months. It is proposed to award the works to 2 contractors.

Recommendations

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

- a) Authorise expenditure of £17.2 million to deliver these works.
- b) Approve a procurement exercise to appoint 2 contractors via a competitive tender exercise via the Efficiency North Installation Servicing Repairs & Maintenance Framework, utilising a combination of contractors from Lot 2A – Kitchen and Bathroom Installation Works more than £1m and Lot 31A – Whole House Internal and External Insulation Works more than £1m. It is intended that the works will be apportioned equally to both contractors based on a 50/50 split.

- c) Note that approval to evaluate tenders using the quality-price separated approach in accordance with CPR 15.2(a) will be sought as required under CPR 15.1.2.

What is this report about?

- 1 This report seeks approval to undertake a competitive procurement exercise to appoint 2 contractors to replace kitchens and/or bathrooms and undertake any essential rewiring works. In addition, there will be a requirement that any isolated rewiring is carried out to properties where there is an urgent safety need. It is anticipated that tenants will remain in situ whilst these works are carried out.
- 2 Consultation in accordance with CPR 3.1.4 has taken place with Leeds Building Services (“LBS”). The Head of LBS has confirmed that they have not got the capacity to undertake this work therefore, an external procurement exercise needs to take place to secure contractor resources to undertake this work.
- 3 The proposed works will focus on properties identified where, kitchens and bathrooms have reached the end of their life span and will need replacing to maintain decency standards. Rewiring will also be necessary to maintain safety standards.
- 4 The estimated construction budget cost of works for this scheme is £17.2m over 4 years. This report seeks authority to spend £17.2m. This is broken down to £3m per annum for the replacement of kitchens and/or bathrooms including electrical re-wires and £1.3m per annum for whole house re-wires of tenanted Properties.
- 5 It is intended that the works will be apportioned equally to 2 contractors based on a 50/50 financial split throughout the city. The work allocation will be managed by the appointed contract manager.
- 6 It is proposed that the scheme of works will start in April 2025 to deliver a 4-year programme with completion by end March 2029 including possible extensions.
- 7 It is proposed that the tender evaluation methodology will be based on the quality/price separated approach. Tenderers will be required to meet minimum quality thresholds in their quality submissions. Thereafter a contract will be awarded to the contractor who has submitted the lowest price, following robust evaluation by the commercial team to review viability and affordability of the priced submissions. This ensures the successful contractors are providing minimum quality standards that Housing Leeds expects whilst achieving the best value for money for the Council.
- 8 The proposed procurement route is that of a mini-competition carried out via use of the Efficiency North Installation Servicing Repairs & Maintenance Framework, utilising a combination of contractors from Lot 2A – Kitchen and Bathroom Installation Works more than £1m and Lot 31A – Whole House Internal & External Insulation Works more than £1m. An expression of interest exercise has been carried out which provided 10 positive responses.

What impact will this proposal have?

- 9 The programme of works to kitchens and/or bathrooms and rewiring will maintain safety and quality standards and is intended to reduce any claims against the Council for housing disrepair.
- 10 As part of the contract, there will be a requirement to achieve additional social value benefits. Social value success will be measured and monitored by the Social Value Engine. The successful contractor will make social value commitments during the tender stage which will be recorded in the social value engine. During the life of the contract, adherence to the successful contractor’s social value commitments will be monitored by the contract manager, to ensure that social value is delivered.
- 11 An Equality, Diversity, Cohesion and Integration (“EDCI”) impact assessment has been undertaken for this scheme and is attached as Appendix 1. No negative impacts are expected in relation to the planned works.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 12 This project will improve the quality of these homes which in turn will contribute to the health of residents living in Council properties. This contributes to the Health and Wellbeing pillar.
- 13 The procurement process will include evaluation on Social Value against specific Themes, Outcomes and Measures (“TOMs”) which will promote health and wellbeing, inclusive growth and zero carbon. TOMs will be monitored throughout the contract to ensure delivery.

What consultation and engagement has taken place?

Wards affected: City wide.

Have ward members been consulted? Yes No

- 14 This report has been developed by the Strategy and Investment project team within the Construction, Housing and Environment Directorate, who have been involved throughout the process. Advice has been secured from Procurement and Commercial Services (“PACS”) and the PACS Legal team. PACS have reviewed the proposals and support the planned decisions.

What are the resource implications?

- 15 The procurement will be carried out in line with the provisions of the Council’s CPRs and PCR’s and this report seeks approval of a procurement strategy in line with CPR 3.1.7 to engage with the external market to undertake a procurement exercise by way of competition to identify best value. The evaluation approach to be implemented is the quality/price separated methodology in line with CPR 15.2, this means tenderers will be required to meet the prescribed minimum threshold on the quality submission. Following this assessment those who pass the set threshold will be evaluated on a price only basis.
- 16 The contract will be managed by the Housing Strategy and Investment team and a contract management plan will be developed in line with CPR 3.1.17.
- 17 This work will be funded from the Capital Programme, the capital funding and cash flow table is below:

Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2023 £000's	FORECAST					
			2023/24	2024/25	2025/26	2026/27	2027 on	
			£000's	£000's	£000's	£000's	£000's	
LAND (1)	0.0							
CONSTRUCTION (3)	17200.0				4300.0	4300.0	8600.0	
FURN & EQPT (5)	0.0							
INTERNAL DESIGN FEES (6)	0.0							
OTHER FEES / COSTS (7)	0.0							
TOTALS	17200.0	0.0	0.0	0.0	4300.0	4300.0	8600.0	
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2023 £000's	FORECAST					
			2023/24	2024/25	2025/26	2026/27	2027 on	
			£000's	£000's	£000's	£000's	£000's	
Revenue Contribution	17200.0				4300.0	4300.0	8600.0	
Total Funding	17200.0	0.0	0.0	0.0	4300.0	4300.0	8600.0	
Balance / Shortfall =	0.0	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?

- 18 Due diligence checks of the preferred contractor(s) will be done to ascertain their financial position prior to contract award and throughout the contract period. This will ensure we are contracting with a financially stable organisation which will limit the risk of the successful contractor falling into financial trouble which could affect the delivery of the project.

- 19 The contract, including contractor performance, will be effectively managed and monitored to ensure the works are delivered in accordance with the contract specification and in a timely manner. Social value benefits will be monitored by the Social Value team in collaboration with the Strategy and Investment team.
- 20 There is an ongoing risk of potential labour and materials shortages. The team will continue to monitor this and work with a successful contractor to mitigate this risk where possible.
- 21 Due to the current market conditions, there is a risk of small number of tender returns. The procurement team will continuously engage with contractors before and during the tender, ensuring they are fully supported in the process to maximise the number of bids received.
- 22 The appointed contractor(s) will have specialist skill, technical expertise and knowledge that will be assessed and evaluated using quality criteria during the procurement. This will ensure all works are completed with regards to health and safety and environmental considerations.

What are the legal implications?

- 23 The decision set out in this report is a Key Decision and is subject to call-in. There are no grounds for keeping the contents of this report confidential under the Access to Information Rules. The scheme was added to the List of Forthcoming Key Decisions which was published on 19th July 2024.
- 24 There will be a subsequent separate report on the tender evaluation following the procurement exercise and this will be the Publishable Admin Decision to award the contract, detailing the successful contractor(s) selected and the tendered rates to deliver these works.
- 25 Due regard to the requirements of CPR 3.1.4 has been given, however as previously stated in paragraph 2 of this report, there is no Internal Service Provider (“ISP”) who can carry out the scheme of works required, as confirmed by the Head of LBS.
- 26 With reference to CPR 3.1.6, the YORBuild framework was considered however the YORBuild suite of frameworks did not provide an appropriate solution for this works contract. The nature of the works are elemental, involving housing decency works to replace and refurbish for which there is no specific lot on the Framework. Other external frameworks were considered such as Fusion21 and Procurement for Housing and Consortium Procurement however none of these offered the preferred solution that our chosen framework does.
- 27 Officers from PACS Legal will be consulted throughout this procurement exercise and as such all requirements as prescribed by the Council’s CPRs and the PCR 2015 will be adhered to.
- 28 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?

- 29 Following discussions with Procurement Officers within PACS, the following procurement options have been considered in line with the Council’s CPRs:
 - **Do nothing** – This is not an option, if the works are not carried out properties can fall into disrepair which can lead to claims against the Council for housing disrepair and personal injury.
 - **Leeds Building Service (LBS) to undertake the works** – This was considered as an option; the Head of LBS has been consulted and has declined due to lack of capacity within

LBS for such large-scale works. The Head of LBS are in agreement with this course of action to engage the external market.

- **Conduct an over threshold, 2 stage restricted tender** - This is a valid option which Housing Leeds could take. It requires Housing Leeds to undertake a Common Assessment Standard questionnaire (known as a CAS in construction) to ascertain the suitability of the interested contractors to inform Housing Leeds when deciding on whether to further engage with the contractor or not. The shortlisted contractors would then be invited to tender. Due to the time involved in undertaking a 2-stage procurement exercise, this would impact on Leeds' ability to carry out the repairs in a timely manner due to time consuming manner of running an over threshold, 2 stage restricted tender. There are also external frameworks available who have already conducted the CAS process and have shortlisted suitable contractors which meet the requirements of this contract.
- **Conduct an over threshold, open tender** – This is a valid option which Housing Leeds could take. It allows Housing Leeds to test the market and invite contractors to tender, the tenders will then be evaluated on the price/quality separated approach. This has been discounted due to the time and resource implications of this procurement route and the need to start the works in the next 6 months.
- **Call off an external framework** – following a successful expression of interest this is the recommended route to market. It is proposed to utilise the Efficiency North Framework. This option will provide the Council with the best value for money approach, in addition there will be a saving on time to procure and on the Council's resources. An expression of interest has been carried out via this framework with 10 interested contractors, which further supports this option. – **Recommended Option**

How will success be measured?

- 30 Success will be measured as part of the contract management process. Through achievement of the works per the programme outlined at contract award.
- 31 Social value success will be measured and monitored by the Social Value Engine. The successful contractor will make social value commitments during the tender stage which will be recorded in the Social Value Engine. During the life of the contract, adherence to the successful contractor's social value commitments will be monitored by the contract manager, to ensure that social value is delivered.

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

- 32 The scheme is anticipated to commence in April 2025 and to finish April 2029.
- 33 The proposed Timetable:

Tender Published	Mid November 2024
Tender In	Mid December 2024
Tender Evaluation	January 2025
Governance and Contract Award	February/March 2025
Mobilisation	April 2025
Contract Start	May 2025
Contract Completion	May 2027
Contract Completion Including Optional Extensions	May 2029

Appendices

- EDCI

Background papers

- N/A