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Date: 21st December, 2017

Dear Sir/Madam,

Cabinet – 3rd January, 2018

I refer to the meeting of the Cabinet to be held on Wednesday 3rd January, 2018 and attach the following item which were marked “to follow” on the agenda:

- Agenda Item 7: Building Materials Supply Contract

Yours faithfully,

ALAN FRANKS

Managing Director

To: Members of Cabinet

Councillor D. Harvey	(Finance and Civic Affairs (Leader))
Councillor J.A. Jackson	(Housing (Deputy Leader))
Councillor D. Aldington	(Planning and Development)
Councillor I.K. Lloyd	(Arts and Leisure)
Councillor G.D. Pomfrett	(Central Services)
Councillor B.J. Longden	(Health and Environment)

Cabinet

Report Summary Sheet

Date: 3rd January 2018
Subject: Building Materials Supply Contract: Housing Revenue Account
Portfolio: Housing and Communities
From: Director – Housing and Communities

Summary:

Following a review, in 2007/08 Nuneaton and Bedworth Borough Council (NBBC) took the decision to outsource the Stores supply for Housing by undertaking OJEU tender process. Travis Perkins was the successful Tenderer with a profit share, open book model. An initial 5 year, plus up to 5 year extension option contract was created. The contract is due to expire on 31st March 2018.

Two major strategic decisions, in the form of a new Housing IT System and Depot re location, indicated that now is the right time to undertake a review of the Stores function for NBBC across the Council. Three options for the service were considered, as outlined below.

Option 1
NBBC take the stores function back in house in a new facility servicing the council, using a Council sourced supply chain of multiple suppliers

Option 2
NBBC take the stores function back in house, and have an external party oversee the facility and core materials provision for the operatives plus Council supply chain

Option 3
NBBC to outsource the materials provision to a third party specialist provider and negotiate material handling of Council sourced product.

Although all options were considered in detail, it was concluded that the costs associated with Options 1 and 2 out- weighed the benefits. This is even more relevant

given the Depot move to Gresham Road where space is at a premium.

Option 3 – Outsourced store

Benefits

- History of similar agreement
- This is generally what LA's are doing for this service
- Outsourced provider (OP) would provide stores accommodation fit for purpose, and cover costs of staff, stock, etc
- No investment needed or tied up
- Let specialists do what they do well
- Easier to implement, short mobilisation period
- Can influence required service
- NBBC management time freed from operational activities to concentrate on the strategic management of the contract

It is therefore proposed to procure an external Building Materials Supplier based on the benefits outlined in Option 3.

The current materials spend is in the region of £600k per annum and is therefore subject to European procurement (OJEU) rules. It is proposed to procure a Materials Supplier via an existing framework. Utilisation of a framework has the advantage of compliance with OJEU requirements, demonstrating a full tender exercise has been undertaken. A benchmarking exercise and mini tender process will be undertaken to identify the most advantageous supply contract from the framework.

Recommendations:

1. That approval is given to procure an external materials supplier, via a framework approach.
2. That the report is marked not for call in on the grounds of urgency.

Options:

1 – Agree the recommendations

2 – Do not agree the recommendation and pursue a full procurement exercise. An exemption from Contract Procedure Rules would be required in order to extend the current contract beyond 31st March 2018.

Reasons:

This approach is cost effective and allows the Council to comply with both its own Contract Procedure Rules and OJEU requirements. Further the process is not as lengthy and would allow the Council to commence a new fully legal and compliant contract from 1st April 2018.

Consultation undertaken with Members/Officers/Stakeholders

Portfolio Holder – Housing and Communities
Director, Finance and Procurement
Creditors and Procurement Manager

Subject to call-in: No

Ward relevance: All wards

Forward plan: Yes

Corporate Priorities:

Corporate Aim: To provide quality services which provide value for money.

Corporate Priority: 1- To continue to improve the performance and quality of key services
3- To use values for money procedures to test the way all services are delivered.

Relevant statutes or policy:

NBBC Contract Procedure Rules

Equalities Implications:

None relating to this report

Human resources implications:

There may be staff transfer implications arising from the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE), should a new materials supplier be procured. This will be a matter between the current supplier and any new supplier.

Financial implications:

The materials spend is in the region of £600k per annum. This is accounted for within annual budgets and the 30 year Housing Revenue Account Business Plan.

Health Inequalities Implications:

None

Section 17 Crime & Disorder Implications:

None

Risk management implications:

At the end of March 2018, the Council will have maximised the legal contract period with the current supplier. Failure to undertake a procurement exercise to establish a new contract would expose the Council to risk of challenge from suppliers and to sanctions under the OJEU procurement regulations.

Environmental implications:

None

Legal implications:

The procurement process must comply with the Council's Contract Procedure Rules and OJEU legislation.

Contact details:

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AGENDA ITEM NO. 7

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Cabinet - 3rd January 2018

From: Director, Housing and Communities

Subject: Building Materials Supply Contract: Housing Revenue Account

Portfolio: Housing and Communities

Corporate Aim: To provide quality services which provide value for money.

**Corporate Priority: 1- To continue to improve the performance and quality of key services
3- To use values for money procedures to test the way all services are delivered**

1. Purpose of Report

1.1 To present recommendations in relation to the procurement of an external Building Materials Supplier for the Housing Revenue Account.

2. Recommendations

2.1 That approval is given to procure an external materials supplier, via a framework approach.

2.2 That the report is marked not for call in on the grounds of urgency.

3. Background

3.1 Following a review, in 2007/08 Nuneaton and Bedworth Borough Council (NBBC) took the decision to outsource the Stores supply for Housing by undertaking European compliant (OJEU) tender process. Travis Perkins was the successful Tenderer with a profit share, open book model. An initial 5 year, plus up to 5 year extension option contract was created.

3.2 In late 2012, an options appraisal was undertaken as part of the Procurement to Pay Lean Project. The intention was to determine the viability of the current solution, together with defining the most effective processes and possible implications in the short term, whilst decisions were being made elsewhere regarding the future of the Depot at St

Mary's Road and possible upgrading of our Housing IT systems. Following this review the decision was taken to extend the contract with Travis Perkins in stages to take full advantage of the 5 years plus 5 year option to extend. The initial contract period plus extension options have now been maximised and the contract is due to expire on 31st March 2018.

4. Option Appraisal

- 4.1 Two major strategic decisions, in the form of the procurement of a new Housing IT System and the Depot re location, indicated that now is the right time to undertake a review of the Stores function. Three options for the service were considered, as outlined below:

Option 1

NBBC take the stores function back in house in a new facility servicing the council, using a Council sourced supply chain of multiple suppliers;

Option 2

NBBC take the stores function back in house, and have an external party oversee the facility and core materials provision for the operatives plus Council supply chain;

Option 3

NBBC to outsource the materials provision to a third party specialist provider and negotiate material handling of Council sourced product.

- 4.2 All options were considered in detail and, it was concluded that the costs associated with Options 1 and 2 out- weighed the benefits. This is even more relevant given the Depot move to Gresham Road where space is at a premium.
- 4.3 Option 3 is considered to be the most advantageous route for the following reasons;
- There is significant history and experience of a similar agreement;
 - This is the most common approach undertaken by other Local Authorities for this service;
 - An Outsourced Provider (OP) would provide stores accommodation fit for purpose, and cover costs of staff, stock, etc;
 - No set up investment is required from the Council;
 - The ability to take advantage of specialists who provide this service;
 - This solution is simple to implement, with a short mobilisation period;
 - NBBC can influence the required service;
 - NBBC management time is freed from operational activities to concentrate on the strategic management of the contract.

5. Procurement Route

- 5.1 The current annual spend on materials for the property services element of the Housing and Communities function is in the region of £600,000. This means that any procurement must comply with OJEU regulations, as well as the Council's own Contract Procedure Rules.
- 5.2 The Council could opt to undertake its own OJEU compliant tender process. However, this process is lengthy and time consuming. From start to finish, the process could take between 9 and 12 months to complete. This would mean that there would be no compliant contract in place from 1st April 2018. In this circumstance, an exemption for an extension to the current contract would be requested. It should however be noted that if the current supplier were not confident that they would successfully obtain the new contract, they may be unwilling to extend their provision. Additionally, an exemption is not automatically applied and ultimately may not be granted.
- 5.3 There are well established Frameworks that have been tendered in line with OJEU requirements. It is proposed that the Council utilises one of those frameworks. Following a benchmarking and mini tender exercise, it is proposed that a direct award from the most appropriate framework be made.
- 5.4 This process is significantly reduces the tender and mobilisation period, ensuring that the new contract would be in place and operational on 1st April 2018. It is recommended that this report is marked not for call in, to ensure that procurement can commence immediately, thus ensuring the new contract is mobilised from 1st April 2018. This approach would ensure that the Council is compliant with European procurement requirements as well as its own Contract Procedure rules. This means that the risk of challenge and potential sanctions would be removed.

DAWN DAWSON