

Executive Decision Report

PROCUREMENT UPDATE 2015/16

Decision to be taken by: **City Mayor**

Decision to be taken on: **3 December 2015**

Lead director: **Alison Greenhill**



City Mayor

Useful information

- Ward(s) affected: **All**
- Report author: **Neil Bayliss**
- Author contact details: **Tel: 37 4021 Email: neil.bayliss@leicester.gov.uk**
- Report version number: **001**
- Date of report: **12th November 2015**

1. Summary

- 1.1 The Council's Contract Procedure Rules require Executive approval of a Procurement Plan – a list of forthcoming procurement activity above EU thresholds anticipated in the coming year. This requirement aligns with the government's requirements of local authorities under the Transparency agenda. There is also a requirement to provide a mid-year update on progress against the Plan and procurement strategy.
- 1.2 Inclusion of a contract in the Plan does not necessarily mean that the procurement will go ahead. As with all expenditure, anticipated contracts will be subject to ongoing challenge as to whether they are required, and whether/how they should be procured. This review process may impact on the anticipated value and/or duration of contract.
- 1.3 The purpose of this report is to inform the City Mayor and Executive of progress against the Plan and obtain approval for the updated 2015/16 Procurement Plan which alerts all stakeholders of the potential up and coming major procurement activity across the Council, which includes renewal of existing contracts for ongoing requirements (e.g. maintenance and service provision contracts) and one-off major capital projects.

2. Recommendations

- 2.1
 - i) That the Audit & Risk Committee is asked to note the report and make any comments prior to an Executive Decision.
 - ii) The Executive is recommended to approve the attached updated Procurement Plan and delegate the letting of contracts to Divisional Directors subject to consultation with Assistant Mayors where appropriate; and
 - iii) Note the progress to date on the delivery of the Procurement Plan and strategy, and to note the summary of waivers approved since 1 April 2015.

3. Supporting information

Procurement Plan

- 3.1 The Procurement Plan serves two principal purposes:
- a) To inform potential suppliers of major future market activity, including meeting the statutory requirement to publish planned procurement over the EU thresholds; and
 - b) To provide the Executive and other readers with an overview of significant procurement activity and to enable links and efficiencies to be achieved.
- 3.2 The Plan is based on information from Directors and from reviewing the database of existing contracts approaching expiry. Entry on the Plan does not guarantee that procurement will happen and the actual costs may vary from the estimates.
- 3.3 Timely processing and approval of the Plan ensures better procurement planning and allows the market to consider upcoming opportunities, in line with the transparency agenda.
- 3.4 The scope of the Plan can be affected by major reviews across the Council, leading to the extension of existing contracts and uncertainty for including future procurements, with less procurement activity than might usually be expected. It will also be noted that the procurement approach and timing, contract term and values are still to be determined for some procurements, whilst review work takes place.
- 3.5 As required by the Contract Procedure Rules, the updated Plan (attached at Appendix A) includes details of expected procurement processes for contracts valued at over the relevant EU threshold.
- Schedule 3 Services £625,050
 - Goods & Other Services £172,514
 - Works £4,322,012
- 3.6 It should be noted that the EU Thresholds will be re-calculated on 1 January 2016 based on an updated exchange rate between the euro and the pound. This is likely to lead to a noticeable decrease in the thresholds (possibly 10-15%), and therefore the Plan includes contracts to be procured that may be slightly below the current thresholds.
- 3.7 The Contract Procedure Rules provide delegated authority to Divisional Directors to award contracts over the EU threshold so long as those contracts are included in the Procurement Plan – Appendix A (even if these contracts are not awarded until after the end of the current financial year). Any other proposed contract award over the EU threshold must be added to the Procurement Plan as set out in Rule 16 of the Contract Procedure Rules (as approved by Full Council in June 2015).
- 3.8 Of the 88 procurement exercises included in the original Plan, the following table sets out current progress.

Progress	Number of Procurement Processes
Exercise not started	50
Exercise in progress	17
Contract awarded	13
Exercise cancelled	8
Total	88

Procurement Strategy

- 3.9 The Head of Procurement is developing a Social Value/Procurement Strategy to be launched later in 2015/16 which will be the foundation for the development of clearer performance indicators and targets and which will form the basis for future reporting.
- 3.10 In parallel to developing this strategy, Procurement is looking to increase the amount of contracts awarded to local organisations, and how this procurement activity can contribute to local communities and the local economy:
- In 2014-15, spend with local organisations represented 51% of all spend; in the first six months of 2015-16, this had risen to 59%;
 - In the first six months of 2015-16, 73% of the value of contracts awarded by Procurement Services were awarded to local companies;
 - Procurement Services have delivered a ‘meet the buyer’ event and provided various procurement workshops to help suppliers get ready to tender with the Council and other public sector organisations.

Contract Procedure Rules

- 3.11 New Contract Procedure Rules were approved at Full Council on 18th June 2015. No changes have been made to them since and none are currently proposed. The Head of Procurement will consider whether any changes may be beneficial once the new Rules have been in place for a full year.

Waivers

- 3.12 The Contract Procedure Rules also requires the Head of Procurement to report waivers of the Rules to Executive. The tables below show an analysis of the waivers approved during the last financial year and the first part of the current financial year up to the introduction of the New Rules. This is shown by both department and a broad categorisation of the reason for the waiver.

Reason for Waiver	2014/2015 (Full Year)		2015/16 (until 18/06/15)	
	Qty	Value	Qty	Value
Contract extension - Continuity	16	£2,737,919	3	£185,000
Contract extension - Review of future practice / Procurement exercise active	2	£337,550		
Procurement process issues	3	£77,474		
Urgency / Emergency	3	£203,458		
Use of non-contracted supplier / Sole supplier	10	£990,106		
	34	£4,346,506	3	£185,000

Department	2014/2015 (Full Year)		2015/16 (until 18/06/15)	
	Qty	Value	Qty	Value
Adult Social Care	8	£1,496,942	1	£70,000
Children's Services	3	£342,978		
City Development & Neighbourhoods	20	£2,004,986		
Corporate Resources & Support	3	£501,600	2	£115,000
	34	£4,346,506	3	£185,000

3.13 Under the new Contract Procedure Rules, i.e. since the 19th June (until the 30th September), the following waivers have been approved:

Department	Qty	Value
Adult Social Care		
Children's Services	1	£4,600
City Development & Neighbourhoods	3	£372,493
Corporate Resources & Support		
	4	£377,093

Contract Extensions

3.14 The new Contract Procedure Rules also require bi-annual reporting of contract extensions of Large and EU Contracts made where there wasn't provision for this in the original contract. The table below sets out the only two such extensions approved between the 19th June and the 30th September. (Note: Contract values given below include the full contract value from the original start date to the end of the extension period.)

Department	Large		EU	
	Qty	Value	Qty	Value
Adult Social Care				
Children's Services				
City Development & Neighbourhoods	1	£692,000		
Corporate Resources & Support	1	£504,616		
	2	£1,196,616	0	£0

4. Details of Scrutiny

4.1 As required by the Contract Procedure Rules, the Procurement Plan and other contents of this report will be reported to the Audit & Risk Committee on 2nd December 2015.

5. Financial, legal and other implications

5.1 Financial implications

5.1.1 Inclusion of contracting activity on the attached Plan is a statement of intent and is subject to the necessary funding being available. The Plan provides a basis for challenge and a more strategic approach to achieving value for money through major procurement activity.

Colin Sharpe
Head of Finance
Ext 37 4081

5.2 Legal implications

5.2.1 The Contract Procedure Rules form part of the Constitution of the Council therefore this report satisfies the Constitution requirements in relation to reporting and procurement procedures.

5.2.2 Each procurement process will need to follow due process in accordance with internal and legislative requirements, with advice from Procurement Services and Legal Services.

Emma Horton
Principal Lawyer
Ext 37 1426

5.3 Climate Change and Carbon Reduction implications

5.3.1 There are no significant climate change implications arising directly from this report.

5.4 Equality Impact Assessment

5.4.1 These will be considered a part of each procurement process, as appropriate.

5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

5.5.1 Procurement is used to drive wider social value, i.e. to bring about improvements in economic, social and environmental well-being.

6. Background information and other papers:

6.1 None.

7. Summary of appendices:

7.1 Appendix A – Procurement Plan 2015/16 (Updated as at November 2015).

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

8.1 No.

9. Is this a “key decision”?

9.1 No.