

To: Board Member for Housing Needs
Date: 5th October 2011
Report of: Head of Direct Services
Title of Report: Award of Contract for the Supply of Building Materials and Plumbing and Heating Supplies to Oxford City Council

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Summary and Recommendations

Purpose of report: To grant project approval for the supply of building materials and plumbing and heating supplies to Oxford City Council and to recommend award of the contract to Buildbase.

Key decision? No

Executive lead member: Councillor J McManners

Policy Framework: An efficient and effective Council

Recommendation(s):

- 1) Grant project approval for the supply of building materials and plumbing and heating supplies.
- 2) Recommend that the contract is awarded to Buildbase until June 2013, with the option for a further years extension at the discretion of Procurement For Housing and the Director of City Services (in consultation with the Executive Member for Housing Needs).

1. Summary

- 1.1 This report sets out the procurement route that has been taken for purchasing building materials and plumbing and heating supplies.

2. Background

- 2.2 Oxford City Council currently has a contract with Buildbase, a locally based company that is part of the larger Grafton Group. Buildbase

supply building materials and plumbing and heating supplies to the Council and also, where appropriate, hold stock.

- 2.3 The existing contract expired at the end of August 2011 and has been extended until October 1st 2011, under the same terms and conditions, to accommodate the procurement process.
- 2.4 Previously, Oxford City Council's Procurement Team, with technical support from Oxford City Homes, has run the tendering process.
- 2.5 This time the procurement route was slightly different and both the Procurement Team and Direct Services Senior Management team agreed to use Procurement for Housing (PfH) to run the tender. The reason for this change of strategy was to investigate whether a professional housing consortium could drive out any additional efficiencies from the tender. It was also expected that, by PfH managing the tender, that there would be a reduced cost associated with the tender process.
- 2.6 The Council spends approximately £1.25million on building materials and plumbing and heating supplies every year.

3. Tender Process

- 3.1 The value of the contract necessitated an OJEU procurement process and PfH have compliantly tendered their framework of suppliers, therefore Oxford City Council were able to use the PfH framework to conduct a mini-competition between suppliers.
- 3.2 PfH determined the relevant financial and technical evaluation criteria and Suppliers had to demonstrate that they were technically and operationally competent and were able to meet the specification provided by Oxford City Council.
- 3.3 Four suppliers on the framework confirmed that they were able to meet the criteria listed in the tender documentation and submitted proposals to PfH.
- 3.4 PfH did an initial analysis of pricing and quality. A further evaluation panel was set up consisting of the Direct Services Stores Team, the Customer and Workforce Services Manager and a procurement officer. The purpose of the Council panel was to provide moderation for the PfH analysis and to invite the top 2 suppliers (company A and Buildbase) for an interview.
- 3.5 Prior to interview, company A provided the most competitive commodity pricing, however it was necessary for the Stores Manager to further analyse the scoring to ensure that PfH had compared like for like products. This further analysis meant that a great deal of further pricing clarification was requested from company A.

- 3.6 At interview Buildbase outperformed company A in most aspects – this was to be expected as they were obviously used to working with the Council. Company A failed to back up their excellent tender submission and the Council evaluation panel had to moderate the original scoring of company A down to reflect this. PfH procurement officers were present at the interviews and ratified this decision.
- 3.7 3 weeks after the interviews, company A failed to come back with the clarifications that the Council had requested on their pricing schedule. Of the other clarifications requested, the company also stated that it would not be able to support the Council's Living Wage policy.
- 3.8 The option of splitting the contract between the 2 suppliers was investigated by the panel, however, it was decided that the costs associated with 2 sets of contracts to manage and the duplication of invoices will not be financially efficient or in the best interest of the Council.

4. Savings

- 4.1 There are no savings associated with this contract as it stands. However, the new contract with Buildbase has agreed pricing which results in no price increase of the product range. This pricing will be held for 4 months.
- 4.2 Commodities on the building materials market have increased by 8% over the past year. By obtaining the best pricing through our combined leverage with PFH we are in the best position to be able to purchase our building materials at the lowest prices available to the market
- 4.3 Costs associated with transporting building materials are estimated to be in the region of 10% of the contract costs. Buildbase commit to absorbing the transport costs within their current pricing.
- 4.4 The new contract will not achieve savings for the Council but by managing the inflationary price rises on a 4 monthly basis instead of a monthly basis will deliver non cashable savings. These savings are due to staff not needing to update the pricing on the system as frequently.

5. Other Options

- 5.1 The Constitution and Procurement Commissioning and Supplier Strategy advises that the Single Member Decision Process considers what other options are available before giving major project approval and awarding a contract over 100K. These are detailed below.

5.2 Continue as we are

The current building materials and plumbing and heating supply contract expired at the end of August 2011 and has been extended until October 2011 to accommodate the current procurement process. To remain compliant and ensure best practice in providing value for money, the Council is obliged to make provision for a replacement contract.

5.3 Use an Existing Contract, set up by another organisation

There is no suitable contract that meets the needs of Oxford City Council.

6. **Benefits of this Contract**

6.1 By awarding the contract to Buildbase, the Council has no additional costs associated with the set up of a new supplier.

6.2 The Council has worked with Buildbase for the past 6 years and knows that the company are capable of delivering the contract objectives. The Council evaluation panel is also confident that the relationship between the Council and Buildbase can improve further and possibly drive out new efficiencies concerning stock holding and the investigation of more cost effective products as an alternative to branded items that are currently more commonly used.

6.3 Operational benefits include:-

Buildbase will

- Hold all stock items for same or next day delivery.
- Provide a facility for emergency orders outside of normal office hours.
- Provide an Oxford City based collection point to enable Council staff to collect stock items on an as needs basis.
- Fix prices for 4 months, providing evidence of benchmarking of prices against market rates.

6.4 By carrying out a mini tender via PFH and awarding a new contract the Council is ensuring it is compliant with the EU Procurement regulations.

7. **Financial Implications**

7.1 The Housing Revenue Account has budget provision to fund the repairs and maintenance of its stock. This necessitates purchases associated with building materials and plumbing and heating supplies.

8. Legal Implications

8.1 There are no legal implications associated with this contract.

9. Risk Management

Risk	Likelihood	Mitigation
Preferred supplier experiences financial difficulties as a result of the decline in the construction market	M	This risk applies to every construction reliant company in the UK. If the company goes into liquidation there are several other companies that would be able to supply products to the council. Regular financial monitoring will be conducted.
Contract no longer satisfies Oxford City Council needs.	L	This is a call off contract. Oxford City Council are able to exit the contract and make alternative arrangements at any time.

10. Climate Change/Environmental Impact

10.1 Buildbase is located locally, minimising the transport impact on the environment.

11. Equalities Impact

11.1 Buildbase support and adhere to the Council's Living Wage Policy.

11.2 Tenants will be able to benefit from certain discount schemes administered by Procurement for Housing.

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List of background papers:

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