

Approval to procure a specialist in contract reviews to identify opportunities for financial recoveries/savings through the Councils existing contracts

Date: 21st March 2023

Report of: Strategic Commercial Business Partner

Report to: Director of Resources

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

- This report is seeking approval to carry out a competitive tender exercise under the Crown Commercial Services Management Consultancy Framework Three (RM6187), Lot 6 Procurement & Supply Chain, for the appointment of a consultant who can undertake a review of the Council's existing contracts above £1million in value, with a view to identifying opportunities for material financial recoveries/savings and then proceeding to realise the recoveries/savings identified.

Recommendations

- a) The Director of Resources is recommended to approve the use of the Crown Commercial Services Management Consultancy Framework Three (RM6187), Lot 6 Procurement & Supply Chain, to undertake a further competition and award a contract to a consultant.

What is this report about?

- 1 The Council is looking to engage a specialist in public sector contract reviews to undertake a review of its existing contracts above £1million in value, with a view to identifying opportunities for material financial recoveries/savings.
- 2 The Council has approximately 128 live contracts above £1million in value with a collective lifetime value of over £4billion. The volume and value of live contracts when considered against the statistic from the Research by the International Association for Contract and Commercial Management which suggest that poor contract management can cost as much as 9% p.a., indicates there could be scope for significant recoveries/savings by undertaking such a review.
- 3 The contract is proposed to be split into two phases being a 'Discovery Phase' and 'Realise Savings Phase'. The purpose of the 'Discovery Phase' is for the specialist to identify opportunities for material financial recoveries/savings through the Council's contracts. The Council proposes to review the opportunities identified in the 'Discovery Phase' and confirm whether it would like to proceed to the 'Realise Savings Phase' where it is anticipated the Council would instruct the specialist to proceed to realise the recoveries/savings.

- 4 Although it is anticipated the net effect of this contract will not result in a cost to the Council, we have based the contract value on the fees that are estimated to be charged by the specialist consultants engaged for each of the two phases, being £420,000 in total. This is made up of £60,000 (£50,000+VAT) from Phase 1 and £72,000 (£60,000+VAT) for each of the five opportunities that could be pursued in Phase 2.
- 5 The contract documents make clear that the Council will not pay any costs in Phase 2 that exceed the financial saving/recover generated, which means the Council's exposure to cost ought to be limited to the Phase 1 cost estimated to be £60,000.

What impact will this proposal have?

- 6 No wards will be affected by this proposal

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing Inclusive Growth Zero Carbon

- 7 The provision of this contract contributes to all three council Key Pillars by allowing the Council to identify savings/recoveries through its contracts which in turn allow the Council to make the best use of its money.

What consultation and engagement has taken place?

Wards affected: None

Have ward members been consulted? Yes No

- 8 A meeting was held with a consultant in October 2022 to explore their offer of Contract Assurance Reviews and they offered to provide some high-level analysis of potential opportunities to realise savings through our existing contracts. We did not engage the consultant to undertake this analysis, and instead felt it would be more appropriate to undertake a formal procurement process to allow other organisations the opportunity to be engaged for these works.
- 9 An Expression of Interest exercise was undertaken through the Lot 6 Procurement & Supply Chain of the CCS Framework RM6187 MCF3 to establish interest in this procurement and a total of 14 organisations expressed an interest.

What are the resource implications?

- 10 Exact resource requirements are unknown albeit it is anticipated this procurement and the subsequent contracted works can be delivered with existing Council resources.

What are the key risks and how are they being managed?

- 11 The primary risk is that the Council engage a specialist and not identify and/or realise any savings/recoveries. This is being managed by capping the amount the Council is liable to pay in this eventuality, and it is anticipated that regardless of the level of savings/recoveries realised there will be important learnings that can be taken from this exercise.
- 12 Any other risks which are highlighted during the term of the contract would be managed and mitigated through regular review meetings.

What are the legal implications?

- 13 To the best of the Council's knowledge, CCS Framework RM6193 has been reviewed and in accordance with the Public Contract Regulations 2015 and is not the subject of any challenge.

- 14 Use of an Third Party Framework Agreement is fully in accordance with the CPRs, which define an Third Party Framework as an agreement set up by an organisation other than the Council and the terms and conditions of those framework agreements have been approved by Procurement and Commercial Services. It is considered that such approval is merited for these agreements.
- 15 The terms of the framework agreement are current and the terms and conditions of the framework agreement and the call-offs are considered acceptable to the Council.
- 16 There are no grounds for keeping the contents of this report confidential under the Access to Information Rules.

Options, timescales and measuring success

What other options were considered?

- 17 Delivering the contract reviews in house - This was discounted due to a lack of skills within the Council to undertake the works and lack of resources to deliver it.
- 18 Alternative frameworks – Other frameworks were considered but it was felt Lot 6 Procurement & Supply Chain of the CCS Framework RM6187 MCF3 offered the best route to consultants suited to the Council's requirements.

How will success be measured?

- 19 Success will be measured by the savings/recoveries identified and subsequently made through existing contracts.

What is the timetable and who will be responsible for implementation?

- 20 It is anticipated the procurement exercise and contract fulfilment will be completed within 18 months. The contracted works will commence immediately after appointment and potential opportunities for savings/recoveries identified within 3 months, with any opportunities the Council decides to pursue being recovered after a further 12 months.
- 21 The contract will commence as soon as possible following the procurement exercise, anticipated to be in May 2023 and will last for a period of 15 months.

Appendices

- None

Background papers

- None