

DECISION-MAKER:	HEAD OF CAPITAL ASSETS		
SUBJECT:	MATERIAL SUPPLY CHAIN CONTRACT		
DATE OF DECISION:	15 NOVEMBER 2016		
REPORT OF:	CONTRACTS AND COMMERCIAL SERVICES MANAGER		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

The confidential appendices 1 & 2 contain information deemed to be exempt from general publication based on category 3 of paragraph 10.4 of the Council's Access to Information Procedure rules. Publication of this information at this time could put the council and a third party at a commercial disadvantage.

BRIEF SUMMARY

The Council's Housing Operations department is seeking to establish a contractual arrangement for the supply and delivery to a co-location depot of a comprehensive range of construction, mechanical, electrical, highways and associated materials. This includes providing a dedicated managed service and material storage facility that is co-located within the Council's Nursling Depot/warehouse. This contract will be on the basis of a 2 year initial contract term with the opportunity to extend this for an additional year.

RECOMMENDATIONS:

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| | (i) | Approve the direct award of a bespoke two year and an optional one year extension Call-off managed service supplier contract with Travis Perkins via Lot 5 of the Cirrus Framework Agreement and for this supplier to be co-located within Southampton City Council's Housing Operations Nursling warehouse and offices. |
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REASONS FOR REPORT RECOMMENDATIONS

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| 1. | Will enable Southampton City Council to drive greater efficiencies by increasing the optimisation of its operations through the co-location with its material supplier and achieve essential cost savings. These are set out in Option 5 page 38 of Appendix 1 to this report. |
| 2. | Southampton City Council would receive the latest Market Prices and Value for Money (VfM). |
| 3. | Operationally – SLA and stringent KPI's which the successful supplier will be accountable to perform to. |
| 4. | Help mitigate existing inefficiencies and potential risks which exist in current |

	arrangements. Solutions include: van optimisation; reduction in manual invoicing and administration activities; increase in operative productivity; dedicated material storage facility improving stock availability; etc (See Savings Stream document contained within the attached Appendix 2 and risk map on page 40 of Appendix 1)
5.	Provide greater consistent service standards and specification. This includes, by virtue of better availability and access to commonly required materials: increasing the number of jobs completed on the first visit; reducing the number of appointments with tenants/customers; fewer delays in sourcing materials to complete repair jobs, etc.
6.	A best value for money solution to SCC through a more streamlined processing and enhanced economy of scale by the award to a single provider.
7.	This Framework will comply with SCC Legal requirements.
8.	Cirrus will produce an annual report outlining the result of a benchmarking activity, making sure that Travis Perkins prices maintain their current competitive edge in the wider market.
9.	Improve management information via coordinated KPI's built into the framework agreement; Improve management information via usage reporting for all Materials ordered via the framework.
10.	Travis Perkins' IT system integrates with Total and so there should not be any extra costs for integrating with SCC's Total Repair ordering system.
11.	Travis Perkins was rigorously and competitively assessed by Cirrus during the OJEU procurement process for their financial stability, competitiveness, track record, experience and technical & professional ability, and awarded first ranking position in the Cirrus framework.
12.	The Framework offers comprehensive range of products with the added managed services operation (LOT 5) which fully meets Housing Operations requirement.
13.	The charge by Travis Perkins under the governance of the Cirrus Agreement for the cost of managing the material process is inclusive of any delivery charges to the Managed Store, fully transparent and without any hidden extras.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
14.	These are set out in detail in Appendix 1 pages 35 -37 and are set out in the following paragraphs.
15.	Extend current (now past) contract with Wolseley: Wolseley was the previous incumbent supplier. However, this possibility has long since expired.
16.	Full OJEU Tender process: Full procurement process utilising either the Open Procedure, Restricted Procedure or Competitive Dialogue would have taken time to complete and in any event may not have been appropriate. The timings involved in delivering this option would not have allowed Housing Operations to meet the deadline of the end of July to relocate from its Shirley Depot to its new current depot at Nursling.

17.	<p>Mini competition via a pre competed Crown Commercial Service Framework Agreement RM3747:</p> <p>One stop shop material supply arrangement together with a co-location of the material supplier within the same premises as the Council. However, the time involved in carrying out a mini-competition would delay the Council in achieving any potential savings and did not guarantee that we could make the level of savings needed.</p>
18	<p>Bespoke call off contract through Pretium Framework Agreement:</p> <p>The same one stop shop supply arrangement but through the Pretium Framework with a five year contract period and two year extension facility. However, we were unable to proceed with this option because the framework could not obtain the characteristics necessary for OJEU compliance.</p>
19.	<p>In-house delivery model:</p> <p>The cost savings are not as evident as those available through the Travis Perkins Call-off contract under the Cirrus framework. Particularly as this includes an additional upfront cost of £345k for set-up of the material storage area of the warehouse and the extra offices.</p>
20.	<p>Bespoke 5 year + 2 year extension option call off contract through the Cirrus Framework Agreement:</p> <p>This option potentially generates the greatest amount of savings. However, the five year commitment may restrict the flexibility of this interfacing with the Council's future corporate plans.</p>
DETAIL (Including consultation carried out)	
21.	<p>This option appraisal has been conducted in conjunction with Capita Procurement and approval of the option to appoint Travis Perkins.</p> <p>Likewise, the unions have been briefed and involved in the pre-contract monthly steering group meetings where these proposals have been discussed and developed.</p>
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
22.	<p>The value of the annual material purchase costs is circa £4m plus an annual management fee from Travis Perkins of £574k. The £4m pa material spend is predominantly charged to the HRA account and contained within the parameters of the existing approved annual maintenance budget for Housing Operations. However, the cost of the annual management fee will be off-set by the forecast efficiency savings and still giving an overall potential saving of circa £1.35M each year against existing costs with the greater proportion of the first year savings appearing in 2017/18 (see Total Annual Savings in Appendix 2).</p> <p>The savings generated can be utilised in one of two ways. Either we reduce the number of trades once the efficiencies are achieved or we increase our capacity and reinvest these resources to undertake more work for other departments across the Council as well as new external customers (subject to contractual terms and conditions). This will be assessed as part of the overall HRA Business Plan agreed in February 2017.</p>

<u>Property/Other</u>	
23.	The contract with Travis Perkins includes them co-locating with the Council at its Nursling depot. This will enable the Council to share the rent and rates for our Nursling offices reducing our direct monthly costs by at least £12k. There are no establishment staff/trades displacements expected.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
24.	Based upon our enquiries the Cirrus Framework Agreement appears to have been established in a way which complies with the Public Contracts Regulations 2015.
<u>Other Legal Implications:</u>	
25.	TUPE implications have been reviewed and none were considered likely at this time but there could be TUPE implications at the end of the arrangement.
POLICY FRAMEWORK IMPLICATIONS	
26.	The Cirrus Framework Agreement complies with SCC Procurement policy and guidelines.

KEY DECISION?	Yes/No
WARDS/COMMUNITIES AFFECTED:	All wards
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Procurement Sourcing Plan and Benefits Rationale - confidential
2.	Materials Supply and delivery options appraisal – confidential

Documents In Members' Rooms

1.	N/A
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Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
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Privacy Impact Assessment

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
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Other Background Documents: None

Other Background documents available for inspection at: N/A