

Scrutiny Committee

10 February 2016

Procurement and Contract Management

Summary

1. Approximately 69% of the Council's revenue budget, excluding schools, is spent on external contracts – equating to approximately £475m. This figure includes contracts for services from former "in-house" services which are either wholly owned or fully divested from Council control. The Council currently has 2020 contracts with over 1200 suppliers, ranging from highways through to care, from waste treatment through to buildings maintenance. This report considers what the Council is doing to develop a more commercial approach to managing its contracts and relationships.

Objective of Scrutiny

2. The objective of this scrutiny is to consider the extent to which the County Council has developed a more commercial approach to provision of public services, and what further work is required.

Scrutiny Focus

3. The scope of this scrutiny has been developed to provide the Committee with information to come to a view on the following key questions:
 - a. How much does the County Council spend, by Directorate, on contracts; what on, with whom and over what period?
 - b. How much does the County Council receive in income from contracts, what is the number and value of these contracts and do any of them operate at less than break-even? If so, which ones and how much is being lost?
 - c. Since the report to Scrutiny Committee in July 2014, what changes have been made to the way procurement and contract management is organised and delivered within the organisation?
 - d. Following the exercise to evaluate contractual risks, what information is available about the number of contracts and level of spend within each risk category?
 - e. In light of this information, what has been done to ensure the appropriate level of resource is dedicated to i) procurement and ii) the ongoing management of the contract throughout its life?
 - f. What arrangements are in place to monitor contracts to ensure the Council is paying a fair price for what is actually delivered?

- g. Of the 69 officers identified as having contract management responsibilities, what is the value/number of contracts each of these officers oversees, and how much time per month is spent on this activity?
- h. What progress has been made in providing training and development for managers with direct procurement and contracting responsibilities?
- i. What support and guidance is given to officers engaged in negotiating new contracts/renewing existing contracts by the procurement team?
- j. What steps are being taken to develop a commercial culture and to support the development of requisite business skills within Directorates?
- k. To what extent are the necessary skills felt to be in place within the organisation and where are the gaps? How will this be addressed?
- l. What is the Council doing to learn from other public services about their approaches to procurement and contract management?
- m. How does the Council use its spend to promote economic development in Suffolk?

How does this relate to County Council priorities?

- 4. Our ambition: 'By 2028 we want Suffolk to be recognised for its outstanding environment and quality of life for all; a place where everyone can realise their potential, benefit from and contribute to Suffolk's economic prosperity, and be actively involved in their community.' Source: Suffolk's Community Strategy 2008-2028 'Transforming Suffolk'.

Suffolk County Council's Corporate Priorities	Link to this Scrutiny
Raising educational attainment and skill levels	✓
Supporting the Local Enterprise Partnerships (LEPs) to increase economic growth	✓
Maintaining roads and developing Suffolk's infrastructure	✓
Supporting those most vulnerable in our communities	✓
Empowering local communities	✓

- 5. All scrutiny items should consider how well they are delivering against the County Council priorities and Suffolk's Community Strategy.
- 6. Having considered the information, the Committee may wish to:
 - a. make recommendations to the Cabinet Member for Finance and/or Director of Resource Management;
 - b. make recommendations to the Corporate Management Team;
 - c. identify topics which may warrant further scrutiny or consideration by the Audit Committee;
 - d. request further information.

Contact details

Name: Theresa Harden
Job title: Business Manager (Democratic Services)
Telephone/Email 01473 260855 / Theresa.harden@suffolk.gov.uk
Local Councillor(s): All Councillors

Background

7. On 23 July 2014, the Scrutiny Committee considered a report which provided information about Suffolk County Council's arrangements for procurement and contract management and examined how the council was adapting in light of the increasing focus on undertaking commercial activities, rather than acting as a direct provider of services.
8. On 11 February 2015, the Committee received a further report, outlining the extent to which its recommendations made in July 2014 had been implemented. Members were pleased to hear that a number of its recommendations had been accepted. Concerning the appointment of a non-executive member to the Contract Management Board, members noted that an appropriate person with the right skills, knowledge and contacts had yet to be identified, and that any suggestions would be welcomed.
9. On 29 October 2015, the Committee received an update on progress under the commercialisation work stream of the transformation programme. The Committee received information about the activities taking place under the headings of "making money", "commissioning", "being business friendly" and "being more business like".
10. The Committee was informed that the Contract Management Board had taken ownership and responsibility for implementing the commercialism transformation
11. 'Cost-down' negotiations, led by Procurement Officers, had resulted in contractual savings (year to date) of £2.1m. Each member of the team had been assigned a specific target for savings to be achieved during the year as part of the performance development review process.
12. The corporate contract register had been updated to contain details of 2020 contracts across the council. To improve corporate understanding and the management of contractual risks, the Corporate Procurement Team had been working with Directorates to classify their contracts using a matrix of contract value against specific risks including; Business Continuity; Commercial; Health and Safety; and Service related. The outcome of this exercise resulted in the classification of contracts as either; Bronze (Low Value, Low Risk); Silver (High Value, Low Risk); Gold (Low Value, High Risk) or Platinum (High Value, High Risk). Work was underway with HR colleagues to develop an interactive toolkit and specific training and support for 69 identified contract managers, to improve their knowledge and skills in this commercial activity.
13. Full details of the evidence considered by the Committee at previous meetings can be found by following the links under the "Further Information" section below.

Main body of evidence

Evidence to address the key areas for investigation has been provided by the Director of Resource Management, Suffolk County Council, and is appended to this report as Evidence Set 1, with associated appendices.

Glossary

ACS – Adult and Community Services

ADASS – Association of Directors in Adult Social Services

CBC - Central Buying Consortium

CIPS – The Chartered Institute of Purchasing and Supply, the professional body for purchasing and supply officers.

CPC - Professional Competence for Transport training

CQC – Care Quality Commission

CYP – Children and Young People’s Services

ESPO - the Eastern Shires Purchasing Consortium

ENCTS - English National Concessionary Travel Scheme

European Threshold Values – The total value of a contract over its expected lifetime above which it requires competition in compliance with the European Procurement Directives.

Consortia Bids – Tenders received where a number of organisations act together to submit a response to a tender opportunity.

FTE – Full time equivalent

LD – Learning Disability

Light Touch Regime – The European Procurement requirements for a range of services mainly associated with education, health and social care.

Market Engagement – The active solicitation of views from organisations who may have an interest in the provision of services to the Council. This is undertaken as an aid to developing service specifications and procurement strategy for breaking contracts into lots etc.

NEPO - North East Purchasing Consortium

NHS – National Health Service.

OFSTED - The Office for Standards in Education.

Procurement Rules – The Council’s rules governing the way in which procurement and contracting is undertaken. These rules are available for the public on the Council’s web-site.

Public Contracts Regulations 2015 – The UK Governments enactment of the European Procurement Directives 2014/24/EU.

PFI – Private Finance Initiative

PSV - Public Service Vehicles

Public Sector Purchasing Consortia – Affiliations of local authorities who bring together procurement professionals and let contracts for mutual benefit.

SOPO - Society of Purchasing Officers

Spot Purchase Agreements – an overarching contract with a service provider under which a number of specific customer placements may be made.

Support to Live at Home – the Council’s re-provisioning service providing domiciliary care to customers in their own homes.

YPC - Yorkshire Purchasing Consortium

Zero Inflation – a policy agreed by the Contract Management Board, to aim for no inflation on annual contract rates.

Supporting information

Links to previous Committee reports

Audit Committee

Commissioning, Procurement and Contract Management – 31/1/2013 (General update on procurement and contract management arrangements)

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=0900271180b4a484&qry=c_committee%7e%7eAudit+Committee

Commissioning, Procurement and Contract Management – 23/7/2013 (covers the Care UK Outsourcing)

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=0900271180dc8ec0&qry=c_committee%7e%7eAudit+Committee

Suffolk Libraries – 18/3/2014

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=09002711811501ac&qry=c_committee%7e%7eAudit+Committee

Concertus – 20/5/2014

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=09002711812464b4&qry=c_committee%7e%7eAudit+Committee

Highways Services – 22/7/2014

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=09002711813404d2&qry=c_committee%7e%7eAudit+Committee

EFMS Divestment and Contract Management Arrangements – 29/1/2015

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=090027118163ecce&qry=c_committee%7e%7eAudit+Committee

Scrutiny Committee

Highways Contract – 7/5/2014

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=0900271181218f93&qry=c_committee%7e%7eScrutiny+Committee

Procurement and Contract Management – 23/7/2014 (First paper to Scrutiny responding to very similar questions as this paper)

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=090027118134fdac&qry=c_committee%7e%7eScrutiny+Committee

Highways update – 12/3/2015

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=09002711816d212d&qry=c_committee%7e%7eScrutiny+Committee

Highways Contract – 29/10/2015

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=090027118199d1f5&qry=c_committee%7e%7eScrutiny+Committee

Federation of Small Businesses Survey

Federation of Small Businesses <http://www.fsb.org.uk/docs/default-source/fsb-org-uk/policy/assets/local-procurement-2013.pdf?Status=Master&sfvrsn=0>

Suffolk County Council published procurement rules

Suffolk County Council Procurement Rules <https://www.suffolk.gov.uk/assets/Jobs-careers-and-business/tenders-and-supplying-us/2016-01-05-Suffolk-County-Council-Procurement-Regulations-v2Final.pdf>