

**Committee:** Governance, Audit and Performance Committee

**Date:**

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**Title:** Bi-Annual Procurement Update

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## Summary

1. This is a regular six month update to update 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 for the first six months of the current financial year (i.e. April 2018 – September 2018).
3. The report provides information on the two specific areas requested.
  - a. Contracts awarded over the value at which they are required to be tendered (currently £50,000)
  - b. Instances where requests for exceptions 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.
  - a. Procurement Service Plan 2018/19

## Impact

- 7.

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. Contracts awarded over the value at which they are required to be tendered (currently £50,000)

Procurement has been completed on three major contracts during the period under review -

#### Replacement - Light Commercial Vehicles.

Tenders were invited for the replacement of 30 vehicles timetabled for replacement during 2017/18 and 2018/19. The tender, carried out under a framework let by YPO, resulted in a contract which would be awarded to Mobile Installations Limited for a total sum of £422,352.64.

Accepting this tender would have resulted in an overspend of £36,352.66 against the budget.

Prior to placing the order, the need to replace vehicles simply because of the seven year cycle was challenged. The vehicles are still in good condition, having been serviced every six months and with low mileages. In consultation with Chief Officers 25 vehicles were retained and only 5 vehicles have now been ordered. The cost of these is £130,380 compared to the expected capital expenditure of £422,802, by allowing the programme to be extended over a longer useful life it reduces the direct revenue costs of financing.

The fleet manager has been empowered to be flexible with vehicles, moving those with higher mileages into roles where the mileage will be lower, thus extending their life.

#### Maintenance of Telecare (Warden Call Systems)

This contract was tendered by the Council as opposed to using national frameworks as we wished to open the opportunity to smaller suppliers rather than simply rely on the large contractors who dominate the market.

As a result of the procurement process, a contract for five years, with an option for a further five years has been awarded to Malthouse Security Limited – a small company based in Diss. The contract includes annual servicing of the system in each of our sheltered housing sites and call-outs for repairs. The annual sum will be £11,699. This compares favourably with the previous contract which was £10,448.91 per annum when it was awarded in October 2013 and has since been index linked.

The contract is estimated to be worth £153,489.86 in total allowing for increases of 3% per annum although the actual increase will be linked to CPI.

### Insurance

Zurich Municipal has been retained to provide most of the Council's insurance business for 12 months under an Exception request following negotiation with the company. Two policies sit outside of the main group – Injury & Travel and Fine Arts (for the Museum collection). These are small policies – worth £7,309.98 in total, whilst the premium with Zurich is £400,000.

### Software – Document Imaging

A contract has been awarded to Northgate Public Services for the replacement of document imaging software on which they own intellectual property rights. The software "Iclipse" is being de-supported at the end of the year and replaced with "Information@Work". An Exception request has been submitted and approved.

### Procurement of Wheelie Bins and Caddies

A contract has been awarded for the supply of wheelie bins and caddies under a YPO framework agreement. Instead of tendering requirements on an ad-hoc basis as needed, we have moved to a model to purchase "whole loads" from the manufacturer which avoids the need to tender on a more frequent basis.

Deliveries will be made to a third party secure logistics warehouse. They will take responsibility for storage and arrange the assembly and delivery to individual households as needed.

This model brings a number of benefits to the Council

- avoiding the time and expense of repeatedly tendering,
- improving purchasing power by taking advantage of economies of scale,
- avoiding the need to take smaller, frequent deliveries in to the depot,
- avoiding the overheads (staff and vehicles) involved in making individual deliveries ourselves,
- avoiding the potential to run out of stock because of the long lead times involved with the associated negative publicity.

## Instances where requests for exceptions to Contracts Procedure Rules have been requested

Seven exception requests have been made during the period of this report and are detailed in Appendix A

## Risk Analysis

9.

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 and a Procurement Strategy that is reviewed and approved by Members annually	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.