

<b>Title of meeting:</b>	Governance and Audit and Standards Committee
<b>Date of meeting:</b>	29 <sup>th</sup> January 2016
<b>Subject:</b>	Procurement Management Information
<b>Report by:</b>	Director of HR, Legal and Procurement
<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 2, 3, 4 and 5 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 2, 3, 4 and 5 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 the report is to update Members 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 November 2015 was 94% 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.**
- 2.3 That members continue to request a procurement management information report, and that in light of the quarterly Strategic Contract Management Board meetings, that this report be brought to the committee on a quarterly basis.**

### **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 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.

3.2.2 The purpose of this the report is to provide Members with a progress report to monitor the situation (see appendix 1 for latest month figures and detailed year to date performance figures).

3.2.3 An explanation of those service areas where conformance requires improvement is detailed in appendix 2 (exempt).

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

#### **3.3 Contract Management**

3.3.1 With the greater emphasis that has been placed on contract management by the revised Contract Procedure Rules (approved at Full Council 10 November 2015) and the recently formed Strategic Contract Management Board, it is intended that this section be expanded to give members access to the greater range of management information afforded by recent developments such as the procurement dashboard.

### 3.3.2 Supplier performance

3.3.2.1 Supplier performance information for all current contracts (over £5,000 value) is presented in the table 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.

	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

- Gold - Excellent 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 37 instances.
  - The remaining 21 contracts without KPI schedules will be investigated and addressed as necessary.

3.3.2.2 There are no contracts where the suppliers are performing to an unsatisfactory level and remedial action is taking place (Red KPI score). One contract only recently improved from Red to Amber (in January 2016) and is included in the appendix for information (see appendix 3 - exempt). Contract Managers inform providers of their red status as they seek improvements / remedies.

### 3.3.3 Supplier performance monitoring

There are 88 contracts with no KPI scoring, and a further 34 contracts with no KPI scoring in the last 12 months. It should be noted that this does not imply that all these contracts are not being managed, just that they have not been scored.

<b>KPIs never scored</b>				
<b>Directorate</b>	<b>Total number of contracts</b>	<b>Number of contracts with no KPI score</b>	<b>% of contracts with no KPI score</b>	<b>Annual contract value</b>
Adult Services	113	1	1%	£141,131
Children's Services and Education	22	1	5%	£2,000,000
Children's Social Care	22	1	5%	£66,700
Community and Communication	26	4	15%	£226,500
Culture and City Development	56	16	29%	£1,099,327
Finance and Information Services	88	5	6%	£198,891
HR Legal and Procurement	29	1	3%	£4,000
Portsmouth International Port	34	2	6%	£46,936
Property and Housing	203	48	24%	£23,707,083
Regulatory Services Community Safety and Troubled Families	14	1	7%	£17,881
Transport Environment and Business Support	36	8	22%	£6,525,374
<b>TOTAL</b>		<b>88</b>	<b>12%</b>	<b>£34,033,823</b>

<b>KPIs expired (more than 1 year since last scored)</b>				
<b>Directorate</b>	<b>Total number of contracts</b>	<b>Number of contracts with expired KPI score</b>	<b>% of contracts with expired KPIs</b>	<b>Annual contract value</b>
Adult Services	113	3	3%	£3,297,500
Community and Communication	26	1	4%	£1,500
Culture and City Development	56	5	9%	£710,000
Finance and Information Services	88	1	1%	£11,000
HR Legal and Procurement	29	7	24%	£515,465
Property and Housing	203	15	7%	£19,916,000
Transport Environment and Business Support	36	2	6%	£12,650
<b>TOTAL</b>		<b>34</b>	<b>5%</b>	<b>£24,464,115</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.

### 3.3.4 Waivers

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

The tables presented below reflect waivers approved since September 2015 (when data started to be collected).

It is intended for subsequent reports to use this section to bring new waivers to Members' attention (i.e. those approved since the last report).

3.3.4.2 Waiver reasons:

Reason for waiver	Number of contracts	Total value covered by waiver
Not advertising the opportunity	4	£32,900
Not obtaining 3 bids	12	£259,868
Other	3	£134,741
Single source	2	£47,090
<b>Grand Total</b>	<b>21</b>	<b>£474,599</b>

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

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

3.3.4.3 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 September 2015 (when data started to be collected) are in the table below. Details are in Appendix 4 (exempt).

Directorate	Number of waivers since Sept 2015	Total number of new contracts since Sept 2015	% of contracts with waivers since Sept 2015	Value of waivers	Approved by		
					Director	Procurement Manager	Board Gateway
Adult Services	1	5	20%	£40,393	1		
Children's Services and Education	1	2	50%	£20,000	1		
Culture and City Development	4	6	67%	£47,895	4		
Finance and Information Services	1	14	7%	£75,240	1		
HR, Legal and Procurement	1	3	33%	£5,460	1		
Portsmouth International Port	5	5	100%	£78,780	5		
Property and Housing	5	50	10%	£181,831	5		
Public Health	3	4	75%	£25,000	3		
<b>TOTALS</b>	<b>21</b>	<b>89</b>	<b>24%</b>	<b>£474,599</b>	<b>21</b>	<b>0</b>	<b>0</b>

### 3.4 Recommendations approved at Strategic Contract Management Board

3.4.1 The Strategic Contract Management Board met on 9<sup>th</sup> December 2015, and received a presentation from the Procurement department based on a best-practice review of the council's 72 strategic contracts.

3.4.2 Recommendations approved by the board are detailed in Appendix 5 (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 HR, Legal and Procurement

**Appendices:**

Appendix 1 - Year to date performance

Appendix 2 - Non-conformance (exempt)

Appendix 3 - Contract performance issues (exempt)

Appendix 4 - Waivers (exempt)

Appendix 5 - Minutes of the Strategic Contract Management Board (9/12/15) (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 .....

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Signed by: