

PORTFOLIO – HOUSING SERVICES

HOUSING OVERVIEW & SCRUTINY PANEL – 15 JANUARY 2020

CORPORATE OVERVIEW & SCRUTINY PANEL – 23 JANUARY 2020

HOUSING MAINTENANCE SUPPLY CHAIN AND LOGISTICS

1. INTRODUCTION

- 1.1 This report proposes a new supply chain and logistics model for materials and services to support Housing Maintenance Operations service delivery.
- 1.2 A thorough review of the existing supply chain has been undertaken by the Housing Maintenance Operations Service Manager, supported by the Strategic Procurement Manager and the Executive Head of Governance and Housing. This was a priority action that was highlighted as part of the fundamental review of Housing Maintenance carried out by the Executive Head in the Summer 2019.
- 1.3 A new supply chain and logistics model is required in order to replace the current adhoc approach to procuring goods, materials and services to support the reactive maintenance of Council housing properties. An overview of the proposed model is set out at Appendix 1 with a process map at Appendix 2.
- 1.4 The new supply chain model should provide value for money through greater cost management and match material purchases to our actual demand. It should also allow the Council's trades team to focus upon fixing tenants' properties.

2. BACKGROUND

- 2.1 The Council owns over 5,000 Council properties and is under a legal duty to maintain the structure and fixtures of these properties, including their communal areas.
- 2.2 The Council is committed to providing an effective maintenance service in order to comply with its statutory responsibilities, including but not limited to the Landlord and Tenant Act 1985 (as amended) and the Housing Act 2004 to protect the value of its housing stock and ensure good levels of resident satisfaction.
- 2.3 This report concentrates on the supply chain in respect of goods, materials and services for reactive repairs and voids and does not deal with capital planned maintenance where there are already appropriate procurement processes in place.
- 2.4 On average, the Council spends in the region of £1 million per annum on goods and materials alone, to effect reactive repairs to Council stock.
- 2.5 In 2018/19 Housing Maintenance purchased goods and materials from 65 suppliers with the top 5 equating to 65% of the total spend. There are no formal long-term agreements in place. The current supplier base is the result of historic local sourcing with annual orders. No cost or price management is in place.
- 2.6 In 2018/19 over the counter purchases (Council trades staff shopping for materials they need) made up 82% of the total expenditure with the remaining 18% of

purchases being ordered for delivery to the MLD stores (this mainly serves the van stocks). An analysis of goods and material expenditure is set out at Appendix 3.

- 2.7 Whilst purchasing relationships with these suppliers are long standing and based on a recurring annual informal arrangement, this is not sustainable in the longer term. It is important that more structured and formal arrangements are put in place to realise value for money opportunities and ensure transparency.
- 2.8 Any new supply chain and logistics model needs to ensure right time, right quality, right place and right price, alongside minimising inventory holding.

3. ISSUES ARISING FROM THE REVIEW OF HOUSING MAINTENANCE SUPPLY CHAIN

3.1 The review identified the following issues: -

- a) The Council needs to have arrangements in place to deal with the supply of goods and materials necessary to effect reactive repairs, including a 24/7 emergency response.
- b) The current ad-hoc and informal approach to purchasing goods and materials needs to change to ensure robust, compliant and value for money purchasing takes place;
- c) Housing Maintenance requires a quality assured range of suppliers for:
 - goods and materials;
 - reactive repairs 'back up' service via approved specialist and trade contractors (when the existing team is fully utilised or when special work is required).
- d) There is a need for detailed management information on goods and materials purchases, adding the necessary rigour to supply chain profiling to support operational activities;
- e) There is a need to ensure Operational Managers, their teams and suppliers fully comply with the processes and service specifications set out in commercial contracts, with regular contract monitoring.

4. PROPOSAL

The Housing Maintenance supply chain and logistics model covers 3 themes;

- Materials Supply Contract
- Minor Works Framework
- Specialist Services Contract(s)

The proposed new model (see Appendix 1) is explained below: -

4.1 Materials Supply Contract

4.1.1 Housing Maintenance and Procurement have carried out a review of current National Framework Agreements to assess how awarded supplier outlets matched our operating geography. Frameworks reviewed included Cirrus,

Pretium, Crown Commercial Service and ESPO. Framework suppliers were Grafton/Buildbase (0 outlets), Jewson (2 outlets), Travis Perkins (5 outlets), Wolseley (2 outlets).

- 4.1.2 It is proposed that the Council use the Pretium Materials Supply and Managed Services Framework to secure a master vendor to provide ALL goods and materials required to support housing repair activities and supply logistics operationally. Whilst the main spend is within Housing Maintenance, there would also be provision for other NFDC services to acquire materials when needed from time to time.
- 4.1.3 This Framework, managed by Pretium Frameworks Ltd, was procured in partnership with a registered housing provider to select a single supplier (master vendor). The awarded supplier is Travis Perkins Managed Services. The supplier provides the best match to the Council's operation with 5 outlets in the District plus a nationwide coverage and a Midland's based central distribution centre. The local outlets are shown at Appendix 4.
- 4.1.4 The current Framework (Dec 2016-20) facilitates a 'Call Off' agreement of 3 years with an option to extend for further 2 years. Pretium have already commenced the process to re-procure the governing framework covering the period December 2020-24. The Council's Legal Team have checked the framework applicability and confirmed the ability to call-off from the existing framework.
- 4.1.5 Use of the Pretium framework allows for direct engagement with the single supplier, avoiding resource intensive mini-competitions.
- 4.1.6 **Value for Money (VFM)**
- 4.1.7 The use of the Pretium Framework allows the Council to establish a longer-term arrangement with a dedicated supplier to better understand the flow of materials supporting the Housing Maintenance Service. Understanding the data is key to driving improved commercial leverage and cost management. The framework provides control over the pricing of materials (via benchmarking prices of top 50 and top 500 products) and allows the Council to gain from Travis Perkins buying power.
- 4.1.8 Current Councils using the Pretium Framework include Epping Forest District, London Borough of Southwark, London Borough of Newham, London Borough of Barking and Dagenham, Basildon District. Southampton City Council appointed Travis Perkins Managed Services in 2015 to operate their logistics centre in Nursling (site visit undertaken by the Housing Maintenance Operations Service Manager and Strategic Procurement Manager).
- 4.1.9 The Value for Money benefits of this procurement solution are: -
 - Improved control of material usages and flow via statistical analysis;
 - Inventory reduction – on hand stocks (running at average of £250k pcm);
 - Buy what is needed. Eradicate redundant stocks that currently build up due to excess buying (driven by minimum order quantity);
 - Reduce Purchase to Pay transactions (65 suppliers down to 1 will drive down purchase order & invoice transactions e.g. c.10,000+ invoices p.a.

down to 12 consolidated invoices p.a. supported by Management Information report);

- Emphasis on account management and operational flexibility;
- Price benchmarking (top 50 and top 500 products), social value fund contributions;
- Bespoke IT offer; to aid communication through enhanced connectivity with existing Council applications;
- Benchmarking provided by LB Southwark Council report a 4.5% cost reduction since moving to managed supplies via Travis Perkins (under the Pretium Framework). They also report annual price reviews well below CPI, a 90% reduction in transactional invoice processing, savings from product swaps and reduced material packaging.

4.1.10 Materials Supply via Pretium Framework Agreement

4.1.11 The features of the framework are set out below: -

- Materials via a preferred supplier managing ALL sourcing of ALL core and ad-hoc goods and material items (a One Stop Shop to the sourcing of goods and materials); this will include ability for sourcing to achieve the Council's specifications e.g. where NFDC specification requires a particular brand / type / product and NOT a substitute;
- Materials from local or regional specialist suppliers will be managed by the master vendor;
- Analyse, design and implement material supply chain for core list, van stocks, over the counter facility, special requirements;
- Supply chain to operate based on business demand e.g. "Pull" materials (just in time) based on actual need, not "push" stocks into stores (just in case);
- Call off via Uniclass repairs software or via supplier Application interface;
- Supply chain modelling throughout the contract term to maintain accurate van stocks and core list;
- Seamless transition with buy-back deal on Council's current store held stocks that form the initial core list. Offer on non-core surplus stocks to support the stock transfer;
- Master Vendor will parallel purchase core items (in start-up phase only) whilst buy back stocks are dispersed to local supply warehousing;
- Coordinated "Go live" date for supply of goods and materials;
- Regular (Weekly) van stock replenishments based on pull demand triggers from agreed collection points across the district;
- Supplier to provide courier service "direct to site address" for large items or job specific needs e.g. a bath unit, timber sections, boiler kits, etc.;
- Full management information on materials usage e.g. van stocks, kit supplies, material & product line items, job order type, category profiles, savings from sourcing opportunities, supply volumes and values;
- Evidenced compliance controls with regular contract monitoring supported by KPI reviews;
- Dedicated specialist resource from master vendor to support the analysis and design phase through to implementation;

4.2 **Minor Works Framework (MWF)**

- 4.2.1 It is also proposed that the Council establishes a multi-lot Minor Works Framework Agreement for specialist trade skills required to supplement direct works delivery requiring specialism or where in-house capacity constraints are likely to impact on tenants. (See Appendix 1)
- 4.2.2 The Council will plan an open tender to select and award from contractors with the ability to support our operation commencing April 2020. This will enable local/regional suppliers to bid.
- 4.2.3 There will be regular monitoring and KPI reviews, ensuring evidenced compliance, adding rigour to contract management.
- 4.2.4 The MWF will be open to ALL NFDC services to reduce the number of ad-hoc quotations currently being run and improve reaction times to operation demands.

4.3 **Contract Management & Monitoring**

- 4.3.1 An existing (vacant) post of Contracts Relationship Officer, whose principal function is to set up supply chains for Housing Maintenance, was transferred to the Council's Corporate Procurement Team with the specific focus to implement a modern supply logistic operation based upon the "pull demand" model (see Appendix 1).
- 4.3.2 A key function of the role will be to set up and manage the supply of goods and services for Housing Maintenance from ALL third-party suppliers as set out in Appendix 1. Following a recent recruitment exercise, a new postholder has been appointed and will take up their position in the New Year.
- 4.3.3 Day-to-Day call-off from the suite of Housing Maintenance frameworks and contracts will be coordinated by Housing Maintenance contract administrators and business support with escalation to the Contracts Relationship Officer where required.

5. **LOCAL ECONOMIC IMPACT**

- 5.1 The majority of materials used by the Council's Housing Maintenance Service for reactive repairs are commonly available building and construction products. Currently these are sourced informally from a number of locally based suppliers. However, there is little structure and rigour to this process and more formal arrangements are necessary to ensure value for money and transparency. The move to the master vendor model will mean that most of the current supplier base will not be used going forward. The current supplier base (c. 65 suppliers) consists of national, regional and local SME suppliers established through custom and practice. There are no formal tendered contracts in place.
- 5.2 The decision to move away from the current 'scatter gun' sourcing and storage of materials (from over 65 suppliers) to one strategic master vendor will bring the necessary control to the Council's supply chain, meaning that only what is needed is bought at the best market price.

- 5.3 The choice of the Pretium Materials Supply Framework with Travis Perkins (TP) as the master vendor supplier will continue to support the local economy with 5 outlets across the District (and for contingency, another 19 outlets within a 50-mile radius of Lyndhurst) serving both local businesses and the public. Travis Perkins employ staff in local outlets to service the existing business and will employ additional dedicated staff to support the Council's operation going forward.
- 5.4 Analysis of the 65 suppliers used over past 12 months shows that 14 suppliers represent 90% of the spend value, of which 4 are local SMEs. The Council will, as part of the analysis and design phase of moving to the new Model, identify any local specialist goods / product SMEs who may be retained by the master vendor as 2nd tier suppliers.
- 5.5 Under the new arrangement the Council's materials supply footprint will be more environmentally efficient as its Trades Team will be served from the nearest Travis Perkins outlet saving both time and unnecessary travel mileage. Materials will be located nearer to the work activity.

6. IMPLICATIONS OF PROPOSAL ON EXISTING OPERATIONAL ACTIVITIES

- 6.1 The Marsh Lane store building warehouses goods and materials and as the predominant user, the management function for this facility sits within Housing Maintenance. In addition to bunkered fuel, sacks, building materials and some cleaning and janitorial items, goods are still procured, warehoused and managed through the Stores Stock Control account for other Services. The stores building also acts as the reception hub for the Marsh Lane site.
- 6.2 Office based Housing Maintenance employees, who are currently based at Marsh Lane Depot, are due to relocate to Appletree Court from early January 2020. A small hub will be retained on the first floor, within the existing accommodation footprint at Marsh Lane Depot, for operational employees to report.
- 6.3 In implementing a new master vendor solution for the supply of goods and materials, Housing Maintenance will still require some residual warehousing and management solution for tools, plant, equipment, fleet and goods stock for emergency planning and business continuity. However, it is envisaged that this will be small scale.
- 6.4 The existing Marsh Lane store reception hub, procurement and management of bunkered fuel and residual goods for other operational services will remain as now. However, should future relocation of residual Housing Maintenance Store staff take place, it will be necessary to review arrangements and where the management of these best sits.

7. CONCLUSION

- 7.1 This report sets out proposed changes in the way Housing Maintenance procures its goods and materials to deliver reactive repairs. It also proposes a new more structural approach to the use of specialist contractors via a new Minor Works Framework to support operational delivery. Together, it is considered that this will bring about significant improvements in supply chain logistics, purchasing and compliance controls, product analysis and cost efficiencies.

8. FINANCIAL IMPLICATIONS

- 8.1 An annual budget funded by the HRA is required to support the maintenance and repairs of Council housing stock and this is agreed as part of the Council's annual budget setting process.
- 8.2 Remodelling of the supply chain and introduction of a master vender solution is expected to bring about purchasing savings, circa 4-8%. In addition to purchasing savings, there are opportunities for transactional cost reductions and efficiencies via improved logistic arrangements and productivity of our trade workforce. This will be carefully monitored, and regular reports will be brought back before EMT, Housing Overview & Scrutiny Panel and the Housing Services Portfolio Holder.
- 8.3 There will be some cost associated with IT integration development. This is estimated to be in the region of £10k and will be confirmed on completion of the design phase.

9. CRIME AND DISORDER IMPLICATIONS

- 9.1 There are none arising from this report.

10. ENVIRONMENTAL IMPLICATIONS

- 10.1 Under the new arrangement the Council's materials supply footprint will be more environmentally efficient as its Trades Team will be served from the nearest Travis Perkins outlet saving both time and unnecessary travel mileage. Materials will be located nearer to the work activity.

11. RECOMMENDATIONS

- 11.1 That the Housing Overview & Scrutiny Panel consider the report and gives views to the Portfolio Holder for Housing Services.

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Background Papers:

Housing Maintenance Service Review
Report – Cabinet 3rd July 2019

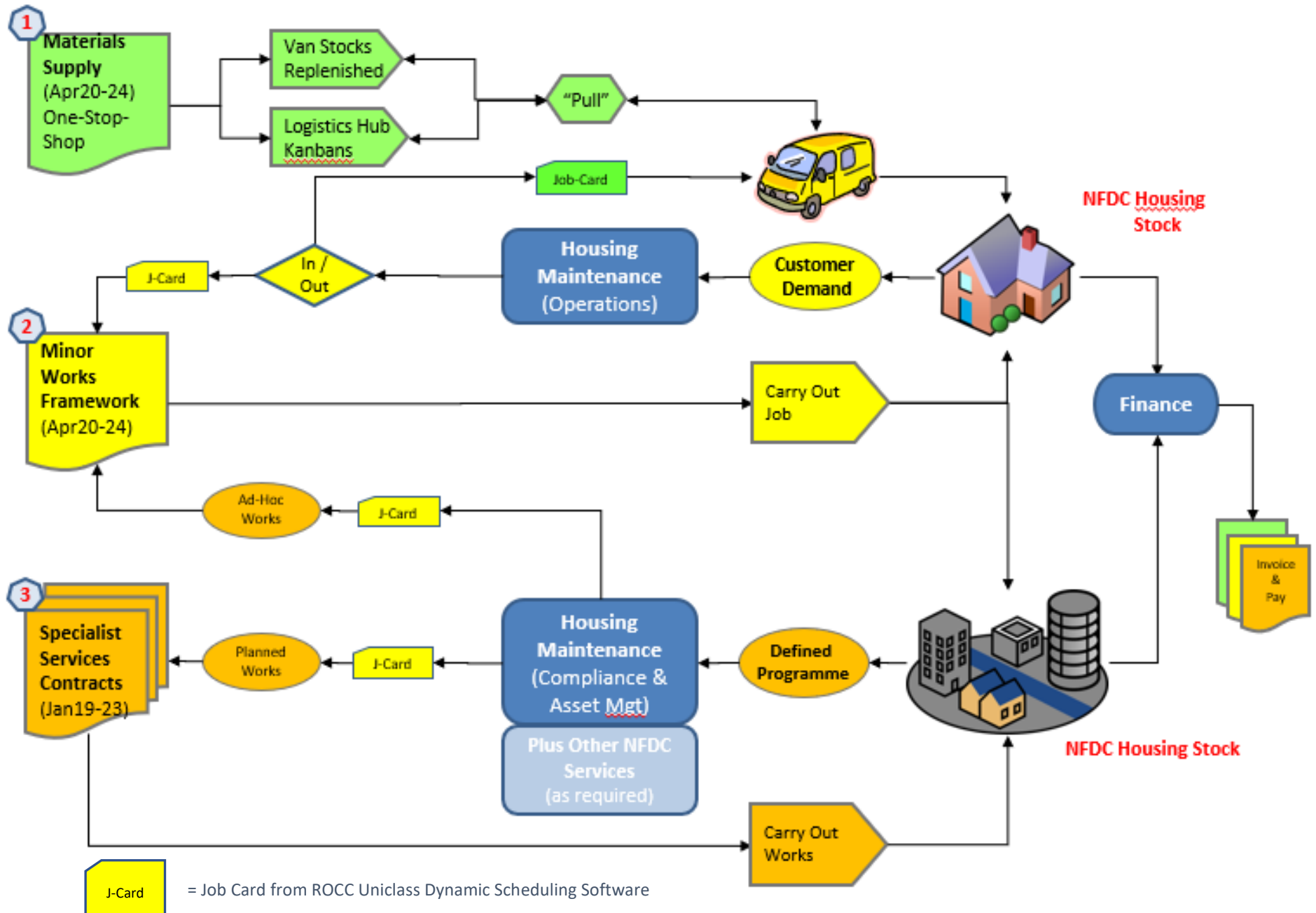
HOUSING MAINTENANCE SUPPLY CHAIN MODEL OVERVIEW



(already in place)

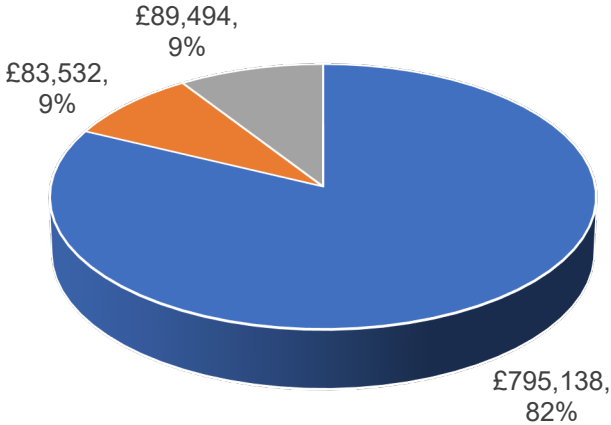
Materials Supply Contract	Minor Works Framework	Specialist Services Contract(s)
Call-Off Contract (Apr2020-23 + 2-year extension) <i>Under national framework</i>	4-year framework (Apr2020-24) <i>NFDC tendered framework</i>	4-year frameworks & contracts (Jan2019-24) <i>NFDC tendered frameworks / contracts</i>
Single-Supplier (one stop shop) to supply ALL building materials required by HM Reactive Repairs (Inc. Voids) based on “pull” demand model to eradicate stocks held in MLD (or other locations). Delivery direct to job site (via courier), NFDC logistics hub (job kits) and van stock replenishment. Open to ALL NFDC Service teams needing materials.	Multi-Contractor Framework to support HM reactive works programme via specialist trade categories. Jobs allocated by rotation taking availability, capacity and skill set consideration. Open to other NFDC Services teams that need minor works contractor from time to time.	A range frameworks and contracts (single or multi-supplier) for specialist services required to maintain and improve NFDC Housing stock. Open to other NFDC Services teams that require a specialist services contractor from time to time.
Material Category ‘Lots’ <ul style="list-style-type: none"> ▪ Heating and Gas; ▪ Plumbing and Sanitary Ware; ▪ Electrical; ▪ Mechanical; ▪ General building supplies; ▪ Timber & fencing; ▪ Paint ▪ Consumables; ▪ Special item sourcing 	Multi-contractor Minor Works Framework <ul style="list-style-type: none"> ▪ Trade lots ▪ Responsive contractors; ▪ Support NFDC customer focus; ▪ Fixed £/hr rates; ▪ Fixed overhead/profit %; ▪ Materials uplift % ▪ Open book cost management; ▪ Job allocation (Rotation or Mini Competition) <i>Related projects</i> Professional Services Framework: <ul style="list-style-type: none"> ▪ Design / Architect service; ▪ Construction Project Management (CPM) ▪ Quantity Surveying (QS) ▪ Cost Management (CM) 	Single/Multi Contractor contracts for: <ul style="list-style-type: none"> ▪ Gas Servicing (commercial); ▪ Air conditioning; ▪ Scaffolding; ▪ Lift Maintenance; ▪ Legionella; ▪ Asbestos; ▪ Fire Equipment; ▪ Fire Risk Assessment; ▪ Door entry systems & automatic door openers Frameworks: <ul style="list-style-type: none"> ▪ Kitchen refurbishments; ▪ Bathroom refurbishments; ▪ PVCu Windows; ▪ Doors & Fire Doors; ▪ Roofing; ▪ Cyclical Decorating Services (due 2020) ▪ Low Maintenance Eaves (due 2020)

HOUSING MAINTENANCE SUPPLY CHAIN MODEL MAP



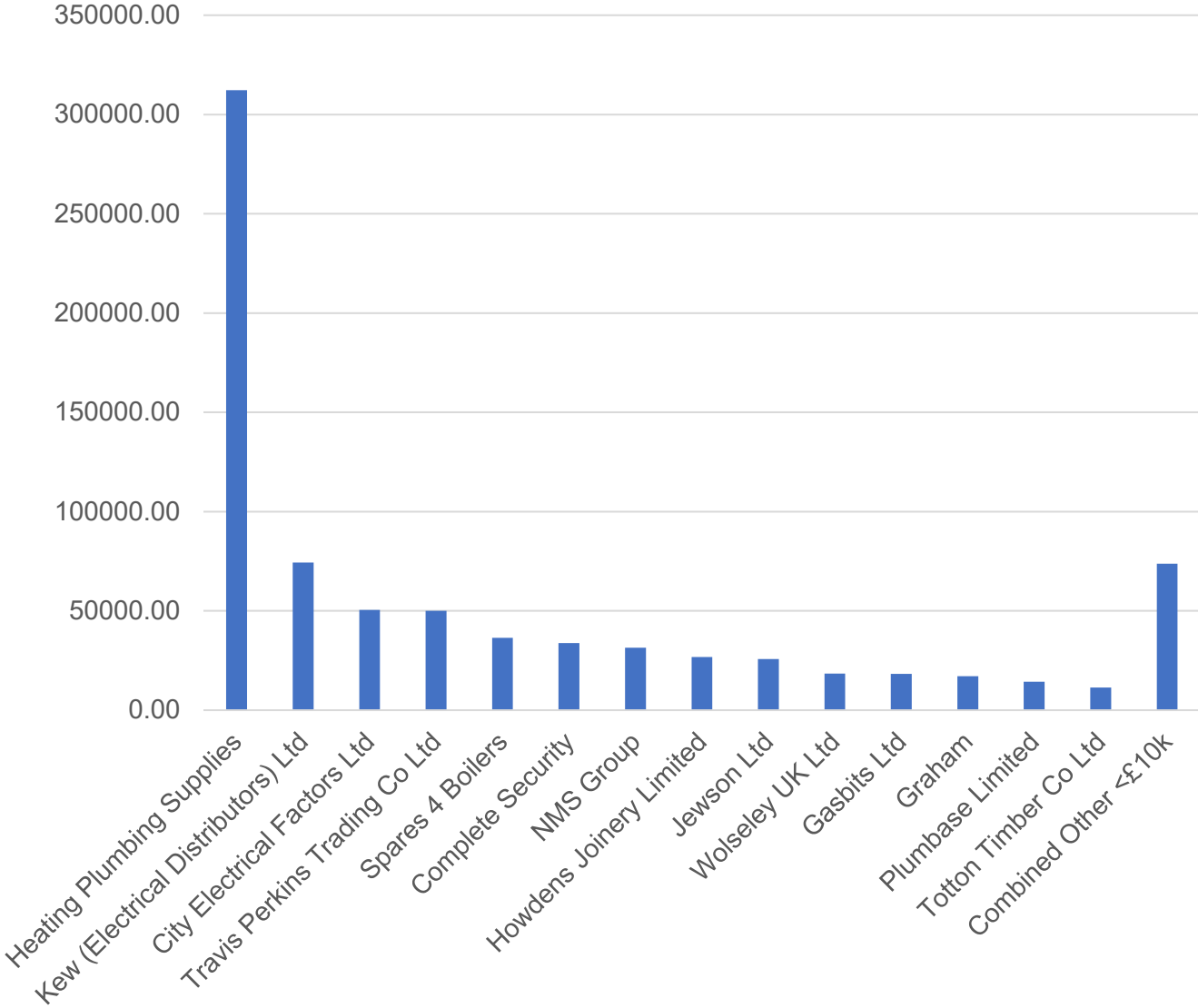
HOUSING MAINTENANCE MATERIALS SUPPLIER SPEND ANALYSIS

Analysis of Spend



- NON STORES
- STORES
- STORES - VAN REPLENISHMENT

Non Stores Expenditure by Supplier



TRAVIS PERKINS (MASTER VENDOR) DISTRIBUTION

