

Finance and Resources Committee

10.00am, Thursday, 15 August 2019

Trade Materials and Associated Trades - Extension to Contract Waiver

Executive/routine Wards Council Commitments	Executive
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1. Recommendations

- 1.1 The Finance and Resources Committee is asked to:
 - 1.1.1 approve a two-year extension, by way of a waiver to the Council's Contract Standing Orders, to the contract currently held by Travis Perkins Trading Company Limited (TPTC) for the supply and delivery of trade materials for the Council's Housing Property service (HP), the said extension to commence on 1 April 2020; and
 - 1.1.2 note the total cost of the contract extension is approximately £8m (£4m per annum) exclusive of VAT. This cost may fluctuate depending on the volume and cost of materials required to service the repairs undertaken by HP.

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Executive Director of Place

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Finance and Resources Committee

Trade Materials and Associated Trades - Extension to Contract Waiver

2. Executive Summary

- 2.1 The existing contract with TPTC provides the Council with trade materials and commodities to carry out approximately 140,000 repairs per annum within Council housing stock.
- 2.2 The purpose of this report is to request the Committee approve a waiver to the Council's Contract Standing Orders to allow a two-year contract extension to TPTC at a cost of approximately £4m per annum, exclusive of VAT.
- 2.3 This extension is being requested following completion of a detailed risk assessment considering all internal and external factors which concluded that it is not in the Council's best interests to commence the re-procurement process for these services until early 2020.
- 2.4 This risk assessment took account of the contractual and operational risks and opportunities in relation to progressing a re-procurement process, the timing of the same and future contract requirements.

3. Background

- 3.1 On [27 November 2014](#), the Finance and Resources Committee approved the award of contract to TPTC for the supply and delivery of trade materials and commodities to the Council for a period of three years with the option to extend annually for a maximum of two further years. The contract has already been extended for the maximum period and should end on 31 March 2020.
- 3.2 A procurement exercise to award a new materials supplier contract commenced in 2018 with the intention to going to tender in February 2019 in order to meet the required contract start date of 1 April 2020.
- 3.3 A Prior Information Notice was published and a "Bidders day" was held. Market testing was undertaken with potential bidders who were given the opportunity to meet with the Council, discuss the future contract and deliver a presentation showing how their company could fulfil the requirements of the contract. It was also

made clear at this point that the Council would welcome bids from groups of local small and medium-sized enterprises.

- 3.4 However, during this early engagement it became clear that the proposed timetable would mean that planned essential upgrades to technology would not be in place until the award of this contract was made, leading to significant operational risk.
- 3.5 Further, the Council has been exploring opportunities to collaborate with other public sector organisations such as neighbouring local authorities and further educational institutions to maximise potential economies of scale and sharing of best practice. Extending this contract will enable this approach to be further developed.

4. Main report

- 4.1 This report outlines the proposal to extend the existing Trade Materials and Associated Trades contract arrangement for two years, to address the risks identified during the pre-procurement process and to enable further discussions with other partners and local authorities on collaborative working to progress.

Contract Extension, Value and Timeframe

- 4.2 It has been assessed that the most appropriate time to formally commence the re-procurement exercise for the Council's Trade Materials and Associated Trades contract would be early 2020.
- 4.3 Publishing the formal procurement notice in early 2020 allows sufficient time for risks described below to be mitigated considerably and would enable the contract to be awarded later in the year (2020) and would provide sufficient time to make the required arrangements for the contract to begin on 1 April 2022.
- 4.4 To enable this to happen, a two-year extension of the current contract is required. The value of the extension is approximately £4m per annum (£8m in total), exclusive of VAT.
- 4.5 In preparation for this proposed extension, the Council asked TPTC to bring forward a proposal for the additional two years. This has been benchmarked against the existing materials rates with other local authorities and Scotland Excel and is assessed as continuing to secure Best Value for the Council.
- 4.6 This extension will also generate an additional total income rebate to the Council of £80,000 - £100,000 and an additional £80,000 community benefits funding to the Legacy Fund, currently managed through One City Trust.

System Upgrades

- 4.7 There are two critical systems (Northgate and Total Mobile) used by officers in planning and carrying out repairs in Council owned properties. During the pre-procurement process it became clear that both required essential upgrades and that progressing with the procurement before these are done would lead to significant operational risk to the Council.

- 4.8 It is intended that the upgrades to Northgate and Total Mobile will be completed by early 2020, allowing the tender process to include all required information on the Council's systems. This will enable the bidders to tender fully scoped ICT solutions.

Contract Arrangements and Processes

- 4.9 In addition to the tendering process, the set up of a contract of this nature requires up to 12 months to ensure that the handover is seamless and that there is no loss of service. This preparation time is used to ensure supplier systems are fully integrated with the Council's, and ensuring testing, security compliance, training and processes are rolled out. Communications with stakeholders and trade unions will also take place.
- 4.10 Within the preparation time, logistics and arrangements need to be established for out of hours storage and collection of materials, workable logistics for emergency items and business continuity processes mapped out and tested.

Collaborative Approach

- 4.11 The Council has been exploring opportunities to collaborate with other public sector organisations such as neighbouring local authorities, further educational institutions and third sector partners to maximise potential economies of scale and sharing of best practice.
- 4.12 It is believed that by working in partnership, economies of scale would offer greater commercial efficiencies and Best Value for the Council.
- 4.13 One housing management company has already discussed with Council officers the opportunity to procure jointly as a collaborative partner. However, significant work will be required to ensure any resulting procurement is suitably scoped and tightly governed. These arrangements include:

Service Level Agreements

- 4.14 The Council is engaging with potentially interested bodies to scope out:
- 4.14.1 a suitable Memorandum of Understanding;
 - 4.14.2 Benefits – sharing of best practice, financial, social, environmental;
 - 4.14.3 Risks and mitigations;
 - 4.14.4 Scope of contract and contract management; and
 - 4.14.5 Rebates and Community Benefits.

Benefits of Collaborative Working

- 4.15 Such collaborations could provide many financial and customer service benefits which support the Council's commitment to achieving budget savings, greater efficiencies and improving customer satisfaction. Benefits could include:
- 4.15.1 A higher rebate back to the Council from the overall increase in contracted spend and anticipated competitive rates from bidders. This will depend on the legal arrangement between the Council and any prospective partner but

officers will work to ensure that there are measurable benefits to any such arrangement;

4.15.2 “Free issue” – currently capital and responsive contractors working in Council homes are contracted for labour and materials. Tender exercises are underway to re-procure contracts for both the repairs and maintenance and capital frameworks for housing. The option to award ‘labour only’ works will be incorporated into these frameworks. This allows for materials to be purchased through the new supplier on this contract, thus further increasing the financial rebate totals due to the Council;

4.15.3 Opportunity for other public sector organisations to ‘buy in’ would further increase the benefits of “economies of scale”;

4.15.4 Joint Community Benefits leverage; and

4.15.5 Best practice and knowledge sharing.

4.16 The recommended extension will allow the Council more time to mitigate and reduce the identified risks, whilst assessing any potential opportunities to ensure the specification and contract model is fit for purpose and offers the best solution to the Council to minimise risk and costs.

5. Next Steps

5.1 Subject to approval:

5.1.1 TPTC will continue to provide trade materials for Council housing stock until 31 March 2022;

5.1.2 the Council will continue supplier management with TPTC to develop a collaborative strategic approach to realise anticipated future commercial efficiencies and secure Best Value under the extended contract; and

5.1.3 TPTC will extend current depot rentals to ensure provision of service to the Council.

5.2 Also, subject to approval, officers will progress with the arrangements for procurement of the new contract, engaging with potential suppliers, partners and stakeholders as appropriate.

6. Financial impact

6.1 The maximum value of the extension to contract is £8m exclusive of VAT. This will be contained within the Housing Revenue Account (HRA) budget.

6.2 This extension will also generate an additional total rebate to the Council of £80,000 - £100,000 and an additional £80,000 funding to the Legacy Fund, currently managed through One City Trust.

7. Stakeholder/Community Impact

- 7.1 Risk of challenge from other potentially interested suppliers has been assessed as low. The contract extension period allows the Council the opportunity to work collaboratively and issue a joint tender with other public sector partners which has scope to be more attractive to the supply market.
- 7.2 If this waiver is not approved, there is a significant risk that the Council will fail in its obligation to perform its repair service to our tenants and putting vulnerable people at risk as this contract is essential to provide the materials required to carry these works out.
- 7.3 Contract Standing Order 9 provides an option for the Council to waive the Contract Standing Orders where the requirement is in the Council's best interest having regard to Best Value, risk, the general principles of procurement and the impact upon service users. It is assessed that the recommendation to extend the current contract will satisfy these requirements.
- 7.4 Any disruption to service delivery increases risks in respect of: Health and Safety, Council's responsibility and reputation and is expected to result in an escalation of complaints and decrease in customer satisfaction.

8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 None.