

## **Report to the Cabinet**

**Report reference:** C-056-2012/13  
**Date of meeting:** 4 February 2013



**Epping Forest  
District Council**

**Portfolio:** Housing

**Subject:** Acceptance of Tender – Building Supplies Contract for Housing Repairs Service

**Responsible Officer:** Paul Pledger (01992 564248)

**Democratic Services:** Gary Woodhall (01992–564470)

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### **Recommendations/Decisions Required:**

- (1) That Grafton Merchanting GB Ltd (Trading as Buildbase) be awarded the contract for the supply of materials for the Housing Repairs Service in the total adjusted tendered sum of £220,178.18 per annum, being the lowest tender received; and**
- (2) That the Council explores with the Council's insurance provider cover for materials being stored in Council vehicles.**

### **Summary**

The Council currently operates its own materials stores within the Housing Repairs Service, based on ad-hoc procurement arrangements with a range of different suppliers. However, to take advantage of larger economies of scale and obtain value for money in terms of efficiencies, costs and quality, an EU compliant procurement exercise has been undertaken to appoint one sole supplier of building materials for use by the Housing Repairs Service (and other Directorates within the Council if required) over an initial 5-year period with an option to extend for a further 3-years. The most economically advantageous tender was submitted by Grafton Merchanting GB Ltd (Trading as Buildbase) in the total tender value of £220,178.18 per annum.

### **Reasons for Proposed Decision:**

As part of the "Repairs Refresh Programme" it has already been determined that a materials supply-chain contract should be let in order to comply with Contract Standing Orders and EU Procurement Directives. This was agreed by the Cabinet at its meeting in April 2011 as part of the appointment of the Repairs Management Contractor.

### **Other Options for Action:**

To continue operating a local materials stores at the Epping Depot. However, that would not achieve the potential efficiency savings in terms of quality and value. This would also expose the Council to a potential EU procurement challenge.

To appoint any of the other bidders. However, that would expose the Council to a legal challenge from other suppliers as this would not comply with the Council's initial intention to appoint the best overall bidder in terms of cost and quality as set out in the OJEU Notice.

## Report:

1. For many years, the Council has operated its own materials stores to assist with its Housing Repairs and Voids operations, spending between £250,000 - £300,000 per annum with a whole range of different suppliers. Based on an informal benchmark exercise undertaken by the Council's Repairs Management Contractor, the Council is benefiting from only a moderate discount based on current purchasing arrangements. However, greater discounts along with improved efficiencies in administrating arrangements for ordering, invoicing and general issue of materials, which are currently very time consuming, could be achieved if the Council were to procure all of its materials from one supplier. This was identified when the responsibility for the Housing Repairs Service passed from the former Works Unit to the Housing Directorate in 2008.

2. The Council appointed Cameron Consulting, who were the specialist procurement advisors who assisted with the "Insourcing" Repairs Management Contractor appointment in 2011, to undertake a competitive procurement exercise conducted in accordance with EU Procurement rules. The contract, for an initial 5-year term with an option to extend for a further 3-years making a total of 8-years, was advertised based on a price (70% weighting) and quality (30% weighting) tender i.e Most Economically Advantageous Tender (or MEAT) criteria. A Pre Qualification Questionnaire short-listing exercise was undertaken, with 6 expressions of interest received and scored, resulting in a shortlist of 4 suppliers invited to tender.

3. The pricing aspect of the tender was based on a schedule of materials. However, for the qualitative aspect of the tender, each supplier was invited to put forward their proposed approach to the supply of materials, which would not only provide value for money in terms of the volume of materials purchased, but also provide added value to the Council in terms of operational efficiencies such as stock control, ordering and invoicing.

4. Tenders were received on 21 September 2012 and opened by the Housing Portfolio Holder on 25 September 2012. The tenders were recorded as follows:

Contractor	Tender Sum
Grafton Merchanting GB Ltd (Trading as Buildbase)	£379,750.00
Travis Perkins Trading Company Ltd	£423,500.00
Jewson Ltd	£423,500.00
Burdens Ltd	Declined to Tender

5. The tender figure for Grafton Merchanting GB Ltd could not be recorded at the formal Tender Opening by the Housing Portfolio Holder as a hard copy had not been printed off and included in the tender envelope. However, a copy was printed from the electronic version (also supplied in the tender envelope) and was recorded after the Tender Opening on 26 September 2012 by the Housing Portfolio Holder.

6. Since the priced element of the tender was based on a schedule of rates with IT costs, overheads and profits recorded separately, for tender recording purposes, a notional value of spend was included in the tender as a provisional sum onto which each tenderer was required to add their IT costs, overheads and profits.

7. Arithmetic checks were undertaken by the Council's Procurement Consultants, Cameron Consulting, which included benchmarking the unit rates and costs to determine the commercial viability of the Service Providers' financial proposals. The cost evaluation was undertaken by applying historic quantities to the materials component schedule with the

resulting figure recorded as the final total tender value, in accordance with the evaluation methodology set out in the procurement strategy. The total tender values are as follows:

Contractor	Total Tender Value	Weighting % (70% max)
Grafton Merchanting GB Ltd (Trading as Buildbase)	£220,178.18	70.00%
Travis Perkins Trading Company Ltd	£244,468.05	63.04%
Jewson Ltd	£230,532.71	66.86%
Burdens Ltd	Declined to Tender	n/a

8. With the exception of Travis Perkins in Epping, there is an absence of major building supply merchants within the Epping Forest District (who expressed an interest). Therefore, each tenderer was asked to propose a preferred means of supplying materials, which would not disrupt the day to day activities of the Housing Repairs Service including its tradesmen, yet would enhance the service provided to our tenants. Each supplier based their tender on a variation of an impressed van stock, which would be regularly replenished as and when necessary. Each of the tenderers was required to link the control of materials supply to Mears' MCM IT systems used by the Housing Repairs Service, including the mobile smartphones to automate invoicing and stock level control.

9. The quality aspects of the tender were evaluated, taking into consideration a desktop evaluation of their tender quality submission, as adjusted following clarification interviews carried out at the respective "Home" branch stores proposed by each tenderer. The evaluation and interview was undertaken by Cameron Consulting, Mears (as the Repairs Management Contractor, and supplier of the MCM IT System in use by the Council) and Council Officers. The outcome of the quality assessment was as follows:

Contractor	Quality Total % Score (30% max)
Grafton Merchanting GB Ltd (Trading as Buildbase)	23.10%
Travis Perkins Trading Company Ltd	24.00%
Jewson Ltd	18.00%
Burdens Ltd	Declined to Tender

10. When combining the price and quality scores, the following ranking was established:

Position	Contractor	Combined Cost & Quality Total % Score
1	Grafton Merchanting GB Ltd (Trading as Buildbase)	93.10%
2	Travis Perkins Trading Company Ltd	87.04%
3	Jewson Ltd	84.86%
4	Burdens Ltd	Declined to Tender

11. Buildbase achieved the second highest quality score and the highest quantitative score. Overall they have demonstrated themselves to be the most economically advantageous bidder and it is therefore recommended they be awarded the Contract in the total tender value of £220,178.18.

12. It should be noted that the final total spend per annum will vary from year to year, as it is not possible to predict the quantity and type of materials that will be required for each repair

undertaken throughout the year.

13. Fluctuations in unit prices are adjusted annually based on CPI, with the exception of highly volatile materials such as lead and copper, which will be adjusted more frequently. However, central office overheads and profits remain at the tendered rate throughout the contract.

14. The Council does not currently have any insurance cover for the vans contents. However, since this procurement model relies on van stocks being regularly re-stocked, and as such the value of goods being higher than has previously been in the past, it is recommended that the Council explores with its insurance provider options for cover to minimize the risk of financial loss through theft.

**Resource Implications:**

£250,000 for 2012/13 within the HRA for the supply of materials, with similar amounts in each subsequent year throughout the term of the contract.

**Legal and Governance Implications:**

EU legislation, Financial Regulations and Contract Standing Orders.

**Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

None.

**Background Papers:**

Tender evaluation report by Cameron Consulting.

**Impact Assessments:**

The need for Equalities Impact Assessments has been considered but deemed unnecessary.

The main risks to the Council and or mitigation factors have been taken into account are:

(i) With a reliance on impressed van stocks, there is a risk that vans will be vulnerable to the theft of tools and materials. It is recommended that the Council explores with its insurance provider the options for cover to minimise the Council's financial loss through theft. Other risk mitigation opportunities already in place include vehicle trackers and high security door slamlocks

(ii) The proposed stock ordering and invoicing procedures set out in the tender documents means that the Council will provide the supplier with a schedule of materials used on a 2-weekly basis on which the supplier will base its consolidated invoice. This means the Council retains the control over what materials it knows have been used rather than having to rely on and check against what the supplier includes. The supplier will undertake joint stock controls by way of van audits in the presence of the Council's Operative and the Council's Stock Controller.