

To: City Executive Board

Date: 4th July 2012

Report of: Head of Business Improvement and Technology

Title of Report: AWARD OF CONTRACT FOR THE SUPPLY OF ELECTRICAL MATERIALS

Summary and Recommendations

Purpose of report: To request project approval to appoint a supplier for the provision of electrical materials and to recommend a new contract is awarded to Eyre and Elliston.

Key decision? Yes

Policy Framework: An efficient and effective Council

Executive lead member: Councillor Ed Turner

Recommendation(s):

- 1) Project approval is granted to appoint a supplier for the provision of electrical materials
- 2) That a new contract for the supply of electrical materials be awarded to Eyre and Elliston for the period 1st August 2012 to 31st December 2015.

1. Summary

- 1.1 This report sets out the procurement route that has been taken to put in place a new contract to provide the Council with improved value for money from purchasing electrical materials. The proposed contract award complies with the EU Procurement Regulations 2006.

2. Background

- 2.1 The Council currently has a contract for the supply of electrical materials with Wilts Electrical Ltd. Wilts Electrical Ltd supply materials from their local depot and, where appropriate, hold stock to assist with the reduction in any time lag in repairs being carried out due to their stockholding arrangement.
- 2.2 The current contract with Wilts Electrical Ltd will cease at the end of July 2012.
- 2.3 The Council spends approximately £365,000 a year on electrical materials.

3. Tender Process

- 3.1 A number of different tender routes are available to the Council to replace the current contract. Wilts Electrical Ltd was appointed as a result of the Council carrying out its own tender in 2008.
- 3.2 The Council is a member of a consortium called Procurement for Housing (PfH). PfH is able to offer access to an EU compliant framework contract which negates the need for a full EU tender being carried out by the Council. The framework is also able to offer preferential pricing through the leverage obtained through purchasing via a larger contract.
- 3.3 The Council used a similar PfH framework to appoint the supplier of building material supplies in 2011. The resulting contract has provided new savings and was more cost efficient in staff resources needed to put the contract in place.
- 3.4 The tender evaluation criteria used to appoint Eyre and Elliston via the framework is in accordance with the Council's Procurement Strategy of 40 % quality and 60 % price.
- 3.5 The tender evaluation panel consisted of the electrical materials category buyer for PfH, Direct Services, and a member of the Procurement Team.
- 3.6 As a result of completing the evaluation the panel concluded that Eyre and Elliston provided the Council with the best commercial offer based on our requirements.

4. Savings

- 4.1 Overall, the contract will represent an average increase of 6% against the Wilts Electrical Ltd pricing in June 2011. The Electrical materials market has in the last year seen price changes from -76.77% to +54.95%.

- 4.1 Direct Services had budgeted for a likely increase of around 6%. This price increase expectation was based on soft market testing and benchmarking. In addition the Department for Business Innovation and Skills' latest report advise that the electrical material price index have risen by an average of 7.8% in the last year – based on a basket of commonly bought goods.
- 4.2 Based on this analysis, this contract will deliver a price increase lower than expected
- 4.3 The electrical materials market is volatile and the fixed pricing offered in this contract will provide the Council with the stability of known pricing, enabling work for the next year to be planned based in the knowledge of having fixed pricing.
- 4.5 The contract will offer fixed prices on all materials, apart from cable for 12 months. Cabling will be reviewed on a four monthly basis as it is not possible to fix this pricing for longer periods.
- 4.6 A strict pricing review mechanism will be used, which does not allow for a blanket percentage increase to be applied to the contract. Evidence will need to be provided for any line item increase and supported by action taken by Eyre and Elliston to mitigate any such increase.

5. Other Options

- 5.1 The Constitution and Procurement Strategy advises that the CEB Decision Process considers what other options are available before giving project approval and awarding a contract over £500K. These are detailed below.

5.2 Continue as we are

The current electrical materials supply contract expires at the end of July 2012. To remain compliant and ensure best practice in providing value for money, the Council is legally required to make provision for a replacement contract.

5.3 Use an Existing Contract, set up by another organisation

There is no alternative suitable framework that meets the needs of the Council.

6. Benefits of this Contract

- 6.1 Eyre and Elliston is a local supplier.
- 6.2 The Council's tender evaluation panel is confident that the new contract can improve on current service performance and possibly

drive out new efficiencies concerning stock holding and the investigation of more cost effective alternative products to the current branded items that are currently used.

6.3 Operational benefits include:

Eyre and Elliston will:-

- 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 cable prices these are to be fixed for 4 months with regular reviews by the Supervising Officer.

7. Financial Implications

7.1 The Council has made budgetary provision for the implications of this contract

8. Legal Implications

8.1 The new contract complies with the EU Procurement Regulations 2006.

9. Risk Management

Risk	Likelihood	Mitigation
Preferred supplier experiences financial difficulties	M	This risk applies to most companies 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.
Initial stockholding issues	M	The Stores Team will work closely with Eyre and Elliston to ensure that the right stock and level are obtained prior to commencement of the contract. A detailed implementation plan has already been presented.
Stock out issues	L	This risk would apply to any supplier. Eyre and Elliston have an excellent supply chain, with back up support if

		required. Eyre and Elliston have already advised that both the Oxford and Witney stores will service the contract.
Underestimation of resources to service the Councils requirements	M	Eyre and Elliston have other stores located within Oxfordshire. They would be able to move staff and stock from any of those locations if required. The Stores Team will also work closely with Eyre and Elliston particularly in the early stages of the contract set up to ensure complete understanding of the Councils requirements.

10. Climate Change/Environmental Impact

10.1 Eyre and Elliston is located locally, minimising the transport impact on the environment.

11. Equalities Impact

11.1 Eyre and Elliston comply with the Councils living wage policy.

11.2 There are no further equalities implications.

Name and contact details of author:-

Name: Nicky Atkin
 Job title: Commercial Manager
 Business Improvement and Technology
 Tel: 01865 252778 e-mail: natkin@oxford.gov.uk

List of background papers:

Version number:

This page is intentionally left blank