

Item No.	Classification: Open	Date: 22 September 2020	Meeting Name: Cabinet Member for Housing
Report title:		Gateway 2 - SBS Building Material Supplies	
Ward(s) or groups affected:		All	
From:		Strategic Director of Housing and Modernisation	

RECOMMENDATIONS

1. That the cabinet member for housing approves the contract award for the purchase of building material supplies for Southwark Building Services (SBS) through an existing Pretium framework from Travis Perkins Trading Company Ltd (TPTC) at an estimated sum of £1.5m per annum for a period of two years from 9 October 2020 making a total estimated contract value of £3m.
2. That the cabinet member for housing notes that an options assessment for future building material supplies will be developed and presented to the cabinet member for housing in six months.

BACKGROUND INFORMATION

3. The planned procurement strategy was the subject of a Gateway 1 report approved by the then cabinet member for housing management and Modernisation on 24 August 2020. The approved direct award route via the Pretium framework was followed.
4. The existing contract with TPTC which provides building material supplies will expire on 8 October 2020.
5. This contract will provide building material supplies for Southwark Building Services (SBS) to ensure that it can deliver repairs to the council's housing tenanted properties and communal areas.

Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	27/05/2020
Briefed relevant cabinet member (over £100k)	10/08/2020
Approval of Gateway 1: Procurement Strategy Report	24/08/2020
Engagement with TPTC to confirm contract terms and ordering price requirements	28/08/2020
DCRB Review Gateway 2:	14/09/2020
CCRB Review Gateway 2:	17/09/2020
Notification of forthcoming decision – Five clear working days	21/09/2020

Activity	Completed by/Complete by:
Approval of Gateway 2: Contract Award Report	29/09/2020
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	05/10/2020
Contract award	06/10/2020
Add to Contract Register	09/10/2020
Publication of award notice on Contracts Finder	09/10/2020
Contract start	09/10/2020
Contract completion date	08/10/2022

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

6. This procurement exercise was driven by the need to have a contract in place to purchase building material supplies to be used by SBS to ensure it provides a repair service to the council's housing tenanted properties and communal areas which it is responsible for. TPTC will deliver materials from its branch located next to SBS stores at Frensham Street, Peckham.
7. The contract will also provide operative van stock replenishment and provide the ability to move toward ICT systems that will help reduce the burden of repetitive internal purchase order processes with modern online auditable transactions.
8. A streamlined ordering process will be managed and monitored by TPTC and material supply prices will be reviewed annually. TPTC have a minimum requirement to price match local suppliers.

Covid-19 implications

9. This contract will ensure that building material supplies are purchased to enable SBS to provide the repair service that the council is responsible for to its housing tenanted properties and communal areas. Delaying this award could affect the repairs delivery programme significantly resulting in the council having to obtain quotes from alternative suppliers for supply of building materials needed.
10. TPTC have confirmed that the council's required stock is available and can be delivered on a daily basis from the depot adjacent to Frensham Street stores.
11. TPTC have confirmed that the required social distancing measures will be put in place when delivering the materials to the Frensham Street stores, for example deliveries will be timed during low peak traffic and access route between its depot and Frensham Street stores can be segregated. Smaller deliveries will be arranged by fork lift from adjacent depot next door to the Frensham Street stores with staff working to new standard operating procedures and risk assessments.

Key/Non-key decisions

12. This report deals with a key decision.

Policy implications

13. The delivery of this contract fits with the council's objectives as outlined in the fairer future commitments, specifically:

Theme 1: A place to call home
Theme 3: A greener borough
Theme 4: A full employment borough
Theme 7: A safer community

Tender process

14. As TPTC are the only supplier on the Pretium framework, as outlined in the Gateway 1 report, discussions were held with TPTC's general manager and asset management officers in August 2020. Pretium's head of frameworks was also present to ensure compliance with the framework procedures.

Tender evaluation

15. Discussions between the council and TPTC established that the building materials supplies contract can be delivered for a period of two years from 9 October 2020 for the estimated sum of £1.5m per annum and the following was agreed:

- Key personnel and communications;
- Best prices for the 50 most used building material supplies;
- Benchmarking of the next 200 most common building materials;
- Key performance indicators (KPI) as detailed in paragraph 19 below;
- Compliance with council policies on equalities, safeguarding, blacklisting and prevent duties;
- Adherence to quality, technical and regulatory standards;
- Guaranteed minimum wage or higher plus additional employee payment benefits such as bonuses, medical plans, benefit hub for child care vouchers, bicycles and life assurance;
- A 3 month break clause provision for both parties after the first year;
- A community benefit fund for great estate projects;
- Environmental and sustainable considerations through recycling of packaging and redundant materials;
- Arrangements for performance reporting, invoicing and contract review meetings;
- Arrangements for collection of user feedback;
- Exit and disaster recovery plans.

Plans for the transition from the old to the new contract

16. The transition from old contract to the new contract is to resume with 'business as usual' as the new contract is predominantly based on the same 'call-off' terms and conditions as the old contract with the additional amendments agreed with TPTC as set out in paragraph 15 above.
17. Building material supply rates will be set to activate electronically on the commencement of this contract. This will also provide cost data for the existing contract to be finalised and invoiced.

18. SBS operative van stocks will be reviewed as part of the phased return plans for Covid-19 and stocks will be monitored to ensure adequate supply.
19. An ongoing review of outstanding repair orders will continue so SBS can estimate what materials are required to give early indication to TPTC. It should be noted that most materials are common repetitive items but repair orders will be reviewed for less common items to ensure planning and co-ordination with council tenants.

Plans for monitoring and management of the contract

20. The contract will be managed by the SBS business service manager. KPIs will be used to measure TPTC's performance. Social value commitments will be monitored and verified by Pretium framework on a quarterly basis. KPIs will include;
 - a. delivery on time;
 - b. delivery of correct material products;
 - c. maximum percentage of defective products;
 - d. satisfaction; and
 - e. invoicing accuracy.
21. Payments for building material supplies will normally be done monthly based on despatch notices and after verification of correct delivery and quality.
22. Within the first three months of this contract, it is planned to introduce a TPTC material mobile app to realise some of the benefits of reduced purchase ordering processes and to provide the ability to order materials directly from the tenant's property.
23. Council officers will monitor the most frequent ordered materials to ensure compliance with the negotiated rates and review better value products.
24. Officers will also produce annual performance reviews in line with contract standing orders (CSO).
25. Quarterly core group meetings will be held with the council, TPTC and Pretium representatives to measure performance and adherence to the points detailed in paragraph 15 above.

Identified risks for the new contract

26. The table below identifies risks associated with the contract and controls to mitigate the risks.

Risk No.	Risk Identified	Risk Level	Mitigation	Post mitigation Risk Rating
R1	TPTC ceases trading or goes into administration / liquidation.	Medium	Pretium have undertaken a financial evaluation and currently this has a good credit score. The council	Low

Risk No.	Risk Identified	Risk Level	Mitigation	Post mitigation Risk Rating
			has also undertaken a financial check through FAME and TPTC have a good rating. This will be monitored throughout the contract and alternative suppliers will be contacted to ensure back arrangements can be put in place.	
R2	Effects of Covid-19 restrictions and delivery of service.	Medium	Reviews of most common stocks will be updated on a weekly basis with the supplier to ensure stock is available. An assessment of the back log of repairs and plans for a phased return will also identify future (monthly) requirements and this will be communicated with the supplier.	Medium
R3	Brexit risk on supply chain and delivery of service.	Medium	Most common used materials are sourced from British manufacturers. Where certain materials are from EU nations alternatives will be reviewed with TPTC	Medium
R4	Risk of challenge using a single supplier via a direct award route.	Low	The Pretium framework is compliant with the Public regulation and allows for direct award to a single supplier framework agreement.	Low

Community impact statement

27. The supplies from this contract are intended to provide and support the council's commitment to providing high quality affordable housing. Direct benefit to residents will include limiting the incidence of repeat repair visits.
28. With regard to the council's duties under the Public Sector Equality Duty, this decision has been judged to have medium to high impact to tenants, leaseholders and other stakeholders as building material supplies are essential for maintaining the council's housing stock.

Social value considerations

29. 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

30. The full cost to the council and the life span of the contract is set out in paragraph 1 of this report.
31. Under the commitment of a “full employment borough” and as part of social value commitments this contract will require work place experience placements with local schools for every £250,000 spend.
32. The payment of London Living Wage (LLW) is not applicable to this contract because of the supply nature of this work. TPTC have confirmed that its employees or agency staff do not meet the ‘Relevant Staff’ definition which states that London Living Wage applies to staff engaged in the council’s contract for 2 or more hours of work in any given day in a week, for 8 or more consecutive weeks in a year.
33. Building material products will be sourced from within the UK where possible.

Social considerations

34. The “call-off” contract includes provision for TPTC to contribute 1% of contract turnover to community projects and this will be allocated to great estates projects.
35. TPTC has confirmed it recognises trade unions, and the majority of its staff are paid in excess of LLW and is silver accredited to the TfL Fleet Operator Recognition Scheme (FORS). FORS helps fleet operators to measure and monitor performance, encompassing safety, fuel efficiency, vehicle emissions and improved operations, in order to promote fleet management best practice and reduce social / environmental impacts. This will be monitored as part of the quarterly review.
36. TPTC will provide DIY workshops for local residents to empower them to learn new skills and be able to carry out minor repairs. This will be communicated via resident forums.
37. TPTC have its own Equal Opportunities Policy and are fully aware and compliant with the council's own policies.
38. 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.

Environmental considerations

39. TPTC holds ISO14001 accreditation and operates a group responsible sourcing to reduce the impact on the environment. TPTC have aligned their policies with the United Nations Sustainable Development Goals which include;
 - a. sustainable cities and communities;
 - b. responsible consumption and production;
 - c. climate action; and
 - d. life on land.

Market considerations

40. TPTC is the largest building material supplier in the UK with in excess of 29,000 staff.

Staffing implications

41. The contract will not adversely impact staff resources as internal stores manager and officers are in place to monitor building material supply orders with TPTC.
42. TUPE does not generally apply to a contract primarily for the supply of goods (as opposed to a contract primarily for the supply of services) such as this. In any event TUPE will not apply to the commencement of this contract because the identity of the provider will not change. Further, it is unlikely that TUPE will apply if there is a change in provider on its termination, given that the provider does not have, nor is it foreseen it will have, an organised grouping of resources or employees dedicated to their arrangement with the council. However due diligence will be undertaken prior to the termination/expiry of the awarded contracts to establish whether TUPE will apply at that time.

Financial implications

43. As set out in the Gateway 1 report, the annual cost of the new contract can be met by existing budgets and is not expected to exceed £1.5m per annum with TPTC.
44. An overhaul saving of 0.69% was achieved against the top 50 most used building material supplies when compared to the existing TPTC contract.
45. The SBS operational deficit for 2019-20 was £4.3m not including one off costs. Whilst there is a heavy reliance on sub-contractors currently, there will be an increase in material usage as works are moved from sub-contractors to in-house operatives.
46. The SBS operational deficit for 2020-21 is forecast to be £5.4m but this contract will be financed from the Housing Revenue Account (HRA).

Legal implications

47. Please see supplementary advice from the director of law and democracy.

Consultation

48. Consultation will be carried out with SBS operatives to ensure issues of material supply delays are reviewed.
49. As the community project fund develops, consultation will be undertaken with the great estates team.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (FIN1207)

50. The strategic director of finance and governance notes that the pricing of materials remains unchanged and as such there are no further budgetary pressures arising from this report.
51. Also noted in paragraph 34 that SBS is operating with an operational deficit. This deficit is met from the HRA and should be included in present and future forecasting to ensure prudent financial management and future budget planning.
52. Cabinet approved the transfer of SBS to H&M to remove the client / contractor split. The SBS improvement board should therefore review the administrative and financial arrangements between SBS and the rest of Housing and Modernisation to promote improved efficiency and effectiveness of the repairs service.

Head of Procurement

53. This report seeks the approval by the cabinet member for housing of a building material supplies contract to Travis Perkins Trading Company Ltd for a period of two years.
54. The report details the procurement process that was followed namely using the Pretium framework, the approach agreed in the Gateway 1 procurement strategy approved on 24 August 2020.
55. The tender process and how the Travis Perkins Trading Company Ltd submission was evaluated, is detailed in paragraphs 14 and 15.
56. The plans for the management and monitoring of the contract are detailed in paragraphs 20-25 of the report.
57. Current impact of Covid-19 and known implications of Brexit are detailed along with mitigations in paragraph 26.

Director of Law and Democracy

58. This report seeks the cabinet member for housing's approval to award a contract to Travis Perkins Trading Company Ltd (TPTC) to purchase building material supplies for Southwark Building Services as further detailed in paragraph 1. As the value of the intended contract is between £2-4m, the decision to approve this procurement strategy is reserved to the relevant cabinet member.

59. The nature and value of these services are such that they are subject to the full tendering requirements of the Public Contracts Regulations 2015 (PCR 2015). However, the Petrium framework was established following an EU compliant tendering process and the council is a party able to use this arrangement without undertaking its own EU procurement process. Paragraph 15 confirms the discussions established with TPTC as the single supplier on the Pretrium framework.
60. CSO 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 43 to 46 confirm the financial implications of this award.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Contract file GW1 Southwark Building Services Building Material Supplies	Asset Management 160 Tooley Street, SE1 2QH	Gavin Duncumb 020 7525 0685

APPENDICES

No	Title
None	

AUDIT TRAIL

Lead Officer	Dave Hodgson, Director of Asset Management	
Report Author	Gavin Duncumb, Commercial Manager	
Version	Final	
Dated	22 September 2020	
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
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	22 September 2020	