

Copy of report to Leadership Team

**Title:** Key Indicator M11 Procurement Efficiencies - Annual report 2015/16

1.0 **SUMMARY**

1.1 Good Procurement practice during the last year has produced revenue savings together with other intangible benefits and real qualitative efficiencies.

2.0 **Decision Required.**

2.1 To note the contents

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**Report approved by:** Head of Democracy and Governance

3.0 **DETAILED PROPOSAL**

3.1 **Background**

This indicator is set against the fact that Council transactions with third parties were circa £33.4 million, incl VAT, during the year. Significant further sums circa £18M were also transacted by Three Rivers DC.

M11 is the WBC indicator for procurement efficiencies and tracked on an annual basis. It is dependant on when contracts are let and what is measured. Savings depend on the benchmark against which they are measured and some savings may be “bankable” while others are notional or intangible but are nevertheless procurement efficiencies. Where cash savings are achieved these are reflected in service budgets.

A focus this year has been on qualitative improvements in specifications and awareness of the marketplace. The measurement of the financial benefits would be helped if pre-tender estimates were prepared more frequently where appropriate by service managers.

Efficiencies and improvements are being achieved across the Authority

with savings being made in every service area. Better specifications are leading to better outcomes. Procurement efficiencies include consequential savings for support services and overhead costs.

The pattern of procurement activity is changing as greater use is made of framework agreements and longer term arrangements considered.

Efficiencies are on-going from earlier procurements, including outsourced contracts. The major outsourced contract with **Veolia** for frontline services from 1<sup>st</sup> July 2013 continues to run well. Unfortunately the other major outsourced contract for ICT Managed Services has been less successful and that contract is being terminated.

Awareness has been raised and training given of the benefits of pre-tender market engagement. There are clear benefits to understanding the market and preparing specifications that will be of interest to the market, particularly SMEs. A good example this year of early market engagement was an engagement exercise by the **Housing** team to discuss approaches to providing accommodation.

The Corporate Procurement Manager role is part of the Lead Authority model with Three Rivers DC since April 2014. Benefits produced for both councils include more collaborative opportunities, e.g. FM contracts, and increased awareness of common activities and liaison between teams. This is particularly apparent at CMF events where networking is a popular feature.

## 3.2 **Process and Procedure**

Procedures and processes have been reviewed during the year. The key legislative change has been the transposition of the new EU Procurement Directives into UK law with effect from 26<sup>th</sup> February 2015. The UK having strongly promoted the changes were the first to enact the legislation which in the UK goes further than required in the Directive as it includes the “Lord Young reforms” to assist SMEs.

Most of the changes were already included in the WBC and TRDC Contract Procedure Rules and other guidance. Process and procedures have been reviewed to ensure compliance with the new legislation. Minor updates to our Contract Procedure Rules are being made.

The Corporate Contract Register and the Procurement Pipeline have been published on time every quarter on the internet site to comply with the

Transparency Code.

The Government is currently consulting on proposed amendments to the Transparency Code. This may include a requirement to publish data in a fixed format to a central source and a recommendation to publish the percentage of procurement spend which goes to SMEs.

The Contract Management Forum has continued to make good progress. In particular it held a very successful Forum event in November 2015 on Commercial Awareness. A follow on session on Contract Management is due in May 2016.

Other training delivered via the CMF during the year include:

- EU Directives
- Framework Agreements
- Use of Consultants
- CDM 2015 awareness
- Specification Writing

The Procurement and Contract Management Toolkit for staff was launched in June 2015. It will be made accessible on-line once the ICT and Website upgrade work is complete.

### 3.3 **Collaborations and Framework Agreements**

Collaborations continue to make a substantial contribution to procurement efficiencies in terms of process, quality, time and costs with benefits from being part of a larger “critical mass”. Wherever possible procurements include collaboration with TRDC, both councils have benefited from shared procurement activity.

A principal way to collaborate is the use of **Framework Agreements**. Extensive use is already made of these including those let by the Crown Commercial Service (CCS) and ESPO for a wide range of supplies and services, Braintree DC and TPPL agreements for various vehicles, Rotherham MBC for Bailiff Services and the Laser Consortium for Energy supplies.

**Energy** is provided under an arrangement with the **Laser** consortium, aggregating the energy spend of multiple authorities to deliver energy costs significantly lower than could be achieved independently in a volatile market. The Energy contracts have been re-let for the period to 2020.

The **FM Compliance & Maintenance** framework agreement procured with a number of other DC's across Hertfordshire has been operating well. It is also being used to deliver further FM related work. TRDC are now considering making use of this framework agreement.

WBC continues to manage framework agreements with access for other public bodies to use. The Traffic and Parking **Consultants** has been re-tendered, Civil Engineering Works continues to be well used and the Signs & Lines term has been extended. A new framework has been let for **Built Environment** services including Design, Viability Assessment and Planning Studies. A number of call-off contracts have been tendered and awarded under this framework.

The **Absence Management** framework agreement for HR is proving popular with other LAs and NHS Trusts and is already bringing in an income stream. Early figures suggest a first year income circa £10K which should increase in future years.

Numerous **ICT** tenders have been procured under various CCS framework agreements. These have enabled quick, compliant routes to a complex market. **Payroll** services were re-procured during the year, again under a CCS framework agreement. **Mobile telephony** was retendered as part of an e-auction run by CCS.

An important collaboration with other Hertfordshire Waste Collection Authorities is in place for the disposal of **co-mingled recyclates**. The specification and other documents have been prepared for tendering. Pre-tender market engagement has shown that a combined waste stream should be of more interest to the market.

### 3.4 **Other Contracts and Services**

A major project tendered during the year was **Cassiobury Park** Restoration. This required a significant post tender "value engineering" exercise to bring the project back within budget.

**Website** refresh and **Branding** contracts were awarded with successful outcomes reported. **Big Events** procurements, including Skate, Screen and Beach, have been successfully progressed. A ten year concession contract was let for free Town Centre **WiFi**.

The **Grand Union** towpaths project was completed very successfully. A combination of a good procurement and sound contract management

provided a final cost of £319K against an original estimated cost of £345.5K.

Progress has been made with the procurement of Consultants and raising awareness that the same rules apply as to other services. A key consultant engaged is for the re-tender of the **Leisure Centre Management** services.

The **LABV** with Kier remains a key area of work with ongoing advice and support offered but again no response this year.

Efficient procurement is important but good ongoing contract management is essential to a successful contract. A great example of good proactive contract management is shown by the Revs & Bens management of the Bailiff contracts. Provisions were included at the procurement stage to allow contract managers to flex the work between three suppliers depending on contractor performance.

**Revs and Bens** have reported “This is the first year they were properly managed and the results speak for themselves” Collection figures being:

2014/15 £788,102

2015/16 £974,983

An improvement of 24% or extra income of **£186,881**.

A similar improvement of 26%, an extra £138,918 was achieved for TRDC.

**Social Value** remains an important element of “policy through procurement”. Service managers are strongly encouraged to include Social value criteria in tender evaluations as far as possible.

Feedback was sent to the Mayor by a local charity in December 2015:

“Following a discussion at the recent Watford Business Expo between our persuasive General Manager, Linda McIntyre, and representatives of Murrill Construction Ltd, I am delighted to tell you that Murrill and its suppliers have quoted the amazing sum of ZERO to carry out the groundworks required as part of installing the so-called POD (relocatable building) which will become known as Watford Workshop’s Learning for Living Centre. As other quotations were upwards of £6,000, you will not be surprised to learn that we have accepted Murrill’s quotation!

Their generosity makes a significant contribution to our efforts to minimise the installation costs and hence improve the affordability of the Life Skills Training and Independent Living Training which we will soon be able to offer to disabled and disadvantaged people from in and around Watford. This makes a very welcome early Christmas present for Watford

Workshop.”

A further recent example is by Borrás Construction who are on site delivering our Cassiobury Park project. They have helped with work in the community project area in the park. Watford Multifaith Group, one of the volunteer groups, are designing their own peace garden in the centre of the project site behind the bowls club. Borrás came along with diggers and excavated and cleared a large area to help the group start landscaping for a labyrinth, as part of their peace garden design. This was done for free as a community contribution and has enabled more of the group’s funds to be spent on planting and other design elements.

### 3.5 **Targets for 2016/17**

Next year’s targets focus on continuous improvement in procurement processes and the promotion of improved contract management:

The Contract Management Forum to focus on the Contract Management stage. A key element being the May 2016 CMF Forum event.

A review of Risk Management tools available to project and contract managers, following recommendations in recent audit reports, with training events for staff.

CMF review of contract documentation preparation and management.

The review of ICT 3<sup>rd</sup> Party contracts following implementation of new ICT arrangements and roll out of hardware.

Key procurements related to Regeneration and Development particularly relating to PIPOP and including those for the LABV contracts.

To keep procurement procedures and processes under review including any revisions arising from the Transparency Code, the work of the Contract Management Forum and collaborations with others.

To make the CMF Toolkit easily accessible on-line to staff across both councils.