

Item No. 8.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit, Governance and Standards Committee
Report title:		Report on retrospective contract-related decisions	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee note the retrospective contract decisions detailed in the report.
2. That the audit, governance and standards committee note the actions taken to ensure that the risk of future retrospective contract decisions is minimised for the future, as set out in paragraphs 15 to 17 and 22 to 26 below.
3. That the audit, governance and standards committee consider whether it would wish to make recommendations to help improve future decision-making.

BACKGROUND INFORMATION

4. Where an approval to a contract decision has been sought retrospectively and has an estimated value of more than £100,000, there is a requirement under contract standing order 4.8 to submit a report to the audit, governance and standards committee. The report should set out the circumstances and manner in which the decision was taken, for the purpose of obtaining guidance to inform future decision making.
5. This requirement applies to decisions relating to the approval of a procurement strategy (Gateway 1 or GW1), decisions relating to the approval of a contract award (Gateway 2 or GW2) and decisions relating to the approval of a variation or extension to a contract (Gateway 3 or GW3) decisions.
6. On 14 September 2016, the strategic director of finance and governance approved the procurement strategy and the award of three contracts in respect of corporate removals, storage and crate hire services for the operational and non-operational estate, through a Gateway 1 and 2 report. The procurement strategy and contract award approvals were retrospective and the chair and vice-chair of the audit, governance and standards committee were made aware of this decision on 22 September 2016.
7. On 20 September 2016, the strategic director of finance and governance approved the procurement strategy and contract award in respect of printing and document management services. The procurement strategy and contract award approvals were retrospective and the chair and vice-chair of the committee were made aware of this decision on 3 October 2016.

KEY ISSUES FOR CONSIDERATION

Corporate removals, storage and crate hire services

8. The Gateway report relating to this decision (attached at Appendix 1) sets out the nature of the contracts, their values and timelines.
9. The Gateway report explains that the three contracts with the suppliers commenced on 1 June 2005. After these had expired on 31 May 2012, new interim contracts with the incumbent suppliers were put in place for the period 1 June 2012 to 30 June 2014.
10. It was noted at this time that although there had been a need for a corporate service (the majority of the expenditure had related to moves of council staff between operational buildings and in particular the relocation of more than 2,000 staff to Tooley Street), henceforth the need would be in respect of relocating tenants as part of major works and/or regeneration activities. As a result, it had been agreed that the contracts would be classified as departmental, with responsibility for them transferring from the corporate facilities management (CFM) function to resident services.
11. The intention was that the housing department would complete a service review and have a new service provision in place from 1 July 2014 but this slipped to November 2014 and so further corporate contracts were put in place, again with the incumbent suppliers, for the period 1 July 2014 to 31 December 2014. These contracts had provision for extensions to 30 June 2015 and although these were not formalised, they were utilised.
12. It should be noted that in June 2014, a procurement strategy had been approved to replace the existing contracts with a supplier procured via a third party framework. The intention had been to have new contracts in place from November 2014 but this slipped and in May 2015 the procurement was halted to examine the feasibility of bringing the service in-house. In October 2015 this option was deemed to be unviable and consideration was given to procure the service through a competitive tendering process. However a new framework became available in February 2016.
13. The report at Appendix 1 notes that a review which was undertaken by the resident services team to find alternative solutions suffered numerous delays and for this reason the three incumbent providers continued to provide the services under their existing (expired) contracts in order to provide service continuity.
14. Between February 2016 and July 2016, the resident services team conducted a review with regards to the suitability of the new framework available to ascertain if this would meet the needs of the council. During this time CFM were in the process of undertaking a major restructure throughout the division and this caused a delay in carrying out the procurement strategy.
15. A new procurement strategy was however approved on 27 July 2016 to use a different third party framework and a new contract has been in place since 1 October 2016. The new contract is for a period of three years with the option to extend for up to two years.
16. To help ensure that workloads are managed more effectively in future and due attention is paid to governance requirements, the CFM contracts team have

implemented a procurement tracker within an enhanced contracts register. This will enable the team to pre-plan and track, well in advance, any procurement exercises so that contracts are put in place within the agreed time scales and not retrospectively. The CFM contracts team will review this register proactively to ensure that all planned procurement strategies are met beforehand.

17. The contracts team is currently being maintained at its current establishment level and is not due to be affected by any major restructures in the near future.

Printing and document management services

18. The Gateway report relating to this decision (attached at Appendix 2) sets out the nature of the contract, its values and timelines.
19. The Gateway report explains that the council had a contract with the supplier which commenced on 1 March 2014 and ended on 28 February 2015. The council continue to need printing services but the contract had no extension provisions and so, in the absence of a procurement strategy, the contract was extended by way of letters for the period 1 March 2015 to 1 May 2016. During this period, a procurement strategy was approved on 11 August 2015 to call off from a third party framework and negotiations commenced with the provider under the framework. However, these were not successful as it became clear that the provider was not able to meet the council's requirements.
20. This Gateway report is therefore seeking to retrospectively formalise the user of the existing supplier until the end of September 2016. In order to ensure that current service requirements continue to be met, the Gateway report also seeks approval to continue to use the current supplier for a further year from 1 October 2016. During this time, the council will explore procurement options which will meet the council's revised service needs, particularly in the context of 'digital by default': although the council has an ongoing need for reprographic work and non-reprographic work, this no longer includes a design element, and there is an emphasis on being less reliant on paper.
21. It should be noted that a provision to extend further to 30 September 2018 has been included, but the intention is to complete the new procurement process without the need to utilise this.
22. Draft Gateway reports had been prepared to be presented to DCRB/CCRB before the contract expired back in March 2015. However, due to the restructuring in CFM, along with staff turnover, these Gateway reports had not been completed and presented to DCRB/CCRB for review before the contract expired.
23. The CFM team now have a fully resourced team in place to write gateway reports for future procurement strategies that are in the CFM's procurement pipeline.
24. To help ensure that workloads are managed more effectively in future and due attention is paid to governance requirements, the CFM contracts team have implemented a procurement tracker within an enhanced contracts register. This will enable the team to pre-plan and track, well in advance, any procurement exercises so that contracts are put in place within the agreed time scales and not retrospectively. The CFM contracts team will review this register proactively to ensure that all planned procurement strategies are met.
25. The CFM team have already planned a procurement timeline in order to ensure

the contract will be put in place before the current contract expires from the new contract extension that is now September 2017.

26. CFM will proactively ensure the agreed procurement timeline is carried out in order to just utilise the one year contract extension although the contract extension offers another optional year, CFM will want to ensure that the new procurement is completed within the one year so it can allow other potential SME print providers the opportunity to bid for the contract.

Summary

27. Officers in the legal and procurement sections have discussed and agreed the conclusions set out above.

Policy implications

28. There are no policy implications arising from this report.

Community impact statement

29. This report is not considered to contain proposals that would have a significant impact on any particular community or group.

Resource implications

30. There are no direct resource implications in this report.

Consultation

31. There has been no consultation on this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Constitution – Contract Standing Orders July 2016	Constitutional Team, Tooley Street, Second Floor	Constitutional Team 020 7525 5485

APPENDICES

No.	Title
Appendix 1	Gateway 1 and 2 corporate removals, storage and crate hire services for the operational and non-operational estate
Appendix 2	Gateway 1 and 2 Printing and document management services (PDM)

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Jo Anson, Head of Financial and Information Governance Barbara Crabb, Corporate FM Contracts Manager		
Version	Final		
Dated	1 November 2016		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
	Officer Title	Comments sought	Comments included
	Corporate Contract Review Board	Yes	Yes
	Director of Law and Democracy	No	No
	Strategic Director of Finance and Governance	No	No
	Cabinet Member	No	No
	Date final report sent to Constitutional Team		1 November 2016