



PAPER B

Purpose: For Noting

Committee report

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| Committee | AUDIT COMMITTEE |
| Date | 2 DECEMBER 2019 |
| Title | PROCUREMENT ACTIVITY REPORT FOR THE HALF YEAR 1 APRIL 2019 – 30 SEPTEMBER 2019 (Q1&2 2019/20) |
| Report Author | DIRECTOR OF CORPORATE SERVICES |

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 April 2019 to 30 September 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. 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

5. 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 2019 – 2022, particularly in relation to delivering the savings plans necessary to achieve an annual balanced budget.

PROCUREMENT ACTIVITY 1 APRIL 2019 – 30 SEPTEMBER 2019 (Q1&2 2019/20)

PROJECTS INITIATED

6. During the period 1 April 2019 to 30 September 2019 (Q1 and 2 2019/20) a total of 83 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 Q1&2 2019/20 | Comparison data Q3&4 2018/19 | Comparison data Q1&2 2018/19 |
|-----------------------------------|----------------------------------|---|---|
| Adult social care & housing needs | 17 | 15 | 6 |
| Children's services | 13 | 12 | 25 |
| Corporate services | 20 | 12 | 15 |
| Fire and rescue service | 2 | 2 | 2 |
| Financial management | 1 | 2 | 0 |
| Neighbourhoods | 13 | 16 | 11 |
| Public health | 3 | 0 | 2 |
| Regeneration | 12 | 11 | 9 |
| Strategy | 2 | 1 | - |
| TOTAL | 83 | 71 | 70 |

CONTRACTS AWARDED

7. During the reporting period a total of 60 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 2019/20 Q1&2 | Comparison data 2018/19 Q3&4 | Comparison data 2018/19 Q1&2 |
|-----------------------------------|--------------------------|------------------------------------|------------------------------------|
| Adult social care & housing needs | 9 | 10 | 6 |
| Chief executive | - | - | 4 |
| Children's services | 13 | 8 | 13 |
| Corporate services | 16 | 9 | 10 |
| Financial management | 2 | 0 | 3 |
| Fire and rescue service | 1 | 1 | - |
| Neighbourhoods | 12 | 9 | 11 |
| Public health | - | 1 | 1 |
| Regeneration | 7 | 4 | 11 |
| Strategy | - | 1 | 2 |
| TOTAL | 60 | 43 | 61 |

8. The total whole life value of contracts awarded during the current reporting period is £9.020 million. A breakdown by directorate is provided at **Table 3**.

Table 3

| Directorate | 2019/20 Q1&2 | 2018/19 Q3&4 | 2018/19 Q1&2 |
|-----------------------------------|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 |
| Adult social care & housing needs | 755 | 1,770 | 4,250 |
| Chief executive | - | - | 254 |
| Children's services | 3,299 | 2,344 | 3,096 |
| Corporate services | 3,023 | 1,211 | 1,530 |
| Financial management | 158 | - | 534 |

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|-------------------------|--------------|--------------|---------------|
| Fire and rescue service | 25 | 280 | - |
| Neighbourhoods | 1,205 | 898 | 1,240 |
| Public health | - | 79 | 2,150 |
| Regeneration | 555 | 168 | 1,897 |
| Strategy | - | 20 | 108 |
| TOTAL | 9,020 | 6,770 | 15,059 |

CONTRACT DATABASE

9. The team maintains a database of contracts with a whole life value of over £25,000. There are currently 206 entries with a whole life value totalling over £1.055 billion, broken down as follows:

| Directorate | £m |
|-----------------------------------|--------------|
| Adult social care & housing needs | 25 |
| Children's services | 48 |
| Corporate services | 16 |
| Financial management | 2 |
| Fire and rescue service | 0.6 |
| Neighbourhoods | 951 |
| Public health | 8 |
| Regeneration | 4 |
| Strategy | 0.5 |
| TOTAL | 1,055 |

WAIVERS OF CONTRACT STANDING ORDERS

10. 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.
11. 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, procurement and contract monitoring team leader, technical finance manager and the strategic manager for legal services.

12. During the period, 18 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 & housing needs | 9 | £754 | 6 | £541 | 3 | £299 |
| Chief executive | - | - | - | - | 3 | £254 |
| Children's services | 1 | £150 | 2 | £70 | 3 | £369 |
| Corporate services | 2 | £190 | 3 | £185 | - | - |
| Financial management | 1 | £33 | - | - | - | - |
| Fire and rescue | 1 | £25 | - | - | - | - |
| Neighbourhoods | 3 | £93 | 3 | £236 | 7 | £300 |
| Public health | - | - | - | - | - | - |
| Regeneration | 1 | £100 | 1 | £53 | 1 | £27 |
| Strategy | - | - | - | - | 1 | £57 |
| TOTAL | 18 | £1,345 | 15 | £1,085 | 18 | £1,306 |

PROCUREMENT STRATEGY 2019-2022

13. The principle purpose of the Procurement Strategy (the strategy) is to set the overall context for procurement and contract management in the council. The strategy builds on existing good practice and maps the future developments and likely improvements in the way the council approaches its procurement and contract management activities.
14. 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.
15. The new strategy was approved by Cabinet in November 2019 and is based around four key themes– *“Leadership, Behaving Commercially, Local Community and Economy and Environmental Considerations”*.

16. The strategy maps out planned activity for the three-year term in the form of an action plan. The action plan can be seen at **Appendix C** and progress made against the initiatives and objectives will be reported to the committee.

CONTRACT MONITORING

17. The team is continuing to prepare for the roll out of a new contract management framework. 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 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. The team has experienced delays in progressing this project due to some limitations identified with the reporting functionality within the system. Work is underway with the system provider to address this.
18. 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. The number of contracts registered centrally has increased from 179 to 206 during the reporting period. This is reflective of the work being carried out with service areas to capture their contract data.
19. 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.
20. When fully functional, 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.
21. 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

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

| Details | Saving/cost under budget |
|---|----------------------------------|
| Ivanti implementation Competitive process achieved a reduction in the initial costs given for the implementation. | £1,050 |
| Replacement fire alarm, electrical upgrade and fire compartmentation works for St George's school | £1,709 under pre tender estimate |

| | |
|---|-----------------------------------|
| Island learning centre - phase 6 This was a re run of a procurement process using a tighter specification. | £105,655 |
| ICT perimeter security replacement The procurement was run using a central government framework agreement. Pre procurement estimate of £200,000 based on market research and known costs. The successful bid was awarded at £70,000 lower than initial estimates. | £70,000 |
| Laptops and peripherals Based on known costs from previous purchases of the same equipment, the pre procurement estimate was £400,000. The successful bid was awarded at £293,000. | £107,000 |
| Mini desktops: Based on known costs from previous purchases of the same equipment, the pre procurement estimate was £81k. The successful bid was awarded at £61,000. | £20,000 |
| Sandown bay replacement windows (capital) | £10,234 under pre tender estimate |
| Lenovo servers: The procurement was run using a central government framework agreement. Pre procurement estimate of £110,000 based on market research and known costs. The successful bid was awarded at £27,000 lower than initial estimates. | £27,000 |
| Base vehicles and conversions (capital): The procurement was run using a central government framework agreement, which was a new route to market for this type of purchase. Pre procurement estimate of £100,000 based on market research and known costs. The successful bid was awarded at £9.5,000 lower than initial estimates. | £9,500 |
| Total savings/costs under budget contributed to by the team during the reported period | £352,148 |

FINANCIAL / BUDGET IMPLICATIONS

23. 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

24. 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.
25. 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 is 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

26. 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.
27. 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.
28. 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

29. 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

30. 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.
31. 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

32. The committee is asked to note the report.

APPENDICES ATTACHED

**[Appendix A - Contracts awarded in the period 1 April 2019 to 30 September 2019
\(Q1 and 2 2019/20\)](#)**

**[Appendix B – Details of waivers approved in the period 1 April 2019 to 30
September 2019 \(Q1 and 2 2019/20\)](#)**

[Appendix C – Procurement strategy action plan](#)

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