

EXECUTIVE 16th December 2021

Report Title	Procurement of Shared Parts and Materials Suppliers for Housing Stock
Report Author	David Watts, Executive Director for Adults, Communities and Wellbeing
Executive Member	Councillor Andy Mercer, Executive Member for Housing and Communities

Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there public sector equality duty implications?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Applicable paragraph number for exemption from publication under Schedule 12A Local Government Act 1974	

List of Appendices

None

1. Purpose of Report

- 1.1. To seek approval from the Executive for the procurement of the supply of parts and materials for the Corby and Kettering Housing Property Services.
- 1.2. To seek delegation of authority from the Executive to the Executive Member for Housing and Communities in consultation with the Executive Director for Adults, Communities and Wellbeing, to take any further decisions and/or actions required to appoint a framework provider and enter into contract with suppliers.

2. Executive Summary

- 2.1 North Northamptonshire Council owns and manages 8,280 council homes, across the former Corby and Kettering areas. The Council is responsible for the repairs and maintenance of these properties via its in-house direct labour organisations. To do this the Council need to be able to purchase large

quantities of stock on a regular basis to fulfil its landlord repairs and maintenance obligations.

- 2.2 At present the Corby area has a contract with a supplier of general building parts and materials which is due to expire in January 2022 and another which expires 30th October 2023. Kettering area has six contracts in place, five of which are due to expire in January 2022, and one which has been extended until January 2023. In addition, the Kettering area has one contract which has expired and one which now needs to be procured.
- 2.3 There are benefits to the Council of merging its parts and materials supplier contracts, such as greater buying power and a standardised approach to the purchasing process.
- 2.4 Prior to vesting day Kettering Borough Council entered several short-term supplier contracts, to provide the opportunity for North Northamptonshire Council to deliver a joined-up approach to suppliers post vesting day. It is now proposed to enter into a medium to long term contractual arrangement (4 years in a 2+1+1 format) with multiple material and parts suppliers.
- 2.5 The use of a Framework Provider would provide compliant, robust, and resilient contracts. It is intended that the Council enter into contracts which cover both Kettering and Corby for the supply of parts and materials for heating and plumbing, electrical, general building, decorating, kitchens, windows and doors and flooring.

3. Recommendations

- 3.1 It is recommended that the Executive delegates authority to the Executive Member for Housing and Communities in consultation with the Executive Director for Adults, Communities and Wellbeing, to procure, negotiate, award, and enter into a contract to provide shared parts and materials to Council owned housing properties, by means of a Framework Agreement.
- 3.2 By approving this recommendation, Council officers will be able to: -
 - Closely align with local government reform and transformation outcomes, through the use of shared suppliers within the two Housing Property Services teams.
 - Procure the new contracts in the most efficient and timely manner to ensure a fully compliant procurement process is in place for the supply of parts and materials.
 - Provide better value for money to the council.
 - Ensure tenants benefit from a standard parts and materials service across North Northamptonshire.

4. Report Background

- 4.1 The Council purchases thousands of building related parts and materials annually that are required to repair and maintain the Council's housing stock of 8,280 homes. This ranges from replacement boilers and new kitchens/bathrooms to a new tap or door handle.
- 4.2 The parts required are used to maintain tenanted homes and empty homes (voids) prior to re-letting to applicants via Keyways, the Council's choice-based lettings housing allocation scheme. Works identified can be either planned or responsive, meaning both revenue and capital budgets are used to purchase the necessary parts and materials.
- 4.3 Previous arrangements at Corby involved a contract with one main supplier for all items other than electrical. These items are either delivered to site or collected direct from the supplier, as there is no Stores facility at the Corby Depot. Kettering has a Stores facility on site which holds over 1,000 products and is stocked direct from suppliers, who deliver parts and materials direct to the Depot.
- 4.4 There is currently a project underway to consider the options for a shared in-house stores function. This will form part of a separate report in due course. The procurement of suppliers is essential to the delivery of a Stores service and will also allow for a joined up back-office ordering and payment function.
- 4.5 Exploration was commenced prior to vesting day, to understand the most suitable procurement route to deliver a joint parts and materials purchasing process and this forms the basis of the issues and choices to be considered by Executive.
- 4.6 At present, the Council has several legacy supplier contracts for parts and materials that are due to expire in January 2022. These are currently being extended for a short period to enable the conclusion of this procurement process. In addition, one parts and materials supplier contract expired prior to vesting day and the Council continues to operate under the arrangements previously procured by the legacy contract. A second parts and materials supplier contract existed for one of the sovereign Councils but not the other. Therefore, there is a need to put in place a contract that will address these legacy issues.

5. Issues and Choices

- 5.1 Following the creation of North Northamptonshire Council, multiple supplier contracts for building and maintenance parts and materials are required to enable the Council to deliver a safe and legal landlord repairs service. This is to enable the Council to purchase specialist items from suppliers specialising in certain areas e.g. electrical wholesalers providing electrical parts.
- 5.2 The following options have been considered for procurement of a new contractor:

- a) **Open tender** - Open tendering is a transparent procurement process which is open to the whole market and allows equal opportunity for competing suppliers. It enables the Council to identify the supplier offering a mixture of the highest quality and most competitive price, resulting in the most economically advantageous tender. It is a fully compliant route to market and often provides the most competitive results. The disadvantages of this process (as they relate to this project) are the timescales to run a procurement in this way, which could take upwards of six (6) months to award a contract.
 - b) **Framework (using mini competition and/or compliant direct award options)** - A framework process typically reduces the procurement timeframe, as the pre-evaluation of multiple suppliers has already been undertaken, allowing the Council to approach a smaller pool of suppliers and in some cases, award a contract directly to a supplier (based on the terms of the framework). Frameworks can provide a shorter timeframe to awarding a compliant contract. The disadvantages to using a framework are that they can provide restrictions to new suppliers who may offer a reduction in prices or service. Use of a compliant framework could mean that the procurement process could be concluded in a shorter period. Estimates provided by the framework providers suggest within 3 months.
 - c) **Award without Competition (Negotiated Procedure without Prior Publication)** - Making an award to a supplier without any form of competition contravenes the Public Contracts Regulations 2015 (The legislation which implements the Public Sector Procurement Directive and governs public sector procurement above the UK Regulations Threshold) and the principals of good and ethical procurement (namely non-discrimination, equal treatment, transparency, and proportionality) and therefore hasn't been explored as an option.
- 5.3 The fastest option available for the Council to procure new suppliers is to go through the framework route. Five reputable Framework Providers, whose legal notices are in order, and processes meet the requirements of the Public Contracts Regulations 2015, were approached in September 2021 (Efficiency East Midlands; Procurement for Housing, Eastern Shires Purchasing Organisation, Yorkshire Purchasing Organisation and Crown Commercial Service) to enquire about appropriate frameworks. All five providers responded.
- 5.4 The Council is currently in the process of appointing one of the Framework Providers. As part of this process the Council will consider how the framework will meet the Council's requirements, this being: the support provided by the Provider both during the call-off and throughout the length of the contract, timescales involved during the procurement process, regular finance and performance reports and ongoing diligence checks the Providers carry out on the Suppliers.
- 5.5 One of the criteria the Council are adopting to select a Framework Provider is the use of national suppliers who have branches local to Kettering and Corby.

It is key that the Council achieve both value for money, along with a resilient supply chain. Suppliers need to be based locally for the efficient delivery and/or collection of parts and materials and be able to provide a wide range of stock that meets the Council's repair requests. Suppliers also need to be able to source the products within tight timescales.

6. Implications (including financial implications)

6.1 Resources and Financial

6.1.1 Anticipated annual spend for both Corby and Kettering are as follows, this includes an uplift of 5% for anticipated price rises next year:

	Corby	Kettering	Total
Building materials	£1,050,000	£315,000	£1,365,000
Heating and Plumbing	£178,500	£525,000	£703,500
Electrical	£168,000	£225,000	£393,000
Decorating	£42,000	£31,500	£73,500
Kitchens	£63,000	£42,000	£105,000
Windows and doors	£136,500	£21,000	£157,500
Flooring	£26,250	£26,250	£52,500
Total	£1,664,250	£1,185,750	£2,850,000

6.1.2 The proposed approach to procuring parts and materials supply contracts for the seven areas listed above does not tie the Council into a guaranteed spend per year arrangement with each successful supplier. Instead, it seeks to ensure the Council can quickly purchase parts and materials at a procured price based on anticipated spend.

6.1.3 The Council has a ring-fenced Housing Revenue account within which budgets are identified for the purchase of parts and materials. This includes both revenue and capital budgets. The anticipated spends outlined above fit within the existing and previous year's budget allocations for this purpose.

6.1.4 The 2021/22 total budgets for spend on parts and materials within the two HRA Neighbourhood Accounts are as follows:

6.1.4.1

Corby	
Total value of HRA material revenue budgets for 2021/22	£984,640
Total value of HRA material capital budgets for 2021/22	£564,249*
Total	£1,548,889

6.1.4.2

Kettering	
Total value of HRA material revenue budgets for 2021/22	£422,800
Total value of HRA material capital budgets for 2021/22	£650,000*
Total	£1,072,800

*Capital budgets are not split into cost centres, therefore only approximately half of these budgets are available for parts and materials spend. The other half covers capitalised salaries. The total figure is therefore based on half of the total budget available.

- 6.1.5 Whilst the total estimated value of the budgets for parts and materials listed above is less than the proposed values shown in 6.1.1, this is due to the 5% uplift that has been applied to the anticipated spend on parts and materials for next year. It is expected that the budgets would increase proportionately to accommodate such rises.
- 6.1.6 A joint purchasing approach will benefit the price per unit of items purchased from suppliers. Framework Providers procure unit prices for parts and materials on behalf of several member organisations. As a result, members benefit from this collective buying power through access to more competitive prices. For example, with a previous contract, the Kettering team saved on average 33% of their overall spend during a 12-month period by accessing the Framework price for the parts in comparison to the non-Framework price. Therefore, it is expected that we can purchase more products for less expenditure.

6.2 **Legal**

- 6.2.1 The procurement process will involve awarding and entering into a framework agreement, in line with the Council's Contract Procedure Rules and Public Contract Regulations 2015 (PCR2015).
- 6.2.2 Under section 1 of the Localism Act 2011, the Council has the power to undertake any activity a normal person could undertake, for the benefit of the authority, its area or persons resident or present in its area. The Council is satisfied it has the enabling power(s) to procure and award a contract for services having followed a robust procurement exercise.
- 6.2.3 The Council has an obligation as a best value authority under section 3 of the Local Government Act 1999 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".
- 6.2.4 Internal governance arrangements will be undertaken to ensure that the Council meets its legal obligations.

6.3 **Risk**

- 6.3.1 There is a risk of delay to the procurement conclusion if any further decisions need to be referred to the Executive and not delegated as proposed.
- 6.3.2 There are seven contracts expiring in January 2022, and a further two that have either expired or aren't in place. The Council faces significant risk by operating outside of procurement legislation, and therefore a speedy resolution to this matter is being sought.

6.3.3 If the Council does not enter into new contracts, then there is a risk to being able to deliver statutory repairs obligation to tenants.

6.4 Consultation

6.4.1 There has been no consultation undertaken outside of the Council.

6.5 Consideration by Executive Advisory Panel

6.5.1 This paper has been considered by the EAP on 3rd December 2021 and they were supportive of it.

6.6 Consideration by Scrutiny

6.6.1 The procurement process and/or any part of the requirement may be selected for consideration by Scrutiny.

6.7 Climate Impact

6.7.1 The framework providers include national suppliers who have local branches within North Northamptonshire, thus reducing travel distances from suppliers to the Council's depots within Corby and Kettering. In addition, a standardised approach to the use of suppliers by the Property Services team will result in more bulk orders and therefore a reduction in deliveries and collections. The review of the stores function that is currently underway will seek to maximise opportunities to streamline ordering and delivery processes, with the aim of reducing the Council's carbon footprint.

6.8 Community Impact

6.8.1 The Council's tenants will benefit from a standard parts and materials service across North Northamptonshire, whilst we will be able to continue to both maintain and improve our Housing stock.

7. Background Papers

7.1 None.