

**Meeting of the Executive Members for
Housing and Adult Social Services**

14th January 2008

Report of the Director of Housing and Adult Social Services

Housing Capital Programme/Materials Procurement E-Auction.

Summary

1. This report presents the results of a procurement exercise undertaken for the supply of materials for the housing capital programme modernisation schemes.

Background

2. In the autumn of 2006 Partnering Contracts began for Tenants Choice and Central Heating programmes as the main vehicle for achieving Decent Homes. To maintain parity in service for customers and to ease the tender process the materials used in the modernisation works (e.g. kitchen units/bathroom suites) remained the same. Once these partnering contracts were running attention turned towards the purchasing of these materials with a view to achieving efficiencies and refreshing choices to customers.
3. At a similar time the Northern Housing Consortium (NHC) contacted CYC to enquire of our interest in joining a materials purchasing consortium of other Local Authorities and Registered Social Landlords.
4. The NHC are a non-profit making public sector membership organisation set up to support social housing to research and assist on an array of topic areas including procurement. Allied with the Office of Government Commerce (OGC) – the independent office of the Government's Treasury Department - they had undertaken the early stages of a large procurement exercise aimed at Decent Homes materials and were looking for member authorities/RSL's to form a consortium in order to build up purchasing power and economies of scale.
5. Officers attended numerous meetings to discuss the steps and details of the proposed package and it was agreed that it would be beneficial in joining this consortium as initially it would save 4/5 months of advertisement and tendering as well as utilising volumes and hence economies of scale which CYC on its own would never achieve. The total tender value was some £23 million whereas the value of a CYC tender would be approximately £4million.

6. As this was delivered in partnership with the OGC the process followed all government procurement protocols in that the potential contracts were advertised and applicants were assessed by the NHC/OGC with successful suppliers being allowed to continue to the in-depth tender exercise.
7. The member authorities agreed the total tender package in terms of the prospective volumes required and common standard specifications for the various material requirements for the basis of tender assessment.
8. Items CYC took interest in were, kitchens, bathroom suites, central heating components, electrical fittings and external doors - hence the quality standards these components would have to achieve were supplied.
9. The tender evaluation exercise began with all suppliers providing samples of their stock for rating in terms of quality. As this event was hosted in York three members of the Tenants Federation were invited by CYC officers to give opinions in terms of aesthetics, design and practical usage issues. The scores from all member authorities were then amalgamated to provide the Quality assessment that constitutes 60% of the tender score.
10. The Price element attracted 40% of the total score and was facilitated by a Reverse E-Auction. This is a process where suppliers bid through secure internet channels at a specified time against each other in order to compete for the contract. Suppliers cannot see their competitors' bid values but are made aware of their ranking. Suppliers can lower their bid as many times as they wish in order to improve the ranking to hopefully achieve 1st place, the auction closes once the bidding process halts and suppliers are not prepared to lower their bids any further.
11. The results of the E-Auction were not immediately available as the NHC/OGC then evaluated them to ensure all low bids were genuine by suppliers (not errors under the time pressure of the E-Auction) and deliverable.
12. Successful suppliers were then introduced to the member authorities with the view to them agreeing the actual materials to be used.
13. Although the standard specifications used so far were acceptable for a tendering platform it was clear that not all 5 members of the consortium would use - for example - the same kitchen (under Tenants Choice CYC offer a range of 4) with variations often being in the minor specification detail and aesthetics. The NHC oversaw the negotiations between the suppliers and members to ensure that any variations from their standard products achieved the same percentage value saving from list price as the original tendered products.
14. An example of this is that the kitchen specification change required by CYC was that the door/drawer fronts be of an increased thickness to provide a more robust product that will last longer. These door/drawer fronts will cost slightly more. However, the cost of them is directly related to the original tender and overseen by the NHC.

15. Through this process officers have had the opportunity to review the specifications of products to be offered on the scheme and in some cases improved it. The most obvious area is in bathroom suites where the quality of the proposed suites themselves and also the fittings to be used are of an increased quality. This has diluted any potential purchase savings however it is expected that it will save on lifecycle costs of the products through reduced repairs costs in later life and improve customer satisfaction.
16. Officers therefore produced ranges of materials that met the technical specification requirements for the Authority. However these still had a variety of aesthetic options. A 2 day event was then facilitated at the Novotel on Fishergate in October where over 500 residents attended and voted for their preferred choices of kitchen ranges, bathroom suites, showers and fires. The votes were amalgamated and ranges confirmed. Confidential Annex A confirms the full supplier list with a summary of major components.
17. Following the council's EMAP process it is proposed that these materials be used from April 1st 2008.
18. Three of the suppliers recommended were the lowest priced competitors in their respective lots. The supplier who won the kitchens' lot was not the lowest priced supplier but had a high quality rating that offset the marginally higher cost and placed them (in a value term of 60% quality 40% price) in 1st place. Under government protocol a recommended supplier that does not offer the Most Economically Advantageous Tender (MEAT) must be formally approved by the Executive Member. A summary of the tender scores is available in Confidential Annex A.

Consultation

19. As discussed above, members of the Tenants Federation have been involved in the Quality Assessment day of the tender exercise and residents included in the next 3 years' capital programme were invited to a 2 day event to choose the materials to be put on to the scheme's.
20. The council's central procurement team have worked alongside HASS officers during this process.

Options

21. The options available are therefore whether to use the supplier framework or not.

Analysis

Option 1. Use the Supplier Framework

22. Considerable input from the NHC and OGC have allowed CYC to be involved in a procurement exercise and achieve bulk purchasing power that it

otherwise would not have been able to achieve on its own, hence achieving a saving of 21.5% against current prices.

23. CYC officers have saved significant amounts of time in this process as the NHC/OGC have undertaken and facilitated the majority of the process meaning that this CYC officer time has been spent on other service issues.

24. Using the supplier framework allows customers to receive new ranges of materials from April 1st 2008.

Option 2. Do not use the Supplier Framework

25. If the choice were made not to use this supplier framework then officers would be required to begin a number of individual tenders to re-evaluate the capital programme materials choices themselves. Officers could not free up the time required to tender these contracts concurrently and hence the end-to-end process could take up to 18 months - thus impacting on other service initiatives. As noted above, it is doubtful that CYC would achieve lower or even comparable prices for like materials tendering on its own, thus impacting upon the financial resources available.

26. Alternatively if the choice was made not to use this supplier framework an alternative framework could be searched for to join. The NHC have stated their intention to run this process again in the near future. However, officers are not aware of any dates fixed.

Corporate Priorities

27. This tender exercise contributes to the Council's corporate priority to "Improve the quality and affordability of decent, affordable homes in the city".

Implications

Financial

28. The savings proposed through this tender are likely to be approximately 21.5% of the current cost of purchasing materials over the 4 year term of the contract. The capital programme is presented annually to members for approval and in the 2008/09 proposed capital programme this equates to an approximate saving of £238,000.

Component	Current Costs	Proposed Costs	Savings	Percentage saving
Kitchens	£198,521	£150,100	£48,421	24.39%
Bathrooms	£92,786	£92,220	£566	0.61%
Central Heating	£630,973	£481,503	£149,470	23.69%
Electricals	£98,075	£80,207	£17,868	18.22%
Doors	£90,086	£67,660	£22,426	24.89%
Totals	£1,110,441	£871,689	£238,752	21.50%

29. Not using the supplier framework will keep costs above those proposed for the timescale it would take CYC to complete the various tender exercises – potentially a period of 18 months.

Human Resources (HR) No implications arising from this report.

Equalities No implications arising from this report.

Legal Option 1 would formally contract the Authority to a 4 year purchasing agreement facilitated by the NHC. Under MEAT the authority would have to recognise the kitchen supplier as not the Most Economically Advantageous Tender.

Crime and Disorder No implications arising from this report.

Information Technology (IT) No implications arising from this report.

Property No implications arising from this report.

Risk Management - As with any tender exercise this will contract the Authority to a potential 4 year term with a number of suppliers. Any formal contract carries risk to each party should the contract become unstable. However, this risk also exists should the option be not to use the supplier framework.

Measured in terms of impact and likelihood, the risk score all risks has been assessed at less than 16. This means that at this point the risks need only be monitored as they do not provide a real threat to the achievement of the objectives of this report.

Recommendations

30. That the Advisory Panel advise the Executive Member to approve Option 1 - To use the supplier framework and accept the kitchen supplier under MEAT as noted in paragraph 18.

Reason: To secure quality and value for money on behalf of the council's tenants.

Contact Details

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Report Approved

Date 31 December 2007

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Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Annex A – Confidential summary of suppliers