

Report of: Facilities Management Business Manager

To: Executive Board

Date: 5<sup>th</sup> November 2007

Item No:

Title of Report : Award of Contract for the Supply and Fitting of Tyres including a Call Out Service for City Works



### Summary and Recommendations



Purpose of report: To request project approval and permission to award a contract to provide a fully managed, Supply and Fit of Tyres Contract to Oxford City Council.

Key decision: YES

Portfolio Holder: Councillor Jim Campbell, Better Finances



Deputy Responsibility: Finance Scrutiny Committee

Ward(s) affected: All

Report Approved by:



Councillor Jim Campbell

Mark Luntley, Strategic Director of Finance and Corporate Services



Simon Cosgrove, Strategic Director for the Environment

Chris Kaye, Finance and Asset Management



Andrew Cane, Legal and Democratic Services

Colin Bailey, Business Manager City Works



Policy Framework: Oxford City Council Corporate Plan



To be an effective and responsive organisation, providing value for money services.



## **Recommendation(s):**

**That the Executive Board agrees to:**

- 1. Grant project approval for the provision of a fully managed tyre Supply and Fit contract for all Council vehicles.**
- 2. Award a contract to Tyreryte Ltd to provide this service. This supplier has been selected following an open tender process in accordance with the EU Procurement regime.**



**The proposed contract will be for 2 years starting on 1<sup>st</sup> December 2007 with an option to extend for up to 1 further year.**

## **1 Background**

- 1.1 The Council has a wide range of vehicles, ranging from tractors to refuse vehicles that are used by many of the business units within the Council; this service is currently managed by City Works.
- 1.2 The purpose of the tender exercise is for the Council to award a corporate contract for a fully managed tyres and emergency call out service. This will ensure that Council vehicles are kept fully operational with the minimum of down time. The contract will also ensure that service levels are maintained and improved.
- 1.3 City Works do not currently have a formal contract in place for this service and therefore in line with EU procurement regulations this service has been put out to tender.
- 1.4 The Council spends approximately 90K a year on tyres and related services. Currently Tyreryte Ltd provides this service.
- 1.5 In line with government recommendations Oxford City Council asked all the neighbouring authorities if they would like to carry out a joint tendering exercise. A joint exercise would help to increase the contract value and make it a more attractive proposition for suppliers. Cherwell District Council agreed to join with Oxford City Council leading on the contract. The remaining Oxfordshire local authorities have the option to join the agreement at a later stage should they so wish. Oxfordshire County Council has since shown a very keen interest in this contract. It is important to note that each authority will have the responsibility of managing their own contract.
- 1.6 The specification jointly drawn up by Oxford City Council and Cherwell District Council requires the tyre supplier to be able to provide a 24/7 response service, 365 days a year. The supplier is expected to respond to all calls within 30 minutes.

## **2 Tender Process and Evaluation**

- 2.1 To ensure all local companies were aware of the potential new business opportunity and to help companies who might be put off by the tender process, the Procurement Team wrote to and held tendering workshops for local businesses.
- 2.2 Although there are many tyre companies within Oxfordshire it became clear that many of these are franchises of the larger organisations, of which there are only a few main players. The smaller companies also only deal with tyres for cars and not large truck tyres as required by this contract.
- 2.3 In June 2007 an advertisement was placed in the local press, the Oxford City Council website, a professional journal, Supply to Gov (a national website advertising opportunities in excess of £100,000) and the Official Journal of the European Union.
- 2.4 The Procurement Team were disappointed by the response to this opportunity, and as a result, clarified the specification with Cherwell District Council and internally. However, it was confirmed that the specification of the service was written to both match and take forward the current tyre service provision and it was agreed by both parties that a decrease in service provision would affect frontline services.
- 2.5 The tender process resulted in one submission, and one request by a company that we consider their service via the Office of Government & Commerce (OGC) contract.
- 2.6 The Procurement Team has benchmarked this tender against the Office of Government Commerce Contract, both in terms of price and service, the details of which are contained in 3.1.
- 2.7 A panel of officers from both Oxford City Council and Cherwell District Council evaluated the tender. The evaluation criteria included quality areas such as service delivery, environmental, health and safety as well as pricing. The tenderer was invited to give a presentation to the panel with regards to their offer, during which they answered in-depth questions on the quality and benefits of their services, and how it could add value to the service that both authorities were currently receiving.
- 2.8 The panel unanimously agreed to recommend that the Council award the tyres contract to the tenderer. This tenderer is Tyretye Ltd. This company is based in Cowley, Oxford and can not only match our current service provision but can also take it forward by improving the

response times by employing more staff for roadside assistance as well as improving the on the fleet checks to ensure tyres are maintained to gain maximum usage. This company also has excellent quality control and recycling initiatives in place to meet our ISO90002 audit requirements.

2.9 The Procurement Team has also linked this contract into our playground resurfacing contract. This means that tyres from Oxford City Council vehicles will be providing the rubber granular base for the Councils playgrounds. Should Oxfordshire County Council also join the contract, then their tyres will also be recycled, this means that more tyres used in Oxford will be used in our playgrounds. Tyrerite Ltd will also ensure that tyres from local Oxfordshire businesses will also be recycled in the same way. This backward supply chain integration allows us much more control on how scarce resources are managed over the duration of the contract while also benefiting the local communities.

2.10 A list of the key benefits that Tyrerite can provide includes:

- Tyres stock holding facility
- Fixed pricing structure
- A 30 minute call out tyre repair service within Oxfordshire
- A fully managed service including monthly tyre audits.
- Monthly management reporting detailing information such as tyre usage and recycling.
- Whole life cycling of the material
- The company also supports a local children's football team and is currently looking at other ways in which it can support the local community.
- Local employment and local economy

### 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 are as follows:-

#### Spot Purchasing

**Purchase tyres through spot buying and obtaining quotes for each order** We cannot recommend this as an option as the current level of spend requires that we comply with the EU regulations. Spot buying could be seen as artificially reducing the Council's spend to avoid the EU tender process. It would also result in an increase in costs both of the tyre and associated services as well as an increase in administration.

### Framework Agreement

**Set up a framework agreement with a number of suppliers.** This will not result in financial savings or enable the Council to achieve process efficiencies.

### Existing Contracts

**Use a contract set up by another organisation.** The only available contract is one that has been set up by the Office of Government Commerce (OGC) however when evaluated by Oxford City Council using this contract would have resulted in an increase in spend of approximately 30K a year. The increase would be due to not only having to pay for additional services such as Call Outs during core hours but also the tyres provided through this contract are of a greater cost. This contract also does not meet our call out requirements and would thus mean a decrease in the service level, which would subsequently affect our frontline service.

## **4 Financial Implications**

- 4.1 The fixed pricing offered by the supplier will enable the Council to reduce the risk from any rate rises in raw materials over the next year. The rubber market is a volatile market and by having a contract in place with fixed pricing allows us to minimise any risk in this area. The pricing offered by Tyreryte results in a £3000 saving over what was spent last financial year. This contract will also provide Cherwell Council with a £7000 saving.
- 4.2 This contract will provide non-cashable efficiency savings of 34K a year by moving from 'each purchase' invoicing to consolidated monthly invoicing. This has been calculated by using the number of invoices received during the last financial year (728) of which each one costs £48 to process as calculated by a recent in-house study. Therefore  $(728 - 12) * 48 = 34K$
- 4.3 The supplier also has a proactive account management approach. Regular tyre audits will be completed on all vehicles to ensure that the maximum life of the tyre is utilised and a policy of ensuring that the correct tyre is fitted to each vehicle, depending on the usage and the type of work being carried out by that vehicle. The supplier will also identify alternatives as and when a manufacturer releases new tyres, which may help, the Council achieve savings and drive down costs over the contract period.

## **5 Legal Implications**

- 5.1 There are no legal implications as this contract has been tendered in accordance with the EU procurement regime.

## **6 Staffing Implications**

6.1 There are no staffing implications

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

7.1 Other means of achieving this objective are explained in paragraph 3.

## **8. Recommendations**

That the Executive Board agrees to:

1. Grant project approval for the provision of a fully managed supply and fit tyre contract for all Council vehicles
2. Award a contract to Tyreryte Ltd to provide this service. This supplier has been selected following an open tender process in accordance with the EU procurement regime.

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### **Background pages:**

Not applicable.