



CAERPHILLY HOMES TASK GROUP – 19TH MAY 2016

SUBJECT: SUPPLY PARTNER ARRANGEMENT – PROGRESS REPORT

REPORT BY: CORPORATE DIRECTOR COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 To provide an update on the progress to date in relation to the Supply Partner arrangement.

2. SUMMARY

- 2.1 The Supply Partner contract is a 10-year arrangement for the Supply of Plant and Materials to WHQS and HRO.
- 2.2 The contract also extends to contractors in relation to Key Components. Key Components have been structured to ensure consistency of products.
- 2.3 The Supply Partner is responsible for managing the Supply Chain effectively; ensuring robust processes are in place for the selection and vetting of their Supply Chain partners. Additionally they are expected to remove bottlenecks and drive out unnecessary costs throughout the supply chain, focussing attention on adding value.
- 2.4 All materials required by WHQS and HRO are purchased via the Supply Partner, thus eliminating contract leakage and maverick spend.
- 2.5 Innovation and continuous improvement are a key requirement of the Supply Partner contract.

3. LINKS TO STRATEGY

- 3.1 The Welsh Housing Quality Standard (WHQS) is intended to ensure that all local authority and housing association homes are improved and maintained to achieve specified standards.
- 3.2 The Council is committed to ensuring that the WHQS investment transforms not only homes but also lives and communities.

- 3.4 The Council's Local Housing Strategy "People, Property, and Places" has the following aim: "To provide good quality, well managed houses in communities where people want to live, and offer people housing choices which meet their needs and aspirations".
- 3.5 WHQS Procurement Strategy.
- 3.6 Council's Single Integrated Plan 2013-2017 which aims to 'improve standards of housing and communities, giving appropriate access to services across the county borough.

4. THE REPORT

- 4.1 The Supply Partner Contract was implemented in 2013, and will run for a period of 10 years. The contract was awarded to Robert Price Builders Merchants, a Welsh SME. The estimated value (over 10 years) is £70 million.
- 4.2 The Supply Partner (SP) contract is to supply all key components and ancillary items for the WHQS programme and Housing Repairs, and extend to the supply of all key components to external contractors.
- 4.3 With spend on plant and materials for the in house work force now 100% via the Supply Partner, the contract has enabled us to eliminate contract leakage and maverick spend. There remains some doubt whether all external contractors are purchasing 100% of key components from the Supply Partner, and to date, this has been difficult to police, however the Relationship Manager will be undertaking random checks on contractor spend via the Supply Partner to ensure contractual obligations are being met.
- 4.4 An important area for development is Just In Time (JIT) deliveries. For JIT to work effectively requires robust processes and procedures on both sides, which will be the focus over the coming months. This will have significant advantages in removing waste, such as transportation waste, processing waste and inventory waste.
- 4.5 Community Benefits were built into the Supply Partner contract. Robert Price have supported many initiatives including sponsorship, donating items such as sheds and materials, attending various events including the Big Cheese and Blackwood Beach Party, supporting the Authority's Food Bank initiative and implementing a Legacy Fund. The Non-Core Community Benefits submitted by the Supply Partner include a Legacy Fund/Community Pot. This is a sum of money that Robert Price receives from non-local suppliers. It is linked to the value of spend with the individual supplier, and value of the pot is currently £6500.00. To date the fund has been used to support Community Groups and Sponsor the Learning Festival. How to best use the fund in the future is under review, with one consideration being to support apprentices (employed by the in-house external contractors) with work tools. In line with the core TR&T, Robert Price continue to progress with the requirements set out in the contract, and have recently extended this to their supply chain.
- 4.6 The SP contract was seen as a catalyst for change, and one of the drivers for change is innovation. Some of the improvements to date include:
 - 4.6.1 **Closure of Central Stores:** The Supply Partner acts as the stores for WHQS and HRO. Through implementation of rigid procedures, and joint working with HRO Senior Officers, Relationship Manager and Robert Price, it has been possible to

close the central stores in Tir-Y-Berth. This is a major financial benefit to the Authority and has resulted in significant savings in relation to overheads such as stores staff, stock and the building itself. The four members of staff affected by the closure of the stores either retired or were redeployed.

- 4.6.2 Call-Off Manager:** Robert Price offered a system of ordering kitchens directly linked to the manufacturer. This system (Call-Off Manager) has been in operation for around 12 months, and works on the principle of uploading the kitchen designs (which is being undertaken by the manufacturer) and when the upgrade to the property has been planned, the kitchen is called in by a simple press of a button.
- 4.6.3 Collection Cards:** The scope of the Supply Partner was based on planned deliveries for WHQS, and improved services for HRO. HRO operated a collection order process, and were raising in excess of 200 low value orders per month. Robert Price introduced a collection card, which is unique to each operative, and can be used in any of their depots. This has had a positive impact on resource. The collection cards are also used by WHQS foremen/operatives, but are intended for urgent items where demand is unplanned.
- 4.6.4 Product Packs:** Robert Price have introduced packs, which are groups of materials required for individual jobs, such as rewiring properties; plumbing in kitchens and bathrooms or heating works. This system saves considerable time in the order process and allows all relevant materials to be delivered as required.
- 4.6.5 Invoicing:** The implementation of the Supply Partner contract has significantly reduced the number of invoices received. Prior to the start of this contract, invoices were received from a significant number of framework suppliers, daily (per delivery), weekly or monthly (depending on supplier). With the introduction of just one supplier, invoices have now reduced to four per month – three for HRO (due to different cost accounts) and one for WHQS. 100% invoice matching is undertaken for WHQS invoices, with accuracy level at around 99%.
- 4.6.6 Imprest Stock:** The Supply Partner have replicated the Imprest Stock system for HRO, which will be reviewed shortly to identify improvements. Imprest Stock system is currently being explored by WHQS as a means of holding minimal stock on site.
- 4.6.7 Product Core Group:** A group has been set up, with representatives from HRO, WHQS and Public Sector Housing, to focus on standardising products, review new products, discuss products that may be causing concern and consider alternatives with reduced environmental impact.

5. EQUALITIES IMPLICATIONS

- 5.1 The report is for information and therefore an EqIA has not been undertaken.

6. FINANCIAL IMPLICATIONS

- 6.1 The Robert Price contract operates on the basis of cost price plus management fee with prices reviewed on an annual basis. For the period 2015/16 Robert Price were able to secure a number of savings across key components which included:-

13% savings on Worcester boilers
6.6% savings on radiators

6.67% savings on showers and improved warranty
4% savings on smoke and CO detectors.

- 6.2 Through the operation of the pain/gain mechanism within the contract there has also been a financial benefit to the Council of £21,000 in the past two years.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no direct personnel implications arising from the report.

8. CONSULTATIONS

- 8.1 Comments received from consultees have been incorporated within the report.

9. RECOMMENDATIONS

- 9.1 The report is for information.

10. REASON FOR RECOMMENDATIONS

- 10.1 To meet a request from the Caerphilly Homes Task Group to be informed about the operation of the Robert Price contract.

11. STATUTORY POWER

- 11.1 Housing Acts and Local Government Acts.

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Consultees:

Cllr Dave V Poole	- Deputy Leader and Executive Member for Housing
Christina Harray	- Corporate Director Communities
Shaun Couzens	- Chief Housing Officer
Phil G Davy	- Head of Programmes
Marcus Lloyd	- Deputy Head of Programmes
Colin Roden	- WHQS Project Manager
Alan Edmunds	- WHQS Project Manager
Steve Greedy	- WHQS Project Manager
Paul Smythe	- Housing Repairs Operation Manager
Lesley Allen	- Principal Accountant
Liz Lucas	- Head of Procurement