

# Brighton & Hove City Council

**HOUSING COMMITTEE**

**Agenda Item 71**

**Subject:** Housing Repairs and Maintenance – Procurement of Materials Supply Chain

**Date of Meeting:** 15 March 2023

**Report of:** Executive Director for Neighbourhoods, Communities & Housing

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**Ward(s) affected: (All Wards);  
FOR GENERAL RELEASE**

## **1. PURPOSE OF REPORT AND POLICY CONTEXT**

1.1 The existing arrangements for the ordering and supply of construction materials to support the Repairs and Maintenance Service is currently delivered under a contract with Mears which ends on 31 March 2025. The procurement work is now in progress to replace the existing service and to secure this crucial area of the Repairs and Maintenance service.

1.2 Housing Committee is being asked to approve the procurement of a contract for the future materials supply chain.

1.3 The report seeks delegated authority for the Executive Director of Housing Neighbourhoods and Communities to award the materials supply chain contract, with an initial contract term of 5 years with the option to extend for a further 5 years subject to satisfactory performance.

## **2. RECOMMENDATIONS:**

2. That Housing Committee delegates authority to the Executive Director of Housing, Neighbourhoods and Communities to:

- 2.1 Take all steps necessary to procure and award a contract for the materials supply chain for the Housing Repairs & Maintenance Service, with a contract term of 5 years.
- 2.2 To approve an extension to the contract referred to in 2.1 above for a period of up to 5 years following the initial 5 year term, subject to satisfactory performance.

### 3. CONTEXT/ BACKGROUND INFORMATION

3.1 The Housing Repairs and Maintenance (R&M) service was brought in-house on 1 April 2020 following the end of a ten-year partnering contract with Mears. As previously reported to Housing Committee, the council has continued to use the Mears' systems (MCM – Mears Contract Management, and MEPOS – Mears Electronic Purchasing Ordering System) to support the repairs service and materials supply chain for purchasing materials to complete repairs.

3.2 A range of high spend procurement projects have been completed since the service came back to the council, including procurement of a multi-contractor framework for specialist works and vehicle fleet replacement. The current focus is now on securing our own arrangements for the ordering and supply of materials, integral to running the Housing Repairs and Maintenance service.

3.3 The Repairs & Maintenance service has responsibility for the day-to-day maintenance of 11,800 properties. It raises approximately 19,700 materials supply orders per annum, with an average value of £1.8 million per year. This provides materials for over 40,000 repair jobs which includes plumbing, electrical work, minor roofing repairs, general building, decorating, door/window and kitchen repairs. The councils housing properties are spread across the City with the repairs operatives and teams required to move between jobs and collect the required materials throughout the day.

3.4 A cross directorate project group was set up to support this key service procurement activity, with representatives from the Repairs service, Procurement, Finance and IT. The group have reviewed various models on how the supply chain can be delivered and the preferred option is to progress with a single organisation to act as a broker and manage the materials supply chain to meet the unique needs of the service. This option would provide 'a one point of contact' model that has some major identified benefits whilst maintaining local outlets in the city ensuring quick access to materials and supporting the local economy, these include:

3.4.1 A large scale provider will have significantly greater purchasing power than a range of smaller suppliers giving the council access to more competitively priced materials.

3.4.2 One provider acting as the 'umbrella' organisation/broker would result in high financial savings on IT interfacing costs, plus make account relations more straight forward.

3.4.3 The specification would include the provider offering guidance on new innovative repairs products, a broker would have better product knowledge and a range of companies to interact with.

3.4.4 The broker would be responsible for setting up a comprehensive supply chain, which would meet the service need to use local branches, support the city's economy, and boost local trade.

3.4.5 One invoice from one source makes finance processes easier and less

resource intensive to process.

3.4.6 Customer/contract relations – dealing with one company opposed to 9 separate suppliers, with broker organisations offering a customer relations manager/team.

3.4.7 IT issues could be resolved quicker if just one company to interface with.

3.4.8 Easier to implement change if just liaising with one organisation, for example changes to catalogue products.

3.4.9 Less resources in the business required to manage the supply chain if only one provider/organisation.

3.5 This type of service model has limited availability on existing national procurement frameworks. Officers intend to draft an outcome based specification. If it is not possible to draft a sufficiently precise specification, officers will consider using a procurement procedure which allows negotiation with suppliers. A prior information notice (PIN) detailing the key requirements of this contract was released to the market in November 2022. This information stated that we are seeking a single organisation to act as a broker and manage the materials supply chain, plus deliver the service within the following key areas:

- Availability
- Logistics
- Best value
- Sustainability
- Social value

The PIN invited organisations to submit proposals and outlined the need for specialist outlets to be within the city to help with the flow of material supplies. The PIN suggested a contract length of between 5-10 years, with estimated values as between £10.3 million (5 years) and £20.6 million (10 years) based on current cost. The PIN deadline was the first week of January 2023 and a positive response was received from the building supplies market.

3.6 The recommendations and details contained within this report were considered at Procurement Advisory Board (PAB) on 13 February 2023. The Board supported the proposed routes to market and emphasised the need for the procurement to achieve high levels of sustainability in the repairs products used, with an annual review built into the management of the contract to ensure the council continues to reduce its carbon footprint and achieve net zero by 2030. Discussions at the advisory board also considered the use of local supply chains, where possible, plus the need to explore future partnership working with other social landlords to boost our community wealth building.

3.7 The procurement of the supply chain is closely aligned with the implementation of a new repairs IT system, also referred to as a works management system (WMS). There are key deadline requirements for the completion of this procurement activity to ensure enough time is allowed to develop and implement the automation of the ordering and payment of material supplies between the council and supplier/s.

#### **4. ANALYSIS & CONSIDERATIONS OF ALTERNATIVE OPTIONS**

4.1 This procurement exercise is intended to bring the management of materials supply under the control of the council, currently delivered under an existing contract and no longer be reliant on Mears systems.

4.2 We have given consideration to the option of running an in-house arrangement, with multiple stand-alone agreements with various suppliers. A number of barriers were identified at scoping stage, which included:

- Lack of warehouse space to store material stock.
- Lack of sustainable and suitable delivery vehicles.
- Logistics needed to move supplies around, set up supplier accounts and catalogue information.
- More resources required to process payments, audit current pricing models, support for IT integration and contract monitoring to run all elements of an in-house supply chain.

#### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

5.1 No formal community engagement or consultation has taken place for this procurement exercise to date.

5.2 . The council has a legal obligation to look after the structure of its' housing stock and carry out repairs to make sure that fixtures and fittings for water, sanitation, gas and electricity are safe and in working order. We carry out customer satisfaction surveys with our residents after a repair has been completed to seek feedback on what we can do better. This information has shown that tenants want us to achieve a 'first time fix' for repairs and use repair materials that last.

#### **6. CONCLUSION**

6.1 Our recommendation to Committee, as supported by PAB, is to proceed with the procurement of a single source supplier/broker to meet the current and future materials supply chain requirements.

6.2 Delegated authority will allow the service to focus resources on completing all stages of the procurement process, to ensure we secure a supply chain, fit for purpose within the time restrictions. Allowing more capacity to focus on IT integration and the implementation of payment, ordering and collection processes.

6.3 The provision of having reliable, robust and innovative products to repair our homes is a key part of our housing landlord service. Fulfilling our duties to provide safe, warm and well maintained homes.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### **Financial Implications:**

7.1 The procurement of materials for the R& M service is an ongoing expenditure for the HRA and is included in the Medium Term Financial Strategy figures approved at Full Budget Council on the 23<sup>rd</sup> February 2023.

7.2 The current 2022/23 R&M revenue budget for repairs materials (covering responsive repairs and empty properties) is £1.877m. Against this budget, the Targeted Budget Monitoring (TBM) 9 forecast presented to P&R committee in February 2023 reported spend of £1.745m for the year; resulting in an underspend of approximately £0.132m.

7.3 For 2023/24 the HRA budget allows for inflationary pressures on materials and the overall budget increases to £2.065m. In addition to this one-off revenue funding of £0.140m has also been set aside in the 2023/24 HRA budget to secure independent industry advice to provide reassurance that the broker model represents value for money for the council.

7.4 Any significant budget implications arising will be reported via the Council's TBM reporting process, this being the key component of the council's overall performance monitoring and control framework.

Finance Officer consulted: Mike Bentley Date: 16/02/2023

### **Legal Implications:**

7.5 This is an above threshold procurement which must be conducted in accordance with the Public Contracts Regulations (2015) ('PCR'). The PCR provides that a Competitive Dialogue Procedure or a Competitive Procedure with Negotiation may be used for complex projects where the needs of the authority cannot be met without adaptation of readily available solutions or where there is a need to have a dialogue/negotiate for an innovative solution. The procedures allow for discussion/negotiation between the council and bidder with a view to identifying and defining the best solution to meet the council's requirements provided they comply with the general principles of transparency, equal treatment, and non-discrimination. There is also greater risk of challenge though this can be mitigated to some extent by planning and preparing for the process carefully at the outset. Further work and legal input is required to establish that the criteria set out in the regulations for undertaking a negotiated procedure are met.

*Legal Officer consulted: Wendy Mcrae-Smith Date: 02/03/23*

### **Equalities Implications:**

7.6 The procurement process documents will include questions that ensure interested parties address all equalities considerations, both as a business and through evaluation of how they will engage with residents to ensure they give consideration to the diversity of the city's population.

7.7 The council's standard anti-racism clause will be included in the future materials supply contract. Monitoring will take place via monthly contract meetings which will require the contractor to supply data to evidence positive actions to achieve equality and diversity in its workforce. For example, via recruitment policies, training, and monitoring of its' workforce.

### **Sustainability Implications:**

7.8 The key sustainability criteria for this procurement was included in the Prior Information Notice (PIN). This included the council's target of Carbon Net Zero by 2030, requiring consideration to be given to the impact of our materials supplier on the carbon footprint of the city. The regular review of the materials catalogue should also include options that focus on this outcome; for example, the inclusion of options that use a primary supply chain that is geographically closer to our housing stock / items that are made using a more sustainable process; hold environmental product declarations, plus adopt a circular economy mindset of repair and reuse.

7.9 An appropriate supplier proposal that considers the logistical complexities of delivering this service should also limit the carbon impact of vehicles travelling unnecessarily and factor in each journey distance to make deliveries as efficient as possible. Other areas for consideration will include a net zero strategy, recyclable materials, a reduction / recycling of all packaging and the reuse of tools.

7.10 Sustainability will form part of our negotiation, and a minimum of 10% of our overall quality score. Social value and community wealth building will also feature in our negotiation, and a minimum of 10% of our overall quality score.

### **8.0 Any Other Significant Implications:**

#### **Social value and community wealth building considerations**

8.1 The PIN notified that the council seeks to gain commitments from its supplier(s) that add additional value to the local community. It is the council's expectation that the supplier will devise and deliver a programme that provides this value either as a standalone offering or in partnership with the existing repairs and maintenance team. Through the procurement process we will seek to secure support for local business, optimise opportunities for community wealth building, engage with local contractors and help provide employment opportunities for the city's residents. Other options to include in our process could include, but it is not limited to; community projects, volunteering and providing apprenticeship opportunities in the city.

Social value and community wealth building will form part of our negotiation, and a minimum of 10% of our overall quality score.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. There are none.

### **Documents in Members' Rooms**

2. There are none.

### **Background Documents**

3. There are none.

### **Crime & Disorder Implications:**

4. None arising directly from this report.

### **Risk and Opportunity Management Implications:**

8.2 The main risk associated with the single supplier approach through competitive dialogue will be if there is a lack of commitment to our baseline criteria, plus given the current financial climate little expertise or viability in the supplies market to progress this method. The current Prior Information Notice (PIN) response has been positive with a good number of reputable suppliers responding. This should largely offset the risk of a limited response.

8.3 There are further risks associated with the competitive dialogue approach if the council goes down this route including additional legal and procurement resources, the need for specialist legal advice, greater risk of legal challenge and a longer timeframe for the procurement. An extended timeline has been allowed for the process itself which fits within the timeframe for delivery of the wider housing system implementation.

### **Public Health Implications:**

8.4 Having access to the right materials to repair our homes could have a positive impact on the health, wellbeing and quality of life for our residents.

### **Corporate / Citywide Implications:**

8.5 It is intended that the materials supply chain will support the local economy by purchasing from suppliers with branches based in the city.

8.6 Having our own supply chain will allow the trial of new, innovative repairs products. In the future, we hope to support research being conducted by local Universities to develop new ways of repairing our homes and maintaining our asset for future generations.

8.7 We will seek to ensure the costs of supplies are protected throughout the duration of the contract, providing value and accountability for public funds.