

READING BOROUGH COUNCIL

REPORT BY STRATEGIC DIRECTOR OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	30 OCTOBER 2017	AGENDA ITEM:	13
TITLE:	CONTRACT AWARD - PROCUREMENT CONSULTANCY SUPPORT		
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SERVICE:	PROCUREMENT	WARDS:	BOROUGHWIDE
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report seeks approval for the award of a contract for procurement consultancy support following a competitive tendering exercise. The contract is due to run for a period of four years but is subject to break clauses based upon satisfactory performance during the initial period.

2. RECOMMENDED ACTION

- 2.1 That the Committee approves the award of a contract to V4 Services Ltd for Procurement Consultancy Services for a period of four years from the commencement date.

3. POLICY CONTEXT

- 3.1 The contract is required to support the delivery of the Council's medium term financial plan and to identify and support the identification and delivery of further savings and revenue generating proposals through best practice procurement and contract management initiatives. The contractor will also review and inform governance arrangements, standards and systems used for procurement and contract management across the Council to leave a legacy of an improved approach to procurement and contract management throughout the Council.

4. THE PROPOSAL

- 4.1 As part of the Council's programme of savings, the current medium term financial plan requires the identification and delivery of at least £1.05m reductions in budgeted expenditure on goods and services provided by third party suppliers over the next three years. This work is currently ongoing but we need to further improve our capability and capacity to deliver further value for money from contracting and contract management arrangements.
- 4.2 The Council does not have the capacity in-house to explore further opportunities and needs to seek an external partner to supplement existing resources and to provide

access to a range of subject matter experts who can bring broader expertise and specialist knowledge. There is a well-established market of these specialist providers who work with organisations to identify and deliver cost reductions on a risk and reward basis. To establish the nature and extent of potential savings going beyond those already budgeted, a proposal has been developed to engage a suitable external provider to work with the Council.

- 4.3 The provider has been procured through a mini-competition under a framework agreement provided by the Eastern Shires Purchasing Organisation (ESPO).

PROJECT BRIEF

- 4.4 The detailed project brief is attached at Appendix 1. The Committee is asked to note that the project has a Council wide scope and requires the active involvement and commitment of all directorates in engaging with the scoping exercise and, where agreed, the delivery of further spend reductions based on better procurement and commissioning practice. The savings opportunities identified will go beyond those already agreed and will have to be delivered in addition to the savings from external spend already built into the budget. The project will also strengthen internal governance and build the capability of the Council to maintain these better practices in the long term.

5.0 RESOURCING REQUIRED

- 5.1 The cost of the external support is designed to be self-financing after the initial pump priming phase with further costs only being incurred where an evidenced business case has been agreed whereby the contractor's support cost will be set at a proportion of the eventual saving delivered.
- 5.2 The initial scoping work is required to identify where our efforts are best focused in order to deliver significantly greater net savings.
- 5.3 We have also identified that a specialist forensic audit of historic payments is appropriate and the contractor will undertake this work alongside the scoping work. The audit will provide assurance of the adequacy of the controls in place to prevent overpayments made in error and, if errors in invoiced payments are identified, recover those overpayments from suppliers. This work will be undertaken on a "no win no fee basis" with the provider being paid a percentage of any amount recovered. Should no recoverable overpayments be identified, there will be no cost to the Council for this audit.
- 5.4 Once the payments audit and phase 1 work is completed, the Council has the option to terminate the contract at that point should it not be possible to agree a satisfactory programme to generate savings.
- 5.5 It is, however, anticipated that a significant programme of additional savings will be identified. From that point onwards (phase 2) the work undertaken by the consultants will be funded through a gainshare arrangement whereby the consultant's fees will be a percentage of the spend reductions achieved. The contract will run for a maximum of four years should ongoing opportunities continue to be identified where the expertise of the provider can be demonstrated to add value. There is no commitment by the Council to any specific volume of work or activity beyond the initial phase 1.
- 5.6 The consultants will be expected to work with officers across the Council to embed best practice across all procurement, contract management and revenue generating activity to provide a legacy of a long term, sustainable value for money culture and

equip RBC officers with the skills and tools to continue to drive savings in the long term.

6. CONTRIBUTION TO STRATEGIC AIMS

- 6.1 The main contribution that this contract will make to the Council's strategic aims is to help the Council remain financially sustainable. Best practice procurement and contracting arrangements also make a major contribution to delivering the Council's service objectives and strategic aims through works, goods and services contracted from third party service providers.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 None directly relevant to this contract award decision

8. EQUALITY IMPACT ASSESSMENT

- 8.1 There is no equalities impact assessment required for this contract.

9. LEGAL IMPLICATIONS

- 9.1 The contract has been let in accordance with the Public Contracts Regulations 2015 using a mini-competition under a Framework Agreement let by the Eastern Shires Purchasing Organisation (ESPO). This is in accordance with the Council's contracts Procedure Rule 4.2.e.2:

"(e) The works, services, or supplies are obtained by calling-off from a framework agreement, where this can be demonstrated to offer best value..... by:

(2) through reopening competition amongst the economic operators which are party to the framework agreement."

10. FINANCIAL IMPLICATIONS

- 10.1 The cost structure of the contract has been designed to be funded from realised savings in expenditure. The initial phase of the work will be funded from the Council's change fund. This phase will identify savings initiatives which the contractor will support the Council to deliver. The contractor's share of the savings will be the first call on the savings delivered, the next tranche of the savings will be recycled back into the change fund. After that, savings will be used to reduce the Council's budget requirement.

The detailed cost breakdown is confidential information and has been included in a separate report in Part II of tonight's agenda. Overall, using the tender evaluation estimates, the value of this contract is estimated to be £502,200, set against potential cashable gains of £3.1m per annum.

11. BACKGROUND PAPERS

- 11.1 Procurement Documentation including, Invitations to Tender and Procurement Project approval forms.
ESPO Framework Agreement User Guide and call-Off Agreement.

APPENDIX 1 - PROJECT BRIEF

Project brief

The project is intended to be delivered in a minimum of two phases.

Phase 1 - Scoping Fact Finding, and one-off Compliance/forensic audit

- Review of existing contracts and non-contract spend to identify opportunities to deliver spend reductions and associated budget savings over and above those savings already identified in the Council's financial plan.
- Review current governance and control processes to identify short terms actions that might be put in place to improve spend control pending longer term solutions
- Identify opportunities to increase existing budgeted savings and/or achieve them more quickly than the current plans anticipate. Validation of achievability of those savings proposals already identified.
- One off compliance/forensic audit of historic payments on gainshare basis.
- Initial review to target savings in excess of £3m net of consultancy costs (approximately 2% of existing third party spend in the Revenue budget) with a proportion to be delivered within 2017/8 for full year effect in 2018/9.
- The opportunities identified should provide details of the methodology to be employed and evidence to support the assessments of the savings potential.

Payment

To be agreed following sign off of the opportunities on the basis of

- Achieving milestones agreed in advance
- Acceptance of evidence base for opportunities
- Opportunities deliverable within the agreed constraints and parameters
- Client having final say on which opportunities are pursued.

Timescale

Completion of phase 1 in a maximum of 6 weeks from commencement of services following an agreed mobilisation period. It is anticipated the mobilisation period will be in the region of 4 weeks.

Reading Borough Council Support

Requirements of RBC support (e.g. provision of quantitative data, resources and support to project) to be clearly identified in proposal and agreed prior to commencement

Phase 2 - Support to delivery

This phase may be broken down into an initial period of support with potential extensions exercised at the discretion of the client.

- a) Implementation of selected spend reduction proposals.
- b) Scoping and implementation of cultural, behavioural and control system changes to create new corporate environment for decision making on spend with third parties to include:
 - Option appraisal/make or buy commissioning decisions
 - Review of delegation and approval processes to approach market.
 - Supply base rationalisation and reduction/elimination of off-contract spend
 - Evidencing of value for money
 - Consumption reduction
 - Governance and accountability structures
 - Communications and strategy promotion
 - Resource planning and embedding commercial skill
 - Service redesign to lower costs
 - Contract and Supplier relationship management
- c) Ongoing coaching, mentoring and support in the post-implementation phase on an "as needed" basis

Intended duration of Contract

The Council will contract for both phases 1 and 2 but reserves the right to break after phase 1 subject to performance and satisfactory costed proposals for phase 2. The contract is intended to run up to a maximum of 4 years from the initial start date of Phase 1.