

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet Member for Housing and Homelessness

Date: 27 March 2024

Subject: Procurement strategy and award for Direct Labour Organisation (DLO) materials supplier

Report author: Nick Marco-Wadey, Head of Contract Governance

Responsible Director: Richard Shwe, Director of Housing

SUMMARY

This report seeks approval for the procurement of a new contract for a materials supplier for the Direct Labour Organisation (DLO) general repairs and fire safety service, for a contract period of 3 years. Per recommendation 2 and 3, the total sum of this award is £4,824,000.

The report recommends using a compliant third-party framework to procure a supplier for Merchant Services (plumbing, electrical, general building goods, material supplies and fire safety materials) and bespoke managed storage solutions.

Supply of these goods and materials are essential to support the in-house repairs and maintenance service to carry out their function, ensure homes are in good repair for residents and ensure the Council is able to carry out its duties as landlord.

RECOMMENDATIONS

1. To note that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
 2. To approve the procurement strategy as set out in this paper and consequent award of contract to Travis Perkins Ltd via the Pretium framework, for a total value of up to £4,800,000 for a contract period of 3 years from 8 April 2024 to 7 April 2027.
 3. To approve the use of the Pretium framework at a cost of £8,000 per annum, which equates to a total cost for the contract period of 3 years to be £24,000.
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Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The social value requirements associated with this procurement will ensure opportunities are created for local people and businesses as part of this process. Travis Perkins aims to build on their successful social value delivery within our borough to date with commitments relating to work placements and employment support.
Creating a compassionate council	An efficiently performing DLO which has the right supplies and materials will help the council achieve its repairs and maintenance outcomes, providing a good service for residents ensuring they are able to enjoy their homes. The DLO Fire Safety Team are responsible for a programme of delivering fire safety works e.g. fire doors, to keep LBHF buildings compliant with regulations and safe for our residents.
Doing things with local residents, not to them	Having a good materials supplier in place will help the DLO to function effectively and promptly, without delays to work. The DLO liaise regularly with residents on the different works carried out, including through consultation, day-to-day interaction on works and resident satisfaction surveys. Concerns, queries or suggestions with regards to materials can be picked up through these avenues.
Being ruthlessly financially efficient	Travis Perkins is the sole (first ranked) supplier on the Pretium framework and underwent a competitive exercise to achieve this which included an assessment of their pricing. Further research has taken place into competitor pricing outcomes on other frameworks and there has been found to be no significant difference in terms of cost. Within the contract there will be fixed pricing of items with an annual review in place to respond to market volatility, where any changes to price need to be agreed by both contractor and council. Any decreases to materials costs are also agreed and passed on through this review mechanism.
Taking pride in H&F	This contract will help to equip the DLO with the materials it needs to undertake relevant repairs and fire safety works across the borough, helping to achieve and maintain a high standard of housing stock in the borough.
Rising to the challenge of the climate and ecological emergency	The DLO will work closely with the materials supplier to increasingly use more sustainable products and supply chains. The supplier has numerous initiatives around providing cleaner, greener more sustainable services including waste and materials recycling initiatives, supporting our DLOs to minimise their waste.

Financial Impact

A new Direct Labour Organisation (DLO) materials contract will require inception before the existing comes to an end as of April 2024. The report seeks to procure a new contractor for this purpose at a total cost of £4.8m, a cost of £1.6m per year from 2024/25.

The service has advised that the works are expected to be a combination of revenue expenditure and will be split 65% capital and 35% revenue. The expectant cost would therefore be a maximum of **£3.120m** capital and **£1.680m** revenue.

As this is replacement of the existing contract with Travis Perkins, there is already provision within DLO Fire Safety budget. The Asset Management HRA Capital Programme contains a budget allocation of £10.921m, which would be expected to fund the capital element of this contract.

The revenue element of the contract will continue to be funded from a portion of the DLO division Materials budget of £972,800 pa (as of 2023/24)
Contract estimates yearly revenue spend of £560,000. From 2020/21 to 2022/23 revenue spend on the existing Travis Perkins contract averages £315,000 per year
Spend is expected to be contained within agreed levels as the contract is not fixed but demand lead.

A Credit Safe report was run on Travis Perkins Limited (reg company 00733503) which provided a risk score of 97, well above the Council's minimum requirement of 50 and an annual contract limit of £500.000m, which is sufficient value to continue the contract with Travis Perkins.

Implications Prepared by: Llywelyn Jonas, Principal Accountant – Housing Capital, 04/12/2023

Verified by officer Sukvinder Kalsi, Director of Finance, on the 13th of February 2024.

Legal Implications

This Contract is above EU thresholds therefore the Public Contracts Regulations 2015 applies. The Council's Contract Standing Orders for high value contracts also applies.

The award of the Contract via a compliant framework is compliant with the Public Contracts Regulations 2015 and the Council's Contract Standing Orders.

Joginder Bola, Senior Solicitor (Contracts & Procurement), 29/11/2023

Background Papers Used in Preparing This Report

NA

DETAILED ANALYSIS

Proposals and Analysis of Options

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. 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. The current DLO materials contract comes to an end on the 7 April 2024. A new materials contract will be required following this for both the DLO general repairs and fire safety team as they continue to deliver repairs and maintenance works to LBHF housing stock as part of the mixed model repairs and maintenance supply chain.
4. Hammersmith & Fulham Council does not have a designated depot; this means a requirement for a bespoke managed storage and distribution service as part of the supplier's offer.
5. To effectively support the DLOs the materials contractor needs to be able to provide the following:
 - General building materials e.g. paving, fencing etc
 - Plumbing and electrical stock
 - Kitchen and bathroom elements
 - Fire doors and associated ironmongery
 - Tools and relevant PPE
6. In addition, it needs to have effective ordering and delivery processes and the ability to manage and store specific LBHF stock where required.
7. Travis Perkins has delivered a good level of service to date for LBHF, engaged proactively to improve services and offer innovative, relevant products emerging in the market.

Procurement route analysis of options

8. When looking at the most appropriate procurement route some key considerations were taken into account which included the need for a contractor who could deliver on a wide range of materials, given the different nature of work of the general repairs and fire safety DLO, and logistics.
9. Given that operatives are regularly required to order and collect materials it is important that a provider has appropriately located stores for the borough to ensure that time spent completing this is reduced and has minimum impact on time spent completing jobs.

Option 1: Open tender exercise

10. There are only a small number of providers who would be able to deliver this service based on the material range required, and the need to be appropriately located for access from the borough.
11. Delivering an open tender exercise in this instance would therefore not secure the usual benefits of accessing a wide marketplace.

12. In addition, the service provision is relatively standardised and there is not a significant variation in how the service is delivered.
13. In this instance, it is therefore deemed that the resources and time taken to deliver an open tender exercise would not deliver the resulting benefits required to justify this approach.

Option 2: Mini competition via a framework

14. A mini competition could be run via a 'Materials' lot on a relevant framework.
15. The competition would still be limited by the need for providers to be able to deliver on a range of specified material products and our required geographic location.
16. Framework research was conducted as part of the procurement route analysis and it was noted that there was no significant commercial score difference between Travis Perkins and other relevant providers.
17. Therefore, running a mini competition will not deliver significant value for money benefits in this instance, given the relative standardisation of the materials required and the low variation in commercial offerings.

Option 3: Award a contract via Pretium sole supplier framework (recommended)

18. The proposal is to award the contract to Travis Perkins via the Pretium framework, on which they are the sole supplier.
19. This is a compliant procurement route under the procurement regulations.
20. Awarding the contract via this route will have several key benefits for the service including:
 - Locations in Battersea and Kensal Green providing options for both the North and South of the borough.
 - An ability to maintain and continue to develop the more specialist stock lists and supply chains established to date, particularly in relation to fire door and associated ironmongery compliance.
 - Beneficial terms relating to annual fixed pricing of products, which helps to minimise the impact of fluctuating costs in the materials sector.
21. Further detail on the Pretium framework and evaluation outcomes from their procurement exercise are outlined in Appendix 1.
22. The Pretium framework is recommended as the appropriate framework route to the appointment of Travis Perkins due to the benefits it offers, including:
 - a. A healthy rebate offer which increases in line with spend.
 - b. Contractual social value fund accrual for spend on local community-based projects.

- c. A comprehensive framework management offer which includes chairing quarterly core group sessions and collating KPI and management data to support with ongoing contract management.

Contract Specification Summary

23. The contract will be for the provision of materials and managed services for a period of three years, to provide stability for the service.
24. The contract used will be the framework template contract.
25. The contractor will be responsible for always providing a high level of core stock availability, and an ability to source and provide more specialist items as required through partner organisations, and stocking this directly where volume makes this feasible.
26. Across the last six months Travis Perkins has delivered core stock availability for LBHF of c. 95%.
27. Core stock on the 'CSA' will have fixed pricing with an annual pricing review in place for any agreed changes between the council and contractor.
28. Time and stock availability are the essential Key Performance indicators to ensure effective service delivery. Additional important Key Performance indicators will also be included which will focus on customer care and customer satisfaction.
29. As part of the re-awarding of this contract LBHF will be revising some specification expectations to include:
 - New stock requirements resulting from the general repairs DLO expanding role in the repairs supply chain.
 - Introduction of more sophisticated van stock processes.
 - Introduction of better processes to link materials to specific works orders, for example through the recording of works order reference numbers – specifically looking to interface Travis Perkins' systems with NEC Housing Management system.
30. This will be an opportunity to develop the service further rather than simply roll on with existing provision.

Market Analysis, Local Economy and Social Value

31. Given the nature of the service required, the market for this contract is limited to a few large providers. This is further narrowed by the geographic requirements for having stores located appropriately for access from the borough.
32. Whilst there is another provider who meet both of these requirements, following framework research, it was not deemed that any significant benefit would be delivered from delivering a mini competition given the relative standardisation of service, and minimal difference in terms of commercial offer.

33. Housing Services opinion of Travis Perkins to date, has been a good supplier for the Council. The company has worked proactively with the council to deliver when needed and improve/make changes where Housing Service has required this to occur.
34. Travis Perkins is considered as a good supplier based on their performance under their contract requirements and delivery against their Key performance indicators. The Repairs, Compliance and Contract team undertake regular scheduled contract monitoring meetings with Travis Perkins to assess performance. These meetings have evidenced strong performance.
35. Further to this, Travis Perkins customer service approach has been proactive and professional. They provide information promptly, they quickly and professionally rectify any feedback H&F has in relation to service improvements and they proactively work with wider council teams such as the Climate Change team around initiatives and improvements with wider corporate objectives.
36. The additional benefit from awarding to Travis Perkins via the Pretium framework is achieved through the ability to continue to develop existing stock supply, maintain the specialist fire door supply in place and maintain familiarity for operatives in terms of logistics.
37. The contract will contain clauses to ensure that Travis Perkins continue to deliver 10% social value of the overall value of the contract. This could result in up to £480k social value delivery across the lifetime of the contract.
38. Travis Perkins have demonstrated effective social value approaches to date, including employment of local people. They are currently involved in refurbishing a women's refuge as part of their social value offering.
39. This award will enable them to seamlessly continue delivery of social value in the borough, building on existing relationships, with future projects around employment support and work placements committed to.
40. A final social value matrix which ensures commitment delivery at 10% of the total contract value will be developed in partnership with the Social Value Officer and contained within the contract.

Risk Assessment and Proposed Mitigations

41. The table below outlines the key risks of this proposal and mitigations for reducing these.

Risk	Mitigation
Lack of competitive exercise results in not achieving the best value contract possible	Market comparison undertaken and minimal difference assessed. The contractor is the first ranked (sole supplier) of the proposed framework demonstrating the best quality/cost mix on this occasion.
Re-awarding of contract means updated requirements are not implemented – service continuing	A clear re-implementation process, with an updated specification in place with the new contract. Workshop sessions on key changes

with no change	and agreed routes to implementing these within monthly operational sessions.
Awarding on a framework nearing its end date may mean terms are no longer market leading, or are outdated	The framework contract is fit for purpose and the framework offering is strong, particularly in relation to the rebate offered and social value funds accrued.
Volatility of market prices leads to significant cost changes across the contract term	Fixed pricing terms included in the contract which are reviewed annually. Agreements to change pricing are subject to open book evidence of costs from suppliers.
Inability to provide more specialist stock required as a general builders' merchant.	Travis Perkins has extensive supply chains and can work with more specialist suppliers to source and provide stock required. Where this stock is required on a regular basis agreements can be made for Travis Perkins to stock this directly for LBHF

Reasons for Decision

42. To ensure that there is suitable provision of materials, tools and associated storage for use by the DLO in carrying out their repairs and maintenance functions to housing stock within the borough.

Equality Implications

43. There are deemed to be no equality implications as a result of this contract award.

Risk Management Implications

44. There is an operational risk that Travis Perkins will be unable to supply materials as requested due to supply chain issues. The building trade has repeatedly suffered material shortages since the pandemic of 2020 – 22, and it is reasonable to expect this to continue. To reduce the risk of material shortages, leading to a stoppage or slowdown in construction it is beholden of the council to provide a lead time of planned requirements of at least three months in advance and for Travis Perkins to secure the materials or advise of any potential supply problems enabling the council to make alternative supply arrangements, or replan construction accordingly.

45. There is a both a financial and reputational risk because of a deterioration of service and quality of materials supplied by Travis Perkins. To mitigate the risk it is advised that regular checkpoints of not less than quarterly are installed in the contract to safeguard quality of products (as advised by construction experts) and that pricing / delivery requirements are being met.

Jules Binney, Risk and Assurance Manager, 28/11/2023

Climate and Ecological Emergency Implications

46. Hammersmith & Fulham's DLO is committed to developing sustainable supply chains in terms of sourcing materials.
47. Travis Perkins is a large provider who has clear plans in place to reduce carbon, with Carbon Net Zero for Scope 1 and 2 emissions targeted by 2035 and a 63% reduction in Scope 3 emissions by the same point.
48. There are roadmaps in place specifically for targets relating to building and fleet. For example, within the timeframe of this contract:
 - a. Travis Perkins aim to reduce their carbon emissions from their buildings by 40% (by 2027)
 - b. Achieve 80% of forklifts being electric (by 2026)
 - c. Switch 10% of fleet to alternate fuel each year
49. The organisation is additionally working to support customers to understand the embodied carbon relating to individual products with this listed on key products for websites and catalogues and this will continue to be rolled out. This will support LBHF DLOs to make appropriate materials choices.
50. In addition, the organisation is able to support the DLO with appropriate waste management if required, supporting effective recycling of materials as needed.
51. Throughout the term of the contract the council will expect the contractor to continually provide insight into new and emerging products which support energy efficiency in homes and buildings.

Verified by: Jim Cunningham, Climate Policy & Strategy Lead, 21st December 2023

Local Economy and Social Value Implications

52. It is a requirement that all contracts awarded by the council with a value above £100,000 provide social value commitments that are additional to the core services required under the contract. These commitments must amount to at least 10% in value of the price of the contract proposed.
53. The recommended supplier, Travis Perkins, has yet to report evidence of their social value contributions on the current contract and yet to propose contributions for this contract award. However, TP is currently working closely with the council on social value initiatives on which they intend to report contributions made. Any outstanding social value not delivered on the current contract they have agreed to roll over onto the new contract up to the total committed proxy value of £529,839.51 and commit to a further 10% social value on the new contract award.
54. It is recommended that the commissioner works with the Legal Service to ensure appropriate social value clauses are included in the contract so that the council can enforce its right to financial remedies if social value commitments are not delivered.

Verified by: Paul Clarke, Social Value Officer, 30 January 2024

Consultation

55.No consultation on this award has taken place.

LIST OF APPENDICES

Exempt Appendix 1: Additional Framework and Commercial details