

<b>Title of meeting:</b>	Governance and Audit and Standards Committee
<b>Date of meeting:</b>	1 <sup>st</sup> July 2016
<b>Subject:</b>	Procurement Management Information
<b>Report by:</b>	Director of Finance and Information Services
<b>Wards Affected:</b>	Not Applicable
<b>Key decision:</b>	No
<b>Full Council decision:</b>	No

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It is recommended that the attached appendices 1, 2, 3 and 4 be considered as an exempt/confidential matter and that the press and public are excluded for the following reasons:

- Exempt information is defined in section 100A and, by reference, Schedule 12A of the Local Government Act 1972 ("the 1972 Act"). To be exempt, information must fall within one of the categories listed in paragraphs 1 to 7 of Schedule 12A, must not fall within one of the excluded categories in paragraphs 8 and 9 and the public interest in maintaining the exemption must outweigh the public interest in disclosing the information;
- The attached Appendices 1, 2, 3 and 4 contain some information relating to the financial or business affairs of particular companies as well as PCC; and
- Although there is a public interest favouring public access to local authority meetings, given the financial and commercially sensitive information contained in the report the public interest in maintaining the exemption outweighs the public interest in disclosing the (exempt) information.

**1. Purpose of report**

- 1.1 The purpose of this quarterly report is to update the Committee on steps being taken to demonstrate that PCC is achieving value for money from its contracts for goods and services.

**2. Recommendations**

- 2.1 **That members note that purchase order compliance for April 2016 was 98% against the target of 95%**
- 2.2 **That members note the performance of our suppliers and contractors and actions in progress to address poor performance.**

### 3. Background

#### 3.1 Value for money

3.1.1 In September 2010 the Head of Procurement submitted a report to the Governance and Audit Committee outlining steps that are being taken to demonstrate that PCC is achieving value for money for its contracts for goods and services.

3.1.2 Fundamental to this is that the City Council has the ability to demonstrate that we are paying competitive rates by:

- subjecting procurement to a competitive process (where practical) (section 3.2)
- ensuring that we obtain the quality of service that we are paying for (section 3.3)

#### 3.2 Purchase order conformance monitoring

##### 3.2.1 The Contracts Register

Members approved a recommendation of a target of 95% conformance with Contract Procedure Rules. This report takes payments to contractors from the Oracle EBS system and matches them to contracts held on the Contracts Register. Presence of a contract on the Contracts Register implies that a procurement process has been undertaken, and that the process complies with the Contract Procedure Rules. Legal services have commented that whilst this methodology is indicative of good practice, is not definitive as to compliance with legal requirements.

3.2.1.1 The purpose of this the report is to provide Members with a progress report to monitor the situation. **Table 1** below provides conformance figures for the current month, and year to date. As April's figures are the latest available, the full previous financial year is provided rather than year to date in this instance.

3.2.1.2 An explanation of those service areas where conformance requires improvement is detailed in **appendix 1** (exempt).

3.2.1.3 Category Business Partners from the Procurement department are working in partnership with Directorates to implement solutions to resolve non-conformance and reduce administration issues.

**Table 1 - Compliance with Contract Procedure Rules**

Directorate	Full year 2015/16			April 2016		
	Total non-conforming value	Total transaction value	% non-compliant	Total non-conforming value	Total transaction value	% non-compliant
Adult Services	£34,529	£3,139,306	1%	£18,839	£540,283	3%
Swift Interface	£0	£24,628,678	0%	£0	£1,975,351	0%
Children's Services and Education	£267,781	£9,929,274	3%	£6,745	£2,778,334	0%
Children's Social Care	£137,087	£3,060,181	4%	£4,373	£426,886	1%
Community and Communication	£220,544	£734,019	30%	£0	£69,516	0%
Culture and City Development	£676,976	£1,782,911	38%	£38,892	£164,108	24%
Executive	£360,674	£3,477,075	10%	£0	£208,286	0%
Finance and Information Services	£685,251	£9,995,078	7%	£50,154	£1,184,127	4%
HR, Legal and Performance	£132,888	£2,567,453	5%	£5,805	£221,644	3%
Portsmouth International Port	£68,513	£1,209,537	6%	£0	£111,509	0%
Property and Housing	£2,915,562	£47,815,797	6%	£117,571	£8,622,974	1%
Public Health	£0	£12,489,424	0%	£0	£1,071,670	0%
Regulatory Services, Community Safety and Troubled Families	£135,564	£808,006	17%	£7,125	£138,638	5%
Transport, Environment and Business Support	£2,234,365	£23,015,820	10%	£115,755	£2,034,281	6%
<b>TOTAL</b>	<b>£7,869,734</b>	<b>£144,652,560</b>	<b>5%</b>	<b>£365,260</b>	<b>£19,550,393</b>	<b>2%</b>

### 3.3 Contract Management

#### 3.3.1 Supplier performance

3.3.1.1 Supplier performance information for all current contracts (over £5,000 value) is presented in **table 2** below.

This information excludes main framework agreements (but includes framework call-off contracts) and concessions.

KPI's become overdue 90 days after their due date.

**Table 2 - Supplier performance**

	Total number of contracts	KPI score (see legend below)				Expired KPI (more than 1 year since last scored)	KPI never scored	KPI not yet due	No KPI scheduled
		Gold	Green	Amber	Red				
<b>Jan 2016</b>	711	46	210	22	0	34	88	247	64
<b>Jun 2016</b>	728	53	211	24	1	24	96	258	61

#### Notes

- Gold: Outstanding performance
- Green: Performing to standard
- Amber: Some areas of improvement required
- Red: Failing to perform
- Expired KPI: a schedule is in place, and at least one KPI score has been recorded, but there has been no KPI scoring in the last 12 months
- KPI never scored: a schedule is in place, but there have been no KPI scores for the contract
- KPI not yet due: a schedule is in place, but KPI scores are not due yet. This includes contracts where KPIs are overdue by less than 3 months (grace period)
- No KPI scheduled: no KPI instances have been scheduled.

KPIs are not scheduled for leases in five instances, for single source suppliers (Royal Mail) in one instance and for Temporary Accommodation provision in 32 instances.

The remaining 23 contracts without KPI schedules will be investigated and addressed as necessary.

3.3.1.2 There is one contract where the supplier is performing to an unsatisfactory level and remedial action is taking place (Red KPI score) (see **appendix 2** - exempt). Contract Managers inform providers of their red status as they seek improvements / remedies.

### 3.3.2 Supplier performance monitoring

There are 96 contracts with no KPI scoring (**table 3**), and a further 24 contracts with no KPI scoring in the last 12 months (**table 4**). It should be noted that this does not imply that all these contracts are not being managed, just that they have not been scored.

**Table 3 - Contracts with no KPI score**

KPIs never scored				
Directorate	Total number of contracts	Number of contracts with no KPI score	% of contracts with no KPI score	Annual contract value
Adult Services	103	2	2%	£154,031
Children's Services and Education	25	2	8%	£2,044,550
Community and Communication	28	3	11%	£535,600
Culture and City Development	59	14	24%	£796,697
Finance and Information Services	92	3	3%	£192,556
HR Legal and Performance	31	3	10%	£600,858
Property and Housing	217	62	29%	£21,815,838
Transport Environment and Business Support	42	7	17%	£6,922,432
<b>TOTAL</b>		<b>96</b>	<b>13%</b>	<b>£33,062,562</b>

**Table 4 - Contracts with expired KPIs**

KPIs expired (more than 1 year since last scored)				
Directorate	Total number of contracts	Number of contracts with expired KPI score	% of contracts with expired KPIs	Annual contract value
Adult Services	103	1	1%	£497,500
Children's Social Care	17	1	6%	£100,000
Culture and City Development	59	3	5%	£149,874
Finance and Information Services	92	1	1%	£11,000
HR Legal and Performance	31	3	10%	£65,465
Property and Housing	217	12	6%	£10,766,000
Regulatory Services, Community Safety and Troubled Families	9	1	11%	£217,400
Transport Environment and Business Support	42	2	5%	£8,200
<b>TOTAL</b>		<b>24</b>	<b>3%</b>	<b>£11,815,439</b>

Those directorates with no outstanding or overdue KPIs are omitted from the tables on this page. The total % figure reflects the overall % across all directorates.

### 3.3.3 Waivers

3.3.3.1 Waivers for procurements which depart from the Contract Procedure Rules are recorded for contracts over £5,000 value.

**Tables 5 and 6** below reflect waivers approved since the last report on 29 January 2016.

3.3.3.2 Waiver reasons:

**Table 5 - Waiver reasons**

Reason for waiver	Number of contracts	Total value covered by waiver
Emergency	1	£10,421
Not advertising the opportunity	7	£214,600
Not obtaining 3 bids	25	£1,745,452
Service user choice	2	£74,278
Single source	4	£152,370
<b>TOTAL</b>	<b>39</b>	<b>£2,197,121</b>

In addition to the reasons in the table above, other reasons for waivers are:

- Insufficient time
- Use of a previous tender
- Original spend estimate wrong
- Extension of lapsed contract for continuity
- Shared service

3.3.3.3 Use of waivers by directorate:

Under the Contract Procedure Rules, waivers can be approved by:

- Director (or Chief Executive, or Deputy Chief Executive)
- Procurement Manager
- Gateway Board

A summary of waivers approved since 29 January 2016 appears in the table below. Details are in **Appendix 3** (exempt).

**Table 6 - Waivers by Directorate and approver**

Directorate	Number of waivers since 29 Jan 2016	Total number of new contracts since 29 Jan 2016	% of contracts with waivers since 29 Jan 2016	Value of waivers	Approved by		
					Director	Procurement Manager	Gateway Board
Children's Services and Education	3	6	50%	£35,502	3		
Children's Social Care	3	3	100%	£120,238	3		
Culture and City Development	4	8	50%	£130,055	4		
Finance and Information Services	8	14	57%	£856,942	7	1	
HR, Legal and Performance	2	4	50%	£83,485	2		
Portsmouth International Port	7	10	70%	£162,586	7		
Property and Housing	5	39	13%	£582,066	5		
Transport, Environment and Business Support	7	7	100%	£226,247	7		
<b>TOTALS (All PCC)</b>	<b>39</b>	<b>97</b>	<b>40%</b>	<b>£2,197,121</b>	<b>38</b>	<b>1</b>	<b>0</b>

### 3.4 Recommendations approved at Strategic Contract Management Board

3.4.1 The Strategic Contract Management Board met on 13<sup>th</sup> April 2016, and received reports from contract managers on four strategic contracts, and a number of other matters.

3.4.2 A summary of actions arising from the board are detailed in **Appendix 4** (exempt)

### 4. Reasons for recommendations

4.1 To satisfy the Governance and Audit and Standards Committee reporting requirements.

### 5. Equality impact assessment

5.1 An Equality Impact Assessment is not required as this is not a change to policy or service delivery.

**6. Legal implications**

6.1 The comments of the City Solicitor are contained within the body of this report. It is within the powers of the Governance and Audit and Standards Committee under Part 2 section 2 of the Constitution to approve these recommendations.

**7. Director of Finance's comments**

7.1 There are no financial implications directly arising from the recommendations in this report. However, the report has identified issues which could have value for money implications and consequently will need addressing in the short term.

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Signed by:  
Director of Finance and Information Services

**Appendices:**

- Appendix 1 - Non-conformance (exempt)
- Appendix 2 - Contract performance issues (exempt)
- Appendix 3 - Waivers (exempt)
- Appendix 4 - Minutes of the Strategic Contract Management Board (13/04/16) (exempt)

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/  
rejected by ..... on .....

.....  
Signed by: