

Committee: Governance, Audit and Performance Committee

Date:

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Title: Procurement Update 2019/20

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Summary

1. This is a regular update to Members on procurement activity, the aim of which is to assist Members understanding of the Council's procurement arrangements.
2. This report provides an update on procurement activity from April 2019 to March 2020, being the current financial year.
3. The report provides information on the two specific areas requested, along with a briefing note on plans for a revised approach to The Procurement Strategy.
 - A) Contracts awarded over the value at which they are required to be tendered (currently £50,000) and
 - B) Instances where exemptions to Contracts Procedure Rules have been requested

Recommendations

4. The Committee notes the content of the report.

Financial Implications

5. There are no financial implications associated with this report.

Background Papers

6. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.
 - Procurement Service Plan 2019/20

Impact

7. There are no adverse impacts identified as a result of this report

| | |
|---------------------------------|------|
| Communication/Consultation | None |
| Community Safety | None |
| Equalities | None |
| Health and Safety | None |
| Human Rights/Legal Implications | None |
| Sustainability | None |
| Ward-specific impacts | None |
| Workforce/Workplace | None |

Situation

8. Procurement has been completed on eleven contracts over the value at which they are required to be tendered (currently £50,000) during the period under review.
- a. Four contracts have been tendered in accordance with Contracts Procedure Rules and in the case of Insurance being over the threshold for procurement in accordance the EU Directive, The Public Contracts Regulations 2015 (as amended)

Extension to Property at Tukes Way, Saffron Walden

This contract was advertised and sealed bid tenders invited using an open procedure. Given the relatively straight forward nature of the build, the contract was to be awarded on the basis of best price.

Fifteen expressions of interest were received with eleven companies confirming their intention to tender. Unfortunately only three tenders were received ranging from just over £140,000 to £175,000.

Following due diligence, SMT Builders, the best price received, were appointed to carry out the works.

Insurance

This contract was tendered under the Crown Commercial Services framework agreement after considering various options including the Mutual being established by the Local Government Association.

The contract was broken into “lots”– for example Property, Liability, Fine Arts - with the aim of increasing competition. Market research shows that few companies are able to provide all our insurance needs and it was expected that more providers would be interested if they could simply bid for one specialist area (motor insurance for example) rather than in the whole portfolio.

Tender documents were issued to all companies on the framework. In line with the rules of the framework, the contract(s) would be awarded on the basis of 30% quality and 70% price.

Six offers were received and were evaluated with input from our brokers, Marsh Ltd.

Two contracts have been awarded for three years with an option for two additional years. The bulk of the contract has been awarded to Zurich Municipal Insurance with Fine Arts (for the Museum) being awarded to AXA.

At the time of the tender, the insurance market was fairly competitive with new providers and the LGA mutual influencing prices offered. We have achieved savings of almost £150,000 in the first year as a result of exposing the requirement to competition with no loss of or detriment in the cover when compared to existing provision. Profited over the life of the contract that is a potential £750,000 saving.

In addition, we secured a conditional rate guarantee on Property and Motor renewals. This means that, provided the combined loss ratio for these covers does not exceed 60% each policy year, they provide an absolute guarantee to renew at expiring rates irrespective of other pressures or factors that may exist in the market.

Design & Construction of 16 dwellings at The Moors, Little Dunmow

This contract was advertised and sealed bid tenders invited using an open procedure. The contract was to be awarded on the basis of best value, with a weighting of 70% in favour of price and 30% in favour of quality.

Sixteen expressions of interest were received with ten companies submitting a tender.

Following due diligence, DCH Construction were appointed to carry out the works having scored most highly following the evaluation. The contract is worth approximately £2.25m. The contractor is currently on site and should take just over a year to complete.

Preparation of a Community Infrastructure Levy (CIL) Charging Schedule and support for the Independent Examination and Adoption of CIL

This contract was advertised and sealed bid tenders invited using an open procedure. The contract was to be awarded on the basis of best value, with a weighting of 30% in favour of price and 70% in favour of quality

Fifteen expressions of interest were received with five companies submitting a tender.

Following due diligence, Dixon Searle Partnership were appointed to carry out the works having scored most highly following the evaluation. The contract is worth approximately £21,000 and should take a year to complete.

- b. The other seven contracts were awarded following approval of exemption requests the details for which are included in Appendix A.
 - i. Saffron Walden Castle – Phase III
 - ii. Second hand vehicle (Street Sweeper)
 - iii. Second hand vehicle (Tipper Lorry)
 - iv. Painting, Decorating & Associated Repairs
 - v. ICT – Software Licence/Maintenance & Support Contract for Fire Wall
 - vi. ICT – Software for Electronic Payments (extension of contract)
 - vii. Responsive Repairs

9. Eight requests for exemptions to Contracts Procedure Rules have been made during the period of this report.

- Appendix A details those with a contract value over £50,000
- Appendix B details those with a contract value between £10,000 and £50,000

Risk Analysis

| Risk | Likelihood | Impact | Mitigating actions |
|---|--|---|--|
| That the Council does not ensure value for money through its procurement activities | 1 – The Council has robust Contract Procedure Rules in place | 2 – There may be some risk that if procurement rules are not followed the Council may not realise best value through it's contracts | Current structures and procedures in place give sound reassurance the Council is receiving value for money through it's contracts. |

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project

Appendix A

Contracts awarded under an exemption to Contracts Procedure Rules – contract value over £50,000

| Client Dept. | Details | Value of Contract | Expiry Date | Contract Awarded to | Justification |
|------------------|--|-------------------|----------------|----------------------|--|
| Asset Management | Works at Saffron Walden Castle (Phase III) | £88,316 | 31/03/2020 | Bakers of Danbury | An exemption was granted to the requirement to tender the contract to protect warranties provided by this contractor during Phases I & II, to ensure aesthetic continuity of the works and to meet deadlines for third party grant funding |
| Street Services | Second Hand Vehicle (Street Sweeper) | £97,861 | Not applicable | Aebi Schmidt UK Ltd | An exemption was granted to the requirement to tender the contract as the market for second hand vehicles rapidly changes, suppliers are unlikely to engage and evaluating “like-for-like” vehicles is not considered to be possible |
| Street Services | Second Hand Vehicle (Tipper Lorry) | £57,000 | Not applicable | Hopkinsons Fairdeals | |

Appendix A continued...

| Client Dept. | Details | Value of Contract | Expiry Date | Contract Awarded to | Justification |
|-------------------|---|-------------------|-------------|--------------------------------|---|
| Property Services | External and Internal Redecoration with Pre-paint repairs | £300,000 | 30/03/2020 | Mitie Property Services | An exemption was granted to the requirement to tender the contract and to negotiate a one year agreement with the incumbent provider. Whilst procurement of a successor contract was in progress, there were delays in the award of the framework arrangement that would have significantly impacted the ability to carry out external works during the time frame available. The negotiation has resulted in prices remaining fixed to previous levels, offsetting inflationary increases. |
| ICT | Software for Firewall Licence and Maintenance & Support Contract | £63,999 | 01/05/2020 | Bytes Security Partnership Ltd | An exemption was granted to the requirement for tendering the contract and instead three quotations were obtained. Software is sold via an "approved re-seller" network granted by the manufacturer. |

Appendix A continued...

| Client Dept. | Details | Value of Contract | Expiry Date | Contract Awarded to | Justification |
|--------------|---|-------------------|-------------|---------------------|--|
| ICT | <p>Software for Electronic Payments</p> <p>Licence and Maintenance & Support Contract</p> <p>(extension of existing contract)</p> | £482,382 | 30/06/2027 | Civica UK Ltd | <p>An exemption was granted to allow for renegotiation of the contract with the incumbent provider on the grounds of intellectual property rights.</p> <p>The contract required a variation to implement the Payment Services Directive which was a significant cost and the contract had only two years left to run. By renegotiating the contract to extend it by a further five years the capital outlay could be spread over a longer term. In addition to which prices have been fixed, resulting in cost avoidance of almost £24,500</p> |

Appendix A continued...

| Client Dept. | Details | Value of Contract | Expiry Date | Contract Awarded to | Justification |
|---------------------|--------------------------------|--------------------------|--------------------|---|---|
| Property Services | Responsive Repairs for Housing | £700,000 | 10/01/2020 | Porterhouse Building and Fire Solutions Limited | The incumbent provider – Roalco Limited – under contract until 31 March 2020 when into Administration on 10 July 2019. As Landlords we have a duty of care to maintain properties in a safe manner and could not be without this service provision. Under reasons of extreme urgency an interim contract was awarded allowing time for the procurement of a successor contract. |

Appendix B

Contracts awarded under an exemption to Contracts Procedure Rules – contract value between £10,000 - £50,000

| Client Dept. | Details | Value of Contract | Expiry Date | Contract Awarded to | Justification |
|---------------------|----------------------------|--------------------------|--------------------|----------------------------|---|
| Human Resources | HR Consultancy and Support | £25,000 | 31/03/2020 | Essex County Council | An extension to an existing contract for one year as the Council intends to bring the service in-house. |