

**To:** City Executive Board

**Date:** 23<sup>rd</sup> July 2008 **Item No:**

**Report of:** Strategic Procurement and Shared Services Manager

**Title of Report:** Award of Contract for the Supply of Building Materials to Oxford City Council

**Summary and Recommendations**

**Purpose of report:** To grant project approval and delegated powers to award to the Executive Director of City Services for the supply of building materials to Oxford City Council

**Key decision?** Yes

**Executive lead member:** Councillor Van Nooijen, Service Transformation

**Report approved by:**

**Finance:** Dave Higgins, Finance and Asset Management

**Legal:** Lindsay Cane, Legal and Democratic Services

**Policy Framework:** Be an effective and responsive organisation, providing value for money services.

**Recommendation(s):**  
That the City Executive Board agrees:

- 1) To grant project approval for a contract for the supply of building materials to Oxford City Council.
- 2) To the contract being awarded to an appropriate supplier for 2 years commencing on 1<sup>st</sup> September 2008 with an option to extend the contract by up to 1 year.
- 3) To grant delegated powers to award the contract to the Executive Director of City Services.

# 1 Background

- 1.1 Oxford City Council currently spends in the region of £1.5 millions per annum on building materials. The majority of building materials are currently purchased under the Plumbing and Heating Supplies contract that is due to expire at the end of August. This contract allows for the purchase of a wider scope of building materials, including kitchen units and timber products.
- 1.2 As a result of consulting with all members of the Milton Keynes, Oxfordshire and Buckinghamshire Procurement Partnership the following three neighbouring Councils have agreed to participate with this contract:
- The Vale of White Horse District Council
  - The South Oxfordshire District Council
  - The West Oxfordshire District Council
- 1.3 Further to a joint options appraisal it was agreed that the Councils should continue with the current model adopted by Oxford City Council, which has succeeded in reducing costs and improving efficiencies via effective supply chain management, by seeking a contract with a single supplier whom can demonstrate the best overall lifetime value through the provision of:
- A comprehensive service that provides added value to all 4 Councils, their tenants and citizens.
  - A partnering attitude to working with Council staff in achieving the government's Decent Homes Standards.
  - A proven track record of capability, experience and exceptionally high service levels.
  - A keen, well-structured and benchmarked pricing package.
  - An advanced stock management system that ensures continuous stock availability.
  - An effective and regularly reviewed equal opportunities policy.
  - A well structured and workable corporate social responsibility policy that takes seriously the organisation's impact on the local community, economy and the environment via:
    - An up-to-date and continuously monitored environmental management system.
    - A local recruitment, training and skills programme.
    - Support of the community by contributing to and attending local events.
- 1.4 To effectively manage the risks of supply and price increases over the contract lifetime the successful supplier will agree to:
- Hold all stock items for same or next day delivery.
  - Provide a facility for emergency orders outside of normal office hours.
  - Provide a City based collection point to enable Council staff to collect stock items on as needs basis.
  - Fix prices annually, providing evidence of benchmarking of prices against market rates. NB: Due to the volatile nature of copper prices these are to be fixed for 3 months with regular reviews by the Supervising Officer.

## **2 Tender Process and Evaluation**

- 2.1 An advertisement was placed on the Council's website, the local press, a trade journal and the Official Journal of the European Union in March 2008. It was agreed that the tender should be let under the restricted process with companies being invited to complete a pre-qualification questionnaire (PQQ) ahead of being invited to tender.
- 2.2 The evaluation panel is made up of Officers from all 4 Councils participating in the Contract with all parties contributing to the contents of the PQQ and the tender documents. These Officers will also mark the tenders and agree on the award recommendation.
- 2.3 The evaluation panel have determined the relevant financial and technical evaluation criteria that will provide the most economically advantageous contract, with 40% of marks being awarded for the pricing offer and 60% of marks awarded for evidence of quality. Suppliers must demonstrate that they are technically and operationally competent and able to meet the specification, while also demonstrating an innovative and financially attractive package that will take the service provision forward for all participating Councils.
- 2.4 The evaluation panel are due to make their award recommendation by the 25<sup>th</sup> July so that further to the 10 day standstill period the project team have almost a month to discuss the implementation of the contract ahead of the scheduled contract start date of 1<sup>st</sup> September 2008.

## **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 detailed below.
- 3.2 **Continue as we are**  
The current Plumbing and Heating Supplies contract is due to expire at the end of August. To remain compliant with EU legislation, limit the risk of the inflationary pressure on prices and ensure best practice in providing value for money the Council is obliged to make provision for a replacement contract.
- 3.3 **Set up a framework agreement with a number of suppliers**  
To provide value for money, ensure the reliable supply of stock items in meeting the government's Decent Homes Standards and reduce the impact on the environment via the need for fewer vehicle delivery runs it was decided to continue with the existing model of a single supplier that has partnering arrangements with a range of specialist suppliers. With a high level of inflation in the market a framework agreement would also present a greater risk when managing costs.
- 3.4 **Use a contract set up by another organisation**  
Due to the specific needs of same day delivery and a local collection point for stock items there were no other contracts in place that would meet such service levels.

## **Benefits of this contract**

- 4.1 With global demand for raw materials and fuel costs at an all time high the average level of inflation (excluding copper) in the market over the two year Plumbing and Heating Materials contract was 12%, with some the price of some items rising by as much as 22%, whereas the percentage increase charged to the Council was 3.45%. Based on an average annual expenditure of £750,000 per annum for the Plumbing and Heating Materials contract the Council paid £64,125 less than it would have done had it bought directly from the market. By extending the scope of the contract these savings against price increases can be realised across a much larger budget of £1.5 million per annum, equating to £128,250 per annum at the current market inflation rates. By annually fixing prices the contract will both provide savings and increase the accuracy of budget predictions by managing the effects of inflation in the face of commodity prices remaining high for years to come.
- 4.2 By entering into a joint procurement arrangement with neighbouring Councils all parties are able to secure better prices via economies of scale and benefit from sharing contract management and service level agreement best practice.
- 4.3 This new contract reduces the risk of delays in the supply of building materials by extending the range of materials available on a same or next day delivery basis, enabling the Council to be more proactive in fulfilling the government's Decent Homes Standards.
- 4.4 The use of a single supplier who can provide a single point of delivery for a wide range of goods together with a City based collection point actively reduces the environmental impact of the Council's supply chain.
- 4.5 By insisting on the provision of a City based collection point and the demonstration of a workable corporate social responsibility programme the supplier will actively contribute to the City's community, economy and environment.
- 4.6 By agreeing a specific stock items list that defines products identified by Council Officers as providing both quality and value for money the successful supplier will be encouraged to enter into partnerships with specialist smaller and medium sized enterprises.

## **5 Financial Implications**

- 5.1 Refer to 4.1 that points to value for money for a wide range of products over the lifetime of the contract.

## **6 Legal Implications**

- 6.1 This contract has been tendered in accordance with the EU procurement regime. It therefore complies with both the Council's own procurement requirements and external regulation.

## **7 Staffing Implications**

- 7.1 There are no staffing implications.

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

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

## **9. Recommendations**

The Board is recommended to agree to:-

- 1) grant project approval for a contract for the supply of building materials to Oxford City Council
- 2) the contract being awarded to an appropriate supplier for 2 years commencing on 1<sup>st</sup> September 2008 with an option to extend the contract by up to 1 year.
- 3) grant delegated powers to award the contract to the Executive Director of City Services.

**Name and contact details of author: Jane Lubbock Tel: 01865 252218  
Email: [jlubbock@oxford.gov.uk](mailto:jlubbock@oxford.gov.uk)**

**List of background papers: None**

**Version number: 1**