

Item No.	Classification: Open	Date: June 2019	Meeting Name: Strategic Director of Environment & Leisure
Report title:		Gateway 2 - Contract Award Approval Material supply framework	
Ward(s) or groups affected:		All	
From:		Director of Environment	

RECOMMENDATION(S)

1. That the Strategic Director of Environment & Leisure approves the contract award for the purchase of materials for Southwark Building Services, through an existing (Pretium) framework agreement from Travis Perkins Managed Services at an estimated cost of £1.5m for a one year period from 10 June 2019 to 9 June 2020

BACKGROUND INFORMATION

2. Southwark Building Services (SBS) as a part of the Traded Service Division of Environment and Leisure provides repairs and maintenance services to the tenants and residents of the council's housing estate.
3. The SBS stores hold approximately 1,200 lines of frequently used materials, plant and uniform with a value of £400k. However, there is also a further requirement for non stock items to be procured. These are for individual items of a bespoke nature or items where the holding of stock would be uneconomic.
4. To meet SBS's requirement for both the stock held in stores and these non-stock items a combined Gateway 1 & 2 report was approved in November 2016 to award a contract to Travis Perkins Managed Services (TPMS) through Pretium Frameworks Limited, a material framework provider, for a period of 1 year at an estimated annual sum of up to £1.5m. The contract with TPMS expired on the 31 July 2018, although the council has continued to place (and TPMS has accepted) orders since then.
5. The rationale to join the framework was in part to allow the strategy regarding SBS future and possible work streams to be decided.
6. The scope of the Pretium Framework encompasses the provision for building materials and sundries. The Pretium Framework runs until December 2020 and TPMS is the sole provider on the framework.

Procurement project plan

Activity	Completed by/Complete by:
Briefed relevant cabinet member (over £100k)	19/03/2019
Approval of Gateway 1: Procurement Strategy Report	21/03/2019
Engagement with TPMS to confirm contract terms and ordering requirements	22/03/2019
DCRB Review Gateway 2: Contract award report	07/05/2019
Cabinet Member briefing	14/05/2019
Notification of forthcoming decision – Five clear working days	15/05/2019
Approval of Gateway 2: Contract Award Report	23/05/2019
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	06/06/2019
Add to Contract Register	07/06/2019
Publication of award notice on Contracts Finder	07/06/2019
Contract start	10/06/2019
Contract completion date	09/06/2020

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

7. SBS currently access a 'tier one' service from TPMS which is material supply only; using the existing TPMS branch network for materials at a pre-agreed price.
8. Following the joining of the framework there have been a number of benefits including reducing the number of individual invoices requiring processing by use of a consolidated invoice, resulting in back office savings. Additionally, improved value for money has reduced the marginal materials cost from 21.96% to 19.79% of SBS turnover.
9. An internal led audit of this materials framework has been completed. It tested compliance with the council's contract standing orders, and achievement of reducing costs and making the material management process more efficient.
10. The level of assurance received following the audit for design was substantial. The level for operational effectiveness was also substantial.
11. Therefore this report is recommending approving the contract award for the purchase of materials for Southwark Building Services, through an existing (Pretium) framework agreement from TPMS.

Key/Non Key decisions

12. This report deals with a key decision

Policy implications

13. The contract helps deliver on the council's Fairer Future promises for:
- Spending money if it was from our own pockets, through a measured reduction of cost to the council.
 - Being open, honest and accountable, in publishing our supplier detail.
 - Working for everyone to realise their own potential, with the framework contract offering opportunities for both work experience and apprenticeships in the Borough
 - Making Southwark a place to be proud of, by formalising the quality of the supply chain to housing repairs and maintenance services.

Tender process

14. The approved Gateway 1 dated 21/03/2019 approved the procurement strategy for the purchase of materials for Southwark Building Services through the existing (Pretium) framework agreement from TPMS.

Tender evaluation

15. Quality has been evaluated on the basis of whether this supplier was able to meet the requirements and materials needed by the council.
16. Price is evaluated against the current and available market price for the goods available. TPMS provide substantial discounts on our top 50 orders by value. This has also been benchmarked against another major material supplier and proved circa 10% more economically advantageous.

Plans for the transition from the old to the new contract

17. The transition from old contract to the new contract is to resume with 'business as usual' as the new contract is based on the same terms and conditions as the old contract. The staff involved with delivering the contract will also remain the same.

Plans for monitoring and management of the contract

18. The performance of the provider, TPMS, will be assessed against 7 Key Performance Indicators (KPIs). The London Living Wage, apprenticeships and work experience slots are monitored by the SBS team. The contract will be managed by weekly local liaison meetings, monthly operation meetings and quarterly core group meeting.
19. Further to this internal audits will be conducted reporting on the contract design and operational effectiveness.
20. Performance under the previous contract improved quarter on quarter when measured against the KPI's. This has contributed to SBS continued improvement of resident satisfaction with the service.

Identified risks for the new contract

21. The table below identifies the risks associated with this extension, the likelihood of occurrence and the control in place to mitigate the risks:

Risk No.	Risk Identified	Risk level	Mitigation
R1	Possible risk of challenge	Low	The framework was competitively tendered in accordance with Public Contracts Regulations 2015 (EU Regs) SBS will review procurement options in September 2019.
R2	Pretium and /or TPMS discontinue the framework due to impact of Brexit	Low	Both Pretium and TPMS have agreed to contract under identical terms and conditions

Community impact statement

22. The Public Sector Equality Duty contained in the Equality Act 2010 has been considered and no individual or group has been nor will be disadvantaged, either in the procurement process or following award of call-offs under the selected framework.
23. The formalisation of stores procurement will have a positive impact on the community. The additional value for money achieved by purchasing through an established framework will increase operational efficiency and contribute to the commercial success of the Traded Service and Southwark Building Services.
24. SBS has an on-going commitment to providing local training and apprentice opportunities to the community. Improving the SBS financial position will allow for growth in the services, scope and client groups the SBS deliver service to.

Social Value considerations

25. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

26. Existing budgets and budgetary controls will ensure affordability of the proposed expenditure is managed. A business case for the financial stability of SBS and the housing repairs service in general has been completed and the proposed material costs were included.

Social considerations

27. TPMS has their own Equal Opportunities Policy and is fully aware and is compliant with the council's own Equal Opportunity Policy.
28. TPMS has confirmed that all relevant staff will continue to be paid in excess of the London Living Wage rate.
29. The "call-off" contract conditions include an express condition requiring compliance with the blacklisting regulations and include a provision to allow the contract to be terminated for breach of these requirements.
30. There is a 'payback mechanism' in the contract where we can directly payback funds to social venture projects.

Environmental/Sustainability considerations

31. TPMS has been approved by the Lloyds Register Quality Assurance to ISO 14001:2015 standards. ISO 14001 is the international standard that specifies requirements for an effective environmental management system and establishes environmental performance requirements.

Market considerations

32. Materials supply in the housing maintenance sector is a mature procurement market. There are organisations who have established themselves to provide services to procure and handle all materials contracts.
33. There is vast diversity in the range of materials available as well as a vast pool of suppliers.
34. Economies of scale promote substantial advantages in purchasing power and there are a high number of national suppliers prominent in the market.
35. National suppliers have invested in streamlining administration by developing ICT systems aligned to the service delivery of housing maintenance organisations.
36. The market was considered relatively stable however there is growing concern around importing and exporting goods due to the uncertainty and unforeseeable implications of Brexit.

Staffing implications

37. The contract administrator for this contract will be the Commercial Manager within the Traded Service Division of the Environment and Leisure department.

38. Staffing implications associated with the contract award will be contained within existing staffing budgets.

Financial implications

39. The original value of the materials contract starting in August 2017 was £1.5m. This contract expired on the 31 July 2018. Annualised SBS spend during this period was approximately £700k. From August 2018 SBS's materials use levels have increased, caused by the requirement to deliver internal repairs for the whole of the borough due to replacing Mears as a contractor for broadly the South of the Borough.

40. Annualised spend for the period of this contract – 1st May 2019 to 30th April 2020 - is not anticipated to exceed £1.5m.

41. The overall spend is budgeted with-in the cost of SBS and the former South contractor Mears activities combined. This in turn is budgeted with-in the HRA mainly in the Housing Repairs component, with no overall additional budget pressure created.

Investment implications

42. There are no investment implications

Legal implications

43. Please see the concurrent report for the Director of Law and Democracy below.

Consultation

44. Consultation has been carried out with all relevant parties.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (EL19/006)

45. This report is requesting approval from the Strategic Director of Environment and Leisure approves the contract award for the purchase of materials for Southwark Building Services, through an existing (Pretium) framework agreement from Travis Perkins Managed Services.

46. The strategic director of finance and governance notes the beneficial back office savings, improved value for money and the substantial level of assurance and operational effectiveness expected from the proposed framework arrangement.

47. Additionally strategic director of finance and governance notes that the cost of this contract will be met from the SBS budgets which are being funded by the HRA under the Housing Repairs component.

48. Robust and regular monitoring of the SBS costs against the budgets will be required as part of the departmental reporting arrangements.

49. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets.

Head of Procurement

50. This report seeks the approval of the Strategic Director of Environment & Leisure for the purchase of materials for Southwark Building Services to Travis Perkins Managed Services via the Pretium framework agreement. The contract is for an estimated cost of £1.5m for a one year period from 10 June 2019 to 9 June 2020.

51. This is a single provider framework that has been used previously but additional benchmarking have proved value for money against alternatives and the tender specification meets the requirements for the service as confirmed in paragraphs 15 and 16.

52. Paragraph 28 confirms that the London Living Wage will be payed to all relevant staff. Paragraphs 18-20 confirm the plans for managing and monitoring the contract, required in addition to 6-monthly performance reports to DCRB in line with the Contract Standing Orders.

Director of Law and Democracy

53. This report seeks approval of the award of a contract to TPMS for the purchase of materials for Southwark Building Services, through an existing (Pretium) framework.

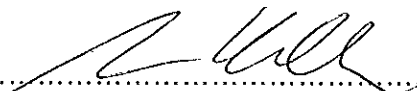
54. On the basis of the nature and estimated value of the contract its procurement has been subject to the application of the Public Contracts Regulations 2015 ("the EU Regs"). This report advises that the Pretium framework has been established by way of a competitive process which is compliant with the EU procurement regulations. The proposed contract award is consistent with the requirements of the council's Contract Standing Orders ("CSOs") and the terms of the contract include council specific requirements as noted in paragraph 29.

55. CSOs provide that no contract may be awarded unless the expenditure has been included in approved revenue or capital estimates, or has been otherwise approved by or on behalf of the Council. Paragraph 41 confirms how appropriate budgetary provision has been made to cover the anticipated expenditure.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature

..... 

Date

..... 12 June 2019

Designation

..... Chief Executive

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

1. DECISION(S)

As set out in the recommendations of the report.

2. REASONS FOR DECISION

As set out in the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION

Not applicable.

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.

6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.*

or

I declare that I was informed of the conflicts of interests set out in Part B4.*

(* - Please delete as appropriate)

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
GW1 Material supply framework	Commercial team – Traded services / 36 Copeland Rd	Aimie Long 07960324692
Link: K:\Procurement\Materials		

AUDIT TRAIL

Lead Officer	John Wade, Acting Head of Traded Services	
Report Author	Aimie Long, Commercial Manager, Traded Services	
Version	Final	
Dated	June 2019	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer (for housing contracts only)	N/A	N/A
Cabinet Member	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	N/A	N/A
Cabinet	N/A	N/A
Date final report sent to Constitutional/Community Council/Scrutiny Team	N/A	

BACKGROUND DOCUMENT – CONTRACT REGISTER UPDATE - GATEWAY 2

Contract Name	Material supply framework
Contract Description	Purchase of materials for Southwark Building Services
Contract Type	Supply of materials
Lead Contract Officer (name)	Aimee Long
Lead Contract Officer (phone number)	0207 525 4853
Department	Environment and Leisure
Division	Traded Services
Procurement Route	Framework
EU CPV Code (if applicable)	
Departmental/Corporate	Departmental
Fixed Price or Call Off	Fixed
Contract Total Value	£1.5 million
Contract Annual Value	£1.5 million
Contract Start Date	10/06/2019
Initial Term End Date	09/06/2020
Number of Remaining Contract Extensions	N/A
Contract Review Date	N/A
Revised End Date	N/A
SME/ VCSE (If either or both include Company Registration number and/or registered charity number)	N/A
Comments	N/A
London Living Wage	Yes
Contract Name	Material supply framework

This document should be passed to the member of staff in your department responsible for keeping your departmental contracts register up to date.