

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

Date: 11th May 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 award a contract to Ernst and Young LLP following completion of a competitive tender exercise undertaken through the Crown Commercial Services Management Consultancy Framework Three (RM6187), Lot 6 Procurement & Supply Chain as previous which was approved on 23 March 2023 decision reference D56195.

Recommendations

- a) The Director of Resources is recommended to approve the appointment of Ernst and Young LLP through the Crown Commercial Services Management Consultancy Framework Three (RM6187), Lot 6 Procurement & Supply Chain, to complete the works set out in decision reference D56195 dated 23 March 2023.

What is this report about?

- 1 The Council is looking to appoint 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 A decision was made on 23 March 2023 reference D56195 to undertake a procurement through the Crown Commercial Services Management Consultancy Framework Three (RM6187), Lot 6 Procurement & Supply Chain. This procurement was undertaken shortly thereafter, and after a five-week tender period, 3 bids were received. Following evaluation of the 3 bids, Ernst and Young LLP were the highest scoring bidder.
- 5 Although it is anticipated the net effect of this contract will not result in a cost to the Council, the contract value is based on the total value estimated to be charged if a consultant were engaged for each of the two phases, being a total of £402,000. This is made up of £48,000 (£40,000+VAT) from Phase 1 which is a confirmed cost, and an estimated cost of £72,000 (£60,000+VAT) for each of the five opportunities that could be pursued in Phase 2.
- 6 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 confirmed as £48,000.

What impact will this proposal have?

- 7 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

- 8 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

- 9 No further consultation has taken place since the procurement exercise was approved on 23 March 2023 decision reference D56195.

What are the resource implications?

- 10 It is anticipated this contract 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 to £48,000, 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 a 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 The contract will commence 6 June 2023 and will last for a period of 15 months, with potential opportunities for savings/recoveries identified within 3 months, with any opportunities the Council decides to pursue being recovered after a further 12 months.

Appendices

- None

Background papers

- None