

**Report of:** Oxford City Homes Business Manager

**To:** Executive Board

**Date:** 17<sup>th</sup> July 2006

**Item No:**

**Title of Report :** Contract Award for The Supply of Plumbing and Heating Materials to Oxford City Council



**Summary and Recommendations**



**Purpose of report:** To request major project approval to award a contract for the supply of Plumbing and Heating Materials to Oxford City Council.

**Key decision:** YES

**Portfolio Holder:** Councillor P Murray, Improving Housing  
Councillor Stephen Tall, Better Finances

**Scrutiny Responsibility:** Housing Scrutiny Committee  
Finance Scrutiny Committee

**Ward(s) affected:** All



**Report Approved by:**  
Councillors Murray and Tall  
Strategic Director of Housing Health and Community  
Dave Higgins, Finance and Asset Management  
Kendal Cane, Legal and Democratic Services

**Policy Framework:** Oxford City Council Corporate Plan



Ensuring better and more efficient services

- Embed the procurement strategy



## **Recommendation(s):**

**That the Executive Board agrees to:**

- 1. Grant major project approval for the purchase of Plumbing and Heating Materials to Oxford City Council**
- 2. To award a contract to Buildbase Ltd, the supplier selected as a result of restricted tender process in accordance the EU procurement regulations. The contract will be for 1 year starting on 1<sup>st</sup> August 2006 with an option to extend for up to 1 further year**



## **1 Background**

- 1.1 The demand for heating and plumbing components/materials brought about by the workload associated with achieving the decent homes standard has increased. Currently a number of suppliers are used and prices are checked on a regular 3-month basis to that ensure suppliers are applying market prices.
- 1.2 The increase in workload means that if all heating and plumbing components/materials are purchased through one supplier the annual spend will be in excess of £750k a year. This level exceeds the European Union tender limit of £142k. Therefore to comply with the EU procurement regulations the Council has put the supply of plumbing and heating materials out to tender with a proposed contract start date of 1<sup>st</sup> August 2006. Contract award supports the Council's Procurement Strategy and meets the requirements of the E.U. Directives.

## **2 Tender process**

- 2.1 An advertisement and OJEU notice advertising this contract was placed in December 2005. This contract attracted a lot of interest both locally and nationally. The Council shortlisted 5 suppliers to tender and received 2 extremely good submissions.
- 2.2 A panel of officers from Oxford Building Solutions and Procurement Management carried out a detailed evaluation of the submissions and evaluated each submission on:-
  - Capacity to provide the full range of plumbing and heating materials
  - Delivery and JIT stock support
  - Account management
  - E commerce (procure to pay, stock management and availability)

- Price and ability to demonstrate savings
- Innovation
- Delivery arrangements

The panel agreed unanimously to recommend that the Council award the new contract to the tenderer that scored the highest marks. This tenderer is Buildbase Ltd and is based in Oxford.

### **3 Other Options**

3.1 The Constitution and Procurement Strategy advises that the Executive Board considers what other options are available before giving major project approval and awarding a contract over 100K. These options are as follows:-

- Purchase heating and plumbing components/materials through spot buying and obtaining quotes for each order. This would not comply with the spirit of the EU regulations as would be seen as artificially reducing the Council's spend to avoid the EU tender process.
- Set up a framework agreement with a number of suppliers. This is unlikely to result in financial savings or enable the Council to achieve process efficiencies.
- Use a contract set up by another organisation. We could not find a contract locally that could meet the Council's needs.

### **4 Financial Implications**

4.1 The plumbing and heating material supply market is particularly volatile due to overseas influences. The OBS stores team has seen a 100% price increase of the price of copper tube in the last 12 months. Other plumbing materials have risen by up to 22% in the last few months. Suppliers of plumbing materials have over the past few months sent regular letters to their customers advising of price rises as they are unable to hold the prices of the materials. Further anticipated price rises of between 5% and 30% have been notified but with no guarantee of how long the price rises can be held for. This has made the evaluation process particularly difficult.

4.2 The contract has been set up so that the successful tenderer has to guarantee fixed pricing for 12 months on all items apart from copper tube which is fixed for 6 months. This has proved a challenge for tenderers and they have had to negotiate with manufacturers to enable them to be able to offer the fixed pricing at a level that will remain competitive over the life of the contract.

4.3 The fixed pricing offered by Buildbase across the complete range of stock purchased by the stores will enable the Council to contain the general plumbing increase to a maximum of 19% over the whole range of items, except for copper tube. The copper tube increase will also be

fixed for the 6 months. This will enable the Council to work within the 2006/7 budget provision. A financial profile based on an extended two year contract is attached as appendix 2.

- 4.4 Without this contract, the stores would have no leverage to influence the prices charged by suppliers and could result in a stores overspend. The award of this contract limits this.

## **5 Legal Implications**

- 5.1 There are no additional legal implications as this contract has been tendered in accordance with EU regulations. A formal contract will be signed in line with the Council's contract procedure rules.

## **6 Staffing Implications**

- 6.1 There are no new staffing implications. The efficiencies created by this contract will help the Oxford Building Solutions Stores team to manage the increased workload resulting from the decent homes standard work.

## **7 Other means of achieving this objective**

- 7.1 There are no other means of achieving this objective.

## **8 Recommendation**

- 8.1 Executive Board is asked to approve the award of a 1 year (plus 1) contract to Buildbase Ltd and to grant major project approval.

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### **pendices -**

Appendix 1 – Tender Scores  
Appendix 2 – Financial Profile

