

PROCUREMENT STRATEGY SAVINGS

Report of the Director and Company Secretary

1. SUMMARY

To present the Committee with information relating to savings and potential savings through effective re-procurement of existing services.

2. RECOMMENDATION

To note the report.

3. MATTER FOR CONSIDERATION

- 3.1 Since the acquisition of the repairs team from the Council, work has been undertaken to understand the current supply chain arrangements and the costs of these arrangements. Following this evaluation, supply chain grouping has been re-organised and a number of different options have been considered. Once grouping options were finalised, considerable benchmarking has been carried out with a number of purchasing consortium and suppliers/service providers.
- 3.2 Two procurement consortia, Efficiency East Midlands (EEM) procurement consortium and Procurement for Housing (PFH) procurement consortium have been able to achieve significant supply savings. These two consortia are a group of Councils, ALMOs and other registered social landlords. By combining purchasing they have been able to achieve a much greater economy of scale requiring suppliers to reduce profit margin under competition.
- 3.3 The work undertaken has identified that significant cost savings can be achieved for Derby Homes if different procurement arrangements are put in place.

The most significant savings are:

3.4 Kitchen unit supplies

A reduction in costs estimated to be around £80,000 can be achieved by changing kitchen unit supplier from Symphony Kitchen Units to Rixonway Kitchen Units. This saving will be achieved by using the EEM procurement consortium and has been achieved by combining purchasing to achieve a much greater economy of scale. This has required suppliers to reduce profit margin under competition. Derby Homes has undertaken significant assessment of the new supplier and

specifications available to ensure both quality and choice will not be compromised by this change. Derby Homes can also choose to upgrade the existing specification in some areas e.g. worktops, should they decide to, whilst still showing significant savings on current prices.

3.5 Shower unit supplies

A reduction in costs estimated to be around £4,000 can be achieved by sourcing shower units separately through the EEM consortium. Trial units have been fitted by Derby Homes to ensure the shower units are equivalent to the existing standard, ensuring there is no drop in specification or performance. Other issues have also been considered such as logistics for the supply and collection, ease of fitting, changes in current methods of 1st fix wiring and plumbing when upgrading the bathroom, availability, price and availability of spares, etc.

3.6 Tap supplies

A saving in the region of £80,000 could be made dependant on demand if the supply and type of taps are changed. During our benchmarking of materials it was established the other taps were available of similar quality which could be obtained at significantly reduced costs. The taps proposed have had extensive evaluation by our repairs team and tenant representatives at supplier day events. The taps proposed are Deva taps and will be supplied using the agreements put in place by the EEM procurement consortium for the supply of taps and building material supplies.

3.7 Building material supplies

Derby Homes has undertaken comprehensive benchmarking of prices from EEM, PFH and the Cirrus Consortium (not taken forward as suitable for Derby Homes needs) to obtain the best possible value for money for Derby Homes on building materials. The most cost effective supply of general building materials would be achieved by utilising the EEM agreement which is estimated to save £20,000.

3.8 Electrical material supplies

The costs for general electrical material supplies can be reduced by a minimum of £100,000 using either the agreement put in place by the Procurement for Housing PFH consortium or EEM. This has followed a lengthy in-house benchmarking exercise along with a mini-competition held by PFH.

4. CONSULTATION IMPLICATIONS

A number of supplier day events have been held where the proposed goods and services have been displayed. Derby Homes' employees, Board Members and tenants were invited to attend the supplier days and feedback comments on the supplies being procured. Other consultation has taken place including visits to the suppliers' factory and offices.

5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

Financial savings estimated at around £280,000 annually are expected to be realised by making the changes to the supply chain.

6. LEGAL AND CONFIDENTIALITY IMPLICATIONS

All the proposed procurements comply with EU procurement rules.

7. ENVIRONMENTAL IMPLICATIONS

EEM and PFH have undertaken the procurement of these supplies and have assured Derby Homes that environmental issues have been assessed as part of the procurement of these supplies.

8. EQUALITIES IMPACT ASSESSMENT

EEM and PFH have undertaken the procurement of these supplies and have assured Derby homes that equality and diversity impact has been assessed as part of the procurement process.

The areas listed below have no implications directly arising from this report:

- Personnel
- Health & Safety
- Risk
- Policy Review

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or Phil Davies, Chief Executive, phil.davies@derbyhomes.org – Phone: 01332 888528

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Background Information: None

Supporting Information: None