

Item No.	Classification: Open	Date: 22 September 2022	Decision Taker: Cabinet Member for Council Homes and Homelessness
Report title:		Gateway 1 Procurement Strategy Approval Building Material Supplies for Frensham Street Depot	
Ward(s) or groups affected:		All	
From:		Strategic Director of Housing and Modernisation	

RECOMMENDATIONS

That the Cabinet Member for Council Homes and Homelessness:

1. Approves the procurement strategy outlined in this report to use the Pretium framework for building material supplies from 5 November 2022 at an estimated annual cost of £1.2m for a period of three years making a total estimated contract value of £3.6m.
2. Notes that the Pretium framework is a sole supplier direct award framework and was awarded to Travis Perkins Trading Company Ltd (TPTC).
3. Notes that the council has signed a non-committal Pretium access agreement at no cost which allows officers to access the Pretium framework.

BACKGROUND INFORMATION

4. Currently, there is a call-off contract in place with TPTC via the Pretium framework providing building material supplies to Southwark Repairs (formally known as Southwark Building Services) stores at their Frensham Street Depot. This call-off contract is managed by SBS and the framework is managed by Pretium. This call-off contract commenced on 8 October 2020 for a two year period and is due to expire on 7 October 2022.
5. By a Gateway (GW3) report dated 15 August 2022, a one month extension was approved as there was insufficient time available to award a call-off contract to TPTC via the Pretium framework before the current call-off contract expired. The new expiry date is 4 November 2022.
6. Southwark Repairs provide repairs and maintenance services to council housing tenants by an agreed Service Level Agreement (SLA) that commenced on 1 October 2018.
7. The SBS stores is located at Frensham Street Depot, Peckham which holds approximately 1,200 lines of frequently used stock materials, plant and

Personnel Protective Equipment (PPE). These stock materials are used to replenish Southwark Repairs operative van stocks to help Southwark Repairs with completing repairs on time. There is also a further requirement for non-stock items to be procured which are for individual items that have a short shelf life, used less frequently, or where space is limited and it would be uneconomic to store

8. The Pretium framework commenced on 16 December 2020 for a period of four years and encompasses the provision for building materials, sundries, plant and uniforms including deliveries and automatic replenishment
9. For the reasons outlined in this report, it is proposed to procure a call-off contract via the Pretium direct single supplier framework for three years at a value of £1.2m per annum.

Summary of the business case/justification for the procurement

10. The council is responsible for delivering repairs to its housing tenanted properties and communal areas. It is essential to have arrangements in place to supply and deliver building materials to its Frensham Street stores so it can perform its obligations as a social landlord and maintain the properties and communal areas.

Market considerations

11. Building materials supply in the housing maintenance sector is a mature market. There are organisations who have established themselves to provide supply and delivery services to procure and handle materials contracts to reduce the procurement burden for public organisations.
12. There is vast diversity in the range of building materials and suppliers and economies of scale promote substantial advantages in purchasing power. There are a high number of national suppliers prominent in the market.
13. National suppliers have invested in streamlining administration by developing ICT systems aligned to the service delivery of housing maintenance organisations.
14. As the council has to plan and the pre-ordering of stock is essential for the council to ensure continuity of delivery of repairs to its housing stock, the current call-off contract with TPTC assisted the council to mitigate potential impacts by providing a guaranteed supply chain with visibility of the most common used building material items. It helped enormously, especially during the Covid-19 pandemic, having the TPTC site next door to the Frensham Street Depot resulting in quicker delivery timescales of building material items.
15. Brexit, the Covid-19 pandemic and the Ukraine war all had an impact on the construction industry especially around skills shortages, import and export of materials and potential changes to regulations and standards. These

challenges will have an impact on how bidders tender for works and it is likely to impact on the price for skills, materials and cost of fuel.

16. As part of this procurement process financial checks and due diligence will be undertaken on TPTC.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

17. The nature and value of these supplies means that the full tendering requirements of the Public Contracts Regulations 2015 (“PCR15”) (as amended) will apply. Due to the urgency to have a new contract in place when the current contract expires on 4 November 2022, the following procurement options were considered:
 18. **Do nothing** – this is not an option as there is an ongoing repairs and maintenance obligation to maintain the housing stock borough wide which requires a material supply chain. In order to be compliant under contract standing orders (CSOs), Southwark Repairs need to enter into a contract for the supply of materials plant and uniform.
 19. **Competitively tender** – this option has been precluded. The market is competitive and the Pretium framework allows benchmarking of materials from other organisations.
 20. **Join another framework** – external frameworks have the same provider as the Pretium framework and procurement and mobilisation timescales could not be achieved within the current timescale.
 21. **Pretium framework** – Pretium framework is a private organisation that procures frameworks for local government organisations to access and use. This is the preferred option as there are a number of benefits to using this framework:
 - a. it has proved successful in the current contract and is already established;
 - b. the joining fee to use the Pretium framework is free;
 - c. the framework allows annual reviews of material prices to ensure best value and price match local suppliers;
 - d. allows most common building material items to be reviewed on a quarterly basis to search alternatives at better value;
 - e. ICT technology is included within the framework which has the potential to reduce internal purchasing order processes with modern online auditable transactions;
 - f. TPTC’s branch is located next to the Frensham Street Depot which provides for a quicker delivery timescale for materials; and
 - g. Includes auto replenishing of operative van stock.

Proposed procurement route

22. The proposed procurement route is a direct call-off from the sole supply direct award Pretium framework with TPTC. The Pretium framework procurement process is compliant with the PCR15.

Identified risks for the procurement

23. The table below identifies a number of risks with this procurement, the likelihood of occurrence and the controls in place to mitigate the risks:

R/N	Risk Identified	Risk Rating	Mitigation
R1	Possible risk of challenge	Low	The sole supply direct award framework was competitively tendered in accordance with PCR15.
R2	TPTC ceases trade or goes into administration/liquidation	Low	Pretium undertook a financial evaluation of TPTC and currently this has a good credit score. The council will undertake its own financial check and results will be listed in the GW2 report. TPTC will be monitored throughout the call-off contract and alternative suppliers will be contacted to ensure back arrangements can be put in place should an event arise.
R3	Covid -19 pandemic	Low	Reviews of most common stocks will be updated on a weekly basis with TPTC to ensure stock is available. With Covid-19 restrictions lifting, use of material demand is higher and back up stock will be ordered and kept to ensure supply. Good relationships with TPTC ensure Southwark Repairs is a priority customer with stock levels provided ahead of other customers.
R4	Inflation	Low	Prices are set twice a year under the contract. Any increases between the price reviews are absorbed by TPTC.

24. A performance bond will not be an available option to the council as Pretium confirmed that this was not a requirement within the procurement process of the framework.

Key/Non Key decisions

25. This report deals with a non-key decision.

Policy Framework Implications

26. The procurement of these contracts will follow the Fairer Future Procurement Framework (FFPF) to support the Borough Plan and Fairer Future (FF) Commitments to deliver value for money and be open, honest and accountable.

27. The delivery of this contract fits with the council's objectives as outlined in the FF Commitments, specifically:

- A place to call home;
- A place to belong; and
- A great start in life.

Procurement project plan (Non- Key decision)

Activity	Complete by:
Forward Plan (if GW2 is key decision)	12/08/2022
DCRB Review Gateway 1:	22/08/2022
CCRB Review Gateway 1:	01/09/2022
Brief relevant cabinet member (over £100k)	12/09/2022
Notification of forthcoming decision	28/09/2022
Approval of Gateway 1: Procurement strategy report	29/09/2022
Engagement with TPTC to confirm contract terms and ordering price requirements	30/09/2022
DCRB Review Gateway 2: Contract award report	03/10/2022
CCRB Review Gateway 2: Contract award report	13/10/2022
Brief relevant cabinet member (over £100k)	17/10/2022
Notification of forthcoming decision	24/10/2022
Approval of Gateway 2: Contract Award Report	25/10/2022
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	01/11/2022
Contract award	02/11/2022
Add to Contract Register	02/11/2022
Place award notice on Contracts Finder	03/11/2022
Contract start	05/11/2022
Contract completion date	04/11/2025

TUPE/Pensions implications

28. TUPE does not generally apply to a contract primarily for the supply of goods such as this (as opposed to a contract primarily for the supply of services). In any event TUPE will not apply to the commencement of the Contract under

this proposed procurement 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 with the objective of pursuing an economic activity which retains its identity and/or has as its principal purpose the carrying out of activities on behalf of 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.

Development of the tender documentation

29. The Pretium framework 'call-off' contract conditions will be used. A discussion will be held with TPTC to discuss, but not limited to:

- the requirement for an express condition requiring compliance with the blacklisting regulations to be included as well as provision to allow the contract to be terminated for breach of these requirements;
- personnel and communications;
- Key Performance Indicators (KPIs);
- service request process and material delivery timescales;
- insurances;
- verification of service delivery and outcomes;
- staff vetting and accreditation;
- customer satisfaction and complaints procedures;
- continuous improvement procedures;
- performance management and monitoring meetings;
- compliance with council equality and sustainability policies and procedures;
- compliance with British Standards;
- exit strategy and disaster recovery plan.

Advertising the contract

30. Not applicable, because this was already done when the Pretium framework was set up.

Evaluation

31. The Pretium framework contract was awarded by Pretium following a full PCR15 competitive tendering process, during which the market was invited and evaluated against a 60:40 quality/price weighted model.

32. The Pretium framework allows for the top 50 building material products to be priced matched against local suppliers. It is proposed that TPTC will be issued the most common building material products and these will be price checked by asset management officers. These will then be evaluated and audited by Pretium.

Community, equalities (including socio-economic) and health impacts

Community impact statement

33. The supplies that will transpire from this contract are intended to provide and support the council's Fairer Future (FF) Commitment for providing high quality affordable housing. Direct benefit to residents will include limiting the incidence of repeat repair visits.
34. With regards to the council's duties under the Public Sector Equality Duty, this decision has been judged to have medium to low impact to tenants, leaseholders and other stakeholders as building material supplies are essential for maintaining the council's housing stock.

Equalities (including socio-economic) impact statement

35. This call-off contract will ensure that the Southwark Repairs store at Frensham Street Depot will have the required building material supplies in stock and available to ensure the council performs its obligations as a social landlord and maintain the properties and communal areas by delivering repairs to its housing tenanted properties and communal areas in a timely manner.

Health impact statement

36. This call-off contract will provide a positive impact on health inequalities by assisting the council to deliver repairs to its housing tenanted properties and communal areas by addressing health issues, such as mould and damp, by delivering the building material supplies in a timely manner.

Climate change implications

37. This call off contract will allow access to sustainable material supplies that meet current and future requirements under British Standards. The logistic chain will also be kept to a minimum.
38. TPTC are members of the Forest Stewardship Council which is an international network designed to promote responsible management of the world's forests.
39. TPTC's branch is directly next door to the Frensham Street Depot which helps reduce carbon low emissions.
40. Southwark Repairs use a battery powered forklift to collect bulk materials and TPTC take away the cardboard packaging for recycling along with theirs, thus cutting down on skips/vehicle miles.

Social Value considerations

41. 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 details of how social value will be incorporated within the tender are set out in the following paragraphs.

42. The Pretium framework includes provision for the supplier to contribute 1% of contract turnover to community projects and allows work experience placements based on value spend through the framework.
43. Community project contributions will be accumulated and issued to a range of projects that the council may wish to choose such as the great estate projects.
44. TPTC are registered and accredited with the Transport for London (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

Economic considerations

45. As the council explores ways it can continue to deliver value for money, it is essential that it makes even better use of its resources to meet the needs of residents and businesses in the borough. Under the commitment of a “full employment borough” and as part of social value commitments this contracts will require one week work place experience placements with local schools for every £250k spend.

Social considerations

46. Pretium framework has already assessed TPTC’s ability to demonstrate that it operates an Equal Opportunities Policy, complies with the provisions of the Equalities Legislation, the Employment Relations Act 1999 (Blacklists) Regulations 2010 and the Prevent Duty under section 26 of the Counter-Terrorism and Security Act 2015.
47. The use of the external Pretium framework includes its provisions for paying the London Living Wage (LLW) requirements. For this contract, the quality improvements are expected to include a high calibre of staff that will contribute to the delivery of the supplies on site and will provide best value for the council. It is therefore considered appropriate for the payment of LLW to be required.
48. TPTC shall also have trade union recognition policies in line with the council’s FFPF.

Environmental/Sustainability considerations

49. The proposed procurement will mean building material supplies are delivered to Frensham Street Depot thus reducing the traffic to and from suppliers. This will also reduce non-productive time of operatives as van stock items will be automatically replenished.

50. Building material items will be sourced from sustainable raw materials where possible and be to current British Standards.

51. The contract will also include the recycling of material packaging to reduce landfill waste and allows for collection of recyclable used materials.

Plans for the monitoring and management of the contract

52. The council's contract register publishes the details of all contracts over £5,000 in value to meet the obligations of the Local Government Transparency Code. The Report Author must ensure that all appropriate details of this procurement are added to the contract register via the eProcurement System.

53. The contract will be managed by the Southwark Repairs team. 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:

- delivery on time;
- delivery of correct material products;
- maximum percentage of defective products;
- satisfaction; and
- Invoicing accuracy.

54. Payments for building material supplies will be done monthly based on despatch notices and after verification of correct delivery and quality.

55. Officers will produce annual performance reviews in line with the council's CSOs.

Staffing/procurement implications

56. There will be no impact on Southwark Repairs as the existing department are already performing the contract management functions.

Financial implications

57. The cost of this procurement can be met from existing budgets and the estimated maximum contract sum is £3.6m over three years subject to demand. Cumulative Southwark Repairs spend with TPTC from October 2020 to July 2022 was c£2.3m averaging c£104k per month. However, due to potential work load increase this could change.

Legal implications

58. The procurement strategy being recommended requires the council to enter into an access agreement with the framework provider for use of that framework. For that framework, and as part of the permission to use the framework, the framework provider requires the council to indemnify the

framework provider against certain breaches by the council of the framework agreement provisions, and the framework providers will not agree to a cap on that indemnity. The drafting of the indemnity provisions, and other contract documents to be used as part of the procurement has been reviewed by lawyers in the contracts team, who have confirmed that the uncapped indemnity relates solely to the access agreement between the council and framework provider, and there are no uncapped indemnities for the council in the contract documents that will be entered into between the council and the provider for these supplies.

59. Please see concurrent from the Director of Law and Governance.

Consultation

60. Consultation will be carried out with Southwark Repairs operatives to ensure issues of material supply delays are reviewed and incorporated in the contract.

61. As the community project fund develops, consultation will be undertaken with council officers to identify projects that can receive a contribution.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

62. This report seeks approval from Cabinet Member for Council Homes and Homelessness for procurement strategy outlined in this report to use the Pretium framework for building material supplies from 5 November 2022 at an estimated annual cost of £1.2m for a period of three years making at total estimated contract value of £3.6m.

63. The Cabinet Member for Council Homes and Homelessness notes the procurement is detailed in paragraphs 17 to 22 and 29 to 32, the risks are detailed in paragraph 23, the impact on equalities, health and climate change are detailed in paragraphs 35 to 40, social value commitments are detailed in paragraphs 42 and 45, confirmation for the payment of LLW is detailed in paragraph 47 and the management and monitoring of the contract is detailed in paragraphs 52 to 55.

Director of Law and Governance

64. This report seeks the approval of the Cabinet Member for Homes and Homelessness to the procurement strategy to use the Pretium framework for building material supplies as further detailed in paragraphs 1-3. By virtue of contract standing order 6.4.3(b) the decision should be taken by the relevant individual decision maker after consideration of the report by DCRB and CCRB.

65. The nature and value of these services are such that they are subject to the full tendering requirements of the Public Contract Regulations 2015 (PCR

2015). As noted in paragraph 22, the intention is to procure through a direct call-off from the Pretium framework, which the framework permits as a sole supplier arrangement. This framework has been established following an EU compliant tendering process and is established to allow local authorities to use for their own requirements. The tendering requirements of the PCR 2015 are therefore satisfied.

Strategic Director of Finance and Governance (22/0908)

66. The Strategic Director of Finance and Governance notes the contents of this report, in particular the financial implications section where, as there are no differences in pricing, advises there are no further budgetary implications arising from this procurement.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Contract File	Engineering & Compliance, Asset Management 160 Tooley Street	Gavin Duncumb x50686

APPENDICES

No	Title
None	None

AUDIT TRAIL

Lead Officer	David Hodgson, Director of Asset Management	
Report Author	Gavin Duncumb, Asset Management Commercial Manager	
Version	Final	
Dated	20 September 2022	
Key Decision?	No	
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 Governance	Yes	Yes
Director of Exchequer (for housing contracts only)	No	No
Cabinet Member	Yes	Yes
Contract Review Boards	Yes	Yes

Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		20/09/2022