

EXECUTIVE

11th May 2023

Report Title	Housing Revenue Account (HRA) Capital Contractor Procurement
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Lead Member	Councillor Matthew Binley, Executive Member for Housing, Communities and Levelling Up

Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there public sector equality duty implications?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972	

List of Appendices

None

1. Purpose of Report

- 1.1. To seek approval from the Executive for the procurement of Capital Programmes and Projects for Housing Property Services.
- 1.2. To seek delegation of authority from the Executive to the Executive Member for Housing, Communities and Levelling Up, in consultation with the Executive Director for Adults, Health Partnerships and Housing, to take any further decisions and/or actions required to appoint appropriate contractors, and to enter into respective contracts.

2. Executive Summary

- 2.1. North Northamptonshire Council owns and manages 8,084 council homes, across the Corby and Kettering Neighbourhood areas. The Council is responsible for the repairs, maintenance, and refurbishment of these properties via its in-house Direct Labour Organisations and procured contractors in order to fulfil its landlord repairs and maintenance obligations.
- 2.2. Although some works are maintained by in-house resources, there is still a requirement to outsource some capital programmes and projects, such as electrical testing, kitchen & bathroom installations, roofing replacements, energy improvements and future proofing of the Council's housing stock.
- 2.3. The Council would not consider bringing certain capital works in-house due to commitment and cost, as it would tie down its workforce for extended periods of time and in some cases, specialist works are required. The most efficient approach is to use contractors that incorporate all resourcing and liability for the works, allowing the in-house team to continue with void and responsive repairs.
- 2.4. Following receipt of scoping procurement advice, it has been established that exploration of open procurement options for the majority of these requirements would be the most efficient way forward, in terms of both cost and quality as we would be approaching the entire market.
- 2.5. For some requirements (electrical testing and energy improvements), the use of mini competition via a Framework would provide compliant, robust and resilient service delivery. For others (kitchen & bathroom installations, roofing replacements and future proofing of the Council's housing stock) advertising on Contracts Finder and Find a Tender service will be undertaken in line with the necessary Council and legislative requirements.
- 2.6. It is recommended that the Council enter into contracts which cover both Kettering and Corby where appropriate to ensure consistency of service delivery.

3. Recommendations

- 3.1. It is recommended that the Executive delegates authority to the Executive Member for Housing, Communities and Levelling Up in consultation with the Executive Director for Adults, Health Partnerships and Housing, to procure, negotiate, award, and enter into contracts for the delivery of Electrical Installation Condition Reports, Energy Efficiency upgrades, Kitchens & Bathrooms replacements, Roof Replacements and Homes for the Future retrofit upgrades, to ensure that the Council's housing stock is maintained.
- 3.2. Reasons for Recommendation: By approving this recommendation, Council officers will be able to: -

- Closely align services with Government legislation, regulation and initiatives, through the use of procured contractors across the two Housing Property Services team areas.
- Procure the new contracts in the most efficient and timely manner, to ensure a fully compliant procurement process is in place for the delivery of its services.
- Provide better value for money to the Council.
- Ensure tenants benefit from the investment in the housing stock across North Northamptonshire.

3.3 Alternative Options Considered –The main alternative to procuring contractors to complete these capital works programmes would be to expand the Council’s in house Direct Labour Organisation. This option has been rejected at the present time whilst we focus on harmonising our approach to other areas of the Housing Property Services team. Our Direct Labour Organisation resources are currently being fully utilised to reduce our responsive repairs backlog and undertake void repairs, meaning that we do not currently have capacity within the team for these additional capital works. Some of the projects, such as roofing, are also only expected to occur during a set period of time each year. The option to expand the Council’s in house Direct Labour Organisation will be explored further, via a viability study, during the lifetime of the proposed contracts within this report. A further option that will also be explored as part of this study is the suitability of a hybrid model of part contractor and part in house.

4. Report Background

- 4.1. The Council delivers refurbishment and installation services to 8,084 homes within its housing stock. This ranges from replacement Kitchens & Bathrooms to complete property renovation projects.
- 4.2. Prior to local government reorganisation, Kettering and Corby delivered their services via their respective in-house Direct Labour Organisation and procured contractors. However, there were differences of approach as to what resources were used and where; for example, Direct Labour Organisation was used to deliver the Kitchen & Bathroom programme in Corby, whereas contractors were used in Kettering.
- 4.3. Although there is an intention to align service delivery across both areas to ensure a consistent approach, it is not practicable at this time for all contracts. Contracts are still required for the following programmes:
 - Electrical Installation Condition Reports (to determine the safety and serviceability of electrical installations in Council properties)

- Energy Efficiency (works to improve the energy ratings for Council properties, such as external wall insulation, solar panels etc.)
 - Kitchens & Bathrooms (complete replacement/renewal of components when they become unserviceable)
 - Roof Replacements (complete replacement/renewal of roofs when they become unserviceable)
 - Homes for the Future (complete renovation of Council properties to bring them up to current standards, by upgrading heating, wiring and external insulation etc.)
- 4.4. The proposed Kitchen and Bathroom replacement contract is specific to Kettering, but Energy Efficiency, Roof Replacement, Electrical Installation Condition Reports and Homes for the Future are intended for both areas.
- 4.5. At present, the Council is procuring these services by requesting quotes and where necessary, waivers for urgent or emergency works. These are not viable long-term options, and a more robust and practicable approach is required.

5. Issues and Choices

- 5.1 Following the creation of North Northamptonshire Council, multiple contracts for the delivery of essential programmes are required to ensure the serviceability and integrity of the Council's housing stock.
- 5.2 The following options have been considered for the procurement of contractors to address these requirements:
- a) **Open tender** - Open tendering is a transparent procurement process which is open to the whole market and allows equal opportunity for competing suppliers. It enables the Council to identify the contractor offering a mixture of the highest quality at the most competitive price, resulting in a more economically, advantageous tender. It is a fully compliant route to market and often provides the most competitive results. The disadvantages of this process (as they relate to these projects) are the timescales to run a procurement in this way, which would likely take upwards of six (6) months to award a contract.
 - b) **Framework (using mini competition and/or compliant direct award options)** - A framework process typically reduces the procurement timeframe, as the pre-evaluation of multiple contractors has already been undertaken, allowing the Council to approach a smaller pool of contractors and in some cases, award a contract directly to a contractor (based on the terms of the framework). Frameworks can therefore provide a shorter timeframe for awarding a compliant contract. The disadvantages to using a framework are that they can provide

restrictions to new contractors, who may offer a reduction in prices or service. Estimates for implementation suggested by the framework providers is within 3 months. Procurement would advise the likely period of time required to award a contract would be six (6) months.

- c) **Award without Competition (Negotiated Procedure without Prior Publication)** - Making an award to a contractor without any form of competition contravenes the Public Contracts Regulations 2015 (The legislation which implements the Public Sector Procurement Directive and governs public sector procurement above the UK Regulations Threshold) and the principals of good and ethical procurement (namely non-discrimination, equal treatment, transparency, and proportionality), and therefore this hasn't been explored as an option.

5.3 Due to the varied types of work that need to be procured, a joint approach to the most robust and compliant option available for the Council to procure new contracts is both the Open Tender process and a Framework (using mini competition and/or compliant direct award). The most suitable procurement route for each of the five projects will be agreed with the Procurement Gateway Group. All contracts are intended to be procured for four (4) years with the exception of Electrical Installation Condition Reports, which will be for five (5) years to accommodate the five (5) year rolling inspection programme.

6. Next Steps

- 6.1. If the Executive agrees to the recommendations of this report, the next stage will be to comply with the Council's Procurement Process for each of the respective contracts. The key activities for this are outlined below along with an anticipated timeline for delivery:

Key Procurement Activity	Timeframe
Create Tender Documents	June 2023
Advertise the Procurement Opportunity	July 2023
Evaluate the tenders received	August 2023
Post tender evaluation works	September 2023
Contracts drafted and signed	December 2023
Prestart meetings with the contractors	February 2024

7. Implications (including financial implications)

7.1. Resources, Financial and Transformation

7.1.1. The Council has a ring-fenced capital Housing Revenue Account within which budgets are identified for the delivery of its services, and the Medium-term Financial Plan was approved by Full Council on 23rd February 2023.

7.1.2. The table below shows the approved budgets within the three-year MTFP for each of the five projects that we are seeking to procure contracts for:

Project	2023/24	2024/25	2025/26	3-year MTFP Total
Electrical Installation Condition Reports	£684,700	£684,700	£714,700	£2,084,100
Energy Improvements	£400,000	£400,000	£420,000	£1,220,000
Kitchens & Bathrooms replacements*	£400,000	£400,000	£440,000	£1,240,000
Roof Replacements	£550,000	£550,000	£570,000	£1,670,000
Homes for the Future	£758,000	£1,548,800	£1,921,500	£4,228,300

* Figures for Kettering Neighbourhood Area only, as these works are completed by the Council's Direct Labour Organisation in Corby Neighbourhood Area.

7.1.3. The expected spend for each project is as follows:

Project	Length of Contract	Contract Sum
Electrical Installation Condition Reports	3+1+1 years	£3,573,500
Energy Improvements	2+1+1 years	£1,660,000
Kitchens & Bathrooms replacements	2+1+1 years	£1,700,000
Roof Replacements	2+1+1 years	£2,260,000
Homes for the Future	2+1+1 years	£6,397,200

7.1.4. The anticipated spends outlined above are higher than the three (3) year approved Medium Term Financial plan, but the ratios of spend to budget are consistent with anticipated budgets for years four (4) and five (5) being the same as in the three (3) year Medium Term Financial plan.

7.1.5. The Electrical Inspection Condition Report contract is for five (5) years and is therefore outside the approved Medium Term Financial Plan by two (2) years. However, there is a three (3) year break clause to protect the Council should there be any budgetary restrictions in the future.

7.1.6. The four (4) year contracts are outside the Medium-Term Financial Plan by one (1) year, but all have a two (2) year break clause.

7.1.7. Following on from approval by the Executive, Officers will seek to procure and then award contracts for the projects listed at 7.1.2.

7.2. Legal and Governance

- 7.2.1. The procurement process will involve awarding and entering into Open Tender and Framework agreements, in line with the Council's Contract Procedure Rules and Public Contract Regulations 2015 (PCR2015).
- 7.2.2. Under section 1 of the Localism Act 2011, the Council has the power to undertake any activity a normal person could undertake, for the benefit of the authority, its area or persons resident or present in its area. The Council is satisfied it has the enabling power(s) to procure and award a contract for services which follow a robust procurement exercise.
- 7.2.3. The Council has an obligation as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard for a combination of economy, efficiency and effectiveness".
- 7.2.4. Internal governance arrangements will be undertaken to ensure that the Council meets its legal obligations.

7.3. Relevant Policies and Plans

- 7.3.1. When reviewing the current service specifications, account will be taken of two key thematic priorities laid out in the Council's Corporate Plan.

Thriving places – Housing and Communities

- Improve the standard of new homes and ensure housing supply meets demand.

Greener, sustainable environment – Housing and Communities

- Work with businesses and communities to tackle climate change.
- Set an example to other organisations on tackling sustainability.

7.4. Risk

- 7.4.1. There is a risk of delay to the procurement conclusion if any further decisions need to be referred to the Executive and not delegated as proposed.
- 7.4.2. There are currently no contracts in place for the programmes listed at 7.1. and to delay this would compromise the serviceability and integrity of the Council's housing stock.
- 7.4.3. If the Council does not enter into new contracts, then there is a risk to being able to deliver statutory maintenance and repairs obligation to tenants, which could result in disrepair and subsequent claims.

7.5. Consultation

7.5.1. There has been no consultation undertaken outside of the Council.

7.6. Consideration by Executive Advisory Panel

7.6.1. This paper has not been considered by an Executive Advisory Panel.

7.7. Consideration by Scrutiny

7.7.1. The procurement process and/or any part of the requirement may be selected for consideration by Scrutiny.

7.8. Equality Implications

7.8.1. Equality Screening Assessments were carried out for each contract and no negative impact was identified. The overall impact was positive for all tenants, particularly the elderly, long-term sick, disabled and children.

7.9. Climate and Environment Impact

7.9.1. The Council aims to procure contractors who are local, or who have local resources within North Northamptonshire, thus reducing travel distances to the Council's properties within Corby and Kettering, with the aim of reducing the Council's carbon footprint.

7.10. Community Impact

7.10.1. These contracts will contribute to the integrity and serviceability of the Council's housing stock. In addition, they will improve the quality of living for the tenants and potentially incentivise them to maintain their properties to a good standard, which will have a positive impact on the community.

7.11. Crime and Disorder Impact

7.11.1. The programmes and projects listed in this report will contribute to the integrity and serviceability of the Councils' housing stock. It is therefore expected that this will improve the quality of living for the tenants, and potentially incentivise them to support the prevention of crime and disorder in their respective communities.

8. Background Papers

8.1. None