



Purpose: For Noting

Committee report

Committee	AUDIT COMMITTEE
Date	30 JULY 2018
Title	PROCUREMENT ACTIVITY REPORT FOR THE HALF YEAR 1 OCTOBER 2017 TO 31 MARCH 2018 (QUARTER 3 AND 4 2017/18)
Report of	HEAD OF LEGAL SERVICES AND MONITORING OFFICER

EXECUTIVE SUMMARY

1. This report provides the committee with a high level view of the council's procurement and contract monitoring activity for the period 1 October 2017 to 31 March 2018 inclusive.
2. The committee is asked to note the report.

BACKGROUND

3. The Procurement and Contract Monitoring Team is a central resource consisting of 6.71 full-time equivalent employees (FTE), providing advice and guidance to all council departments on procurement and contract monitoring related matters primarily where the contract value is over £25,000, although the team will be involved in procurements below this threshold where appropriate. The team is also responsible for drafting the council's contractual terms and conditions with its suppliers and for giving contract management advice and guidance.
4. The team consists of professionally qualified legal, procurement and contract monitoring specialists who work closely with commissioners to advise on the most appropriate routes to market, looking for innovative ways to procure while keeping the process as lean and efficient as possible as well as supporting service areas in contract management matters.
5. A key role of the team is to ensure compliance with the Public Contracts Regulations 2015 that implement the EU procurement directives. These apply to the majority of procurements with a total value over a specified threshold. Procurements which are below threshold are not covered by the UK regulations, but are still subject to EU Treaty principles and the council's own Contract Standing Orders (CSOs).

STRATEGIC CONTEXT

6. The council's Procurement Strategy, CSOs and the activity of the team supports the achievement of the council's commitments and values as identified within the Corporate Plan 2017 – 2020, particularly in relation to delivering the savings plans necessary to achieve an annual balanced budget.

PROCUREMENT ACTIVITY 1 OCTOBER 2017 – 31 MARCH 2018 (Q3 and 4 2017/18)

PROJECTS INITIATED

7. During the period 1 October 2017 to 31 March 2018 (Q3 and 4 2017/18) a total of 86 procurement processes were initiated through the team. This ranged from Invitation to Tenders ("ITTs"), Official Journal of the European Union ("OJEU") ITTs (which are tenders that are run in accordance with the Public Contract Regulation 2015 where a contract notice must be published in the OJEU, Request for Quotations ("RFQs"), call offs and direct awards on public sector framework agreements and waivers to CSOs. **Table 1** shows a breakdown of the procurement procedures initiated in the reported period, by directorate. A comparison to the previously reported data has also been provided.

Table 1

Directorate	Quantity Q3&4 2017/18	Comparison data Q1&2 2017/18	Comparison data Q3&4 2016/17
Adult social care	9	9	5
Children's services	23	16	10
Financial management	6	3	1
Place	13	14	18
Public health	2	3	3
Regeneration	12	7	3
Resources	21	12	11
TOTAL	86	64	51

CONTRACTS AWARDED

8. During the period a total of 56 contracts were awarded. **Table 2** below shows a comparison, by directorate, of the number of contracts awarded in the previous two reporting periods. A detailed breakdown of the contracts awarded can be seen at **Appendix A**.

Table 2

Directorate	2017/18 Q3&4	2017/18 Q1&2	2016/17 Q3&4
Adult social care	11	4	11
Children's services	12	9	11
Financial management	3	0	3
Place	8	94	7
Public health	-	2	0
Regeneration	5	5	5
Resources	17	8	17
TOTAL	56	124	54

9. The committee will note the significant number of contracts awarded by the Place directorate during the preceding reporting period. This is due to the award of a large number of home to school taxi contracts during August in readiness for the start of the school year.
10. The total whole life value of contracts awarded during the current reporting period is £10.6 million. A breakdown by directorate is provided at **Table 3**.

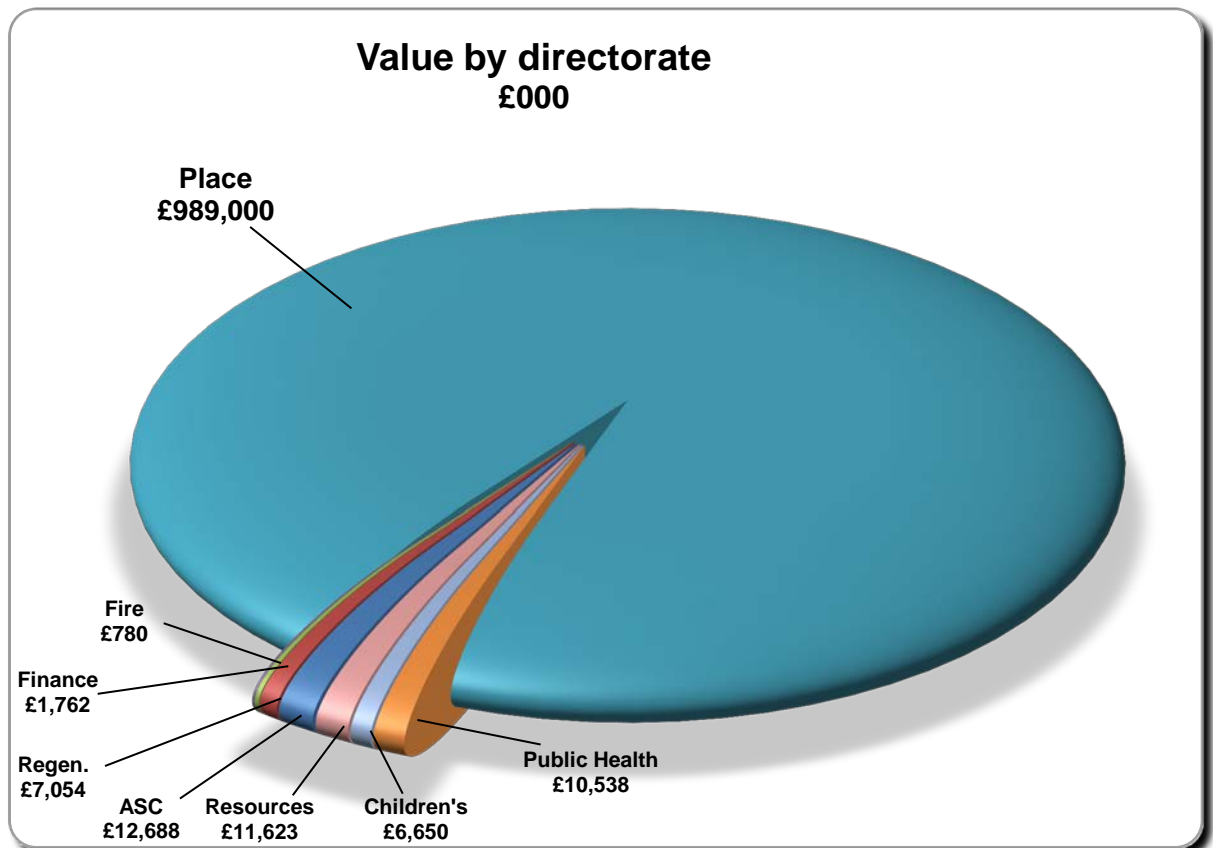
Table 3

Directorate	2017/18 Q3&4	2017/18 Q1&2	2016/17 Q3&4
	£000	£000	£000
Adult social care	2,300	778	719
Children's services	3,331	3,135	430
Financial management	212	-	130
Place	480	1,961	2,971
Public health	-	3,604	70
Regeneration	509	570	145
Resources	3,767	1,821	122
TOTAL	10,599	11,869	4,586

CONTRACT DATABASE

11. The team maintains a database of contracts with a whole life value of over £25,000. There are currently 150 entries with a whole life value totalling £1.042billion, broken down by directorate at **Chart 1** below.

Chart 1



12. Please note; the values are whole life contract values over the full potential term of the contract and some of the values are estimates, and the exact figures will be dependent on the activity/volumes purchased under the contract. Office stationery is an example of a contract where the spend will vary based on volumes.
13. Adult Social Care is in the process of adding its contracts to the central database, including scanning the original hard copies and storing them in the system.

WAIVERS TO CONTRACT STANDING ORDERS

14. Service areas have the ability to request a waiver of the CSOs. Waivers may be sought in unforeseen or exceptional circumstances but must not be sought for reasons of poor planning nor as a means to by-pass the CSOs, and waivers cannot be given if they would contravene the Public Contracts Regulations 2015 or any other applicable legislation. Waivers may be utilised where it can be demonstrated that the ability to act quickly to engage a single supplier would make economic sense and fit with service requirements, in circumstances where there is no more effective way to secure the capacity.
15. Waivers to CSOs and contract price variations below £100,000 are considered by the procurement and contract monitoring team leader and or head of legal services and

monitoring officer. For waivers and contract price variations over £100,000, the Procurement Board will consider the request. The membership of the board comprises head of resources, head of legal services and monitoring officer, procurement and contract monitoring team leader and technical finance manager.

16. During the period, 23 waivers were submitted and approved. **Table 4** below sets out a high level overview of the waivers with a comparison to the data collated for the previous two half yearly reports. A detailed list can be seen at **Appendix B** which sets out the details of each waiver along with the action plan of how the team propose to prevent waivers of a similar nature in the future, where applicable.

Table 4

Directorate	Q3&4 2017/18		Q1&2 2017/18		Q3&4 2016/17	
	Number	£000	Number	£000	Number	£000
Adult social care	5	£267	3	£763	4	£551
Children's services	4	£143	3	£138	1	£119
Financial management	1	£45	0	£-	1	£97
Place	3	£145	2	£98	9	£632
Public health	0	£-	0	£-	1	£113
Regeneration	2	£160	1	£27	1	£100
Resources	8	£561	3	£190	3	£186
TOTAL	23	£1,321	12	£1,215	20	£1,798

17. There is a noticeable increase in the number of waivers that have been sought during the reporting period; however, the total value is only marginally higher. The average value of each waiver has reduced from £101,000 to £57,000 which is reflective of the work the team is putting in to ensuring higher value contracts are being competitively tendered.

PROCUREMENT STRATEGY 2016-2019

18. The principal purpose of the Procurement Strategy is to set the overall context for procurement and contract management in the council and, by building on existing elements of good practice, to map the future developments and likely improvements in the way the council approaches its procurement and contract management activities as a whole.
19. It is increasingly important that the council ensures value for money and identifies the full potential of procurement and contract management as a tool for delivering the council's long-term goals set out in the Corporate Plan. The Procurement Strategy sets out how it is proposed procurement and contract management will support the achievement of our objectives over the next three years.
20. The new Procurement Strategy was approved by the then Executive in November 2016 and has been simplified, removing unnecessary complexities from processes

and procedures. The strategy is based around four key themes – “*Strategic, Supporting Local Economies, Leadership and Modernising Procurement*”.

21. The Procurement Strategy maps out the initiatives to be addressed in the forthcoming three years through the action plan which contains objectives against which progress can be measured and reported. The action plan and the progress made against the initiatives and objectives can be seen at **Appendix C**.

OTHER ACTIVITY OF THE PROCUREMENT AND CONTRACT MONITORING TEAM

22. The team is currently working on the implementation of a new contract management framework which will be rolled out across the council. The framework will set out the expectations of council officers who manage contracts. The scoping of the framework is complete and the focus is now on getting the draft ready for consultation and discussion. The framework will operate alongside the council's contract monitoring system and will be a central point where the performance of the council's contracts can be viewed and reported on.
23. The team is in the process of ensuring the hard copy contracts are scanned and stored in the system.
24. All key performance indicator and performance monitoring data relating to the contract will be input in to the system and will allow officers to monitor their contracts' performance which is logged in a central location. The system will embed robust and consistent contract monitoring arrangements and flag to the team where contracts are not performing and will allow early intervention by the team to work with officers to remedy issues. The system, as it develops, will also allow greater strategic planning to be undertaken for contracts that are due to expire, enabling effective options appraisal to be undertaken and new/creative solutions to be identified that improve outcomes delivered at an affordable cost and which demonstrate value for money.
25. The system can also be used to store minutes, variations and discussions with suppliers resulting in good record keeping and a clear audit trail in the event that the management of the contract needs to be picked up by another officer.
26. During the reporting period the team has implemented category management. The team is working under five categories; Community Safety and Public Realm, Corporate and Professional Services, Health and Social Care, Property and Facilities and Regeneration. Each procurement officer in the team has been allocated a category based on their specialisms. The intention of this approach is an increased expertise in the markets we tender in, increased visibility of spend, ability to aggregate spend and lever economies of scale and to have consistency for the service areas in each of the categories.
27. In addition, a summary of some savings and success stories from the reporting period are set out below.
 - Pension reconciliation contract - around £23,000 saved following the procurement process.
 - Software maintenance and support for IBM spectrum protect suite (IBM Tivoli Storage Manager) - renewal quote received from incumbent supplier. Instead of accepting the quote, the team recommended a competitive procurement process. Saving of £12,030 achieved.

- Multi-functional devices - As part of the project, the team negotiated with the supplier to remove costs for hard drive disposal of current machines. Cost avoidance of £25,100 achieved.
- Supply of water - through joining a national collaborative procurement exercise, a saving of approx. £20,000 over two years was achieved.
- Credit call - the team negotiated a 25 per cent reduction in the contract which amounts to £4,000.
- Support and maintenance for ivanti systems - Further competition run on a national framework agreement. From project initiation to contract award in 18 days. Achieved a compliant contract with a saving of approximately £4,000 over life of contract. 4.68 per cent saving.
- Newchurch primary modular building refurbishment - scheme was brought in £8,000 under budget.
- Dinosaur Isle fire alarm - contract was brought in £17,000 under budget.

FINANCIAL / BUDGET IMPLICATIONS

28. There are no direct financial or budgetary implications arising from this report although all procurement decisions directly contribute to the council's total expenditure and therefore any reduction in the amount of spend as a result has a direct beneficial impact on the council's budget position.

CARBON EMISSIONS

29. There are no direct implications relating to carbon emissions arising from this report, however, officers will be required when carrying out procurements and awarding contracts to have due regard to the Procurement Strategy in relation to sustainability which covers carbon emissions.
30. The council's Carbon Management Plan 2015-20 ("CMP") states that carbon emissions data will be collated for outsourced services where the administrative burden of collecting the emissions data can be justified. Over the next 12 months the team will work with the sustainability team to review the requirement of the CMP and put in place a process for collecting carbon emissions data from suppliers of services which are expected to produce in excess of 1 per cent of the council's footprint (circa 85tCO₂ per year).

LEGAL IMPLICATIONS

31. Procurement by public bodies is subject to a rigorous regulation principally via 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 standing orders. The council is also required to comply with other legislation when carrying out procurements, for example that relating to equality and social value.
32. All procurements with a whole life value over £25,000 are overseen by the team ensuring robust governance of the council's procurement activity in accordance with our contract standing order requirements.

RISK MANAGEMENT

33. Failure to observe the relevant legislation and the council's contract standing orders 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

34. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
35. There are no direct equality and diversity implications arising from this report. However, officers will be required when carrying out procurements and awarding contracts to have due regard to the Procurement Strategy in relation to equality and diversity considerations.

RECOMMENDATION

36. The committee is asked to note the report.

APPENDICES ATTACHED

37. [Appendix A](#) - Contracts Awarded in the period 1 October 2017 to 31 March 2018 (Q3 and 4 2017/18)
38. [Appendix B](#) – Details of waivers approved in the period 1 October 2017 to 31 March 2018 (Q3 and 4 2017/18)
39. [Appendix C](#) – Procurement Strategy action plan progress

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