

# Procurement Report October 2016



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## 1.0 INTRODUCTION

The purpose of this report is to review the procurement function for the past 12 months including checking for compliance with Standing Orders against the company's supplier spend for 2015-16.

The report will focus on key reporting aspects, namely:

- a) Key procurement highlights
- b) Spend per category and how value for money was achieved in each of these areas;
- c) The performance of the function using KPI data;
- d) How the procurement function has impacted the local economy;
- e) Forthcoming changes to Procurement legislation and how any changes could impact SARH;

The report will further analyse, as far as reasonably practicable, the performance of new contracts against the Procurement Strategy and test any 'efficiency savings' which may have been achieved.

A detailed review of expenditure activity in each department has been undertaken - in order to identify contracts which were set to expire during 2015-16 - with a particular focus on higher levels of expenditure over £50k. Work has also undertaken to identify areas of expenditure which are currently 'off contract' and therefore pose the highest risk of non-compliance with Standing Orders and European Procurement Legislation. Non-contract expenditure also has potential for achieving savings through combining services and group contract procurement.

For 2016-17 all key procurement activities have been supervised by individual line managers and budget holders, who maintain responsibility for their own procurements. Guidance and support has been provided by Asset Management. Revised guidance notes for Managers and staff involved in procurement processes have been issued.

## 2.0 PROCUREMENT OBJECTIVES

The objectives of the procurement function are set out in the company's Procurement Strategy. The aim of the strategy is to champion a coordinated and transparent approach to procurement to ensure SARH complies with internal Standing Orders and relevant legislation.

The Procurement Strategy and its function contribute towards meeting the standards set out in the Regulatory Framework of the Homes and Communities Agency – of financial viability, governance and value for money.

The Strategy sets out four key objectives that should be adopted by all staff in procuring goods and services. These are summarized below:

- **Objective 1** Implement arrangements for reducing the price, whilst improving the quality of services and partnership working.

Target	2% cost savings per year
Target	annual improvement on customer satisfaction
- **Objective 2** Maintain the reputation of SARH

Target	100% of contracts OJEU compliant
Target	100% of contract compliant with Standing Orders
Target	100% compliance with VFM and other SARH Policies
- **Objective 3** Open, accountable and transparent procurement

Target	clear contract award criteria and process, customer involvement
Target	full procurement timetable to ensure a timely service
- **Objective 4** Effective use of modern methods of procurement

Target	transparent decision making processes
Target	increased use of e-tendering
Target	timely re-procurement of all contracts by due date

At the core of the above strategy is the clear commitment to deliver outstanding Value for Money across all its services. The commitment to achieve VFM links with the company objectives and Corporate Plan for 2016 - 21. This ensures a focus on key performance areas that drive the efficient and effective use of resources and contribute to achieving the Company Objectives:

- Build

Build new homes to meet a growing local demand

- Homes

Invest in and maintain existing Stafford and Rural Homes stock

- Growth

Trade to generate profit and value

## **INTEGRITY & PROBITY**

Controls within the procurement and financial processes exist to promote good practice and help the prevention of fraud.

The Procurement Strategy seeks compliance with the appropriate legal requirements and the internal controls as set out in Standing Orders.

Section 7.00 will review compliance with Standing Orders Contract Procedures during 2015-16 year and highlight any non-compliant procurements.

## **3.0 COMPLIANCE**

A key requirement of the procurement function, as set out in the Strategy, is to ensure all contracts are procured in full compliance with relevant UK Legislation and internal Standing Orders.

In order to achieve this, the procurement function works with the relevant heads of service and regularly reviews Standing Orders and procurement procedures. This information is detailed and stored on the Corporate Contract Register and is managed by Asset Management.

The information captured on the Corporate Contract Register enables a second 'due diligence' check by a Procurement Officer against procurements which may be subject to the Public Contracts Regulations 2015 (OJEU contracts). The Corporate Contract Register is also used as a check to enable procurement activity to be properly planned and to ensure that budgets are in place.

The Corporate Contract Register enables the association to demonstrate that approved procedures have been followed and legislative requirements have been met.

## BRIEFING

### 4.0 THE ECONOMY

#### Office for National Statistics Indices

##### Gross Domestic Product

GDP was estimated to have increased by 0.6% in Quarter 2 (Apr to June) 2016 compared with growth of 0.4% in Quarter 1 (Jan to Mar) 2016.

GDP was 2.2% higher in Quarter 2 2016 compared with the same quarter a year ago.<sup>1</sup>

##### Sectors

- Compared with July 2015, construction output **decreased** by 1.5%. All new work, and repair and maintenance decreased by 0.6% and 3.2% respectively.
- Service industries output was estimated to have **risen** by 0.5% in 2nd quarter 2016 compared with the previous quarter, and by 2.4% compared with the same period a year earlier

##### Inflation

The Consumer Prices Index (CPI), the government's measure of inflation, rose by 0.6% in the year to August 2016, unchanged from July.

The Retail Prices Index 12 month rate, which measures general inflation, increased by 1.8% to August 2016.

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<sup>1</sup> Publication date 26 August 2016

## 5.0 REGULATION

The New Public Contracts Regulations 2015 came into force from 26th February 2015.

The Crown Commercial Service has now issued further detailed guidance, drawing attention to a number of changes to procedures and requirements for public procurement.

A List of the key changes are summarized as follows:

- I. Facilitating SME Involvement
- II. Selection of Suppliers
- III. Procedure Changes
- IV. Electronic Procurement
- V. Contract Award Procedures

During the past 12 months the following contracts have exceeded EU contract thresholds and therefore been procured in accordance with the Public Contracts Regulations 2015.

- I. IT Infrastructure Project
- II. Vehicle Fleet Hire\*
- III. Mobile Working

\* Halton Housing Framework procured by Capita Asset Services

The procurement function will continue to procure goods and services in accordance with the Regulations and where necessary seek legal advice for all Public Contracts, to ensure full compliance.

### Thresholds (exc VAT)

Supplies and Services	£164,176
Works	£4,104,394

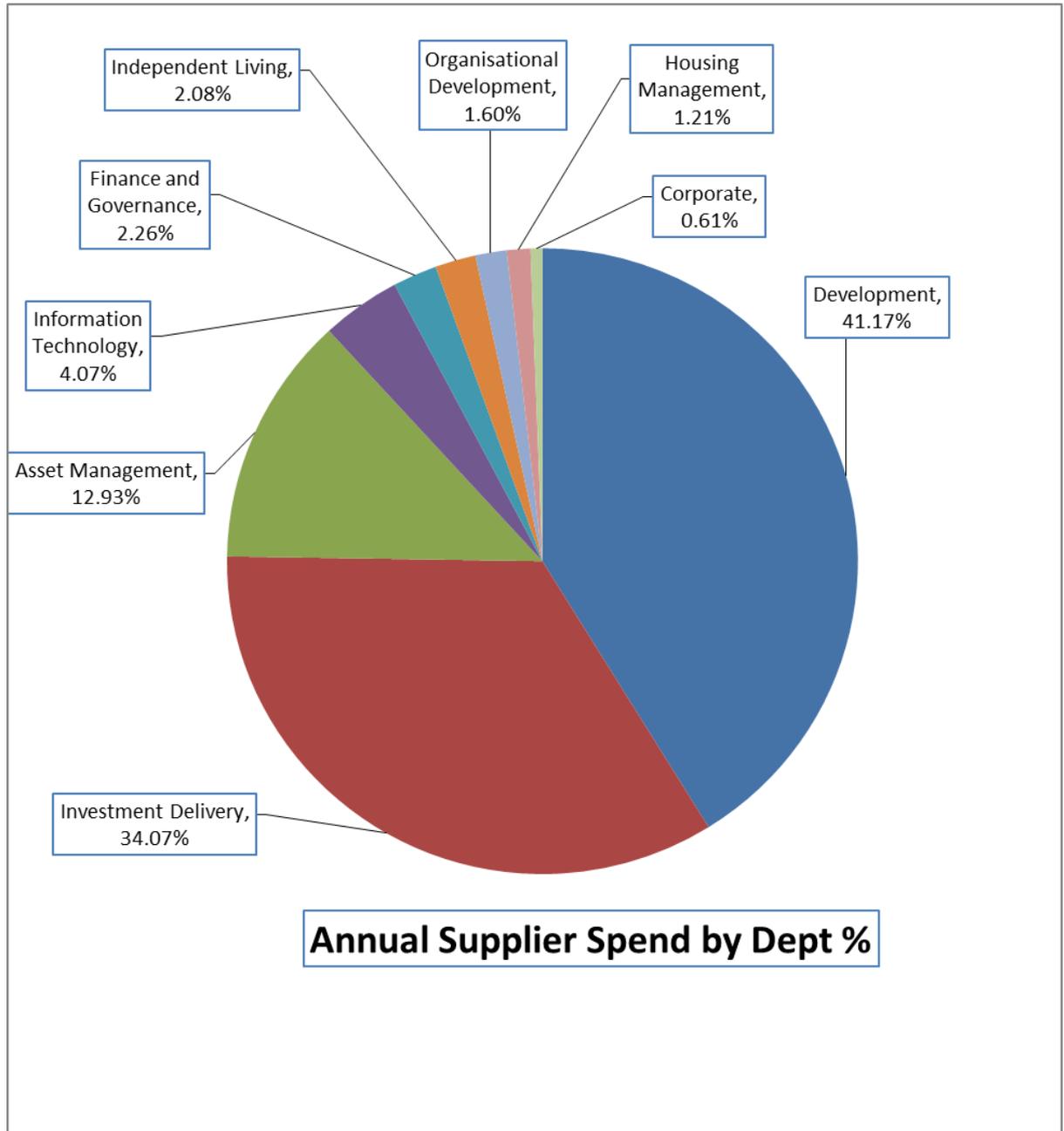
The EU thresholds applicable from 1 January 2016.

KEY PROCUREMENT HIGHLIGHTS

6.0 SPEND PROFILE

The total spend per department on key suppliers is given below in figure 1.

Figure 1 – Department Spend 2015 – 16\*



- \* Excludes all suppliers with a gross annual spend less than £2,000 + VAT
- \* Excludes all payments made to 'customers' and other 'individuals' (i.e. non-trading entities).
- \* Excludes all associated staffing costs - including temporary or agency
- \* Development spend excludes land purchases & associated legal fees/ development control fees
- \* Development spend includes inter-company transactions to Development Worx
- \* Investment Delivery spend includes inter-company transactions to Housing Worx

\* Excludes specific suppliers used by subsidiaries Housing Worx and Development Worx

The above chart can be further broken down into total spend within value ranges – as dictated by internal Standing Orders – see Table 1 Category Spend Analysis.

Table 1 informs the procurement team and each Head of Service on the different categories of their annual spend and therefore enables better decision making on procurement.

**Table 1 – Category Spend Analysis\***

Category Spend Analysis					
Department	£0 - £9,999	£10,000 - £49,999	over £50,000	Totals	%
<b>Asset Management</b>					
no of suppliers	32	20	9	61	12.93%
<b>Development</b>					
no of suppliers	43	8	9	60	41.17%
<b>Finance and Governance</b>					
no of suppliers	17	4	1	22	2.26%
<b>Housing Management</b>					
no of suppliers	33	8	1	42	1.21%
<b>Independent Living</b>					
no of suppliers	19	4	2	25	2.08%
<b>Information Technology</b>					
no of suppliers	9	14	4	27	4.07%
<b>Investment Delivery</b>					
no of suppliers	43	21	10	74	34.07%
<b>Organisational Development</b>					
no of suppliers	32	11	1	44	1.60%
<b>Corporate</b>					
no of suppliers	14	6	0	20	0.61%
<b>Total nr of suppliers</b>	<b>242</b>	<b>96</b>	<b>37</b>	<b>375</b>	
<b>% OF SPEND</b>	<b>3.27%</b>	<b>9.14%</b>	<b>87.60%</b>		<b>100%</b>

Notes:

- \* Excludes all suppliers with a gross annual spend less than £2,000 + VAT
- \* Suppliers undertaking services for multiple departments will be counted under each department
- \* Excludes all payments made to 'customers' and other 'individuals' (i.e. non-trading entities).
- \* Excludes all associated staffing costs - including temporary or agency
- \* Development spend excludes land purchases & any associated legal fees and development control fees
- \* Development spend includes inter-company transactions to Development Worx
- \* Investment Delivery spend includes inter-company transactions to Housing Worx
- \* Excludes suppliers used by subsidiaries Housing Worx and Development Worx

A key component of being able to improve value for money is a spend analysis. The spend analysis can be used to make strategic decisions on spend which will support the objectives set out in this procurement strategy.

## 7.0 PROCUREMENT ACTIVITY 2015-16

The following table is a list of all suppliers\* with a gross annual spend in excess of £50,000 + VAT. Company Standing Orders instruct that all contracts above £50,000 + VAT to be tendered using the formal tendering procedure.

Identified against each supplier is confirmation of which contracts above £50,000 + VAT went through a formal tendering procedure and whether a formal Contract is now in place for the services provided.

**Table 2 – Supplier Spend 2015-16 \***

Company	2015-16	Formal Tender Undertaken (yes/no)	Formal Contracts in place (yes/no)	Off-Contract Spend
Supplier 1	£ 895,157	yes	yes	-
Supplier 2	£ 748,255	yes	yes	-
Supplier 3	£ 522,984	yes	yes	-
Supplier 4	£ 456,602	yes	yes	-
Supplier 5	£ 373,847	yes	yes	-
Supplier 6	£ 248,813	yes	yes	-
Supplier 7	£ 216,300	yes	yes	-
Supplier 8	£ 199,361	yes	yes	-
Supplier 9	£ 188,080	yes	yes	-
Supplier 10	£ 170,467	yes	yes	-
Supplier 11	£ 170,220	yes	yes	-
Supplier 12	£ 152,318	yes	yes	-
Supplier 13	£ 145,158	yes	yes	-
Supplier 14	£ 135,115	yes	yes	-
Supplier 15	£ 124,116	yes	yes	-
Supplier 16	£ 122,098	yes	yes	-
Supplier 17	£ 78,089	no**	no	£ 78,089
Supplier 18	£ 70,800	yes	no	£ 70,800
Supplier 19	£ 66,207	yes	yes	-
Supplier 20	£ 65,263	yes	yes	-
<b>Totals</b>	<b>£ 5,149,249</b>			<b>£ 148,889</b>

\* Supplier names anonymised for commercial confidentiality.

\* Excludes all suppliers with a gross annual spend less than **£50,000** + VAT

\* Excludes all payments made to 'customers' and other 'individuals' (i.e. non-trading entities).

\* Excludes any staffing costs - including temporary or agency

\* Excludes suppliers used by subsidiaries Housing Worx and Development Worx

\* Excludes BT Line rental charges

\*\* Supplier 17 is the local waste management transfer station. Waste disposal prices have been benchmarked as competitive against other waste disposal companies from outside the area.

\*\*

For existing service contracts which have expired during 2015-16, the following actions were undertaken – either extending the contract or re-procuring the contract. All contracts listed below will have been procured via a formal tender process or at least three written quotations, in accordance with Standing Orders.

**Table 3** – Procurement of Existing Service Contracts 2015-16 \*

Contract	Supplier	Approximate Value (per annum)	Contract Extended	New Tender
			Period (years)	
Contract 1	Supplier A	£200,000		4
Contract 2	Supplier B	£170,460		5
Contract 3	Supplier C	£158,940		1
Contract 4	Supplier D	£145,150		5
Contract 5	Supplier E	£62,200	1	
Contract 6	Supplier F	£47,000	3	
Contract 7	Supplier G	£44,190		2
Contract 8	Supplier H	£37,486		1
Contract 9	Supplier J	£34,400		2
Contract 10	Supplier K	£27,600	1	
Contract 11	Supplier L	£26,000	2	
Contract 12	Supplier M	£24,000		2
Contract 13	Supplier N	£24,000		2
Contract 14	Supplier P	£22,000	1	
Contract 15	Supplier Q	£20,000		2
Contract 16	Supplier R	£14,500	1	
Contract 17	Supplier S	£14,000	1	
Contract 18	Supplier T	£14,000		2
Contract 19	Supplier U	£10,000		4
Contract 20	Supplier V	£10,000	1	

- \* Contract Title and Supplier names have been anonymised for commercial confidentiality
- \* Excludes contracts under **£10,000** (inc VAT)
- \* Excludes any staffing contracts - including temporary or agency
- \* Excludes contracts used by subsidiaries Housing Worx and Development Worx

New contracts procured during 2015-16 are given below.

**Table 4 – New Contracts 2015-16 \***

Contract	Supplier	Contract Value	Formal Tender Undertaken (yes/no)	Formal Appointments in place (yes/no)
Contract 1	Supplier 1	£ 600,000	yes	yes
Contract 2	Supplier 2	£ 523,000	yes	yes
Contract 3	Supplier 3	£ 438,645	yes	yes
Contract 4	Supplier 4	£ 110,000	yes	yes
Contract 5	Supplier 5	£ 82,800	yes	yes
Contract 6	Supplier 6	£ 54,900	yes	yes
Contract 7	Supplier 7	£ 40,700	yes	yes
Contract 8	Supplier 8	£ 35,187	yes	yes
Contract 9	Supplier 9	£ 30,500	yes	yes
Contract 10	Supplier 10	£ 25,000	yes	yes
Contract 11	Supplier 11	£ 15,000	yes	yes

- \* Contract Title and Supplier names have been anonymised for commercial confidentiality
- \* Excludes contracts under **£10,000** (inc VAT)
- \* Excludes any staffing contracts - including temporary or agency
- \* Excludes contracts used by subsidiaries Housing Worx and Development Worx

## 8.0 ENERGY EFFICIENCY

### PV Installations

Throughout 2012-13 photovoltaic (PV) installs were undertaken on 297nr properties, including our head office at Parker Court. The total installed capacity owned by SARH equates to 623 kW.

The total PV generation for our customers in the previous financial year 2015-16 was approximately 438,660 kWh – providing a total estimated saving in electric bills for our customers of £55,270<sup>2</sup> (an average of £186 per customer).

The total CO2 saving of the above PV generation is 442,600kg.

<sup>2</sup> Based on British Gas Standard Variable Tariff 12.6p/kwh - Sept 2016

### Central Heating Programme

As part of the 2015-16 Investment Programme a total of 114nr Economy 7 heating systems were replaced with gas central heating. The gas boilers were high efficiency combination boilers.

Total carbon emission savings generated by replacing the electric economy 7 heating with new gas central heating are given below

**Table 5 – Carbon Emission Savings**

Number of Properties	Total Annual Carbon Emissions (CO <sup>2</sup> ) kg (heating & hot water only)		Total Co <sup>2</sup> Saving	% reduction
	Before	After		
114 nr	604,400 kg	306,100 kg	298,300 kg	50.6

### Government Grant Funded Schemes

In 2016 the Asset Management team has successfully procured new gas mains to a total of 69nr properties - 22 of which reside within the 20% most deprived areas in the UK measured by the Government's Index of Multiple Deprivation (IMD) The funding was achieved through the HHCRO scheme ("Home Heating Cost Reduction Obligation", also known as the "the Affordable Warmth Obligation").

The amount of grant funding secured for the new gas mains was £68,700.

## 9.0 E-PROCUREMENT

SARH use a bespoke procurement portal called 'Delta e-sourcing'. The portal is not used to advertise upcoming contracts for SARH but acts as a 'hub' to upload and download documents relating to a particular procurement. The system has been successfully used for several years and is compatible with OJEU contract requirements for issuing 'Notices' and other EU legal requirements.

The online procurement system achieves savings and efficiencies through reduced administration and streamlined processes. Our suppliers are not required to implement new systems in order to trade with us. Using the online portal also has additional timescale benefits by reducing the response periods for Pre-Qualifying Questionnaire (PQQ) and ITT submissions by 5 – 10 working days from the minimum periods stipulated by the Regulations for Public Contracts.

A list of e-procurements carried out through Delta e-sourcing during 2015-16 is provided below.

1. Occupational Health Services
2. Central Heating Programme
3. Vehicle Fleet Hire
4. EDM and Mobile Working
5. Two way SMS

Items 3, 4 and 5 required a Contract Notice to be published in OJEU.

## 10.0 CUSTOMER INVOLVEMENT IN PROCUREMENT

Where necessary, customers continue to play an important part in procurement decisions that affect them. There has been regular engagement with stakeholders to design services to meet the needs of customers.

New contracts procured during 2015 – 16 in which Customers shaped the service and formed part of the tender award interview panel included:

1. Central Heating Programme

Section 20 Consultations (The Commonhold & Leasehold Reform Act 2002, Section 151)

Leaseholders and Tenants are consulted in accordance with the Act where services are procured under the following categories:

- Qualifying works
- Qualifying long-term agreements

During 2015-16 no new contracts were classed as 'Qualifying long-term agreements' or as 'Qualifying Works' and therefore no formal consultation was undertaken\*.

Notes\*

- a) Qualifying long term Agreements - only contracts where an individual service charge contribution per customer can potentially exceed £100 per annum are consulted
- b) Qualifying works - only contracts where an individual service charge contribution per customer can potentially exceed £250 per Contract are consulted

## 11.0 PROCUREMENT CONSORTIUM FRAMEWORKS

There have been good working relationships with regional framework consortiums. In 2015 – 16 SARH successfully procured services through several consortia arrangements - where it was able to demonstrate value for money and meet the needs of SARH and its customers.

A total value of approximately £2.082m was spent in 2015 – 16 procuring services through a consortium - approximately 9.13% of supplier spend (from Table 1 total spend).

A list of procurement clubs currently contracted to are given below.

**Table 6 – Procurement Club Frameworks**

	<b>Contract</b>	<b>Framework</b>	<b>Expiry</b>	<b>Spend</b>
1	Supplier 1	anonymised	Sep-19	£ 895,000.00
2	Supplier 2	anonymised	Dec-16	£ 170,000.00
3	Supplier 3	anonymised	Dec-16	£ 57,000.00
4	Supplier 4	anonymised	Mar-21	£ 130,000.00
5	Supplier 5	anonymised	Jul-17	£ 30,000.00
6	Supplier 6	anonymised	Mar-20	£ 6,000.00
7	Supplier 7	anonymised	Oct-18	£ 199,000.00
8	Supplier 8	anonymised	Jan-20	£ 51,000.00
9	Supplier 9	anonymised	Dec-15	£ 54,000.00
10	Supplier 10	anonymised	Dec-19	£ 373,000.00
11	Supplier 11	anonymised	Apr-18	£ 117,000.00
				<b>£ 2,082,000.00</b>

\* Contract Title and Framework Providers have been anonymised for commercial confidentiality

The benefits of using purchasing consortium are for a group of landlords to combine their buying power. The result is reduced prices from bulk purchasing. A consortium can also share skills and market intelligence.

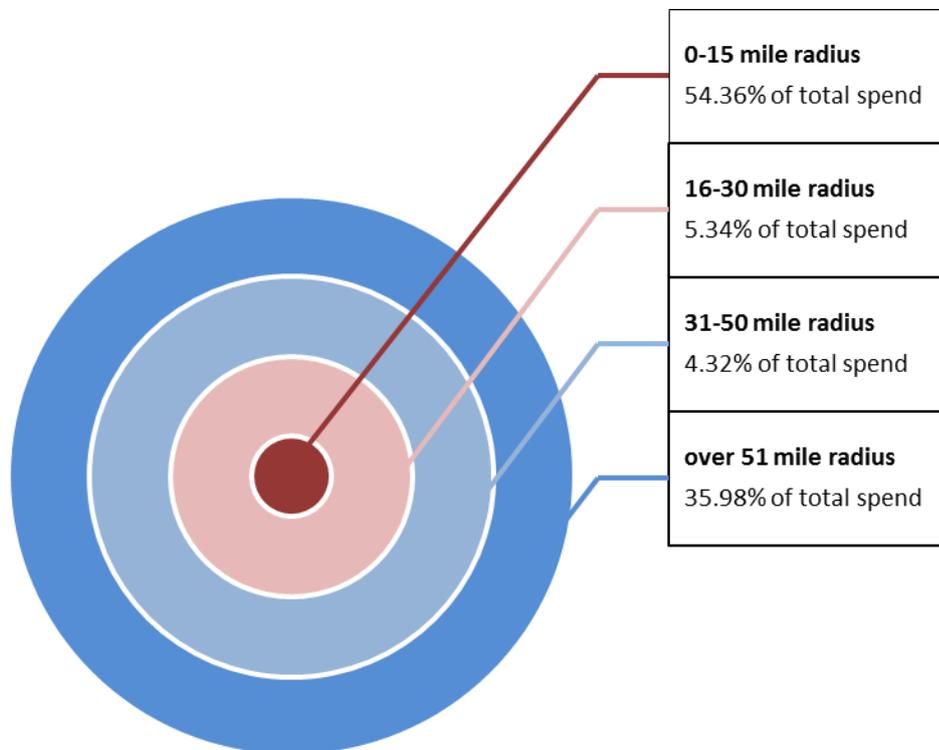
## 12.0 SOCIAL VALUE

SARH recognizes the responsibility it has to local communities and the potential social investment opportunities available through procurement to deliver economic, social and environmental objectives.

When procuring larger contracts, either directly or via consortia, SARH have, where available, sought to leverage social value in the form of providing apprenticeships

and/or employment opportunities within the local community as part of contract specification (SARH Targeted Recruitment & Training Policy).

**Figure 2 – Spend Profile (radius from SARH Head Office)**



Notes:

- \* Excludes all suppliers with a gross annual spend less than £2,000 + VAT
- \* Excludes all payments made to ‘customers’ and other ‘individuals’ (i.e. non-trading entities).
- \* Includes inter-company transactions to Development Worx and Housing Worx

The above graph shows total supplier spend for the year 2015-16, based on the suppliers’ registered company head office location – which may not always represent the locations of operational staff.

A very healthy 54.36% of the total spend for the year 2015-16 is delivered by companies with registered head offices within a 15 mile radius of SARH Head Office. This is up from 28% in 2014-15 and demonstrates a continuing commitment to invest in the local economy.

### 13.0 CUSTOMER SATISFACTION

A large number of our suppliers interact with our Customers on a daily basis. Many of these suppliers are employed under our Investment Delivery Programme.

In order to achieve excellent value for money through the procurement process it is essential that Contractor's seek to continuously improve their efficiency when undertaking contract works. Customer engagement and feedback is also key to effective service delivery and should be measured and monitored for continuous improvement.

Key Performance Indicators (KPIs) aim to provide a consistent measure of project performance. These can be used against benchmarking figures with the intention of identifying shortcomings, leading to action plans to enable better results.

**Table 7** – Customer Satisfaction Surveys (KPIs)

2015 - 16	A&A	roofing	heating	kitchens	bathrooms	internal doors	Electrical testing	electrical re-wires	Totals	procurement strategy objectives
										1
<b>KPI Score</b>	98.41%	86.36%	98.51%	99.46%	97.30%	100.00%	99.66%	95.00%	96.84%	

The yearly KPI score for the above contracts is 96.84% (up from 96.40% in 2014-15). This demonstrates a very good level of customer satisfaction and achieves one of the key objectives from the procurement strategy.

## PERFORMANCE OF THE PROCUREMENT FUNCTION

### 14.0 KPI's 2015-16

#### Key Performance Indicators (KPIs)

To ensure that the Procurement Function is adequately monitored, a new suite of KPIs have been developed for 2015-16 to measure and report on its performance.

In order to achieve excellent value for money across the service, it is essential that the Procurement Function understand the need to continuously improve their efficiency and effectiveness. An effective service should be measured and monitored for continuous improvement.

The Key Performance Indicators (KPIs) aim to provide a consistent measure of performance. These can be used against benchmarking figures with the intention of identifying shortcomings, leading to action plans to enable better results.

Where available SARH will adopt three systems for measuring quality and performance.

1. Off-contract spend
2. Contract Compliance
3. Value Savings

See Appendix A for details of how each KPI is measured

**KPI 1 - Off-Contract Spend**

The purpose of the KPI is to determine the value of spend across all departments which is 'off-contract' and therefore poses a potential risk to the company.

Standing orders stipulates that all orders over £50,000 (exc VAT) should have formal contracts in place. The total value of services from all suppliers with an annual spend greater than £50,000 (exc VAT) was obtained from Finance and analysed (see item 7, Table 2)

Each supplier was assessed against the KPI, results are given below:

**KPI 1**

	<b>Off-Contract Spend</b>
Results	£148,889 out of £5,149,249
<b>KPI Score</b>	<b>97.11%</b>
KPI Target Score 15-16	80.00%
<b>Target Achieved</b>	

**KPI 2 - Contract Compliance**

For the purpose of procuring goods & services, Standing Orders stipulate different procedures depending on the value of the contracts as below. The purpose of this KPI is to determine the total % of suppliers who have been procured in accordance with these procedures.

Each department has submitted the procedures followed for all contracts in excess of £50,000 + VAT. Results are given below.

## KPI 2

	<b>Contract Compliance</b>
Results	19 out of 20
<b>KPI Score</b>	<b>95.00%</b>
KPI Target Score 15-16	80.00%
<b>Target Achieved</b>	

**KPI 3 - Value Savings**

The following KPI is to determine the overall savings achieved during the year for any tendered contracts. The table below is taken from section 7, table 3 and lists all 2014-15 contracts which had expired in 2015-16 and were therefore re-procured.

**Table 8 – Value Savings**

Contract	2014-15	2015-16	Savings	Comments
Contract 1	£ 184,680	£ 170,460	-7.70%	Revised service levels
Contract 2	£ 166,679	£ 158,940	-4.64%	Rebased consumption usage for comparison purposes
Contract 3	£ 159,340	£ 145,150	-8.91%	Less off-contract charges
Contract 4	£ 64,500	£ 62,200	-3.57%	Refined product
Contract 5	£ 58,000	£ 27,600	-52.41%	Combined several suppliers to one supplier
Contract 6	£ 50,460	£ 44,190	-12.43%	Rebased consumption usage for comparison purposes
Contract 7	£ 42,372	£ 37,486	-11.53%	Re-tendered with updated product specifications
Contract 8	£ 41,850	£ 34,400	-17.80%	Combined service to one supplier
Contract 9	£ 38,600	£ 24,000	-37.82%	Price maintained for 2015-16
Contract 10	£ 24,000	£ 24,000	-	Price maintained for 2015-17
Contract 11	£ 14,000	£ 14,000	-	Price maintained for 2015-17
Contract 12	£ -	£ -		data not comparable
Contract 13	£ -	£ -		data not comparable
Contract 14	£ -	£ -		data not comparable
Contract 15	£ -	£ -		data not comparable
Contract 16	£ -	£ -		data not comparable
Contract 17	£ -	£ -		data not comparable
Contract 18	£ -	£ -		data not comparable
Contract 19	£ -	£ -		data not comparable
Contract 20	£ -	£ -		data not comparable
<b>Totals</b>	<b>£ 844,481</b>	<b>£ 742,426</b>	<b>-12.08%</b>	

**KPI 3**

	Value Savings
<b>KPI Score</b>	<b>-12.08%</b>
KPI Target Score 15-16	-2.00%
<b>Target Achieved</b>	

## 15.0 OVERVIEW 2016-17

Procurement for the next 12 months will further improve on the changes implemented to date. Improvements in analysing and recording contract data across all departments of the company will bring better transparency and accountability.

Periodic checks with the supplier list to ensure completeness and accuracy with the Contract Register have been undertaken on a quarterly basis.

Information obtained from the Category Spend Profile will be shared with each budget holder to inform the amount of 'off-contract' spend within their teams.

Follow up meetings have been arranged with Heads of Service look at ways of combining services in order to achieve greater efficiencies and, where possible, better synergies between departments.

### Procurement

The following list of contracts - taken from the contract register - are due for renewal in the next 12 months (excludes all contracts below £10k + VAT)

Contract Description	Service area
Supporting Builders Contract	Asset Management
Grounds Maintenance	Asset Management
Company Insurance	Finance
Electricity Supplies - Non-Half Hourly	Asset Management
Housing System Support/Maintenance	ICT
Fuelcard Services	Asset Management
Waste and Re-Cycling Services	Asset Management
Electricity Supplies - Half Hourly	Asset Management
Printing & /Fulfilment/Mailing	Governance
Lease Rental & Maintenance of PNC	Independant Living
Gas Supplies	Asset Management
PR Agency services - local stories	Organisational Dev
Office Consumables	Governance
Impact Annual Maintenance	ICT
Line Rentals - Analogue	ICT
Audit Services (External)	Finance
PR Agency services - for trade press	Organisational Dev
Mobile Telephony	ICT
OAP Gardening Help Scheme	Housing Management
Photocopier Usage/Maintenance	ICT
Postal Services	Governance

Maintenance of dispersed and fixed alarms	Independant Living
Supporting Electrical Contract	Asset Management
DBA Support	ICT
Finance System Support	ICT

Asset Management will liaise with each department to ensure the timely renewal or extension of all contracts.

APPENDIX A  
KPI DEFINITIONS

## Appendix A

KPI 1	Off-contract spend - overall
<b>Purpose</b>	To determine the value of spend across all departments which is 'off-contract'
<b>Definition</b>	Standing orders stipulates that all orders over £50,000 (exc VAT) should have formal contracts in place.
<b>Method</b>	At the end of each financial year a supplier spend list will be obtained from the Finance Dept.  The total amount of spend against each supplier over the year will be established. All suppliers with spend in excess of £50k will require formal contracts to be in place.
<b>Targets</b>	<b>Year 1 - 2015-16</b> = 80 % <b>Year 2 - 2016-17</b> = 90 % <b>Year 3 and subsequent years</b> = 95 %  Targets may be revised by agreement between the Leadership Team and the department.
<b>Measurement Period</b>	Annual
<b>Reporting interval</b>	Annual
<b>Collection of data</b>	Procurement Function

KPI 2	Contract Compliance
<b>Purpose</b>	To determine whether internal Standing Orders are being adhered to in the procurement of goods & services
<b>Definition</b>	For the purpose of procuring goods & services, Standing Orders stipulate different procedures depending on the value of the contracts as below  £0 - £10k            no absolute requirement for written quotes £10k - £50k        three written quotes required £50k - £400k      formal tender to minimum three 'selected' persons Over £400k        formal tender to minimum four 'selected' persons  Tenders to also comply with OJEU tendering where applicable.
<b>Method</b>	Each quarter a standard template form will be sent to each budget holder for completion. All purchases for goods and services above £5k to be scheduled on the standard template.  The budget holder to identify which of the above procedures have been followed.
<b>Targets</b>	<b>Year 1 - 2015-16</b> = 80 % <b>Year 2 - 2016-17</b> = 90 % <b>Year 3 and subsequent years</b> = 95 %  Targets may be revised by agreement between the Leadership Team and the department.
<b>Measurement Period</b>	Quarterly
<b>Reporting interval</b>	Annual
<b>Collection of data</b>	Procurement Function

KPI 3	Value Savings - overall
<b>Purpose</b>	To determine the overall savings achieved during the year for any tendered contracts.
<b>Definition</b>	An objective of the procurement strategy is to achieve 'real terms' efficiency savings of -2.00% per annum.
<b>Method</b>	At the end of each financial year a
<b>Targets</b>	<p><b>Year 1 - 2015-16</b> = -2.00 %  <b>Year 2 - 2016-17</b> = -2.00 %  <b>Year 3 and subsequent years</b> = -2.00 %</p> <p>Targets may be revised by agreement between the Leadership Team and the department.</p>
<b>Measurement Period</b>	<p>Each quarter a standard template form will be sent to each budget holder for completion. All new contracts to be scheduled on the standard template, along with the previous contract value.</p> <p>The budget holder to identify any changes in service levels which may affect the tender price.</p>
<b>Reporting interval</b>	Annual
<b>Collection of data</b>	Procurement Function