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Report of: Laraine Manley, Executive Director of Place

Report to: Cabinet

Date of Decision: April 2019

Subject: Procurement of a Plumbing & Heating spares contract to support the Repairs & Maintenance Service in the Place Portfolio

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="" type="checkbox"/>	
- Affects 2 or more Wards	<input checked="" type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to?		
Councillor Jim Steinke - Cabinet Member for Neighbourhoods and Community Safety		
Which Scrutiny and Policy Development Committee does this relate to?		
Safer and Stronger Communities Scrutiny and Policy Development Committee		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? 552		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		
<i>"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>		

Purpose of Report:

This report seeks authority to procure the provision of a Plumbing & Heating spares contract to support the Repairs & Maintenance Service and award the contract for the Council in line with the contents of this report.

Recommendations:**That Cabinet:**

1. Approves the re-tendering of the Plumbing and Gas Spares contract as outlined in this report, including:
 - a. ongoing provision of plumbing and heating spares for the repairs and maintenance service to maintain housing stock and corporate building; and
 - b. provision of boilers and associated parts specifically to service the Heating Replacement Programme;

2. Delegates authority to the Executive Director of Place, in consultation with the Director of Financial & Commercial Services and Director of Legal and Compliance to:
 - a. decide the procurement strategy;
 - b. negotiate and agree the terms of the new contracts for the provision of Plumbing & Heating spares (including framework and call-off contracts, including the purchase of boilers and associated parts);
 - c. award the new contracts to the successful services providers chosen by the Council;
 - d. Take all other necessary steps not covered by existing delegations to achieve the outcomes outlined in this report.

Background Papers:

(Insert details of any background papers used in the compilation of the report.)

Procurement Strategy? (or not applicable?)

Lead Officer to complete:-							
1	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;">I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.</td> <td style="width: 50%; vertical-align: top;">Finance: Awaiting approval</td> </tr> <tr> <td></td> <td style="vertical-align: top;">Legal: Rachel Ma</td> </tr> <tr> <td></td> <td style="vertical-align: top;">Equalities: Michelle Hawley</td> </tr> </table>	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Awaiting approval		Legal: Rachel Ma		Equalities: Michelle Hawley
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	Legal: Rachel Ma						
	Equalities: Michelle Hawley						
<p><i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i></p>							

2	EMT member who approved submission:	<i>Laraine Manley</i>
3	Cabinet Member consulted:	<i>Councillor Jim Steinke</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Mark Freeth</i>	Job Title: <i>Head of Repairs and Maintenance Service</i>
	Date: <i>28/03/2019</i>	

1. PROPOSAL

(Explain the proposal, current position and need for change, including any evidence considered, and indicate whether this is something the Council is legally required to do, or whether it is something it is choosing to do)

1.1 Background

In January 2017, a supplier framework was set up for the supply and delivery of building materials to support the Council's Housing Repairs and Maintenance Service ("the Existing Contract").

The term of the Existing Contract is 26 months from the 1st January 2017 in order to be in place for the insourcing of the Kier SHR&M contract on 31st March 2017.

The Existing Contract will be due to expire on 31st March 2019 with an option to extend for up to 2 years to 31st March 2021.

The materials frameworks operate with a number of suppliers on each of the trade specific 'lots':

- Travis Perkins PLC is on both Plumbing and Heating lots;
- Wolseley UK Ltd is predominantly engaged for the supply of commercial heating equipment to the Corporate repairs service

Contract values

The contract is for:

- a. ongoing provision of plumbing and heating spares for the repairs and maintenance service to maintain housing stock and corporate building; and
- b. provision of boilers and associated parts specifically to service the Heating Replacement Programme (as defined below);

Based on the data available from Kier Services Ltd estimated spend on these 2 lots was in region of £1.5M per annum.

In the first year of the insourced service (2017/18) a total of £1,919,190.58 was spent with Travis Perkins PLC with a further £1,599,346 spent with them from April – February in 2018/19.

The total spend with Wolseley UK Ltd was £330,636.83 in 2017/18 with £426,519 spent with them from April – February in 2018/19.

Therefore the contract value for a revised framework is estimated to be in the region of £2 million per annum across plumbing and gas spares for a 2 year contract with an option to extend for another 2 years

Together with this ongoing spend is an additional £1 million per annum on boilers and full heating systems for a stand-alone heating replacement programme (“**Heating Replacement Programme**”). This Heating Replacement Programme has recently been awarded to the in house repairs & maintenance service and is subject to a separate approval process via the Capital Programme.

The current incumbent suppliers, Travis Perkins PLC and Wolseley UK Ltd have been approached and agreed to short term extensions whilst the service seeks the necessary approvals and run a tender exercise for these ongoing materials requirements.

1.2 **Proposal**

The service is undergoing a period of transition following insourcing and all supply chain arrangements have been reviewed as we approach the end of the initial contract terms (i.e. 31 March 2019).

The market has been engaged and cost benchmarking undertaken. More competitive prices were offered by alternative suppliers on a number of our key stock lines. Together with the results of the benchmarking, there have been occasions when the Council’s incumbent supplier has been slow to purchase from outside their standard supply chain when they cannot supply our specified products. This has led to stock outs and associated service delivery delays for our tenants.

Although there is an option to extend the term of the existing contract, the responsible Officers believe that, together with the increased spend on the Heating Replacement Programme; better value can be obtained by re-tendering these requirements through an open competitive process.

The addition of the materials requirements to service the heating programme will add to the Council’s buying power and ability to achieve best value and would also significantly increase the overall contract value advertised at the initial tender.

This report is to seek approval of re-tendering the ongoing provision of both plumbing and heating spares as separate 'lots' and also for the provision of boilers and associated parts specifically to service the Heating Replacement Programme.

2. HOW DOES THIS DECISION CONTRIBUTE ?

(Explain how this proposal will contribute to the ambitions within the Corporate Plan and what it will mean for people who live, work, learn in or visit the City. For example, does it increase or reduce inequalities and is the decision inclusive?; does it have an impact on climate change?; does it improve the customer experience?; is there an economic impact?)

2.1 The Corporate Plan sets the Council's direction, priorities and common goals. This proposal specifically support the priorities around:

- An in touch organisation
- Strong economy

2.2 The procurement will enable SCC to engage with the market to ensure that the standards and products in place are up-to-date and also compliant with requirements for the Council and the industry.

2.3 The tender opportunity will enable suppliers/service providers (both local and national) to trade with the Council to offer their services and will contribute to keeping the economy strong.

3. HAS THERE BEEN ANY CONSULTATION?

(Refer to the Consultation Principles and Involvement Guide. Indicate whether the Council is required to consult on the proposal, and provide details of any consultation activities undertaken and their outcomes.)

3.1 No external consultation is required or has taken place as the tender is to support the internal service provision.

3.2 This report has been jointly developed in consultation with relevant stakeholders in the Repairs & Maintenance service, Housing Service and Financial & Commercial Services.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

4.1.1 An EIA has been completed and signed off although there are no equality implications from this re-procurement.

4.2 Financial and Commercial Implications

4.2.1 As set out in paragraph 1.1, a revised framework is estimated to be

- in the region of £2 million per annum across plumbing and gas spares; and
- an additional £1 million per annum on boilers and associated parts

The proposed new contract will be for 4 years (2 years contract with an option to extend for another 2 years).

4.2.2

There is an option to extend the existing contract for 24 months. However, this option is not considered to be cost-efficient as the spend on the contract extension would be in excess of the initial contract value advertised.

4.2.3

The Council has a duty to ensure that all of its procurement is based on value for money principles, achieving the optimum mix of quality and effectiveness for the least outlay. In addition to this duty and the overarching EU Treaty Principles relating to transparency and equality of treatment, the value of the services in scope is above the OJEU threshold and so requires a number of specific procedural steps to be followed.

In undertaking an OJEU compliant tender process, the Council will ensure compliance with the necessary legal and regulatory provisions relating to procurement, whilst encouraging innovation and competition from the market and allowing the Council to choose the optimum solution based on a balance of quality and price.

The contracts will not provide any guarantees in relation to volumes or a value committed to supplies over the course of the arrangement, and so provides flexibility for the Council to carry out ongoing reviews of its needs and amend its requirements as required.

4.2.4 Sheffield City Council is committed to ensuring a high standard of ethical practice across our supply chain

The Council expects all internal staff, partners and suppliers to work to these augmented standards which assure we will:

- Trade with those who comply with an Ethical Code of Conduct
- Exclude suppliers committing acts of Grave Misconduct
- Improve Social Outcomes for the citizens of Sheffield
- Increase the power of procurement and its local economic impact.

4.3 Legal Implications

4.3.1 The Localism Act 2011 provides local authorities with a “general power of competence” which enables them to do anything that an individual can do as long as the proposed action is not specifically prohibited. A

purpose of the Act is to enable local authorities to work in innovative ways to develop services that meet local need.

When the Council delivers services it is subject to the 'best value duty'. This requires the Council to 'make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The procurement of any goods, works or services by the Council must be undertaken in accordance with all relevant provisions of the Council's Constitution including its Contracts Standing Orders and all applicable Procurement rules.

Successful providers/suppliers chosen by the Council will be required to enter into formal written legal agreements with the Council.

4.4 Other Implications

(Refer to the Executive decision making guidance and provide details of all relevant implications, e.g. HR, property, public health).

4.4.1 No further implications as a result of this procurement.

5. **ALTERNATIVE OPTIONS CONSIDERED**

(Outline any alternative options which were considered but rejected in the course of developing the proposal.)

5.1 Extension of the existing contract - the Service could continue meeting service delivery requirements via the existing framework contracts and re-tender in line with standing orders in 2 years' time. However, this option is not recommended as it is believed that better value can be achieved by re-tendering at this stage as outlined in Section 1.

6. **REASONS FOR RECOMMENDATIONS**

(Explain why this is the preferred option and outline the intended outcomes.)

6.1 The procurement will enable the Council to:

- Have a compliant mechanism in place to meet the service requirements, whilst allowing for a thorough review in the medium term to identify any further savings/efficiencies as part of the ongoing TOM (target operating model) project.
- As outlined in section 1 it is believed that immediate savings and economies of scale can be realised by re-engaging the market, particularly with spend levels being in excess of those originally predicted pre-insourcing.

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