



Purpose: For Noting

Committee report

Committee	AUDIT COMMITTEE
Date	29 JULY 2019
Title	PROCUREMENT ACTIVITY REPORT FOR THE HALF YEAR 1 OCTOBER 2018 – 31 MARCH 2019 (Q3 AND 4 2018/19)
Report Author	ASSISTANT DIRECTOR OF CORPORATE SERVICES AND MONITORING OFFICER

EXECUTIVE SUMMARY

1. This report provides the committee with a high level overview of the council's procurement and contract monitoring activity for the period 1 October 2018 to 31 March 2019 inclusive.
2. The committee is asked to note the report.

BACKGROUND

3. The Procurement and Contract Monitoring Team (the team) is a central resource consisting of 7.61 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 2018 – 31 MARCH 2019 (Q3&4 2018/19)

PROJECTS INITIATED

7. During the period 1 October 2018 to 31 March 2019 (Q3 and 4 2018/19) a total of 71 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 2018/19	Comparison data Q1&2 2018/19	Comparison data Q3&4 2017/18
Adult social care and community well-being	15	6	9
Children's services	12	25	23
Corporate services	12	15	21
Fire and rescue service	2	2	0
Financial management	2	0	6
Neighbourhoods	16	11	13
Public health	0	2	2
Regeneration	11	9	12
Strategy	1	-	-
TOTAL	71	70	86

CONTRACTS AWARDED

8. During the reporting period a total of 43 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	Quantity 2018/19 Q3&4	Comparison data 2018/19 Q1&2	Comparison data 2017/18 Q3&4
Adult social care and community well-being	10	6	11
Chief executive	-	4	-
Children's services	8	13	12
Corporate services	9	10	17
Financial management	0	3	3
Fire and rescue service	1	-	-
Neighbourhoods	9	11	8
Public health	1	1	-
Regeneration	4	11	5
Strategy	1	2	-
TOTAL	43	61	56

9. The total whole life value of contracts awarded during the current reporting period is £6.770 million. A breakdown by directorate is provided at **Table 3**.

Table 3

Directorate	2018/19 Q3&4	2018/19 Q1&2	2017/18 Q3&4
	£000	£000	£000
Adult social care and community well-being	1,770	4,250	2,300
Chief executive	-	254	-
Children's services	2,344	3,096	3,331

Directorate	2018/19 Q3&4	2018/19 Q1&2	2017/18 Q3&4
	£000	£000	£000
Corporate services	1,211	1,530	3,767
Financial management	-	534	212
Fire and rescue service	280	-	-
Neighbourhoods	898	1,240	480
Public health	79	2,150	-
Regeneration	168	1,897	509
Strategy	20	108	-
TOTAL	6,770	15,059	10,599

CONTRACT DATABASE

10. The team maintains a database of contracts with a whole life value of over £25,000. There are currently 179 entries with a whole life value totalling £1.042billion, broken down as follows:

Directorate	£000,000
Adult social care and community well-being	23
Children's services	37
Corporate services	16
Financial management	2
Fire and rescue service	0.5
Neighbourhoods	951
Public health	8
Regeneration	4
Strategy	0.5
TOTAL	1,042

11. 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.

WAIVERS OF CONTRACT STANDING ORDERS

12. 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. 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.

13. Waivers to CSOs and contract price variations below £100,000 are considered by the procurement and contract monitoring team leader and or assistant director of corporate 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 the director of corporate services, assistant director of corporate services and monitoring officer, procurement and contract monitoring team leader and technical finance manager.
14. During the period, 15 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 and relevant service area propose to prevent waivers of a similar nature in the future, where applicable.

Table 4

Directorate	Q3&4 2018/19		Q1&2 2018/19		Q1&2 2017/18	
	Number	£000	Number	£000	Number	£000
Adult social care and community well-being	6	£541	3	£299	5	£267
Chief executive	-	-	3	£254	-	-
Children's services	2	£70	3	£369	4	£143
Corporate services	3	£185	-	-	8	£561
Financial management	-	-	-	-	1	£45
Neighbourhoods	3	£236	7	£300	3	£145
Public health	-	-	-	-	-	-
Regeneration	1	£53	1	£27	2	£160
Strategy	-	-	1	£57	-	-
TOTAL	15	£1,085	18	£1,306	23	£1,321

PROCUREMENT STRATEGY 2016-2019

15. The principal purpose of the Procurement Strategy (the 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.

16. 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 strategy sets out how it is proposed procurement and contract management will support the achievement of our objectives over a three year period.
17. The strategy was approved by the then Executive in November 2016 and had 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”*.
18. The strategy maps out the initiatives to be addressed 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**.
19. Work on the new strategy has commenced and is due to be presented to Cabinet at its November meeting. The new strategy will be based on the local government association's procurement strategy for local government which focuses on three key themes; *Leadership, Commercialisation and Communities*. The new strategy will also set out the council's approach to social, environmental and economic matters through its procurement activity.

CONTRACT MONITORING

20. The team is making good progress with the implementation of a new contract management framework which will be rolled out across the council. The framework sets out the expectations of council officers who manage contracts. The scoping of the framework is complete, the draft has been consulted on and feedback has been considered. The final draft will be circulated to the council's Corporate Management Team for sign off in August. 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.
21. A significant amount of work has gone in to cleansing the contract database and ensuring that all data contained within the system is up to date and accurate. This assists the council with its ability to plan for when contracts expire but also helps to satisfy its transparency obligations.
22. Key performance indicators and performance monitoring data relating to the council's existing contracts are being loaded in to the system and will allow officers to monitor their contracts' performance which is logged in a central location. All new contracts are being loaded in as standard. Of the 179 contracts registered in the database, 59 contracts currently have the key performance indicator and performance monitoring data in the system.
23. The team are rolling out the system across service areas. Public health has gone live with the system and work is underway with adult social care and community well-being, children's services, facilities management, ICT, neighbourhoods and revenues and benefits to update records and to train them

on how to use the system. As the system embeds itself, the data produced will start to form part of this report.

24. 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.

SAVINGS/COSTS UNDER BUDGET

26. A summary of savings achieved during the reporting period is set out below.

Details	Saving/cost under budget
East Cowes Family Centre and Seashells Pre School Extension	£57,581 under pre tender estimate
Backupify contract (ICT): Projected a contract value of £121k - £170k based on market research and known costs. The successful bid came in at £68,040 giving a saving of between £52,960 - £101,960.	£17,653 per annum
Professional contaminated land advice: Carried out a competitive quotation process having been on a rolling contract after the previous framework agreement that had been used expired. The competitive process yielded a 30% reduction in the hourly rate payable for the services. Therefore based on the estimated annual value of £13,000 this would be a saving of £3,900.	£3,900 per annum (30% saving on estimated annual value of £13k)
Replacement of artificial pitch at The Bay CE School: Quotation for a multiuse replacement pitch received. PCMT worked with the service area to competitively compete the contract using a pre established framework agreement. Saving of £13,800 achieved based on original quote vs awarded contract.	£13,800
Leisure services uniform: Leisure needed to replace the entire stock of jackets supplied under the uniform contract due to 1) the jackets being of poor quality and 2) the line being discontinued after eight months. The supplier quoted a cost of approx. £900 to replace the jackets with a new style. PCMT negotiated with the supplier that no costs would be attributed to the council for the replacement of the jackets.	Approx. £900 cost avoidance
Office waste:	Approx. £33,000 per annum

Details	Saving/cost under budget
Centralised council office waste arrangements and competitively tendered the contract. Saving of approx. £33,000 per annum achieved.	
Total savings/costs under budget contributed to by the team during the reported period	£126,834

FINANCIAL / BUDGET IMPLICATIONS

27. 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

28. 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.
29. 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. The team are working 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 one per cent of the council's footprint (circa 85tCO₂ per year).

LEGAL IMPLICATIONS

30. 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.
31. 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.
32. The team is continuing to monitor the impacts of Brexit on the public procurement landscape. Central government is preparing the public contract regulations to ensure they remain operable and functional on exit. This means that the procurement regulations and in particular the different procedures available to the public sector will remain the same.

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 objectives.

RECOMMENDATION

36. The committee is asked to note the report.

APPENDICES ATTACHED

37. [Appendix A](#) - Contracts awarded in the period 1 October 2018 to 31 March 2019 (Q3 and 4 2018/19)
38. [Appendix B](#) – Details of waivers approved in the period 1 October 2018 to 31 March 2019 (Q3 and 4 2018/19)
39. [Appendix C](#) – Procurement Strategy action plan progress

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