

Housing Property Services
Homes and Neighbourhoods
222 Upper Street

Report of: Executive Member for Homes and Communities

Meeting of: Executive

Date: 11th January 2023

Ward(s): All

Subject: Procurement Strategy for Supply of Building and Construction Materials

1. Synopsis

- 1.1. This report sets out a proposal to secure a new contract for the provision of building and construction materials for the council's in-house housing repairs and gas repairs services teams.
- 1.2. The resulting contract will be made available to other council departments who will be able to utilise this contract.

2. Recommendations

- 2.1. To approve the procurement strategy for the supply of building and construction materials as set out within this report.
- 2.2. To delegate authority to award the contract to the Acting Corporate Director of Homes and Neighbourhoods, after consultation with Executive Member for Homes and Communities.

3. Background

3.1. Nature of the service

- 3.1.1. The council is a landlord to around 35,000 council tenants and leaseholders living in homes located across the borough. The council has a legal obligation as a landlord to maintain its homes to a good standard.
- 3.1.2. The in-house gas service provides approximately 7,000 responsive repairs per annum to tenanted properties in the north of the borough as part of the council's statutory obligations under the Gas Safety (Installation and Use) Regulations 1998. The service currently employs a total of 140 repairs operatives from various building trades that deliver in the region of 95,000 maintenance jobs per annum to council homes on Islington housing estates. This service provides a gas repairs service to tenanted homes with individual gas appliances.
- 3.1.3. In order to deliver an efficient and productive in-house repairs and gas service the council's operatives need to be able to access a locally situated store that provides the building materials they need to carry out individual repair jobs, including access items of plant and machinery for more complex jobs. The council requires building materials to be supplied to the repairs service and to be delivered directly to a store facility. The building materials to be supplied will include the items most commonly used by individual repairs operatives which need to be replenished on a weekly basis, for example timber, nails, paint etc. Ensuring the repairs team vehicles are well stocked means a more efficient service saving time for operatives. This also has a positive environmental impact reducing the need for journeys for supplies. The service also requires the provision of plant hire examples of which include but are not limited to dehumidifiers, working at height mobile towers, etc.
- 3.1.4. The processing of orders, delivery, stock inventory and payments will need to interface between the provider and the council's IT systems.
- 3.1.5. In the north of the borough, the gas service was brought back in-house in June 2014 and has operated since using a framework to access gas materials suppliers in order to deliver a servicing and repairs service.
- 3.1.6. The current gas materials contract expires on 31 May 2024. The gas materials contract is going to rely on using the current supplier and will be extended to cover the gap between the new contract starting. Previously the gas team were separate from the repairs team being managed through Housing Property Services. A recent restructure has realigned the gas team to the Repairs team who oversees

the repairs team. Now the repairs and gas teams are within the same structure the renewal of the contract has provided an opportunity to combine the contracts.

- 3.1.7. Having a combined contract that incorporates the previous gas, plumbing and heating materials contract within the supply of the building and construction materials contract will be beneficial to service delivery. The existing in-house materials team will be able to manage one materials supply contract with the provider working with both service areas. This will positively impact quality and efficiency by increasing the effectiveness of contract management and supervision.
- 3.1.8. The Estate Maintenance Team (EMT) are also going to be using the contract for their bespoke material items. EMT are an in-house repair service consisting of 20 various trade operatives employed to facilitate the communal and publicly accessible trade repairs to all of the council's assets and grounds. On average the team complete approximately 7,000 – 8,000 repairs per annum, this includes all forms of carpentry works (including fire actions), groundworks (including brickwork), glazing repairs, metal works, painting and pressure washing. The response times can vary from emergency two or 24 hour repairs to standard 20 day completions depending on the complexity and urgency of the repair/hazard.
- 3.1.9. The successful provider will be required to deliver this service directly from Islington's dedicated stores facility at Unit 10, Bush Industrial Estate, N19. The council has a head lease of Unit 10 and will sub-let this unit to the successful provider at the market rent.

3.2. **Estimated value**

- 3.2.1. The building materials contract will be funded from existing Housing Revenue Account (HRA) repairs and maintenance revenue spend budgets.
- 3.2.2. The below table shows the below spend across Repairs, Gas and EMT in their Materials spend over the last two financial years

Year	Repairs HRCRR-CP00	Gas HRGAS-CP00	EMT HRREM-CP00 (Bespoke material items)
<u>Actuals 2021-22</u>	1,572,383	165,922	80,000
<u>Actual 2022-23</u>	1,953,181	199,080	80,000
Average Spend	1,762,782	182,501	80,000
<u>2023-24 Budgets</u>	2,234,000	601,800	80,000

- 3.2.3. The current spend represents a market rate for this type of contract including covering the cost of the sub-lease of the dedicated stores building.
- 3.2.4. The estimated cost of the new contract based on the estimated spend plus anticipated additional spend through the estate maintenance team is an anticipated value of £22m over a maximum of 120 months based on an estimated annual value of £2.2m. The initial term will be sixty months with the option to extend for a further sixty months. The contract will include a break clause which the council may enact should circumstances necessitate to end the contract earlier. The key aim of this contract is to build a long-term relationship with a supplier critical to the success of the housing repairs service. There are also significant costs associated with the disruption linked to earlier procurement including the IT integration, TUPE of staff and issues around the lease.
- 3.2.5. During the length of the contract the provider can request pricing amendments. The framework provider throughout the length of the contract will conduct a pricing review across all other suppliers on the framework and feed back to the Council if they deem the amendments to be necessary.
- 3.2.6. Over the past three years the service has been working with the existing supplier to explore new and alternative building material products with the aim of reducing costs where possible. This has included:
- Exploring the benefits of cheaper alternative products on the market, ensuring their use does not adversely impact on the effective asset management of our housing stock.
 - The use of improved quality products with expected longer lifespans than other alternative products.
 - Considering the supply of materials which are easier for our operatives to install and maintain in the future.
- At all times in these considerations, we have to ensure the use of any alternative materials is safe for our operatives to use and install, and for our residents to live with in their homes.
- 3.2.7. The changes resulting from these reviews of the products will be used in the revised service specification for the new contract.
- 3.2.8. The key cost drivers for the service include the following:
- The level of demand for individual repairs jobs to be completed in residents' homes.
 - Fluctuations in market prices for materials, in particular commodity items e.g. copper, wood, the costs of which are particularly volatile.

- The supplier will have to cover the costs of the sub-lease and related building and other resourcing costs including staff associated with the delivery of the service at the dedicated Islington store facility.
- In order for the services to operate effectively there needs to be significant integration between the successful supplier's IT system, the repairs team and other council systems to enable prompt and efficient ordering and delivery of materials and automated reconciliation and payment of invoices.

3.3. **Timetable**

3.3.1. The new contract needs to have been procured and fully mobilised, including the interfacing of IT systems before the contract go live date of 8 July 2024 to enable a seamless transition from the existing contract.

3.3.2. The estimated timetable for this procurement is:

- Approval of the procurement strategy: January 2024
- Publication of tender: January 2024
- Evaluation of submissions: February 2024
- Award of contract: March 2024
- Start of new contract: July 2024

3.3.3. Section 20 leaseholder consultation is not required for this procurement.

3.3.4. The following key services areas have been informed or consulted about this contract:

- Strategic Procurement have advised on the development of the procurement strategy.
- Legal Services will develop terms and conditions for the new contract.
- Finance have been informed and have provided advice on the costing of the current contract and proposals for the price framework for assessment of the new contract.
- Corporate Property Services has given advice on the arrangements relating to the head and sub-leases for the dedicated store building.
- Other building maintenance teams have been consulted on whether they would wish to use the new supplier for the provision of materials or equipment by their service areas.

3.4. **Options appraisal**

3.4.1. The procurement route options that were considered in the development of this strategy were:

- Do nothing
- Insourcing
- Collaboration – corporately and with a neighbouring authority

- Competitive tendering
- Use of an existing framework agreement

3.4.2. Do nothing – The provision of materials is critical to the delivery of the housing repairs service and other repairs services within the council. Therefore, this is not the recommended option.

3.4.3. Insourcing – The benefits of this option are the council would benefit directly by being able to negotiate costs for individual stock items across various different suppliers to get the best deal. Additional in-sourcing opportunities will continue to be explored where the benefits of doing so can be clearly demonstrated based on informed analysis and market evidence. However, this option is not recommended due to the significant risks and long term costs and time associated with the following:

- The need to procure and manage secondary suppliers of materials to provide stock to the store.
- The costs associated with the head lease and ongoing maintenance of the dedicated store build will have to be covered directly by the council.
- The council would require new IT systems to manage with the ordering, purchasing and control of stock within the store.

3.4.4. Collaboration – Internally – This is a corporate contract and therefore will be made available for other parts of the council to utilize it. However, they would be required to adopt specific IT systems. A separate procurement on the IT system for the Repairs team will take place during this contract duration giving the opportunity for other parts of the council to utilize the system as part of a separate collaboration piece giving other services areas access to both contracts corporately.

Collaboration with a neighbouring authority – The primary benefit of this option would be on the potential cost savings resulting from increased economies of scale. This benefit however is outweighed by drawbacks including:

- The additional travelling time for operatives to stores located in other boroughs in order to collect materials will be detrimental to key service objectives of productivity and rapid response to delivery of repair jobs.
- The catalogue of building materials required by the different repairs and maintenance services operated by the neighbouring boroughs would require an expanded stock list as well as being able to store higher volumes. With the collaborative working with the gas materials and also the Estate Maintenance Team also being offered the provision of acquiring bespoke items there simply would not be enough room within the current building.

- Variations in repairs management IT systems that are in place within each borough make the interfacing with a joint supplier more complex resulting in increased costs associated with the management of such systems.
- Preliminary market consultation has confirmed there is a limit on the level of discount suppliers are prepared to offer based on the scale of spend made through a contract i.e. there is a point where it gets no cheaper.

3.4.5. Competitive tender – A competitive tender process with the open market was considered and one of the benefits assessed was the control over the entire process and the ability to access the whole market. However, with extensive research all contractors within the framework offer a service to the standards that are required. Further disadvantages around time constraints as the process would take longer to complete and there would be a risk that the contract award would not be delivered on time.

3.4.6. Use of an external framework agreement – The recommended option is to secure a call-off contract pursuant of an external framework agreement following a mini-competition amongst suppliers on the agreement. A number of framework agreements were considered and the chosen agreement is the central purchasing body Procurement for Housing (PfH). The recommendation is to use the PfH Materials and Associated Managed Services Lot 3 – Building Materials framework agreement. The drawbacks of this option are a fee will be charged to the supplier and the market will be restricted to the suppliers on the framework agreement. These are outweighed by the benefits including a pre-selection phase has already been completed by PfH filtering out unsuitable suppliers. The mini-competition offers a quicker route to market than undertaking our own competitive tender. PfH will be able to assist the council to complete the mini-competition and support the council should any performance issues occur with the chosen supplier.

3.5. **Key Considerations**

- 3.5.1. As part of the terms and conditions the supplier will be expected to make a ‘trainee bursary’ which Islington Council will make available to residents of Islington a minimum of one apprenticeship opportunity per £1m of contract spend (which will include all payments for services and supplies made by the council to the supplier through this contract. In addition to this requirement the provider will also provide one or more of the following for the benefit of Islington residents:
- Advertise employment opportunities through Islington Council’s job brokerage service; creating accessible work opportunities.
 - Making work placements available.

The potential total length of the contract is an excellent opportunity for the council to recruit and train a full programme of apprentices with a view to moving them into full-time

employment by the end of the contract term. The contractors will work with the council's iWork service on a local first approach to recruitment of residents to fill vacancies linked to the delivery of this contract, especially those who are disadvantaged in the labour market, as a contractual requirement of this contract. The contractors will be encouraged to increase the diversity of their workforce, particularly in the training and recruitment of more women into the sector. The contractors will be required to support the council's 'Making Every Contact Count' initiative to ensure its workforce use interactions with residents as an opportunity to provide them with signposting to targeted support and guidance from council or other services. The contractors will also be encouraged to support the local economy by exploring opportunities to develop and work with locally based contractors in their supply chain. This commitment will increase local economic growth and help with local employment opportunities.

3.5.2. In addition, contractor will need to demonstrate their commitment and support to council priorities related to net-zero carbon and environmental protection. These measures will reduce the carbon footprint of the delivery of this service, for example, by using electric vehicles to undertake works and using sustainably sourced materials, whenever possible. Contractors will also be required to consider and take reasonable steps to protect wildlife when necessary or appropriate to the works.

3.5.3. Furthermore, the contractor will have to use a nominated list of local 3rd party suppliers and work is ongoing to add to this list with colleagues in Community Wealth Building who are in the process of releasing a local supplier list.

3.5.4. Environmental benefits of this contract include:

- Requirement to stock non-oil based products for health and safety reasons which will also have environmental benefits.
- Waste management policies and procedures. Ensuring the service meets hazardous waste, Waste Electrical and Electronic Equipment (WEEE) and Duty of Care Regulations especially in terms of WEEE disposal, asbestos and the environmental cleaning service.
- Chosen supplier to have robust waste management policy and practices in place.
- Encourage use of vehicles which release fewer pollutants, where this is possible and to minimise journeys through efficient stock management.
- Encourage supplier to use energy and water saving and recycling measures within the store.
- Pollution prevention – ensuring the service minimised the number of pollution incidents to land, water and air through well managed procedures and operational controls. The service/supplier needs to implement a certified Environmental Management System certified to ISO14001.
- Whole life costing of products purchased; especially in terms of products that require energy to function and the cost of parts for repair.

- Encourage supply of environmentally friendly and sustainably sourced products from accredited suppliers, wherever possible and practicable.
- 3.5.5. The provider will be expected to contribute offers of social value to be used by the council to support local community engagement projects. This may include donation of products or tools, training of volunteers or suppliers staff volunteering time to contribute to local projects.
- 3.5.6. Payment of the London Living Wage will be a contractual requirement of any of the staff working in the borough directly on the Islington contract. The successful contractor will need to ensure that the staff they employ have clear and fair Terms and Conditions of employment, access to Trade Unions and training opportunities. The contract specifications will ensure the successful contractor is prohibited from recruiting any staff – both operational and administrative – on a zero-hour contract
- 3.5.7. The service will deliver best value through the contract by agreeing a set of KPIs to monitor the performance of the contract throughout the term. Targets will be reviewed on an annual basis to ensure continuous improvement throughout the life of the contract. Performance of the contract will be reviewed in a monthly basis through core group meetings and at six monthly pricing review meetings.
- 3.5.8. There may be TUPE implications resulting from this contract. This is being checked with the current contractors and the results will be made available securely as part of the tender process.

3.6. **Evaluation**

A 'mini competition' will be carried out by Procurement for Housing (PfH) for the contract. This enables the council to use our own specification, cost model and award criteria including social value requirements into the tender evaluation criteria.

The contract will be awarded to the Most Economically Advantageous Tender (MEAT) and the award criteria will be set at 60% quality and 40% cost.

The quality criteria will consist of:

- Social Value (20%)
- Customer Service (20%)
- Management of the supply chain (10%)
- Health and safety (10%)

3.7. **Business risks**

- 3.7.1. There is a risk that owing to economic uncertainty of the materials market and increases in the cost of delivering the service during the life of the contract. The successful tenderer could request increases on stock prices. This will be mitigated through robust contract management, ensuring that the suppliers have the

opportunity to identify their risks and discuss these with the council and the framework provider doing a comparison piece of work across the frameworks other suppliers to see if pricing amendments are suitable, proving evidence and allowing the opportunity to resolve such issues in advance of such situations becoming critical to delivery.

3.7.2. The contract has an estimated 2% indexation annual adjustment in line with CPI inflation which acknowledges the consistent impact of inflation on material expenses, ensuring a proactive approach to budgeting.

3.7.3. Some of the other key risks identified associated with this procurement are:

Risk	Likelihood	Impact	Priority	Mitigation
Nobody from the framework responds to the mini competition	Low	Medium	Medium	Interim emergency measures will be sought and plans to reprocure put in place.
The successful provider pulls out of contract prior to start of the contract	Low	High	Medium	Interim emergency measures will be sought and plans to reprocure put in place.
Delays to procurement process result in limited mobilisation time for new provider	Medium	High	High	Procurement project team need to ensure procurement keeps to agreed plan and meets key milestones. Queries received from tenderers to be turned around as quickly as possible to avoid delays.
New lease proposal is unsuccessful	Medium	High	High	Housing Property Services working on contingency plans and emergency measures will be sought and plans to reprocure put in place

3.7.4. In each case, officers will consider emergency interim measures and seek to reprocure the contract.

3.8. The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past

actions and prevent re-occurrences.

3.9. The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1. Nature of the service	<p>Building and construction materials, equipment and plant to deliver repairs works to all directly managed council homes across Islington.</p> <p>See paragraph 3.1</p>
2. Estimated value	<p>The combined estimated value per year is £2.2m.</p> <p>The combined estimate value overall is £22m</p> <p>See paragraph 3.2</p>
3. Timetable	<ul style="list-style-type: none"> • Advert – November 2023 • Publication of mini-competition – December 2023 • Evaluation - January 2024 • Award – March 2024 • Contract Start – July 2024 <p>See paragraph 3.3</p>
4. Options appraisal for tender procedure including consideration of collaboration opportunities	<p>Following an options appraisal the recommend option is a 'mini competition' using the Procurement for Housing framework agreement</p> <p>See paragraph 3.4</p>
<p>5. Consideration of:</p> <ul style="list-style-type: none"> • Social benefit clauses; • London Living Wage; • Best value; • TUPE, pensions and other staffing implications 	<p>As set out in the body of the report.</p> <p>See paragraph 3.5</p>
6. Award criteria	<p>Quality 60% and cost 40%</p> <p>The award criteria is more particularly described within the report.</p>

	See paragraph [3.6]
7. Any business risks associated with entering the contract	See paragraph 3.7
8. Any other relevant financial, legal or other considerations.	See paragraph 4.1-4.3

4. Implications

4.1. Financial Implications

4.1.1. The proposals described in this report is financed through the Housing Revenue Account (HRA) Repairs and Maintenance budget of the Council. For the financial year 2023-24, this budget totals £45.211 million. The material purchases fall under revenue expenditure.

Year	Repairs HRCRR-CP00	Gas HRGAS-CP00	EMT HRREM-CP00
<u>Actuals 2021-22</u>	1,572,383	165,922	80,000
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Average Spend	1,762,782	182,501	80,000
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4.1.2. The current budget allocation for materials of £2.915 million (£2.234m repairs, £0.602m gas and £0.080m EMT) is sufficient to meet the estimated annual materials cost of £2.200 million. The surplus budget will be reallocated to fund the additional costs arising from the increased use of gas sub-contractors supporting gas repairs and servicing in the north of borough as a result of a reduced in-house gas team.

4.1.3. It is expected that on each contract anniversary, an annual adjustment to the contract values will be implemented. The choice of indices to be used, which may encompass options such as the Retail Price Index (RPI), Consumer Price Index (CPI), or Building Cost Information Service (BCIS) Maintenance Cost Indices will need to be carefully evaluated and selected as the financial effects of each will vary.

4.1.4. In recent years, spending on the repairs and maintenance service has shown a consistent upward trend. Notably, the expenditure on subcontractors has consistently exceeded its allocated budget on an annual basis. While the broader repairs and maintenance budget has managed to mitigate some of the financial pressures stemming from subcontractor expenditure, the task of keeping expenditure within the existing budget limits is becoming progressively more difficult. Moreover, additional pressures faced by the HRA, such as addressing issues like damp and mould and complying with new building safety requirements, are likely to further burden HRA finances. Consequently, it has become increasingly vital to establish mechanisms that enable management to regularly assess and regulate activities, ensuring effective budget management and expenditure is kept within its budget envelope. In the event expenditure cannot be contained within allocated budgets then any financial pressures would represent growth to the HRA and it may become necessary to find savings from major works (capital) or from day-to-day landlord activities such as housing management.

4.2. **Legal Implications**

4.2.1. The council has an obligation to keep its housing properties in good repair and the installations therein in good working order (Part 2 of the Housing Act 1985; section 11 of the Landlord and Tenant Act 1985; tenancy conditions and rtb lease). The council has the power to procure and enter into contracts for the supply of materials to enable the council to deliver a repairs and maintenance service in respect of the council's housing stock under section 1 of the Local Government (Contracts) Act 1997.

4.2.2. The proposed contract is a supply contract which is above the threshold for application of the Public Contracts Regulations 2015 (the Regulations) for supply contracts, currently £213,477.00. The council's Procurement Rules also require contracts of this value to be subject to competitive tender. The proposed procurement strategy, to conduct a mini-competition via the PfH Materials and Associated Managed Services Lot 3 – Building Materials framework agreement, complies with the Regulations and the council's Procurement Rules.

4.2.3. On completion of the procurement process, the contract may be awarded to the highest scoring mini-tenderer subject to the tender providing value for money for the council.

4.3. **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

4.3.1. Environmental considerations for this contract include:

- Requirement to stock non-oil based products for health and safety reasons which will also have environmental benefits.
- Waste management policies and procedures. Ensuring the service meets hazardous waste, Waste Electrical and Electronic Equipment (WEEE) and Duty of

Care Regulations especially in terms of WEEE disposal, asbestos and the environmental cleaning service.

- Chosen supplier to have robust waste management policy and practices in place.
- Encourage use of vehicles which release fewer pollutants, where this is possible and to minimise journeys through efficient stock management.
- Encourage supplier to use energy and water saving and recycling measures within the store.
- Pollution prevention – ensuring the service minimised the number of pollution incidents to land, water and air through well managed procedures and operational controls. The service/supplier needs to implement a certified Environmental Management System certified to ISO14001.
- Whole life costing of products purchased; especially in terms of products that require energy to function and the cost of parts for repair.
- Encourage supply of environmentally friendly and sustainably sourced products from accredited suppliers, wherever possible and practicable.

4.4. Equalities Impact Assessment

- 4.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.
- 4.4.2. An Equalities Impact Assessment is not required in relation to this report, because the contract has an extremely low impact on residents and this was signed off on the 11 August 2023 by the Equalities team.

5. Conclusion and reasons for recommendations

- 5.1. It is recommended that a building and construction materials contract is procured through a mini competition via the Procurement for Housing PfH Materials and Associated Managed Services Lot 3 – Building Materials framework agreement. to replace the existing contract when it comes to an end.
- 5.2. This contract is required to ensure the continued delivery of the council's in-house repairs teams services.

Appendices:

- None

Background papers:

- None

Final report clearance:

Authorised by:

Executive Member for Homes and Communities

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