

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cllr Homan, Cabinet Member for Housing

**Date:** 24<sup>th</sup> February 2021

**Subject:** Procurement strategy for DLO materials supplier

**Report author:** William Shanks, Governance and Commissioning Manager

**Responsible Director:** Tony Clements, Interim Strategic Director for the Economy

---

### Summary

This report seeks approval of a Procurement Strategy to use a 3<sup>rd</sup> party framework and subsequent award of contract for three years to a supplier for Merchant Services, (Plumbing, electrical and general building goods and material supplies and fire safety materials) and bespoke managed storage services.

Supply of these goods and materials are essential to support the in-house service provider to ensure the Council is able to carry out its duties as landlord.

The current contract with Travis Perkins commenced on 8<sup>th</sup> April 2019 and was for a value of £2m. This was extended by a Cabinet Report of 7/10/2019 to 31/07/2020 and a value of £2.5m. This report requests that the Contract is extended until 7<sup>th</sup> April 2021, after which date a new Contract will have been procured.

### Recommendations

That the Cabinet Member for Housing:

1. Agrees that Appendix 1 is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972.
2. Ratifies an extension of the current Contract between the Council and Travis Perkins from 1<sup>st</sup> August 2020 to the 7<sup>th</sup> April 2021 at a total cost of £643,372.
3. Approves the use of the Pretium Framework at a cost of up to £8,000 per annum and a total cost for the term of the call off of £24,000.
4. Approves the procurement strategy as set out in Appendix 1 of this report for the procurement of merchant services and bespoke managed storage services for a contract period of three years, from 8<sup>th</sup> April 2021 until 7<sup>th</sup> April 2024. The estimated value of the contract is up to £4.5million (£1,500,000 pa).

5. Approves the award of a call-off contract, from the Pretium framework to Travis Perkins PLC for a contract period of three years, from 8<sup>th</sup> April 2021 until 7<sup>th</sup> April 2024, for a total value of £4.5m over the three-year term.

---

**Wards Affected:** All

---

<b>H&amp;F Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Building shared prosperity	The Social Value requirements associated with this procurement will ensure that opportunities are created for local people and businesses as part of this process.
Creating a compassionate council	Having a dynamic DLO will help the Council to achieve its aims in terms of repairs and capital works more effectively.
Doing things with local residents, not to them	Residents are involved in the running of the DLO. Having a good materials supplier will help the DLO to function better which residents will welcome.
Being ruthlessly financially efficient	Using a 3 <sup>rd</sup> party framework supplier will give the Council the advantage of being able to use prices that are a product of the high volume of work going through this framework. These prices are likely to be lower than what LBHF could attract for its own demand alone. The framework provider has also negotiated a rebate for the Council together with various commitments on social value. These additional items represent a financial gain to the Council which does not exist at present.
Taking pride in H&F	This project will help equip the DLO to deliver a right first time service (where having the right supplies on demand is key). An efficient DLO will be a source of pride for the Council and for its residents.
Rising to the challenge of the climate	A suite of KPIs to be developed will help

and ecological emergency	to ensure that the supplier acts in an increasingly sustainable and responsible way.
--------------------------	--

## **Financial Impact**

### **Contract Cost**

The maximum spend under the contract (which, if awarded, will be with Travis Perkins Ltd as the only supplier on the framework) will be up to £1.5m per annum for each of the next three years. The estimated costs are based on a professional estimate of the materials value based on limited information available. The actual level of spend on the contract will be determined by the level of work commissioned from the contractor by the Council.

The existing revenue budget provision for materials spend for 2021/22 is £700,000. Although the housing capital programme budgets do not include specific budgets for this contract (the capital budgets are scheme-based and cover spend on a variety of contractors so it is not possible to state the budget available for capital), it is expected that Travis Perkins will be supplying materials for capital schemes. Budget managers and finance officers will work closely together to ensure costs are closely monitored and that the necessary action is taken to contain spend within the approved revenue and capital scheme budget envelopes and the maximum spend under the contract. It will be necessary to seek additional approval should any costs exceed the budget available.

Recommendations 2 and 3 refer to the actual spend with Travis Perkins since the expiry of the previous contract to date (£482,372) and the project spend from now until the new contract commences (£161,000).

As part of Travis Perkin's social value offer, they will make an annual contribution of 0.5% of the Council's sales revenue (for example, this would be worth £4,250 based on spend of £850,000 per annum) to an H&F Community Fund to be invested in local community-based projects.

Service managers reviewed the prices of the 50 most commonly used materials, comparing the prices under the current CHIC framework and the Pretium framework, and found no significant price differences.

A further report will be presented to the Cabinet Member for Housing to award the contract.

### **Framework management costs**

Contract management costs associated with using the Pretium materials framework are expected to be £6,750 per annum. Offsetting this cost, Pretium's rebate system, which is calculated by using the combined revenue of all its materials framework, is expected to deliver a minimum rebate to the Council of £18,975 per annum. Under the previous framework with CHIC, no rebate was available.

## **Credit status of the proposed contractor**

As this procurement strategy will lead to the appointment of Travis Perkins Ltd, a credit report was requested. The report has indicated a very low risk credit rating of 79 and the suggested contract limit of £449m and turnover of £2,244m is more than sufficient for the value of the proposed contract.

## **Financial context**

The plans set out here are within the context of a diminishing level of HRA cashable reserves which are expected to reduce to £12.4m by 31st March 2022. Given the underlying trend of budget deficits in the HRA, the level of cashable reserves is set to come under severe pressure in the medium term and although a savings plan is in place, further savings may be needed to secure the long term financial sustainability of the HRA.

Given the financial context, it is important that the costs of any contract are contained within the approved budgets. It is planned to review the long-term financial business plan in March and should this indicate that the HRA faces additional financial pressures, it may be necessary to reconsider or reprofile spending plans.

## **Risks**

Due to the uncertain split of costs between revenue and capital, there is a risk that either capital or revenue budgets may be overspent. As stated above, once this contract is in place, there will need to be close engagement between Finance and Service officers to monitor and contain spend within approved limits.

There are no additional costs associated with terminating the contract, should it be necessary to cancel the contract during the three year term.

Given the current financial pressure on HRA, it is vital that the Council obtains VFM from its procurements. Given the £150m value of the framework agreement, it is likely that economies of scale will have enabled Travis Perkins Ltd. to offer competitive prices and it is therefore likely to be of limited value to conduct either a full procurement process through capital sourcing or a mini competition within another framework.

The anticipated cost of the contract for the first year is based on fixed prices for products which were tendered at the initial stage. Following the first year of the contract, the Council will need to agree revised prices with Travis Perkins. There is therefore a risk that the cost of the contract could increase substantially, particularly as a result of current uncertainty around economic conditions arising from Brexit and Coronavirus.

There are no mobilisation or TUPE costs associated with this procurement.

## **Legal Implications:**

The recommendations are seeking two separate approvals: (a) extension of the current contract and (b) procurement of a new contract.

## **Contract Extension**

This report further recommends that the extension of the contract from 31<sup>st</sup> July 2020 to 7<sup>th</sup> April 2021. The contract was a call off from the CHIC framework and the standard terms provide a further extension. The initial term of the contract expired on 31<sup>st</sup> July 2020. The value of the extension is £643,372.

The contract value is above the threshold for services under the Public Contracts Regulations 2015 ('PCR'). Therefore the PCR applies in full and any modification to these contracts must fall under one of the 'safe harbours' set out in Regulation 72 PCR. The proposed modifications are allowed under Reg. 72(1)(a) as they are provided for in the contract in clear, precise and unequivocal review clauses. This also fulfils the requirements for a high value contract extension under CSO 25.2 of the Council's Contract Standing Orders in relation to the contract.

In accordance with CSO 25.3, the decision maker is the relevant Cabinet Member. The decision maker should be satisfied with the contractor's performance, value for money and benchmarking in relation to the extension of the call-off contract (CSO 25.2).

## **Re-procurement**

The report also seeks approval of the procurement strategy.

The total value of the contract to be let is above the threshold specified in the Public Contracts Regulations 2015 (as amended) (the "PCR") for the tendering of supply and services contracts, which is currently £189,330, and must therefore be procured in accordance with the PCR. This means either a new procurement competition or the use of a compliant framework agreement. (It should be noted that the PCR remains in place post-Brexit with only minor amendments.)

The Contract is classified as a High Value contract under the Council's Contract Standing Orders as it is above the threshold for services. All high value contracts are required to:

- have a Service Review Team established to oversee the procurement (CSO 17);
- have a Procurement Strategy reviewed at the Contracts Assurance Board and approved by the relevant decision maker before the procurement process commences (CSO 18); and
- have a Tender Appraisal Panel established following approval of the procurement strategy (CSO 19.3).

This report fulfils the requirement for a procurement strategy. Further, under CSO 19 a High Value contract requires the use of either an existing framework agreement or a contract notice to be published in the UK Find a Tender service along with an opportunity listing on the Council's e-tendering portal and publication of a contract notice on Contracts Finder.

This report is recommending the approval of the Procurement Strategy which proposes the use of the “Watford Community Housing/Pretium” framework for materials supply and managed services. Pretium has provided information to confirm that the framework was procured in accordance with the public procurement rules and that all local authorities fall within the class of permitted users. The type of services and supplies required are also within the scope of the framework. The Council is therefore entitled to access the framework. If the Council awards a contract under the framework there is a fee of £8,000 per annum for the duration of the contract awarded.

It should be noted that the framework only has one supplier and if approved Officers will propose award to the supplier on the framework. As a result the call off is not exposed to further competition. Value for money is considered in the Options Appraisal section of the report. The decision maker should satisfy themselves that the call off represents value for money.

The appropriate decision maker for procurement strategies for revenue contracts between £500,001 and £5 million is the relevant Cabinet Member. The decision maker needs to be satisfied that the recommended decision is in the best interests of the Council. The implementation of this decision will then be in accordance with the procurement rules concerning use of frameworks.

The Council is also under an obligation under the Public Services (Social Value) Act 2012 to consider how the letting of services contracts can benefit the social, economic and environmental well-being of their area. These are factors which will be considered and built into the contract.

*Implications completed by: Sally Stock, Partner at Sharpe Pritchard LLP, legal advisers on secondment to the Council; [sstock@sharpepritchard.co.uk](mailto:sstock@sharpepritchard.co.uk)*

---

#### **Contact Officers:**

Name: William Shanks  
Position: Governance and Commissioning Manager,  
Telephone: 0781 858 1911  
Email: [william.shanks@lbhf.gov.uk](mailto:william.shanks@lbhf.gov.uk)

Name: Daniel Rochford  
Position: Head of Finance, Economy [Finance]  
Telephone: 020 8753 4023  
Email: [danny.rochford@lbhf.gov.uk](mailto:danny.rochford@lbhf.gov.uk)  
Verified by Emily Hill, Director of Finance

Legal comments were prepared by Sally Stock, Sharpe Pritchard,  
[SStock@sharpepritchard.co.uk](mailto:SStock@sharpepritchard.co.uk)

---

**Background Papers Used in Preparing This Report - None**

---

## **Position, Analysis of Options and Proposal**

### **Current position**

1. Hammersmith and Fulham Council has a commitment to its residents to ensure that its housing stock is safe and fit for purpose. As such the Council has an obligation to meet and maintain minimum standards as part of general responsive repairs and as a result of issues highlighted by inspections and service requests from tenants and residents.
2. In order to support this commitment H&F Maintenance requires access to tools, materials and supplies for housing stock to support responsive repairs and complex works as needed.
3. Hammersmith and Fulham Council does not have a designated depot; this means that we have to ask for a bespoke managed storage and distribution service as part of the supplier's offer.
4. In April 2019 approval was given to appoint Travis Perkins from the Central Housing Investment Consortium's (CHIC) materials framework for a period of 12 months commencing on 8<sup>th</sup> April 2019 and ending on 7<sup>th</sup> April 2020. This was further extended to 31<sup>st</sup> July 2020. The DLO have continued to use Travis Perkins under an implied contract which now needs to be ratified until 7<sup>th</sup> April 2021, after which the proposed new contract will be in place.

### **Options and Analysis of Options**

5. The DLO have continued to use Travis Perkins under the CHIC framework contract for their supplies and wish to do so until the new contract under the Pretium framework can be put in place (8<sup>th</sup> April 2021). The other option would be for the DLO to stop using Travis Perkins. This would mean the DLO would have no supplies and would oblige them to stop work for the next two months – which would negatively impact residents.
6. The rest of this options analysis concerns the question of whether/how to procure a new contract for DLO supplies

#### Option 1 – Do nothing

7. This is not an option as the materials supply is crucial for the operation of the DLO (see section 3 below). A replacement needs to be procured.

#### Option 2 – Full procurement process through capitalEourcing

8. Provided the extension of the current contract is approved the intention is that the existing contract will expire on 7<sup>th</sup> April 2021. There is insufficient time to carry out a full procurement exercise.

9. It is questionable whether the resources expended on such an exercise would be justified. It is questionable whether suppliers would offer LBHF better prices than they would for frameworks, where the potential volume of orders is much greater. These economy of scale benefits are not guaranteed by using a framework, but they are a distinct possibility in this market (standardised construction supplies).

### Option 3 – Use of an approved 3rd party framework (The preferred option)

10. Procurement from a 3<sup>rd</sup> party framework is an alternative mechanism to access the market. Officers considered the frameworks available (see the procurement strategy at Appendix 1).
11. The Pretium framework was deemed to be the best option in line with the Ruthlessly Financially Efficient principle. Supplier pricing was based on an annual revenue expectation (across the framework) of at least £12m, which presents economies of scale opportunities, far greater than LBHF could achieve as a single purchaser. Suppliers were evaluated on critical quality requirements including, technology, mobilisation, Social Value, sustainability, Innovation and performance management. The Pretium framework offers a rebate mechanism in which all purchasers share, calculated on the basis of the total spend put through the framework. Pretium calculate that LBHF will receive an annual rebate of £18-19k based on £1.5m of spend.
12. The Pretium framework offers a direct award mechanism to call off a contract with the number one ranked bidder, Travis Perkins. This is the RFE option because it minimises procurement costs and mobilisation costs, given that the DLO already uses Travis Perkins (via another framework). Travis Perkins have a big facility on the Hammersmith/Brent border. It essentially serves as the DLO's depot facility (the DLO has no storage facilities of its own) where Just In Time supply chains will restock the DLO vans at anytime. Operational systems are already well integrated so minimal re-mobilisation will be required.

### **Reasons for Decision**

13. The current contractual arrangement with Travis Perkins via the CHIC framework was an interim solution. That said Travis Perkins have performed well over the past 18+ months. This report seeks the approval to award a call-off contract under the Pretium framework that has a single supplier, Travis Perkins. This is to provide building, electrical, fire retardation materials and van stocks to the in-house repairs service, H & F Maintenance.
14. The decision is required to ensure that the in-house delivery team will have the appropriate resources in order to carry out their duties to April 2024. The materials to be supplied will support H & F Maintenance's work in providing repairs and maintenance to communal areas, complex works and fire safety works.

### **Risk Management Implications**

15. The department has delivered additional Social Value outcomes from the supplier, secured rebates and contributions to the H&F Community Fund in accordance with the original Ruthlessly Financially Efficient action plan. There are uncertainties to supply chains that are formed from HM Government's position on the withdrawal from the EU and clarity and security of future trade agreements. Officers have considered value, performance and continuity of service to conclude that the best value is to award a contract having evaluated three alternative framework providers. Council Officers should ensure that the impact to the environment and climate change are considered when using the framework.

*Comments by Michael Sloniowski, Risk Manager Tel: 020 8753 2587.*

### **Economic Development Implications**

16. Officers will enter into negotiations with Travis Perkins to oblige them to deliver Social Value worth 10% of contract value (£150k a year) and demonstrate this through the Social Value Portal Matrix. Travis Perkins will be required to subscribe to the Portal and pay the annual subscription fee (0.1% of contract value). Travis Perkins have already committed to deliver 1 work placement per £250k of spend and it is likely that they already employ local residents given their location – so it is likely that Economic Development outcomes will form a key part of their Social Value offer.

*Comments drafted following consultation with Kamal Motalib, Interim Head of Economic Development*

### **Social Value**

17. The council's Social Value Strategy became effective on the 15 May 2020 and introduced a mandatory requirement for all procurement activities over £100,000 to generate a minimum 10% in social value.

The Commissioner and the Social Value Officer have engaged with Travis Perkins to clarify their initial social value submission. The supplier have indicated to be willing to explore options of providing work placements, make their training packages available to SMEs or VCSEs. The 10% commitments are yet to be defined at this point.

The contractor will have to work with the commissioner and the Social Value Officer to find collaborative ways to deliver social value. The contractor will be required to register to the Social Value Portal and pay the related fee for contract monitoring.

*Implications completed by Ilaria Agueci, Social Value Officer tel. 0777 667 2978*

## **Consultation**

18. Advice has been sought from Ciaran Maguire, Major Works Manager, to confirm that Leaseholder consultation is not required for the procurement of a materials supplier for the DLO.

## **List of Appendices:**

Exempt Appendix 1: Procurement Strategy