

Leeds Building Services – Materials Supply Contract

Date: 21 June 2022

Report of: Chief Officer Civic Enterprise Leeds

Report to: Director of Resources

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- Leeds Building Services (LBS) have an ongoing requirement to purchase a wide range of building construction materials to deliver an efficient and effective service across the city.
- This requirement is currently fulfilled through a Managed Stores Contract with Wolseley UK Ltd, which is due to expire on 31st March 2023. Replacement contracts are required to ensure a compliant supply of materials to support the business.
- The procurements and resulting work will contribute to the city's three pillars set out in the Best City Ambition, described at section 15.
- The contracts established as a result of these procurements will support LBS's direct delivery workforce with the materials required to undertake responsive and planned works to both domestic and commercial properties. The service will use the not-for-profit, social value framework provider Procure Plus as its preferred route to market.

Recommendations

- a) The Director of Resources is recommended to approve the following competitive procurements via a combination of Frameworks Lots and Dynamic Purchasing Systems (DPS) managed by Procure Plus. These include:

Procure Plus Framework / DPS title	Materials to be procured	Approx. Annual Value	Duration of contract	Number of suppliers
Merchants & Responsive Materials Framework Lot 4, multi-product category DPS: Dynamic Purchasing System for Regional Building Merchants	Responsive, van stocks, void materials and over the counter	£1,650,000	4 years plus 4 x 12 months	1
Merchants & Responsive Materials Framework Lot 4, multi-product category	General building materials counter collection	£1,400,000	4 years plus 4 x 12 months	Up to 5

DPS: Dynamic Purchasing System for Regional Building Merchants				
Merchants & Responsive Materials Framework Lot 3, Electrical	Electrical, including van stocks, cyclical, planned commercial materials and over the counter collection	£1,350,000	4 years plus 4 x 12 months	1
Merchants & Responsive Materials Framework Lot 3, Electrical	Electrical materials counter collection	£365,000	4 years plus 4 x 12 months	Up to 5
Goods & Materials Framework Bathrooms and adaptations	Planned and void bathrooms and adaptations	£333,000	2 years plus 2 x 12 months	Up to 2
Distribution & Supply of Plumbing & Heating Materials DPS, Kitchens	Planned and void kitchens	£485,000	2 years plus 2 x 12 months	1
Regional Building Merchants DPS	Ad hoc general building materials counter collection (local merchants)	£130,000	Up to 12 months	Up to 10

Wards affected:

Have ward members been consulted? Yes No

Why is the proposal being put forward?

- 1 Leeds Building Service delivers responsive and planned maintenance work to domestic properties and commercial buildings. Operatives require fast and efficient access to a broad range of materials to support their productivity and to deliver a good service for clients and tenants. These procurements will support continued service improvement as well as ensuring spend is compliant and delivers value for money by reducing downtime.

What impact will this proposal have?

- 2 The competitive tendering process will ensure that the service receives good value for money and that spend on materials is compliant with the Council's Contract Procedure Rules (CPRs).
- 3 Procure Plus is a not-for-profit, social value organisation which will redirect half of its proceeds into Leeds through the delivery of social value objectives. The service will work in close partnership with Procure Plus to ensure that money is directed at those residents and areas with the highest priority need. We estimate that this will include creating up to 15 new employment outcomes for those furthest from the labour market across the lifetime of these contracts.
- 4 TUPE Regulation (Transfer of Undertakings (Protection of Employment)) may apply as part of these procurements with staff transferring from the incumbent materials merchant to any new merchant(s). The Council will support this process and the staff involved.

- 5 An equality, diversity, cohesion and integration (EDCI) screening has been undertaken and found that these procurements have no impact on these issues.

What consultation and engagement has taken place?

- 6 The service is working with both PACS colleagues and the Social Value team who are advising and overseeing compliance.
- 7 Engagement has been undertaken with operatives, team leaders and service staff. This engagement has helped shape the procurement approach which will support quicker access to materials; helping to improve the service's productivity.
- 8 Market engagement has been carried out with merchants to identify both the market appetite and to understand the most efficient ways to access materials. A cost benefit analysis and risks of the options have been undertaken before a preferred procurement solution has been arrived at.
- 9 Trade Unions were consulted on 17th June and are supportive of the procurement approach outlined in this report.
- 10 The Chief Digital and Information Officer IDS has been consulted via LBS business partners. IDS have been made aware of the requirements to support this procurement including the resource and timescales. A paper will be present to digital board within the month.

What are the resource implications?

- 11 The total value of the 7 procurements indicated within this report is anticipated to be approximately £5.7M per annum. It should be noted that this value is subject to staff turnover and volume of work undertaken by LBS utilising directly employed operatives. Despite the cost of materials in the construction sector increasing, cost analysis of like for like products shows that the service will make savings under proposed new arrangements via competitive tendering with specialist wholesalers. The varying durations of the contracts has been determined by the length of relationship the service wants to build with suppliers; the amount of investment required by both parties to mobilise contracts and integrate IT systems; and the regularity of reviewing contracts, including allowing for new merchants to access the DPS.

What are the legal implications?

- 12 The value of these procurements is more than £500k per annum and is therefore a Key Decision and subject to call-in.
- 13 The value of these procurements is in excess of the suppliers Find a Tender threshold and as such must be advertised openly via Find a Tender or procured via an approved and compliant framework / DPS.
- 14 The Procure Plus Framework & DPS arrangement have been reviewed by PACS Legal officers and deemed compliant.

What are the key risks and how are they being managed?

15 Economic Risks:

- Increased cost of materials – limited opportunity to mitigate these increased costs. Robust contract management and supplier relationship development is needed to ensure transparent communications pertaining to cost increases across the sector. Support in managing this risk and mitigating cost increases will be provided via Procure Plus who will help identify better value alternative products. Cost analysis has been undertaken on frameworks providers with Procure Plus offering best value.
- Consistent availability of core product – long lead times have been noted within the construction sector for some materials. Where possible, LBS will seek to work with commissioning services to plan work programmes effectively in advance to mitigate delays

to work, in addition to robust contract management and supplier relationship development. Support with identifying key areas of concern and potential increased lead times / alternatives can be supported by working with Procure Plus.

- Disruption in Materials Supply Chain – mitigated by sourcing from more than one supplier to reduce risk.

16 Environmental Risks:

- Increased landfill usage and subsequent costs – Suppliers will need to demonstrate an effective waste management strategy pertaining to packaging and other waste product in line with the Council's waste policy.
- Reduced quality products – Whilst costs are increasing, there is a risk that in an effort to reduce costs, poor quality less sustainable materials / products could be used as an alternative. This could adversely affect the quality of work and increase waste. This can be mitigated by ensuring minimum standards of quality are met, and customer expectations are managed in relation to the 'whole life' costs of lower cost alternatives.

Does this proposal support the council's three Key Pillars?

Inclusive Growth Health and Wellbeing Climate change

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- Inclusive growth will be met through delivering on social value objectives. The service will work to ensure support is directed to residents and areas with the highest priority need.
- This procurement activity will support health and wellbeing, ensuring that tenants live in housing of the right quality with repairs completed within target time.
- Improved access to materials and use of van stock materials will support the Council's climate emergency agenda by reducing vehicle travel and fuel usage. As part of the tender process, bidders will be scored on their approach to reducing carbon emissions.

Options, timescales and measuring success

What other options were considered?

16 **No procurement:** This option was discounted as it would result in operatives having no complaint access to materials for work, resulting in significant non-contract spend above legislative thresholds, leaving the authority at risk of challenge.

17 **Openly advertised LCC procurement:** This option was discounted due to the complexity surrounding supply chains. Undertaking our own procurement activity would potentially result in extra staffing costs to create and maintain an experienced supply chain manager to manage multiple supply arrangements effectively. In addition, procurement timescales would be significant in comparison to accessing an established framework or DPS where preselection has already been undertaken by the Framework Management Team.

18 **Other Framework Providers:** Other Framework Providers were considered during scope stages. However, it has been identified that Procure Plus offered the best 'all round' package for the most of the service's material procurement needs. In addition, Procure Plus will deliver 1% of the spend as social value activity in Leeds. Procure Plus already have established relationships within the Council, through which have demonstrated cost efficiency for Housing Leeds in the delivery of Class 1 Heating Materials.

How will success be measured?

17 A benefits realisation plan has identified the following:

- Improved first time fix for tenants – as part of these procurements, operatives will have a better and bespoke van stock to support first time fixes, supported by availability of multiple suppliers across the city for local purchasing and collections. This will be measured via KPIs.
- Increased productivity and reduced travel time – these procurements will ensure that operatives have more options to access materials quickly via more outlets around the city, closer to their area of work. This will reduce non-productive time travelling to a single store location and support increased productivity. This will be measured using vehicle GPS data.
- Better purchasing power via Procure Plus and direct access to specialist merchants and manufacturers. The options analysis has shown that procuring in specialist lots via Procure Plus is projected to realise an overall saving on materials. This will be measured using a basket of goods like for like pricing, with the caveat that material costs are subject to market influence and are cost fluctuations are out of our control.
- A more satisfied workforce. The service has worked closely with its staff to understand existing frustrations with accessing materials and has worked with staff to shape the new approach. Continued engagement with the workforce to understand and improve on the access of materials is key to a more satisfied, engaged and productive workforce.

What is the timetable for implementation?

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- June 2022 – produce tender specifications and seek Authority to Procure
- July 2022 – advertise tenders
- Sept 2022 – award contracts and commence mobilisation of new contractors
- 1st April 2023 – new contracts commence

Appendices

19 EDCI screening

Background papers

20 NA