

Neighbourhood Services EMAP

7th December 2006

Report of the Director of Neighbourhood Services

Material Procurement

Summary

1. This report seeks approval to commence negotiations and detailed arrangements for the supply of building related materials to Building Services following competition to select a preferred bidder using the OGC (Office of Government Commerce) procurement route.

Background

2. The Building Department within Neighbourhood Services spends in the region of £1.2 million p.a. on General Building materials including, plumbing goods, electrical parts and equipment, domestic and commercial heating spares and equipment, joinery products, kitchens and other general building materials such as cement, plaster and bricks.
3. These materials have, in the past, been sourced through separate contracts with various suppliers procured through the normal procurement routes within the City of York Council financial regulations. This involves placing an advert within OJEU (The Official Journal of the European Union) and then sending out tenders to suitable suppliers who pass an initial pre-qualifying test. This is a long drawn out process which can take up to 6 months to complete and involve a great deal of officer time.
5. The majority of these contracts expired in September 2005 and have been extended to allow for a full review of our procurement.
6. In 2001 The Office of the Deputy Prime Minister (ODPM) formed the OGC to help Central and Local Government improve their purchasing power by agreeing national framework contracts with suppliers across a very wide range of products including all major building supplies. This enabled all government agencies and Local Authority's to take advantage of the excellent terms and conditions and prices that these framework agreements contained. These agreements have already been through the robust OJEU tendering process, thus reducing the work and time taken to enter into contracts with suppliers.
7. The framework agreements allow for local terms and conditions to be set with the suppliers tailored to specific needs. There is also the ability to chose between suppliers who best suit your needs in terms of cost and ability to address the specific contract requirements such as location, flexibility and

service standards. There is usually very little between the different suppliers in cost as the OGC negotiations ensure all offer the best possible prices.

8. Working with the OGC and the City of York Council procurement team a competition has been undertaken with two national companies both with strong local presence, Jewson Ltd. (Saint Gobain Building Distribution) and Wolseley UK.
9. The competition was in four parts:
 - A written submission and response to a list of 16 requirements of Building Services to provide a full materials supply service.
 - A presentation on how the service would work in practise with a question and answer session with representatives from CYC Procurement, OGC and our major client.
 - A site visit by the evaluation team to look at similar arrangements in other organisations. (*Wolseley, Hartlepool Housing and Jewson, Golden Gates Housing, Warrington*)
 - A priced schedule of 125 items.

The first three parts being the quality model (60%) and the last part the pricing model (40%)

10. The results of this process are in Annex 1. From this process Jewson Ltd. (Saint Gobain Building Distribution) are shown to be the best option for continued negotiations. The actual cost of materials supplied within the 125 items was very close with Jewsons Ltd. marginally cheaper and Jewsons Ltd. overall scored higher in the quality assessment.
11. If the arrangement proves successful it may be extended to cover other materials within the construction department.

Consultation

12. To enter into the OGC framework agreement approval was sought and given from the Director of Resources. The MEAT (Most Economically Advantageous Tender) approach was also approved with the condition that the final option was affordable. The central procurement team have been involved in all stages of the process.

Options

13. **Option A.** The result of the procurement process has indicated that Jewsons Ltd. represent best value for money in terms of financial, quality and service delivery. The option to accept these results and enter into negotiations to form a five-year partnership agreement with an option to extend for a further three years with Jewsons Ltd. is recommended.

Option B. To abandon this process and adopt a more traditional procurement route

Analysis

14. Option A in our view represents good value for money and establishes a sound relationship with Jewsons Ltd. to supply Building, Mechanical & Electrical materials and products for the next five years. The arrangement would follow the principles of a Partnership with key milestones for improvements in service and quality.
15. To abandon this procedure and start the process again using a traditional approach will extend the procurement period, involve additional costs and resources currently not available within Building Services for the procurement exercise with no guarantee that improved value for money will be forthcoming.

Corporate Priorities

16. This procurement exercise sets out to improve service delivery to customers and offer better value for money. This ties in with two corporate priorities to:
 - Improve the way the Council and its partners work together to deliver better services for the people who live in York
 - Improve efficiency and reduce waste to free-up more resources. The negotiations will look at issues such as sustainability, and product whole life costing. For example, timber from sustainable sources, eliminate use of rain forest hardwoods, electrical components that minimise energy use, lifespan of the product and are the products recyclable when they are eventually replaced.

Implications

- **Financial** The financial model for the 125 items indicates that the current levels of material expenditure would remain at current levels, however improved vehicle stocks and a bespoke tailored service is expected to significantly reduce the time spent by operatives in sourcing materials, this will over time improve our efficiency and reduce operating costs.
- **Human Resources (HR)** These new arrangements with the supplier will free resources currently deployed in the management and maintenance of store materials to deliver improved front line service to all our customers.
- **Equalities** There are no equalities implications
- **Legal** The OGC Framework Agreement has been approved and recommended by Central Government and is now being used as a 'best practice' procurement route by many Government agencies.
- **Crime and Disorder** There are no Crime and Disorder implications

- **Information Technology (IT)** This contract will be “e commerce” enabled. Development of “e procurement” will be one of the key improvements within the partnership.
- **Property** Whilst further negotiations are needed, one of the options available is for the successful supplier to use storage space within the new Hazel Court Depot to manage bespoke materials supply facilities on behalf of Building Services.

Risk Management

17. The models we have used show that the prices quoted are generally similar to those currently paid. The arrangement will allow for better, improved management information to monitor costs and service. Regular, formal joint management meetings will be scheduled to monitor expenditure and performance, which we believe will ensure costs, remain within or below current levels. All other possible risks are identified and reduced through the OGC Framework Agreement with an opt out clause for both parties should there be a breakdown in the working relationship.

Recommendations

- 18 The recommendation is to approve option A and allow the Director of Neighbourhood Services to enter into negotiations for a five year supply agreement with Jewson Ltd. (Saint Gobain Building Distribution)

Reason: This option represents best value for money for both the service and the customers

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Report Approved **Date** 23/11/06

Specialist Implications Officer(s) *List information for all*

<i>Implication ie Financial</i>	<i>Implication ie Legal</i>
<i>Name</i>	<i>Name</i>
<i>Title</i>	<i>Title</i>
<i>Tel No.</i>	<i>Tel No.</i>

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

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Annex 1- Evaluation model