

Report of Chief Officer Property and Contracts, Housing Leeds

Report to Director of Environment and Housing

Date: 15 August 2014

Subject: Construction Services Managed Stores

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.3.4 Appendix number:1 and 2	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. The current contract for the Managed Stores service expires on 31 March 2015. Travis Perkins PLC are the current supplier.
2. A procurement strategy has been undertaken assessing the options of bringing the services in house, undertaking an open EU procurement and the usage of a Framework. Three Frameworks have been evaluated: Cirrus Purchasing Ltd, Yorkshire Purchasing Organisation and Procure Plus. The evaluation has been based upon the need to have a clear specification, cost control; thorough and open audit rights, a delivered service to assist in improving the productivity of Construction Services, and the ability for IT system integration.
3. As a result it is considered that Procure Plus through their strategic partner Wolseley Integrated Services provide the most appropriate supplier for Leeds. This is based upon:
 - 3.1. Procure Plus is a not for Profit organisation, that has developed a detailed Framework for materials, with a growing market of a number of large landlords now utilising this Agreement.
 - 3.2. Material costs are managed by Procure Plus. These costs are on the tendered prices and thereby the supplier cannot arbitrarily increase the costs. This enables transparency in cost control and demonstrates value for money.

- 3.3. Audit rights: Procure Plus commission independent auditors to undertake an audit every 6 months to check the factory gate prices. This is the most extensive monitoring of all the options considered.
- 3.4. Flexibility. The volume of transactions could be altered, both increased, or decreased dependent upon the council's future materials requirements.
- 3.5. IT integration: Wolseley integrate with Orchard at other sites.
- 3.6. The Track record of Wolseley. Leeds has sought references from other Wolseley customers, and is satisfied that Wolseley can provide an excellent service for Leeds,

Recommendations

4. The Director of Environment and Housing approve:
5. Signing a Framework Agreement with Procure Plus (and its associated licence) to enable Wolseley Integrated Services (part of Wolseley PLC) to be the materials provider for Construction Services from 1 April 2015 for a 4 year term, until 31 March 2019.

1 Purpose of this report

1.1 This report is seek approval for:

1.1.1 The procurement of a new supplier for the Managed Stores service to Construction Services.

1.1.2 The Award of a contract to Procure Plus, a Framework to appoint Wolseley Integrated Services as the materials supplier for Construction Services for a 4 year term from 1 April 2015.

2 Background information

2.1 In June 2010 East North East homes Ltd appointed Travis Perkins PLC to manage their stores. The stores went live in 2011. The current contract for the Managed Stores service to Construction Services expires on 31 March 2015.

2.2 This contract provides materials to Housing Leeds Construction Services for the responsive, voids, and planned worksteams for the east area of the city as well as the adaptation supplies for the whole city. In addition, Construction Services requires its sub-contractors to utilise the stores for major components.

2.3 In 2014/15 the value of the contract was circa £3m per annum.

2.4 The current contract is based on the Office of Government Commerce (OGC) Buying Solutions Framework Agreement. This framework at the time had a number of advantages over other procurement methods, however, in particular the framework was not very specific and thereby not providing the level of transparency on the contractors, in particular audit rights, to enable accurate monitoring of the actual cost of materials.

2.5 In addition to the Construction Services stores, Civic Enterprise Leeds also has its own in-house stores arrangement. Currently these store arrangements operate in isolation. However, as Civic Enterprise Leeds will be merged with Housing Leeds in 2015, there is an intention that the Stores arrangements are reviewed to maximise efficiencies.

3 Main issues

3.1 In considering the re-procurement for this service, the following options were considered:

- The development of an in-house option
- Open EU standalone procurement
- A Review of the available Frameworks, namely Cirrus Purchasing Ltd, Yorkshire Purchasing Organisation (YPO) and Procure Plus.

In-House Provision

3.2 The following matters were considered:

- 3.2.1 Significant investment was made in 2011/12 to implement the current Managed Stores provision. A reversion to an in-house model would require significant resources and time that are not available within the timescales.
- 3.2.2 Housing Leeds Property and Contracts would need to undertake procurement for the materials. This would take a considerable resource and logistical pressure in itself.
- 3.2.3 Warehouse: Housing Leeds would need to either lease a new warehouse or assign the lease from Travis Perkins for the existing warehouse. This could not be undertaken including the council decision making by December 2014 to enable mobilisation.
- 3.2.4 IT: The IT integration would be considerable: The Council currently does not have an Electronic Purchasing Operating system to utilise.
- 3.2.5 TUPE – Leeds would be liable to TUPE 8 FTEs currently employed by Travis Perkins
- 3.2.6 The driver that in house model would provide value for money and greater efficiency has not been developed. It is proposed that this will be considered in 2015/6 when a Review of Civic Enterprise Leeds stores is undertaken and a Category Plan for this service type is developed

3.2.7 Therefore, this option has been ruled out.

3.3 Open EU – ‘Standalone’

- 3.3.1 Timescales would be extremely tight. This is due to the need to undertake an OJEU notice, and then undertake an open tender. The Urgent process could be used to reduce minimum timescales, such as the use of a Pre Information Notice (PIN). The resource needed to undertake this, and develop the specifications and contracts would be significantly intensive for Officers. Finally, such an option would potentially provide the same suppliers as the frameworks.

3.3.2 Therefore, this option has been ruled out

3.4 Frameworks:

- 3.4.1 A detailed options appraisal is stated in the confidential Appendix 1. This appendix outlines the procurement options identified by the procurement team, the accompanying risks, issues and estimated timescales. As a result the preferred Framework is Procure Plus. This is based upon:
- 3.4.2 Implementation by 1 April 2015: Procure Plus is a direct call off to Wolseley Integrated Services which provides the most time to enable mobilisation. The

other 2 Frameworks would require mini competitions and therefore the potential for a new provider with the resulting mobilisation risks and issues.

- 3.4.3 Framework: The Procure Plus framework is the most sophisticated of the 3 compared. For Procure Plus the specification is very detailed. Leeds can add to the Specification such as add to the template KPIs, and develop the detail of the service offer that it requires. The Cirrus Purchasing Ltd Framework, is a very high level framework requiring Leeds to develop the service specification, whilst the YPO Framework is still in draft form, so Leeds has not had full visibility of it yet.
- 3.4.4 Costs: Procure plus has detailed cost management. The material costs have been tendered. Wolseley then invoice via Procure Plus who check the costs and issue Leeds a monthly invoice. As a result, there is transparency in the costs and the contractor cannot increase the costs. This transparency is then supported by the audit rights that Procure plus provide.
- 3.4.5 Audit rights: Housing Leeds Officers have reviewed the audit rights and are confident that they are robust. Procure Plus has the most detailed audit rights of all the frameworks explored. Procure Plus invites an auditor to audit a selection of material lines twice a year. If any line is greater than the tendered price, then Procure Plus can appoint a third party auditor to review all material lines at Wolseley's expense. The Audit rights in the Cirrus Framework are very limited; and YPO although will be 'open book', have not been yet fully developed the framework.
- 3.4.6 Framework support: Procure Plus provide detailed support pre award, in mobilisation and in contract. Leeds already uses Procure Plus of its Domestic Heating Installation. This is proving to be a positive relationship.
- 3.5 Procure Plus Ltd is a procurement consortium of social housing providers, predominantly providing services in North West England. It has formed an alliance with other regional procurement consortia to provide material related services, creating a brand name of Re:allies. One of these procurement consortia is Efficiency North, that Leeds is a member.
- 3.6 Wolseley Integrated Services is part of Wolseley PLC. Wolseley Integrated Services provide both delivered materials and managed stores to social housing organisations. Through the Procure Plus framework, they provide services to a number social landlords predominantly in the North West, but increasingly in Yorkshire and Humber. Current customers include providing a Managed Stores service for The Together Group; Oldham First Choice Homes, Moss Care, Liverpool Mutual Homes and supplies service with St Ledger, N Lincolnshire Homes. A delivery service is about to be created for Connect Housing, based in Leeds. This could enable further efficiencies to be explored during mobilisation
- 3.7 Wolseley have modelled their service on a fully delivered model to operatives. This is a service enhancement on the current service offered. The advantage of this is that it will increase the Construction Services productivity rate, as the operatives will no longer need to visit the stores, saving on travel time.
- 3.8 It is proposed that the contract term should be for 4 years.

3.9 The Procure Plus model through Wolseley provides flexibility for Leeds. This will enable the council to extend the Managed Stores service during the life of the contract should there be a commercial or operational case.

4 Corporate Considerations

4.1 Consultation and Engagement

4.2 Housing Contract Board requested an option appraisal of the Managed Stores provision in July 2014. The Council's Public Private Partnerships Unit has been consulted on the proposed recommendation and support the proposal.

4.3 The current supplier, Travis Perkins PLC is aware that the current contract ends on 31 March 2015. They will be advised of proposed new supplier once the award of contract has been given to the Procure Plus Framework. Travis Perkins will be expected to participate in an Exit Plan and co-operate with the new supplier.

4.4 Equality and Diversity / Cohesion and Integration

4.4.1 An equality impact assessment has been conducted and is attached to the report.

4.5 Council policies and City Priorities

4.5.1 The Corporate Procedure Rules (CPRs) have been adhered to in recommending this decision.

4.5.2 A contract management plan will be developed in line with 3.1.16 of the CPRs.

4.5.3 A Corporate Social Responsibility plan will be developed during the mobilisation stage with Procure Plus. Leeds are expected to pay 1% of turnover into the Procure Plus fund; based on a £3m turnover, this will be £30k per annum. Officers will ensure that apprenticeships and training programmes are prioritised.

4.6 Resources and value for money

4.6.1 Financial modelling has been undertaken on comparing the management costs of the current provider, Travis Perkins, with that of Wolseley, based on current actual costs and a financial forecast given by Wolseley. The detail is given in the confidential appendix 2. This forecasts a saving of the management costs of 8.6%, £64k per annum based on a turnover of £3m (assuming the materials are the same price). This is based upon a saving of staffing by 1 FTE, due to Wolseley proposing to offer a fully delivered service, reduced Head Office costs and reduced profit levels.

4.6.2 Profit levels proposed by Wolseley are less than Travis Perkins. However, membership of Procure Plus at 2% of turnover, plus a requirement to contribute 1% of turnover towards a Corporate Social Responsibility plan reduces the savings.

4.7 Legal Implications, Access to Information and Call In

- 4.7.1 The Council's Procurement Unit have undertaken due diligence on the Procure Plus Framework and support its usage.
- 4.7.2 TUPE transfer will be applicable to 8 FTE members of staff; one of which has a LCC legacy.
- 4.7.3 The Procurement has been made in accordance with the Councils Corporate Procedure Rules (CPRs).
- 4.7.4 The information in appendix 1 and 2 of this report has been identified as exempt in relation to the Access to Procedure Rules 10.3.4 due to the commercial confidentiality of the information provided.
- 4.7.5 As this report is a Key Delegated decision, it is subject to the Call in procedure.
- 4.7.6 Leaseholders will be notified of this procurement in accordance with s20 of the Leasehold Reform Act 2002.

4.8 Risk Management

- 4.8.1 The main risk for the council is that as the current contract expires on 31 March 2015, a procurement exercise is required, to comply with EU procurement regulations and for the Council not to undertake off contract spend.
- 4.8.2 As a result, there needs to be sufficient time to undertake the procurement, and mobilise the new supplier. As stated in 3.2 – 3.4 the options appraisal identified that there would be insufficient time to implement the other options considered.
- 4.8.3 The appointment of Procure Plus using Wolseley will mitigate these risks as:
 - Wolseley has demonstrated that they can mobilise within 4 months if required. With a 6 month mobilisation, Officers are confident that this would provide sufficient time for Wolseley Integrated Services to acquire a warehouse; for IT integration to be undertaken, and the development of a contract management arrangements to be put in place.
 - Leeds does not need to develop its own specification, as the Procure Plus Framework is very detailed.

5 Conclusions

- 5.1 As the current contract expires on 31 March 2015, Officers undertook an options appraisal on the most suitable form of procurement to ensure that the most appropriate contract could be put in place. As a result, Officers would recommend that Procure Plus is appointed, resulting in Wolseley Integrated Services provide the Managed Stores. This decision is based upon the detailed Framework, specification and assurances in particular in relation to the audit rights, IT integration and mobilisation that have been provided by both Procure Plus and Wolseley Integrated Services.

6 Recommendations

6.1 The Director of Environment and Housing approve:

- 6.1.4 Signing a Framework Agreement with Procure Plus (and its associated licence) to enable Wolseley Integrated Services (part of Wolseley PLC) to be the materials provider for Construction Services from 1 April 2015 for a 4 year term, until 31 March 2019.

7 Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.