

# REPORT TO CABINET

**REPORT OF:** Portfolio Holder for Resources and Assets

**REPORT NO:** TSE36

**DATE:** 6 July 2009

<b>TITLE:</b>	<b>MATERIALS CONTRACT</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Key decision	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Cllr M Taylor, Resources and Assets Portfolio Holder	
<b>CONTACT OFFICER:</b>	Tony Campbell, Director of Tenancy Services 01476 406501 t.campbell@southkesteven.gov.uk	
<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>		
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Local Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	None	

## 1. RECOMMENDATIONS

This report recommends that Cabinet:

- Agree for the council to purchase the materials used by the Works team through the framework agreements set up by Procurement for Housing (PfH) and the Eastern Shires Purchasing Organisation (ESPO).

## 2. PURPOSE OF THE REPORT/DECISION REQUIRED

The Council has a budget of £450,000 for the Works team's use of materials in the repairs service. Using the framework agreements set up by PfH and ESPO will enable us to have the flexibility to use a range of suppliers rather than obtaining materials through a sole supplier.

## 3. DETAILS OF REPORT (SUMMARY – USE APPENDICES FOR DETAILED INFORMATION)

The Works team use a number of local merchants for the materials used in the responsive repairs service. The budget for materials in 2009/10 is £450,000. At this value any contract for the supply of materials must be tendered in accordance with European procurement legislation and the Public Contract Regulations 2006.

However, PfH and ESPO have already established framework agreements for supplying the type of materials used by our Works team. These frameworks are EU procurement compliant and Procurement Lincolnshire have confirmed that they are happy for us to use these agreements, subject to us demonstrating value for money for the materials. There are no joining fees for ESPO and PfH.

Joining PFH and using their framework agreements would save us the time and resources that would be used if we were to advertise for the contract ourselves. We have carried out a benchmarking exercise comparing the costs for commonly used materials with PfH. This exercise shows that we can expect to achieve savings of around 6% p.a.

Another benefit offered by the framework agreements is that we can continue to use most of the suppliers we currently use as one or both of the framework agreements cover the major suppliers. The PfH agreement also offers smaller local suppliers to provide materials through the agreements provided that they match the tendered prices and join the framework through Unimer. This is an organisation which helps small firms access large framework agreements.

This flexibility is an important consideration for us, given the wide area we cover and the range of different merchants which have a base in the main towns in the district.

Both ESPO and PfH provide an invoice consolidation service which means that we would just receive one invoice a month, detailing all the materials used, rather than the hundreds of invoices we currently receive each month. Moving to monthly invoicing will produce efficiencies in both the Works and Finance teams.

Both also offer the opportunity for us to use P- cards in the future which will lead to further operational efficiencies in our administrative processes.

Through the Systems Thinking review of the repairs service, we are now evaluating the potential benefits of using van stocks managed by suppliers, rather than operating a central store. These framework agreements will not stop us directly negotiating these additional services with individual suppliers directly.

#### **4. OTHER OPTIONS CONSIDERED**

An alternative option is to tender for the materials supply contract ourselves. However, this would involve additional officer time and cost in managing the European procurement procedure. This option also does not allow the Council to take advantage of the bulk purchasing power that the framework agreements have in place.

#### **5. RESOURCE IMPLICATIONS**

Purchasing materials through these framework agreements will enable us to make savings on the materials budget of approximately 6%.

## **6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)**

There are no significant risks associated with this recommendation to purchase materials through the existing framework agreements.

## **7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

None.

## **8. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications associated with this report.

## **9. COMMENTS OF SECTION 151 OFFICER**

This matter was reported to the Governance and Audit Committee by Pricewaterhouse Coopers (internal auditors) on 10 April 2008. This budget heading overspent by £52,000 in 2008/09 and the report confirms that there will be savings of 6% if the procurement proposals are agreed. These projected savings will be incorporated into the budget heading for the future financial years.

## **10. COMMENTS OF MONITORING OFFICER**

The proposal is to contract for the supply of materials for works to council houses alone through the provision of two existing framework agreements as detailed in the report. As such agreements are not anticipated in contract procedure rules, to enter such agreements will require the completion of forms relating to the exemption of contract procedure rules. The Contract supervisor will need a detailed working knowledge of both framework agreements to ensure we comply with terms of the framework and the individual requirements of each individual supplier. The Council should also obtain written confirmation from both frameworks that the supply of goods has been advertised in accordance with the Public Contract Regulations.

## **11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER**

Liz Banner, Service Manager Asset & Facilities Management - When examining this contract from a procurement perspective, it is important that the contract number is specified in order that it can be established if mini-competition is required. It is generally accepted that if there is more than one supplier a mini-competition would be necessary, unless it can be proven that the type of materials required can only be purchased from one of the suppliers only. It is also necessary that the report writer has read the terms and conditions of this contract and that they are satisfied with their content.