



Committee report

Committee	AUDIT COMMITTEE
Date	25 JUNE 2015
Title	PROCUREMENT MONITORING REPORT FOR THE YEAR 1 APRIL 2014 TO 31 MARCH 2015
Report of	STRATEGIC MANAGER: PROCUREMENT AND CONTRACTS

EXECUTIVE SUMMARY

1. This report provides the committee with a high level view of the council's procurement activity (as demonstrated by the operation of Procurement Board) for the period 1 April 2014 to 31 March 2015 inclusive.

BACKGROUND

2. The council's Procurement Board was established in 2007 in order to provide a central oversight of procurement at officer level and ensure compliance with the Council's Contract Standing Orders and Procurement Code. During the year 1 April 2014 to 31 March 2015, the Procurement Board met on a weekly basis. During this period it was standard practice for the Board to be chaired by the Head of Corporate Governance/Monitoring Officer. The other members of the Procurement Board during the period were the Head of Financial Management/s.151 Officer, the Head of Human Resources and Organisational Change, the Strategic Manager: Procurement and Contract Management and the Business Improvement Manager/Chief Internal Auditor.

STRATEGIC CONTEXT

3. During the year the activity of procurement board supported the achievement of the council's priorities as identified within the Corporate Plan 2014 – 2017.

CONSULTATION

4. This report has been circulated to members of Procurement Board and discussed at the Procurement Board meeting held on 11 June 2015.

PROCUREMENT ACTIVITY 1 APRIL 2014 – 31 MARCH 2015

5. Throughout 2014/2015 Procurement Board met weekly, unless there has been no business, to consider a variety of reports relating to the council's procurement of goods and services. The Procurement Board considers all letting strategies and award reports for contracts with a whole life value of over

£50,000 together with reports relating to framework requests, waiver requests, noting reports and reports relating to contract price variations. For planned procurement with an anticipated value of £50,000 or more, the letting strategy report outlines the proposed procurement process to be followed and the contract award report details the outcome of that process for ratification by the Board.

6. The overall number of reports which have been considered by Procurement Board during the year 2014/2015 (analysed by quarters) is shown in Table 1 below. The annual number of reports for 2013/14 is shown for comparison purposes.

	Table 1: Number of reports considered					2013/2014
	2014/2015					
	Q1	Q2	Q3	Q4	Total	Total
Letting strategy	3	3	7	4	17	9
Framework request	3	5	2	6	16	8
Contract award	5	4	10	7	26	17
Waiver request	5	14	14	22	55	68
Noting report/update	4	9	4	7	24	29
Price variation	0	1	1	0	2	9
Total	20	36	38	46	140	140

7. The number of contract letting strategy reports, framework requests and contract award reports all increased significantly from the figures for 2013/2014:
- contract letting strategy – up from 9 to 17
 - framework requests – up from 8 to 16
 - contract award reports – up from 17 to 26.
8. Although there are likely to be various reasons why the number of letting strategies, framework requests and contract award reports being presented to Procurement Board has increased, the principal reason for the increase is likely to be as a result of better planning by the service areas and continuing opportunities to procure collaboratively where appropriate to do so.
9. The Procurement Board has continued to consider, and where appropriate approve, requests to waive compliance with the contract procedure rules and in circumstances which Procurement Board considers to be justified. When waiver requests are considered by Procurement Board, it ensures that all

options are being investigated and actions are in hand where possible to negate the need for a similar waiver request returning to the Board in future.

10. During the year, the Procurement Board considered and approved a total of 55 requests for a waiver from compliance with the contract procedure rules. Although still relatively high, the number of waiver requests has decreased – down from 68 for the financial year 2013/2014. The decrease in the number of waiver requests suggests that better planning of procurement requirements is being undertaken by service areas so that letting strategies and/or framework requests are being brought forward in a timely manner obviating the need for waiver requests.

12. Waiver requests cover not only direct award of a contract (where there has been no competition) but, also where competition has been undertaken although not wholly in accordance with the requirements of the contract procedure rules. On occasion a waiver request sets out more than one reason as to why a waiver is required and in those instances each reason has been allocated 0.5. Table 2 provides an analysis of the waivers considered.

			Table 2: Analysis of waivers 2014/2015			2013/2014
Rationale	Q1	Q2	Q3	Q4	Total	Total
Collaboration	1	0	0	0	1	3.25
Compatibility	1	0	1	0.5	2.5	19.75
Sole source of supply	0	1	2	2.5	5.5	10
Time/urgency	1	3	3	2	9	7.5
Continuity	2	6	5.5	14.5	28	26.25
Genuine Emergency	0	0	1.5	0.5	2	0
Other	0	4	1	2	7	1.25
Total	5	14	14	22	55	68

13. Of the 55 waivers considered by Procurement Board, the majority 28 - were applied for on the basis of continuity. In the main these requests came from Public Health (see Table 3). The reason for this is that Public following its integration into the local authority and many services remain subject to review. Public Health is looking to collaborate in some areas with other public health areas across the region and wider but such collaboration requires significant planning of a period of time.

Table 3: number of waivers approved for each service area 2014/2015					
Area	Q1	Q2	Q3	Q4	Total
Adult Social Care and Community Wellbeing	1	1	1	3	6
Economy, Tourism and Leisure	0	2	1	2	5
Corporate Governance	1	0	0	1	2
Planning and Regulatory Services	1	1	2	0	4
Financial Management	0	1	2	1	4
HR and Organisational Change	0	2	1	4	7
Children's Services	1	4	3	2	10
Public Health	1	3	3	9	16
Exchequer Services	0	0	1	0	1
Total	5	14	14	22	55

14. Table 4 shows the value of waivers approved for each service area. The value of waivers approved was highest in Children's Services. Changes in staffing in this area has led to a number of services being reviewed, the reviews have highlighted areas of non-compliance with the procurement requirements and as a result reports have been provided to Procurement Board to identify how this can be rectified.
15. Further detail on the waivers granted where the whole life contract exceeds £100,000 is set out in the Appendix to this report.

Table 4: Value of waivers approved for each service area 2014/2015					
Service area	Q1 £000	Q2 £000	Q3 £000	Q4 £000	Total £000
Adult Social Care and Community Wellbeing	975	90	86	2,980	4,131
Economy, Tourism and Leisure	0	107	170	82	359
Corporate Governance	12	0	0	120	132

Table 4: Value of waivers approved for each service area 2014/2015					
Service area	Q1 £000	Q2 £000	Q3 £000	Q4 £000	Total £000
Planning and Regulatory Services	169	30	42	0	241
Financial Management	0	6	49	0	55
HR and Organisational Change	0	344	155	243	742
Children's Services	150	3,577	923	143	4,793
Public Health	175	178	389	2,494	3,236
Total	1,481	4,332	1,814	6,062	13,689

16. In summary the statistics would support the fact that the Procurement Board is functioning well and that the processes which have been put in place in relation to procurement are proving effective. Recent legislative changes and the requirements of the council new business operating model have given rise to further discussion with senior officers and a review is planned of the way in which the Procurement Board work to identify if further changes and processes can be developed to better assist the council moving forwards.

FINANCIAL / BUDGET IMPLICATIONS

17. There are no direct financial or budgetary implications arising from this report although all procurement decisions directly contribute to the council's total expenditure.

LEGAL IMPLICATIONS

18. Procurement by public bodies is subject to a rigorous regulation principally via The Public Contract Regulations 2006 (as amended) (now replaced by the Public Contract Regulations 2015 which came into force on 26 February 2015) and the relevant EU Directives. In addition to the legislation the council has its own contract procedure rules and procurement code. The council is also required to comply with other legislation when carrying out procurements, for example that relating to equality and social value. The key purpose of the Procurement Board is to ensure compliance with the legislation and/or the contract procedure rules thereby providing robust governance of the council's procurement activity.
19. The content of the individual Procurement Board reports allows a full audit to be completed to provide assurance to the council as to the probity of both past and future purchasing activity.

RISK MANAGEMENT

20. Failure to observe the relevant legislation and the council's contract procedure rules and procurement code has the potential to pose a significant threat to the council's financial health and reputation. Such risk could take many forms including the risk of legal challenge resulting in significant financial penalties and the potential for negative publicity together with the risk that a contract could be deemed to be void.

EQUALITY AND DIVERSITY

21. There are no direct equality and diversity implications arising from this report. Equality and diversity implications would have been considered for each report when presented to Procurement Board.

RECOMMENDATION

22. The committee is asked to note the report.

APPENDICES ATTACHED

23. [Appendix](#) – Waivers granted with a value exceeding £100,000

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