

Report To: Cabinet

Date of Meeting: 26<sup>th</sup> June 2018

Lead Member / Officer: Cllr Tony Thomas and Cllr Julian Thompson-Hill  
David Lorey (Lead Officer)

Report Author: Mark Cassidy – Property Operations Manager

Title: The establishment of a Void Housing Maintenance & Refurbishment Framework

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1. What is the report about?

To seek approval to commence a procurement and enter into a contract to appoint a number of contractors to a framework to undertake refurbishment work to empty domestic properties owned by the Council (known as voids). The value of the framework over 4 years is expected to be approximately £11 million.

The provision of a framework will reduce costs and time in respect of undertaking works on void housing units, increasing income into the Housing Revenue Account while maintaining the exceptional standard that has been set in terms of quality housing for the Council's housing tenants

2. What is the reason for making this report?

To be compliant with the Council's Contract Procedure Rules and EU Legislation, a competitive tendering process needs to be undertaken. A decision is required to commence the procurement of a Void housing maintenance and refurbishment Framework via an OJEU compliant procurement process and evaluation procedure.

A further report will be presented to Cabinet to report on the outcome of the procurement exercise and seek permission to award the contract.

Currently, the Council undertakes refurbishment works to voids by requesting quotes for works by email, based on the Council's surveyors report and then directly allocating based on the quote value.

3. What are the Recommendations?

To commence the procurement to set up a framework and appoint contractors to the various lots.

4. Report details

Denbighshire County Council is responsible for the management and maintenance of approximately 3500 council houses. When tenancy agreements come to an end, the property is termed a void and works are undertaken to ensure that the property is

suitable for re-letting to another tenant. The Council deals with circa 250 void housing properties per annum.

In November 2017 an Internal Audit report identified the procurement process for works to voids as having only a medium Assurance Rating. Discussions with the Procurement Team have determined that the most suitable compliant route to market is to set up a framework. The procurement risk identified in the audit report (Risk 4) is the only outstanding item to be addressed.

In addition (and as noted in the Audit report) the Council has reviewed its letting standards and vastly improved the quality of the homes it lets. This has inevitably led to increased costs and turnaround times for void properties which, while the Service is happy to absorb these costs (funding for voids has increased from £997,807 in 2015/16 to £2,660,050 means that the need to ensure value for money via a competitive tender process has increased. It is anticipated that the framework will also reduce void turnaround times allowing individual contracts to be let via a call off process.

The framework will form an agreement with contractors and establish terms governing cost, quality and performance via key performance indicators. The Framework will be procured by Open Tender with a 60% Price and 40% Quality focus.

The works be priced via a schedule of rates & competitive tender via priced spec.

The specification will comprise of a wide range of works, and it is important to highlight that each property is received in a different condition.

The proposal is to appoint between 3 and 5 contractors onto the Framework in the following Lots covering the whole of the County:

Value of work (per property)	Number of contractors North	Number of contractors South
£0-£8,000	3-5	3-5
£8001 to 50,000	3-5	3-5

This Framework will initially be let for 2 years with possible extensions of one plus one years following review in the second year.

The Council has an in house repairs team that also carry out works to vacant properties, and there is a commitment that this arrangement will continue in line with the capacity of the internal workforce.

A dedicated voids management team has been established and all work will be specified, managed, monitored and signed off by this team. Regular meetings with contractors will be held to monitor compliance to the framework KPIs.

The expected Framework value over the four years 2+1+1 is £11,000,000. The anticipated value of each lot is:

£000	North	South
0-8	Lot 1 Annual Value £1m	Lot 2 Annual Value £0.8m
8.1 to 50	Lot 3 Annual Value £0.6m	Lot 4 Annual Value £0.4m

The framework will provide an opportunity for local SME's to apply to be part of the framework and if appointed carry out via a pre-determined pipeline of work and potentially generate additional opportunities for companies outside of the County to invest and utilise/develop local labour and materials supply chains.

References from existing customers will form part of the quality assessments. The contractors will have to demonstrate that they have a good record of delivering a similar range and size of projects. Regular monitoring of quality related KPI's will ensure any issues are addressed quickly and non-conforming contractors will be suspended from the framework. Financial penalties will also be applied to projects not completed within set timescales.

The framework tender will require any successful contractor to have or establish a local base and employ DCC residents through a set of community benefit schemes linked to KPI's. Targets for spend within the County/surrounding areas will be set and monitored to ensure as much local economic growth as possible can be encouraged.

5. How does the decision contribute to the Corporate Priorities?

The Framework will support priorities within the current (2017-2022) Corporate Plan in terms of:

Housing: Everyone is supported to live in homes that meet their needs.

Environment – Improve energy efficiency of Council Houses; Young People – develop greater employments opportunities for younger people.

6. What will it cost and how will it affect other services?

The maintenance and refurbishment Framework is valued at £11million over the life of the Framework, 4 years. (2+1+1)

Framework management and execution will be met through the existing arrangements and no additional funding will be required for this. Refurbishment of council housing in a timely and effective manner at value for money cost is a general benefit to the Council and residents and tax payers.

7. What are the main conclusions of the Well-being Impact Assessment?

The Framework was awarded 22/24 points with a three star rating.

The Framework will have an overall positive impact on future generations within Denbighshire due to:

- Improved condition of council housing stock
- Opportunities for local contractors to carry out the works
- Business for the local supply chains for building materials
- Community benefits to include apprentice opportunities

The wellbeing assessment is attached at Appendix 1.

8. What consultations have been carried out with Scrutiny and others?

The procurement team have been involved in the development of the framework proposals and the principle has been agreed with the Finance Assets & Housing Lead Officer Group and Head of Service.

Prior to inviting tenders, a meet the buyer event will be organised and support from Business Wales and Construction Futures Wales is being sought to support interested contractors. The local contractors who currently undertake the majority of the work have been notified of the Council's proposals.

Consultation has been carried out with contractors currently used for Void refurbishment works. All have expressed an interest in being included on the Framework.

9. Chief Finance Officer Statement

The proposal helps to address points raised by Internal Audit and should help to ensure value for money is achieved.

10. What risks are there and is there anything we can do to reduce them?

The following key risks have been identified and will be managed by the Collaborative Procurement Unit and Legal Services:

- Legal challenge in relation to the procurement process – managed by the input of specialist legal advice in terms of the process and drawing up the required documentation;
- Unsatisfactory performance of the contractors appointed to the framework- a performance management system has been devised and will form part of the contract to monitor performance and there will be contractual remedies for failure to meet performance measures.

11. Power to make the Decision

The Council also has power to issue the procurement and enter into contracts pursuant to section 111 Local Government Act 1972 (power to undertake any act to facilitate, or which is conducive or incidental to, the discharge of any of their functions); section 135 Local Government Act 1972 (power to make standing orders to govern entering into contracts; section 3(1) Local Government Act 1999 (general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised) and section 1(2) Local Government Contracts Act 1997 (empowers local authorities to enter into a wide range of contracts providing assets or services in connection with the discharge of their functions).