



Procurement of Contracts (Building Maintenance, Civil Engineering and Public Realm) 2017-18

City of York Council

Memorandum

Responsible Officer: AD Transport, Highways & Environment
AD Housing & Community Safety

Service Manager: Head of Operations - Waste, Public Realm, Highways & Fleet
Head of Building Services

Status: Final

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1 INTRODUCTION

- 1.1 As part of the 2015/16 audit plan, an audit was undertaken of the procurement of contractors in the Civil Engineering and Building Maintenance services. The final report was issued on 5th August 2016. The purpose of the audit was to ensure the contracts with contractors were procured in line with the council's Contract Procedure Rules (CPR) and that key documents relating to the contract and tender process were retained where necessary.
- 1.2 The audit concluded that there was insufficient evidence to confirm whether contracts were in place for contractors or that tender processes had been carried out properly because key documents were not present during the audit. As a result, an audit opinion of Limited Assurance was given. Veritau will usually carry out full re-testing when following up agreed actions in these circumstances.
- 1.3 Update reports were presented to the Audit & Governance Committee on July 19th 2017 from both the Building Maintenance and Civil Engineering services updating them on progress made to address the concerns raised during the initial audit.
- 1.4 At the meeting Members acknowledged the progress that the Civil Engineering service had made since the audit that was carried out and that the problems were historical ones that would take time to resolve. However, Members had concerns about the findings in the audit and wanted a sub group to be set up to provide assurances for sub contracting arrangements in Civil Engineering.
- 1.5 In the meeting Members noted the progress that had been made to date to ensure that contract arrangements had been put in place by the Building Maintenance team to ensure that sub contractors had appropriate contracts. Members were pleased that the expenditure on sub contractors had been reduced from £3m at the time of the audit to £1m with the target being to reduce to expenditure on sub contractors to £500k.

Scope and Objectives

- 1.6 The purpose of the audit was to confirm the following for contractors within Civil Engineering and Building Maintenance:
 - There is a workplan in place to ensure that contracts will be re-tendered before the expiry date.
 - The scoping of the contract makes clear the requirements of the work that needs to be done and does not give individual suppliers a competitive advantage.
 - The tendering of the contract was carried out in line with council and EU procurement regulations.
 - The contract to undertake the work was awarded to the best contractor in line with the CPR.

- Copies of documentation relating to the letting and management of the contracts are readily available.
- 1.7 The audit reviewed progress against the previously agreed audit actions as well as the update to the Audit & Governance Committee detailed at 1.3.
- 1.8 The audit initially examined the contract arrangements for contractors within the Civil Engineering and Building Maintenance services to review the progress being made to ensure that contracts are in place for goods and services used by them.
- 1.9 The audit was then extended to include the contractual arrangements for Public Realm and Waste Management services. This was done because an initial review of contract lists indicated that some goods and services in these areas did not have a contract in place.

Key Findings

- 1.10 Good progress has been made to ensure that contracts are in place for contractors and the supply of materials within the Building Maintenance and Civil Engineering teams. Most goods and services now have contracts in place with the services either undertaking tender processes to appoint a preferred supplier or by accessing frameworks organised by neighbouring local authorities. Both services now have an agreed strategy in place with the procurement team to ensure that the process of either appointing preferred suppliers or entering into framework agreements for all goods and contractors is completed by the end of the financial year.
- 1.11 All relevant documentation relating to the procurement and management of contracts was found to be in place, as well as being easily accessible by officers managing the services and containing all the necessary details.
- 1.12 During the audit it was noted that not all goods and services used by the Waste Management service had a contract in place that had been procured as part of a tender process. The service planned to have contracts in place by the end of the financial year. This will be followed-up in a separate piece of work during 2018/19.

2 FINDINGS – BUILDING MAINTENANCE

Area Reviewed: A workplan is in place to ensure that contracts will be re-tendered before the expiry date.

- 2.1 The report to the Audit & Governance Committee in July 2017 listed job lots relating to Building Maintenance. These 20 job lots were split into two tables with one table giving nine job lots where a preferred supplier was in place and another listing eleven where they had not been appointed. The expenditure for the job lots was based on an FMS report which gave the expenditure with individual contractors that were used by the Buildings Maintenance team. The FMS report was reviewed to confirm whether there were any potential job lots that had not been identified and included in the report to the Audit & Governance Committee. The testing of these job lots is detailed at 2.7 onwards.
- 2.2 An additional review of expenditure on contractors by the Building Maintenance team was carried out by the Commercial Procurement Team. This spreadsheet showed that around 60% of revenue expenditure on contractors by the Building Maintenance team was covered by a contract. The spreadsheet was produced from an FMS report which showed expenditure with individual contractors which was then broken down to show the amount of expenditure that was covered by a contract.
- 2.3 A review was undertaken of the eleven outstanding job lots within the Building Maintenance service where a preferred supplier is not in place. The table below gives the expenditure for job lots, where the expenditure is estimated to be over £10k per year but there is no preferred supplier in place.

Job lot	Description	contractor spend in:		
		2015/16 (actual)	2016/17 (actual)	2017/18 (forecast)
8	Floor tiling & sheet flooring	£60k	£78k	£96k
9	Painting & Decorating (reactive)	£30k	£36k	£47k
10	Cleaning & Clearance	£30k	£36k	£20k
12	Plumbing	Not known	Not known	£25k*
13	Heating repairs (reactive)	£30k	£51k	£74k**
14	Electrical (reactive)	£50k	£14k	£11k

*most contractor plumbing work is carried out as part of general building work, for example, associated plumbing when installing a kitchen or bathroom. The council's in-house plumbers are able to deal with the vast majority of reactive plumbing issues which means the forecast figure being relatively low. The figures are not known for 2015/16 and 2016/17 as contractor costs for plumbing were captured in combination with other works such as kitchen works.

**It is anticipated by the service that this figure will fall below £30k as internal capacity to do work is improved.

- 2.4 At the time of the audit the intention of the service was to undertake procurement exercises to appoint preferred suppliers for the six job lots listed in the table. However, since the audit was carried out, a decision has been taken by the service and the corporate procurement team that one of these job lots would be subject to a tender process to appoint a preferred supplier, whilst requests for quotations would be used to appoint contractors to carry out individual jobs in the other five job lots.
- 2.5 The expenditure on four other job lots (TV aerials, ventilation, pest control and maintenance of renewable technology) was likely to be less than £10k per year and the service felt it would not represent best value for the council to tender for a preferred supplier given the level of work to be done. Requests for quotations are obtained by the service when contractors are needed for these services, and this is a reasonable approach as procurement should be scalable and appropriate to the values and risk involved.
- 2.6 The final job lot was for disabled adaptations. Procuring contracts for this will be carried out by the Housing Standards Adaptions team and was not covered during this audit.

Area Reviewed: The scoping of the contract makes clear the requirements of the work that needs to be done and does not give individual suppliers a competitive advantage when obtaining contracts.

- 2.7 A sample of five job lots was taken from the list of nine where a preferred supplier had been put in place as per the report to the Audit & Governance Committee.
- 2.8 The specifications to apply for the role of preferred supplier were generic documents that would not give any supplier an advantage. The specifications for the job lots went into details of the standards of workmanship and materials that would be needed to fulfil the contract. Although the specification was different for each job lot, individual jobs were not listed because the work given to contractors varies depending on the capacity of the council workforce and the specialised skills required for the job. The specification set down that the period of the contract would be for four years with the possibility of a two year extension period.

Area Reviewed: The tendering of the contract was carried out in line with council and EU procurement regulations.

- 2.9 The first part of the tender specification document applied to all job lots. This detailed the requirements of contractors wishing to bid for the work and the tender process that would be used to select the contractor. The tender process was a standard process that was in line with the council's Contract Procedure Rules. Interested parties were asked to bid for job lots on the basis that between one and three contractors would be appointed to become

preferred suppliers. The tender process was followed for each of the job lots that were reviewed as part of the sample of cases.

Area Reviewed: The contract to undertake the work was awarded to the best contractor in line with the Contract Procedure Rules.

- 2.10 The tender specification explained that preferred suppliers would be selected based on 60% quality and 40% price. A tender report was viewed in each of the five cases in the sample which confirmed that this was applied in practice with the best supplier selected as per the scoring criteria.

Area Reviewed: Copies of documentation relating to the letting and management of the contract are readily available.

- 2.11 Key documents that related to the tender process were present during the audit for all the cases in the sample. The bill of rates, which sets down the amounts payable, and call up arrangements, which states the level of service that the council can expect from the contractor, were viewed during the audit for the five job lots with no issues being noted.

3 FINDINGS - CIVIL ENGINEERING

Area Reviewed: A workplan is in place to ensure that contracts will be re-tendered before the expiry date.

- 3.1 Yortender is the council's procurement system that maintains the corporate record of all contracts, including values and contract dates. However, in order to assist with contract monitoring, the service now maintains a spreadsheet of contracts as a management tool and is constantly updated to help with the day to day contract management. This list gives the basic details of the contract such as the contractor, the client officer, lead organiser and the start and end date. The list showed that contracts or framework agreements were in place for around 80% of the contracts on the list.
- 3.2 Further analysis was carried out by the Commercial Procurement team which showed that around 85% of revenue expenditure by the Civil Engineering service is now compliant with the contract procedure rules. This figure was calculated by the Commercial Procurement Team based on expenditure with individual contractors that was produced from an FMS report.
- 3.3 At the time of the audit the service was looking to ensure that all tender processes would be completed by the end of the financial year so that all contracts or frameworks would be in place for all materials, labour and services that were used by the service.
- 3.4 There were several contracts where the council has been included as a named partner on a framework agreement that was organised by a neighbouring local authority. The service did this to ensure that goods and services were purchased from approved suppliers that had been subject to a tender process. Work on comparing quality and price was undertaken by the

framework provider and the council therefore relies on this to ensure they are getting both value for money and good quality supplies and services.

Area Reviewed: The scoping of the contract makes clear the requirements of the work that needs to be done and does not give individual suppliers a competitive advantage when obtaining contracts.

- 3.5 A sample of 10 contracts was taken from the list of 50 contracts on the contract list for goods and services supplied to the Civil Engineering team.
- 3.6 The specifications for the contracts were reviewed which set down the requirements and timescale of the contracts. The specifications were drawn up by the council or neighbouring authorities depending on whether the procurement was being organised by the council or as part of a framework agreement. No issues were noted in the ten specifications that were reviewed during the audit.

Area Reviewed: The tendering of the contract was carried out in line with council and EU procurement regulations.

- 3.7 The main priority of the service was to ensure that contracts or framework agreements were in place to ensure that expenditure was covered by a contracted supplier that had been subject to a tender process. A sample of contracts was taken which confirmed that the process for appointing contractors was done correctly where the council undertook the procurement process.
- 3.8 In cases where a framework agreement were used the council's Commercial Procurement team contacted the procurement team of the neighbouring authority that organised the framework to include the council in the framework agreement. The specification for the framework, tender documents, price list and call off arrangements are all included on the Yortender procurement portal. The frameworks were reviewed by the Commercial Procurement team to confirm that they were suitable for the council to use. The council then either selects the cheapest supplier from the price list or runs a mini tender exercise to select the preferred contractor.

Area Reviewed: The contract to undertake the work was awarded to the best contractor in line with the Contract Procedure Rules.

- 3.9 Different scoring ratios for price and quality were used to select contractors in the sample of cases when the council organised the procurement process. All of the ratios were within the acceptable limits set down by the council's Financial Regulations. Scoring sheets were then viewed to confirm the best tenderer was selected. The framework agreements contained a price list with the cheapest quotes being highlighted to enable the best contractor to be selected from the framework.

Area Reviewed: Copies of documentation relating to the management of the contract are readily available.

- 3.10 In cases in the sample where the council organised the procurement process key documents relating to the tender process were viewed to confirm that they had been retained.
- 3.11 Key documentation that related to framework agreements that were organised by neighbouring authorities were kept on the Yortender procurement portal. These were viewed during the audit to confirm that they were available and contained all the relevant information relating to the procurement. The price list and call up arrangements were also available which confirmed how much the council would be charged and level of service that can be expected when goods and services are purchased.

4 FINDINGS - PUBLIC REALM AND WASTE MANAGEMENT

- 4.1 A contract list for Public Realm and Waste Management services was produced during the audit that listed goods and services that were supplied by third party contractors for the service. Of the eleven goods and services that were listed, seven had a contract in place following a procurement process.
- 4.2 There was one instance where a supplier had provided a service for clinical waste collections for 'some time' without a formal contract. The service intended to undertake a procurement exercise for this service by the end of the financial year.
- 4.3 There were three contracts that related to goods which were purchased through the Yorkshire Purchasing Organisation (YPO) The YPO is publicly owned and supplies products and services to a wide range of customers including schools, local authorities, charities, emergency services, public sector and other businesses such as nurseries and care homes. The council has a share of ownership of the YPO meaning the council gets a dividend every time purchases are made via the YPO either by the council or other public bodies. No review has been taken of these three contracts to confirm whether it offers better value for money if purchases are made via the YPO or as part of a separately tendered contract. The service is planning to review these three contracts by the end of the financial year.
- 4.4 A full audit will be carried out on contracts within the Public Realm and Waste Management service as part of the 2018/19 audit plan. This audit will issue a full report with agreed actions to address any issues identified here as well as any subsequent findings.

5 CONCLUSIONS

- 5.1 Good progress has been made to ensure all goods and services in Building Maintenance, Civil Engineering, Public Realm and Waste Management Services are subject to a tender process with a contract put in place. Around 70% of tender processes have been completed and the remaining processes have an agreed strategy in place to ensure that remaining processes are completed by the end of the financial year.
- 5.2 Tender specifications were present where the council had organised the tender process. The specifications made clear the goods or service that was required, together with the terms of the agreement between the supplier and the council.
- 5.3 The tendering processes that were used were appropriate and were in line with the council and EU procurement regulations. This involved either the council organising its own tender process or becoming a named partner on framework agreements that are organised by neighbouring authorities.
- 5.4 The selection processes being used to select the best contractor were reasonable to ensure the best contractor was selected. The selection process satisfied the council's Contract Procedure Rules.
- 5.5 Key documents that related to the procurement and management of contracts were present and contained the necessary details.
- 5.6 Two actions and timescales have been agreed by the services for the completion of the work. Details of the actions and timescales can be found in Appendix 1.

6 Management Response

- 6.1 Significant progress has been made by all services to ensure that expenditure incurred provides value for money and is compliant with the council's Contract Procedure Rules. During the initial audit and this subsequent review, all expenditure was accurately recorded on the council's Financial Management System and was appropriately authorised by the relevant officer. Numerous other management tools (that were not considered as part of this audit) are used to monitor expenditure and contract compliance. These systems regularly receive the highest levels of assurance from both internal and external audit reports.
- 6.2 All actions have been completed by the service areas.¹

¹ Veritau will follow this up to confirm implementation in 2018-19.

APPENDIX 1 – ACTIONS AGREED TO ADDRESS CONTROL WEAKNESSES

Action Number	Report Reference	Issue	Risk	Agreed Action	Priority*	Responsible Officer	Timescale
1	2.1-2.6	There are job lots within the Building Maintenance service where annual expenditure is greater than £10k per year and no preferred supplier is in place.	Value for money may not be obtained when purchasing goods and services.	The service will continue to seek quotes for individual goods and services in line with the thresholds set out in the contract procedure rules. There is one remaining trade that will be the subject of competitive procurement process.	2	Head of Building Services	31 st March 2018
2	3.1-3.3	There are materials, labour and services purchased within the Civil Engineering service where contracts are not yet in place.	Value for money may not be obtained when purchasing goods and services.	The service will continue to seek quotes for individual goods and services in line with the thresholds set out in the contract procedure rules.	2	Head of Highways and Fleet	31 st March 2018

*The priorities for actions are:

- Priority 1: A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
- Priority 2: A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
- Priority 3: The system objectives are not exposed to significant risk, but the issue merits attention by management.