

Report of: Executive Member for Housing and Development

Meeting of:	Date:	Wards:
Executive	15 th October 2020	All

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SUBJECT: Procurement Strategy for Void Reservicing, Refurbishment and New Tenancy Repairs

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Void Reservicing, Refurbishment and New Tenancy Repairs in accordance with Rule 2.7 of the council's Procurement Rules.
- 1.2 This strategy is for the delivery of reserving to void properties and the refurbishment of major works voids to ensure they are let in a timely manner and to a high quality standard. This will also include any repairs required within the first eight weeks of a new tenancy.

2. Recommendations

- 2.1 To approve the procurement strategy for Void Reservicing, Refurbishment and New Tenancy Repairs as outlined in this report.
- 2.2 To delegate authority to award the contract to the Corporate Director of Housing in consultation with the Executive Member for Housing and Development.

3. Background

- 3.1 The council is intending to procure two contractors to deliver void reserving, refurbishment and new tenancy repairs to Islington Council's void properties.

Islington Council has let an average of 900 properties per year over the last two years, out of a tenanted housing stock of 25,230. Demand for social housing within Islington is extremely high with approximately 14,500 households on the housing register. It is essential that void

properties are resourced to a high quality standard and in a timely manner to enable the continuation of the cycle of lettings within the borough.

There were historically three contractors delivering the void resourcing contract, however one of the contracts was terminated. This presented Islington Council with an opportunity to explore insourcing. Within the last 12 months, a pilot has started to trial the delivery of void resourcing in-house and a full-time team has been recruited for a fixed period. The pilot is so far proving successful and will be reviewed at the end of the fixed period to establish what further expansion can be made to the team; the proposed contract term allows flexibility for expanding the in-house team during the life of the contract. The current delivery model means that approximately one third of void resourcing is delivered in-house, requiring support from two contractors to cover the remaining void resourcing and refurbishments. Due to the importance of void property lettings and the overall impact that the quality and timeliness of lettings has on residents and Islington Council, one contractor is not deemed enough for service delivery support. Having two contractors reduces the risks around the timeliness of void lettings and is prudent given the return of over 4,000 street properties from PFI2 due in 2022.

The contract will cover standard void property resourcing, which involves clearing the property of any lumber, carrying out an electrical test and carrying out any required repairs to ensure the property is clear to be decorated, can be let and is ready to move into by a new tenant. 'Standard plus' properties include the same resourcing as above, however they may also require a kitchen and/or bathroom replacement. Major works void refurbishment properties may have had a significant repairs history or issues such as dampness or ongoing leaks and will require a full refurbishment in order to bring the property up to a high quality lettable standard. The contract will also include void resourcing for properties used for General Needs Temporary Accommodation (GNTA) and any required repairs during the first eight weeks of a new tenancy (excluding gas repairs).

The Voids Team will manage the operational elements of the work with the contractors such as handing over of the keys and interim post-inspections to ensure the work is being carried out on time and to a high standard. A monthly contractual meeting will occur with the Contracts Team representative, a Void Team representative and appropriate contractor representative in order to review contract performance and escalate performance issues should they arise. A quarterly Core Group meeting will also take place with management-level attendees from all parties, where contractual requirements are covered and any unresolved escalations can be resolved.

3.2 **Estimated Value**

The estimated aggregate value of this contract is £16,576,000 (£4,144,000 per annum), based on a maximum contract term of 48 months. The initial term will be 24 months with an optional extension of 24 months in increments of up to 12 months each. This term allows for increasing insourcing throughout the life of the contract to be explored. These values factor in the planned return of PFI2 properties to the council in 2022. The funding for GNTA properties will come from a separate budget. The value is estimated based on historical spend and void property data and has been proportionately adjusted to reflect that approximately one third of void resourcing work will be carried out by the in-house voids team.

This contract will be funded using an existing budget for voids from the Housing Revenue Account (HRA). There are not likely to be any financial savings that can be made within this contract, as the market is demonstrating an overall increase in costs relating to building works. However, the new price framework will include fixed price basket rate elements for items or

repairs that are likely to occur in every void property, which will enable better spend forecasting and offer a saving in staff time, allowing staff to focus on other areas of service delivery. A budget reduction during the term of the contract would result in having to lower the standard to which a void is resourced, impacting tenants when they move into a newly-let property and the reputation of the Council. In the worst case scenario, it could potentially mean that some void properties could not be resourced until the new financial year. The focus of void resourcing is on streamlining the service in order to minimise void turnaround times and re-let properties as quickly as possible, thus maximising revenue from rental income.

3.3 **Timetable**

The council intends to advertise the Selection Questionnaire (SQ) stage of the procurement in October 2020. The Invitation to Tender (ITT) will be issued in December 2020 and the contract award is planned for March 2021. The contract is due to go live on 1 July 2021, as the current contract expires on 30 June 2021.

3.4 **Options appraisal**

As part of this procurement four options were considered:

- Delivering void resourcing in-house
- A collaboration with neighbouring boroughs
- Use of an external framework
- A competitive procurement process solely for Islington.

A successful pilot is already in place for delivering void resourcing in-house. The in-house voids team have recruited staff on a fixed term basis, in order to periodically review and assess what further expansions to the service can be made. Currently the in-house voids team can deliver approximately one third of the required void resourcing, therefore support is required from two external contractors to cover the remainder of the voids.

Several contract areas have been considered for neighbouring borough collaborations, however voids is not one of them. A collaboration at this stage would reduce the viability of expanding insourcing the service. The differences in service delivery between neighbouring boroughs (including timescales for delivering void resourcing, how the works are managed and IT systems used) would require significant funding and time to resolve. Islington Council is undertaking work to look at future opportunities, capacity and skills for insourcing services. This will look at opportunities as a single borough, as well as with neighbouring boroughs.

It is envisaged that there will be a significant market interest in this contract due to the nature of the work involved and the contract value. Using an external framework would be a quicker route to market, however it would be limited to the use of the contractors within the framework and the prices they submit during a mini-tender, whereas an open market tender exercise could offer better value for money. The schedule of rates within available frameworks that were reviewed as options for this contract do not meet Islington's specific requirements.

The proposed option is to procure through a competitive tender process, as this can deliver the best value overall whilst meeting service needs. This process allows the pricing, specification and terms and conditions to be specifically tailored to meet Islington's current and evolving needs. Volumes of work will not be guaranteed and the contract term has been designed to allow for further insourcing voids resourcing to be explored throughout the life of the contract. The council intends to appoint two contractors for the whole contract to ensure continuity of service delivery, using the two-stage restricted procedure.

3.5 Key Considerations

Delivering social value to Islington residents will be a contractual obligation for the successful contractors. A clear set of rigorous social value targets will be included in the contract according to the proposals made within their tender documentation. Their performance in relation to social value will be monitored at regular contract meetings and will be a consideration in any decision to award a contract extension. Social value contributions will include apprenticeships (where applicable), work experience placements, job shadowing and training opportunities for residents. These will be agreed with the Council's iWork team and will focus on job opportunities for local residents, especially those who are disadvantaged in the labour market.

Consideration will be given to ensuring that contractors commit to the use of local suppliers. This will assist with increasing local economic growth, potentially allow for local employment opportunities, lower the carbon footprint by reducing unnecessary vehicle journeys and offer overall contract efficiencies such as being able to attend site quicker and timeliness of work execution.

Environmental factors such as reducing C02 emissions and air pollution within the borough will be considered during the procurement process.

Contractors will also be expected to contribute to in-house repairs training programmes for residents by donating tools and equipment and/or providing appropriately-skilled staff to assist with delivery of the training.

London Living Wage will be included as a condition of the contract. The current market pays above London Living Wage for multi-skilled operatives so it is not expected that this will bring any additional financial implications. Contractors will be expected to demonstrate that the staff they employ have clear and fair terms and conditions of employment, access to Trade Union membership and appropriate training opportunities. Consideration will also be given to how the bidding contractors will monitor these elements throughout their supply chain for this contract.

Staff from the existing service provider delivering this contract may be subject to TUPE regulations as part of this procurement.

3.6 Evaluation

This tender will be conducted in two stages, known as the Restricted Procedure as the tender is 'restricted' to a limited number of organisations. The first stage is Selection Criteria through a Selection Questionnaire (SQ), which establishes whether an organisation meets the financial requirements, is competent and capable and has the necessary resources to carry out the contract. The SQ explores how the organisation has performed to date and its financial standing and requires information about their history and experience.

A limited or 'restricted' number of organisations meeting the SQ requirements as specified in the advertisement are then invited to tender (ITT). The second stage is the ITT which utilises defined Award Criteria. Tenders are evaluated on the basis of the tenderers' price and ability to deliver the contract works or services as set out in the award criteria in order to determine the most economically advantageous offer.

The contract will be awarded to the Most Economically Advantageous Tender (MEAT) and the award criteria will be set at 60% quality and 40% cost. This will enable Islington to require contractors that deliver the best value overall.

Voids will be evenly split between the in-house team and the two contractors as they become ready for reservicing. For example, the first void will be issued to in-house, the second void issued to contractor A, then the third void issued to Contractor B and repeat the cycle.

The cost criteria will consist of fixed price basket rates for standard void reserving, the bidder's percentage discount/uplift against the National Housing Federation (NHF) Schedule of Rates (SORs) for Responsive Maintenance and Void Property Works v6.1, Voids Ordering Schedule v7 and bespoke SORs.

The quality criteria will consist of:

- Proposed approach to Social Value and promoting opportunities for Islington residents, including reducing carbon footprint (20%)
- Proposed approach to mobilisation, resourcing, partnership working and service delivery (10%)
- Proposed approach to varying work volumes and priorities (10%)
- Proposed approach to health and safety (10%)
- Proposed approach to customer service and diversity (5%)
- Proposed approach to quality management (5%)

3.7 Business Risks

Islington Council has a duty to allocate housing in accordance with Part 6 of the Housing Act 1996 and as such, void properties need to be efficiently reservised to a lettable standard in order to comply with legislation. Leaving properties void for extended periods of time would cause a loss of revenue for the council and carry a reputational risk.

The council is responsible for undertaking the repair, maintenance and improvement of its housing properties and installations in accordance with Part 2 of the Housing Act 1985 and section 11 of the Landlord and Tenant Act 1985. The council has the power to enter such contracts under section 1 of the Local Government (Contracts) Act 1997 on the basis that such services are properly required for the discharge of the council's functions.

There is a risk the contractors will not be able to meet volumes of work. This risk is managed by clear requirements set out within the specification and rigorous assessment. The appointment of two contractors means that they will act as a backup to each other.

Risk	Likelihood	Impact	Priority	Mitigation
Procurement is unsuccessful with no suitable supplier tendering or being identified	Low	High	High	Interim emergency measures will be sought and plans to re-procure put in place
The successful tenderer pulls out of the contract prior to start of the contract	Low	High	High	Interim emergency measures will be sought and plans to re-procure put in place
Delays to the procurement process result in limited mobilisation time for new supplier	Medium	Medium	High	A project plan is in place and the project team will ensure agreed key milestones are met.

Identified opportunities are:

- Working with smaller, and where possible local, firms gives the council an opportunity to develop locally-based corporate social responsibility programmes.
- By not guaranteeing volumes of work, the council can consider bringing more voids resourcing in-house over time, giving the council increased control over the service

- 3.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.
- 3.9 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	<p>The delivery of Void Reservicing, Refurbishment and New Tenancy Repairs.</p> <p>See paragraph 3.1</p>
2 Estimated value	<p>The estimated value per year is £4,144,000.</p> <p>The contract is proposed to run for a period of 24 months with an optional extension of 24 months in two increments of up to 12 months each. The maximum term of the contract is 48 months.</p> <p>See paragraph 3.2</p>
3 Timetable	<p>Executive – October 2020 SQ published – October 2020 ITT – December 2021 Contract Award – March 2021 Contract Start – 1 July 2021</p> <p>See paragraph 3.3</p>
4 Options appraisal for tender procedure including consideration of collaboration opportunities	<p>A competitive tender using the restricted process.</p> <p>See paragraph 3.4</p>
5 Consideration of: social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	<p>London Living Wage and social benefit clauses will be included as part of the contract terms. Best value is considered as part of the specification, award criteria and delivery of the service. There may be TUPE implications.</p>

	See paragraph 3.5
6 Award criteria	Cost 40% and Quality 60%. The award criteria cost/quality breakdown is more particularly described within the report.
	See paragraph 3.6
7 Any business risks associated with entering the contract	See paragraph 3.7
8 Any other relevant financial, legal or other considerations.	See implications section 4

4. Implications

4.1 Financial implications

The report (at 3.2) estimates the annual contract value at £4.144m (WEF July 21) and indicates that the increase of £750k compared to current budget reflects 2/3^{rds} of the costs associated with the return of PFI2 stock and the increased re-let rate in relation to HRA properties (GNTA's + PAPs) used for temporary accommodation clients.

The HRA repairs voids subcontractor budget currently (20-21) totals £3.394m.

The impact of PFI2 returning stock WEF April-22 is estimated to total £350k per annum (2/3^{rds} of a total estimated requirement of £523k).

The impact of the increased re-let rate (estimated at around 8 extra re-lets PCM) in respect of GNTA's & PAPs (totalling around 260) is estimated to total £400k per annum.

As such the annual estimated total voids subcontractor budget required (post PFI2 stock returning WEF April-22) from 22-23 onwards is £4.144m.

The estimated voids subcontractor budget required (prior to PFI2 stock returning) is for 21-22 £3.794m.

The current HRA 30 YR B.Plan includes provision for returning PFI2 stock, based on existing LBI stock average unit costs, as such the total estimated increase required of £523k (split £350k subcontractors & £173k Inhouse) has been accommodated in the B.Plan.

However, the £400k additional budget required in respect of extra TA re-lets has not been included in the B.Plan & as such this will be included as part of this year's B.Plan review/update due to be considered by HMT at the end of Sept.

4.2 Legal Implications

The council has an obligation to keep its housing stock in repair and good condition in order to be able to meet its statutory obligation to those persons to whom it owes a duty to provide housing accommodation (Part 2 of the Housing Act 1985; section 11 of the Landlord and Tenant Act 1985 and Part V11 Housing Act 1996). Accordingly, the council has power to procure and enter into contracts for Void Reservicing, Refurbishment and New Tenancy repairs (section 1 of the Local Government (Contracts) Act 1997).

The estimated value of the procurement for Void Reservicing, Refurbishment and New Tenancy

Repairs exceeds the financial threshold for the full application of the Public Contracts Regulations 2015. Contracts above this threshold must be procured with advertisement in the Official Journal of the European Union and with full compliance of the Regulations. The council's Procurement Rules also require contracts of this value to be subject to competitive tender. The proposed procurement strategy, to advertise a call for competition and procure the service using the two stage restricted a competitive tender process, is in compliance with the principles underpinning the Regulations and the council's Procurement Rules.

On completion of the procurement process, the contracts may be awarded to the highest scoring tenderers subject to the tender providing value for money for the council.

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

Carrying out void property reserving work has several environmental impacts. During the void reserving process, new materials will be used, as well as energy for the plant and equipment, which could cause on-site emissions if powered by fossil fuels. The works will generate waste and there is a risk to biodiversity when working in roof spaces or around trees. In addition, the contractor will be using vehicles to arrive at and deliver materials to sites, which will contribute to air pollution (unless electric vehicles are used) and congestion.

Provision will be made within the contract specification and contractor selection criteria to mitigate impact for each of the above, with reference to relevant legislation and the stipulation that the contractor must adhere to the requirement of the Council's Housing HSE Code of Conduct for Contractors and appropriate legislation.

The Contractor should ensure that waste materials are kept to a minimum and that waste leaving sites is reused or recycled where practicable. The Contractor will have a duty of care to ensure that any waste disposal is done legally and in alignment with the waste hierarchy. In addition, Contractors will be encouraged to use low or zero emission vehicles. Where possible, the Contractor should use recycled or sustainably produced materials. The contractor will install energy saving replacement parts where possible and if compatible. Where complete renewals are required, then energy saving replacements will be considered.

4.4 Resident Impact Assessment

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment was completed on 15 July 2020 and the summary is included below. The completed Resident Impact Assessment is attached as Appendix 1.

It is anticipated that the delivery of this service will not have any negative impact on any persons within the protected characteristics groups. The delivery of the contract will have a positive impact on all residents including those with protected characteristics and it is designed to ensure that residents within the borough listed on the housing register, have an opportunity to access social housing that is in a high quality lettable standard and ready to move into.

5. Reason for recommendations

- 5.1 Islington Council has a duty to allocate social housing and void properties need to be resourced to a high lettable standard and in a timely manner. The procurement of two contractors is required to allow the continuity of service for the delivery of Void Reservicing, Refurbishment and New Tenancy Repairs.

Appendices

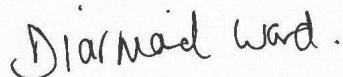
Appendix 1 - Resident Impact Assessment

Background papers:

None

Final report clearance:

Signed by:



Executive Member for Housing and Development

Date: 2/10/20

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