

**ANNUAL REPORT OF CONTRACTS UNIT 1998**

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**1. Purpose**

- 1.1 To provide the Committee with an annual progress report and to identify a programme of work for the next twelve months.

**2. Summary**

- 2.1 The Contracts Committee approved the establishment of the Contracts Unit in December 1997. The Terms of Reference and staffing establishment were agreed by Resources Committee in March 1998 (Minute reference R116/98).
- 2.2 The main purpose of the Unit is to ensure that the Council lets its contracts in compliance with the law, Standing Orders, within the principles of good tendering practice, and in an open, fair and transparent way to ensure the Council is fully and properly protected. The underlying philosophy is to ensure that the Contracts Unit adds value to the contract letting process.
- 2.3 It was evident that there was a very urgent need for a centralised expertise in this field. The response to the establishment of the Contracts Unit from Directorates commenced with a constant stream of requests for information, procedures and advice and guidance. The requests for assistance and advice steadily increased and has now reached such proportions that it has become difficult for the Contracts Unit to fulfil its identified role.
- 2.4 The revised Contracts, Tenders and Quotations Handbook was issued 12 months ago, and experience has been developed in its use. It has become evident that further refinement of the Handbook and associated procedures is necessary to give a degree of flexibility in the way the Council lets the considerable diversity of contracts and to adequately protect the Council from risk.
- 2.5 Strong working relationships have been forged with the Legal & Property Services Division and the Internal Audit Section. Work on the development of their roles in relation to the Contracts Unit is currently being finalised.

### 3. **Background**

3.1 Recruitment of staff to the recently formed Contracts Unit started in July 1998 with the appointment of the Contracts Unit Manager. The secondment of a Purchasing Assistant followed in October 1998, and the secondee was appointed to the post of Contracts Assistant in March 1999. In March 1999 the recruitment of a Contracts Officer brought the establishment up to the approved level of three posts. A copy of the units Terms of Reference and initial work programme are attached as an **Annex**.

#### 3.2 Achievements in the First Ten Months

- (a) Directorate reaction to the creation of the Contracts Unit has been very supportive and favourable, with a considerable 'take up' of the services offered.
- (b) Major involvement in and influence on the White Collar CCT contract process and other significant contracts.
- (c) Relevant reference documentation and on-line data collected and collated.
- (d) Initiated subscription to CIPFA (The Chartered Institute of Public Finance and Accountancy) Competition Advisory Service (CAS) and links with Government and other associations established.
- (e) The Contracts, Tenders and Quotations Handbook was revised.
- (f) A database has been compiled of current contracts and will be further developed to provide key information on current and proposed contracts.
- (g) A pro-active project management programme is being developed to ensure that time constraints and essential procedures of the tendering process are fulfilled within the agreed timetable.
- (h) Whereas there had been some resistance in the beginning, the success of the Unit has meant that many client officers now actively seek advice and guidance before letting contracts.
- (i) Initiated subscription to Constructionline, the Government sponsored 'select tenderers list'.

#### 3.3 Difficulties and Constraints in the First Ten Months

We have made significant progress with the first 10 months, although there are areas that still require attention.

- (a) Compliance with Standing Orders and other regulations brought about by the work of the Contracts Unit has resulted in a greatly increased workload for other Divisions. Although this is mainly constrained within the Resources Directorate, it

also impacts upon other Directorates. The main areas affected are Finance teams, Health and Safety and Human Resources. The additional workload of other Divisions is necessary to ensure the risk to the authority is minimised, and mechanisms to reduce this impact are being developed.

- (b) The rapid and sustained take up of the Contracts Unit services following the creation of the Contracts Unit has caused responses to be on a 'fire fighting' basis, resulting in significantly reduced development work.
- (c) The staffing requirements for the Contracts Unit were never fully assessed during the lead up to its establishment, and the Unit is stretched beyond reasonable expectations.
- (d) The Contracts Unit Terms of Reference require that all contracts of £100,000 and over be reviewed by the Unit, yet there are still areas within the Authority which are unaware of this or choose not to access the Unit's services. The Unit has been unable to pursue this issue due to resource constraints.
- (e) The Contracts Unit workload has meant that although it has a clearly identified role in the Best Value process, it has not been in a position to offer full participation in its development for the Authority.

#### 3.4 Work Programme

- (a) Continued development of the IT systems to assist the Contracts Unit in its proactive approach to drive the contract letting processes.
- (b) Complete implementation of the adopted Contracts Framework.
- (c) Develop mechanisms to reduce impact of the increases in the workload of other Divisions brought about by proper evaluation of contractors status and policies.
- (d) Incorporate the principles of Best Value into the contract letting process.
- (e) Develop proposals for contract risk assessment, monitoring and post project appraisal. Limited (if any) formal procedures exist.
- (f) Refinement of existing contract documentation, including standard conditions of contract, checklists, standard forms and model tender evaluation procedures. Documentation will continue to be developed, consistent with the Contracts Framework, but also building in some flexibility to cover the requirements of the full range of contracts.
- (g) Provide client officers with step by step users guides and checklists covering full range of contract types to reduce need for Contracts Unit input in uncontentious contracts.

- (h) Review of Standing Orders, Financial Regulations, Delegated Powers, Contracts, Tenders and Quotations Handbook to ensure consistency and to propose new contract authorisation levels.
  - (i) Continued development of database and programming tools.
  - (j) Refinement of the contract training course for all client officers to ensure a full understanding of the tendering and contract processes.
  - (k) Investigate and agree contract letting procedures appropriate to the high value Care Contracts.
  - (l) Review the receipt, security and opening procedures for tenders and written quotations.
  - (m) Introduction of time recording for Contracts Unit staff to allow for effective time management and development of a mechanism for recharging.
  - (n) Develop performance indicators for Contracts Unit.
  - (o) Develop Contracts page on Council web-site making standard documents, advice and guidance available to external bodies.
  - (p) Develop procedure for selection of evaluation panels.
- 3.5 In the short term, a major element of the Contracts Unit's work will be assistance with the preparation of contract documents, but on-line access by client officers to guidance notes and standard documents, will enable a change in emphasis from day-to-day support and guidance to monitoring and assisting with the more complicated and contentious aspects of the tendering process.
- 3.6 Once development work has been completed on the rationalisation of Standing Orders, Financial Regulations, Delegated Powers, and the Contracts, Tenders and Quotations Handbook, a further report to Committee will be required to seek approval for proposed amendments.

#### **4. Issues and Choices**

- 4.1 The restriction imposed by the resources available means that the Unit responds primarily in a reactive manner to contractual issues and crises. This is a serious constraint upon the effectiveness of the Unit. Development work in all areas is significantly limited and progress will continue to be repressed.

## 5. **Implications**

### 5.1 Environmental

The Contracts Unit will oversee the implementation of the Council's Environmental Policy as it relates to contracts.

### 5.2 Equalities

The Contracts Unit will oversee the Council's commitment to equalities, requiring contractors to conform to appropriate legislation and acceptable standards.

### 5.3 Financial

The Contracts Unit will oversee the financial evaluation as it applies to contractors' financial stability ensuring the risk to the Council is minimised.

### 5.4 Legal

The close working relationship with the Legal and Property Services Division ensures contracts are let in such a way that maximises the protection to the Council.

### 5.5 Staff and Accommodation

Three full time officers: Contracts Unit Manager, Contracts Officer, Contracts Assistant.

Accommodation: Civic Offices level three.

## 6. **Conclusions**

6.1 The first ten months in the Contracts Unit's existence have demonstrated the essential need for consistent contractual advice and guidance, standard documentation, practices and procedures, and open, fair and transparent conduct. The application of good tendering practice will not only minimise the risk of legal challenge to the Authority, it will enhance eligibility and opportunities offered in seeking Beacon Status.

6.2 The take-up of the services offered has meant that the Unit, although successful, is more reactive than proactive. On-line guidance will reduce day-to-day enquiries allowing staff more time to ensure European and Council procedures are followed and to allow development work to be undertaken.