

# WIRRAL COUNCIL

## CABINET

2 FEBRUARY 2012

<b>SUBJECT:</b>	<b>REVIEW OF MAJOR CONTRACTS</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR ADRIAN JONES</b>
<b>KEY DECISION?</b>	YES

### 1 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Cabinet with an update on the review of major contracts undertaken in 2011-12.

### 2 RECOMMENDATION

- 2.1 That Cabinet notes the progress of this review and the inclusion of the savings identified to date in the overall procurement efficiencies report included elsewhere on this agenda.

### 3 REASON FOR RECOMMENDATION

- 3.1 Cabinet requested an update on the review of major contracts and the savings arising from it.

### 4 BACKGROUND AND KEY ISSUES

- 4.1 A project was initiated on 14 April 2011 to review the Top-50 contracts with a view to making savings in 2011-12 and identifying priorities for future contract negotiations. A savings target of £0.5m was included in the 2011-12 budget.
- 4.2 Cabinet on 14 April 2011 authorised the engagement of Price Waterhouse Coopers (PwC) to support these reviews on a 'no win no fee' basis. PwC has considered a number of contracts and is now focussing on (a) waste collection, (b) schedule of rates, (c) telecommunications, and (d) agency staff. To date no savings have been identified by PwC.
- 4.3 The Procurement Unit has worked with staff across the Council to examine where there is potential to make savings on the Top-50 contracts in 2011-12 and beyond. This is in addition to the work undertaken to deliver the general procurement efficiency target of £2m agreed in the 2011-12 budget. There is difficulty in negotiating savings where the contracts have been subject to recent OJEU tenders. Negotiations with contractors are lengthy and where there are service implications these cannot be implemented without extensive consultation and equality impact assessments. The review therefore is limited to identifying potential, not actual, savings.

4.4 The outcome of reviews that do deliver cashable savings in 2011-12 is £422,400 against the budget target of £500,000. This excludes any savings that may arise from the work of PwC.

#### 4.5 **Adult Social Services**

4.5.1. There are seven contracts within Adult Social Services included in the 'Top-50'. The outcomes of these reviews are:-

Contract	Savings 2011-12 £	Savings attributable to this Review £	Potential Options 2012-13 £
1 Residential Services	4,462,000	0	800,000
2 Personal Support	906,000	0	800,000
3 Respite Care	2,285,750	0	0
4 Re-ablement Support	762,314	0	0
5 Supported Living	1,610,650	0	0
6 Assistive Technology	0	0	150,000
7 Meals on Wheels	0	0	26,150
Sub-Total DASS	10,026,714	0	1,776,150

4.5.2 **Residential and Nursing Home Care.** The contract was agreed by Cabinet on 17 March 2011 for up to five years following a twelve month period of consultation. The review could not identify any additional savings in 2011-12. However there may be potential for savings in 2012-13 from a further price review or from an alternative approach to commissioning. There would need to be further consultation on this option.

4.5.3 **Personal Support.** This was a major procurement exercise undertaken in 2011-12. The contract is for up to five years and any variation to it would require further consultation. The review shows that Wirral pays more per hour than some other Councils in the region. Cabinet may wish to consider the option of reducing the hourly rate to bring it more into line with those Councils. Alternatively, a different approach to commissioning could be adopted to deliver savings.

4.5.4 **Respite Care.** The contract was let to re-provide in-house respite care. Savings were reported to Cabinet on 17 March 2011 and these were subsequently amended to £2,285,750 after Cabinet agreed to retain Fernleigh for 2011-12. The review did not identify any additional savings potential.

4.5.5 **Re-ablement Support.** The contract was let to re-provide part of the service which was previously provided in-house by the HART Service. Savings were reported to Cabinet on 17 March 2011. No additional savings arise from the review.

4.5.6 **Supported Living.** This contract was let to re-provide services provided by the in-house Supported Living Service. Savings were reported to Cabinet on 17 March 2011. No additional savings arise from the review.

4.5.7 **Assistive Technology.** A tender for the provision of assistive technology services indicated a potential efficiency of £150,000 based on previous expenditure. However this could not be implemented due to a legal challenge to the highest scoring bid. The savings potential is therefore deferred for consideration in 2012-13.

4.5.8 **Community Meals.** The contract expires in June 2013. The review suggests there is potential to bring this forward and re-tender for a reduced price, frozen-only service, or consideration of charging people the full economic cost of the meal. This would require consultation with people who use the service.

#### 4.6. **Children and Young People**

4.6.1 There are six contracts within the Children and Young People Department that are included in the 'Top-50'. The outcomes of reviewing these are:-

Contract	Savings 2011-12 £	Savings attributable to this Review £	Potential Options 2012-13 £
8 Integrated Transport	125,000	0	0
9 Frozen Foods	65,405	0	0
10 Fruit & Vegetables	17,300	0	0
11 Early Intervention	0	0	140,000
12 Children Residential	0	0	100,000
13 Automotive Products	0	0	0
Sub-Total HRLAM	98,333	0	607,375

4.6.2 **Integrated Transport.** The contract was let in 2010. The agreed saving in 2011-12 was reported to Cabinet on 9 December 2010. The review indicates there are no further savings that could be made from reviewing this contract in 2011-12. The review also highlights the operational difficulty in delivering the service within budget. Until these difficulties are addressed there is limited potential for savings in future years without significant changes to service delivery.

4.6.3 **Frozen Foods.** The contract was agreed by Cabinet on 13 January 2011. The highest scoring tender was accepted which resulted in an overall price reduction of 12.7%.

4.6.4 **Fruit and Vegetables.** The outcome of this tender was reported to Cabinet on 25 November 2010. The highest scoring tender was 6.4% lower than previous costs.

4.6.5 **Early Intervention.** The review did not identify any savings in 2011-12. Contracts are due to be replaced by April 2012. This budget is under pressure from increasing demand.

4.6.6 **Residential Care for Children.** There is no indication of savings in 2011-12. Contracts are due to be replaced by April 2012. Cabinet may wish to consider a notional target of £100,000 in 2012-13. This budget is under pressure from increasing demand.

4.6.7 **Automotive Products.** Savings from the highest scoring tender were reported to Cabinet on 9 December 2010.

#### 4.7 **Finance**

4.7.1 There are four contracts within the Finance Department that are included in the 'Top-50'. The outcomes of reviewing these are:-

Contract	Savings 2011-12 £	Savings attributable to this Review £	Potential Options 2012-13 £
14 Telecommunications	0	0	0
15 Oracle	0	0	0
16 Banking	0	0	2,500
17 Library Books	0	0	14,859
Sub-Total Finance	0	0	17,359

4.7.2 **Telecommunications.** The contract was agreed by Cabinet on 27 May 2010 and let in June 2010. Savings were reported as £10,833 per quarter. PwC has identified this area as having further potential for savings and is currently reviewing previous years' invoices to determine if a rebate can be claimed and ongoing savings made in 2012-13.

4.7.3 **Oracle.** The contract was let in January 2011. The savings are the part year effect in 2011-12.

4.7.4 **Banking.** The contract was extended to March 2013 because of a European Union ruling that RBS must divest part of its business. The contract review suggests that the tender for banking could be brought forward. The transfer of banking arrangements is complex and will take a minimum of six months to complete.

4.7.5 **Library Books.** A new contract needs to be in place by April 2012. Due to the major changes in the Library Service during 2011 this contract was not reviewed.

#### 4.8 **Law HR and Asset Management**

4.8.1 There are nine contracts within the Department of Law HR and Asset Management that are included in the 'Top-50'. The outcomes of reviewing these are:-

Contract	Savings 2011-12	Savings attributable to this Review	Potential Options 2012-13
	£	£	£
18 Auto Meter Reading	0	0	258,000
19 Lifting Appliances	0	0	0
20 Washroom Services	0	0	0
21 Corporate Training	0	0	200,000
22 Occupational Health	0	0	85,000
23 Legal Services	0	0	22,500
24 HR /Payroll System	40,000	0	40,000
25 Schedule of Rates	58,333	0	0
26 Victim Support	0	0	1,875
<b>Sub-Total HRLAM</b>	<b>196,141</b>	<b>0</b>	<b>407,575</b>

- 4.8.2 **Automatic Meter Reading.** Installing automated meter reading devices in all Council buildings was approved by Cabinet on 15 April 2010. However, full implementation has been delayed and no savings achieved in 2011-12. Results from other Councils confirm the saving potential.
- 4.8.3 **Lifting Appliances.** The contract was agreed by Cabinet on 17 November 2010. The highest scoring tender was 15% below previous costs.
- 4.8.4 **Washroom Services.** This contract was awarded in January 2011. The savings are the part year effect in 2011-12.
- 4.8.5 **Corporate Training.** This is a Merseyside Collaborative Contract agreed by Cabinet on 12 January 2012. Savings are estimated to be in the region of 20% of previous costs.
- 4.8.6 **Occupational Health.** The highest scoring tender for the Occupational Health contract indicated a full year saving of £170,000. The award was deferred by the Employment and Appointments Committee on 11 August 2011 and so the savings may not be achieved until 2012.
- 4.8.7 **Legal Services.** Joining the Merseyside Collaborative Contract is expected to deliver 10% savings on current costs based on the experience of other Councils.
- 4.8.8 **HR Payroll Services.** A report to Cabinet on 15 October 2009 identified savings which would accrue over the medium term. The review did not identify any further savings in the short term.
- 4.8.9 **Schedule of Rates.** The savings were reported to Cabinet on 9 December 2010. PwC has identified this area as having further potential for savings and is currently reviewing the contract. At the time of writing this report no further savings have been identified by PwC.
- 4.8.10 **Victim Support** The contract is due for renewal in June 2012. The review identifies potential for 5% saving with a part year effect of £1,875 in 2012-13.

## 4.9 Technical Services

4.9.1 There are ten contracts within the Technical Services Department that are included in the 'Top-50'. The outcomes of reviewing these are:-

Contract	Savings 2011-12 £	Savings attributable to this Review £	Potential Options 2012-13 £
27 Parking Enforcement	50,000	0	0
28 Graffiti Removal	17,958	0	0
29 Highway Survey	7,998	0	7,998
30 Pay & Display	12,540	0	0
31 Floral Pavilion	11,250	0	33,750
32 Coring	5,000	0	15,000
33 Waste Collection	0	0	570,000
34 PACSPE	0	0	0
35 Street Lighting	0	0	70,000
36 Highway Maintenance	0	0	0
Sub-Total Technical	104,746	0	696,748

4.9.2 **Parking Enforcement.** The contract was agreed by Cabinet on 2 September 2010. The highest scoring tender was accepted; this being a savings of 7.7%.

4.9.3 **Graffiti Removal.** Savings from the highest scoring tender were reported to Cabinet on 9 December 2010; this being 13.75% lower than the tender provision.

4.9.4 **Highway Survey.** The contract was agreed in September 2011. The highest scoring tender resulted in savings of £16,000: £8,000 falling in 2011-12 and £8,000 in 2012-13.

4.9.5 **Pay & Display Tickets.** The highest scoring tender was £8,500 against a provision of £21,000.

4.9.6 **Floral Pavilion Catering.** The contract was agreed by Cabinet on 3 November 2011 and commenced in January 2012. The savings are in the form of anticipated income to the Council.

4.9.7 **Coring.** This is a Merseyside Collaborative Contract, which commenced in December 2011. Savings are based on the new contract price being £20,000 less than previous costs. £5,000 would fall in 2011-12 and £15,000 in 2012-13.

4.9.8 **Waste Collection.** This contract contains a break clause in 2013. PwC is currently reviewing the contract to see if savings can be made which could be fed into the contract review to be undertaken in advance of the operation of the break clause.

- 4.9.9 **Parks and Countryside.** This was a procurement exercise undertaken in 2011-12. The contract was not awarded on the basis that the exercise did not provide sufficient evidence of value for money.
- 4.9.10 **Street Lighting.** This is an OGC framework agreement due for renewal in April 2012. The review found no potential for savings in 2011-12.
- 4.9.11 **Highways Maintenance.** The review identified no potential for savings.

#### 4.10 Regeneration, Housing and Planning

- 4.10.1 There are two contracts within the Department of Regeneration, Housing and Planning included in the 'Top-50'. The outcomes of reviewing these are:-

Contract	Savings 2011-12 £	Savings attributable to this Review £	Potential Options 2012-13 £
37 Loft/cavity Insulation	112,400	0	0
38 Working Wirral	140,000	0	0
Sub-Total RPHS	252,400	0	0

- 4.10.2 **Loft and Cavity Insulation.** Cabinet agreed a provision of £1,049,000 on 22 July 2010. The highest scoring tender shows a saving against this of 10.7%.
- 4.10.3 **Working Wirral.** Cabinet agreed a provision of £1.6m on 13 January 2011. The highest scoring tender submitted was for £1.46m.

#### 4.11 **Corporate Contracts**

- 4.11.1 There are twelve corporate contracts which span all Departments that are included in the 'Top-50'. The outcomes of reviewing these are:-

Contract	Savings 2011-12 £	Savings attributable to this Review £	Potential Options 2012-13 £
39 Agency Staff	0	170,400	130,000
40 Stationery	0	177,000	15,000
41 Cleaning Materials	0	0	15,000
42 Photocopiers (MFD)	0	25,000	75,000
43 Business Consultancy	0	50,000	150,000
44 Mobile Phones	0	0	67,591
45 Work Wear	0	0	13,000
46 Citizens Advice	0	0	13,000
47 Voluntary Support	0	0	5,150
48 Protective Equipment	0	0	3,900

49	Clinical Waste	0	0	4,000
50	Advertising	33,333	0	0
Sub-Total Corporate		33,333	422,400	491,641

- 4.11.2 **Agency Staff.** This Merseyside Collaborative Contract provides savings of 10% on previous costs. The review identified areas where the contract was not fully utilised. Addressing these will result in an additional £130,000 in 2012-13. Savings are in the form of a rebate to the Council.
- 4.11.3 **Stationery.** The review concentrated on using non-branded products. Savings of 41% have been achieved. The contract is due for a review in 2012 and an additional 5% saving is considered achievable in 2012-13.
- 4.11.4 **Cleaning Materials.** The tender for this contract is due to be let. The review suggests 5% savings could be built into the tender for 2012-13.
- 4.11.5 **Photocopiers and MFD's.** The tender evaluation was completed in December 2011 and agreed by Cabinet on 12 January 2012. The review identified savings of £100,000 based on previous costs.
- 4.11.6 **Business Consultancy.** The contract was agreed by Cabinet on 13 October 2011. The review suggests savings of 10% on previous costs.
- 4.11.7 **Mobile Phones.** This is an existing OGC framework agreement. Negotiations with the current provider have resulted in a lower tariff by 31%.
- 4.11.8 **Work Wear.** The contract was agreed by Cabinet on 8 December 2011. The highest scoring tender resulted in a saving of 13% on previous cost.
- 4.11.9 **Citizens Advice.** The procurement process has commenced. The review suggests that a saving of at least 5% may be included in 2012-13. There appears to be significant duplication between this contract and services being provided in-house and therefore there may be scope for savings much greater than 5%.
- 4.11.10 **Voluntary Sector Support.** The procurement process has commenced. The review suggests a target of 5% may be included in 2012-13.
- 4.11.11 **Protective Clothing and Equipment.** The contract needs to let by April 2012. A 5% target may be set for 2012-13.
- 4.11.12 **Clinical and Medical Waste.** The contract needs to let by April 2012. A 5% target may be set for 2012-13.
- 4.11.13 **Advertising.** This contract was let in 2010-11. The savings are the part year effect in 2011-12 reported to Cabinet on 24 June 2010.
- 4.12. The report provides a summary of the reviews undertaken of the top 50 contracts. Savings to be taken into account in 2011-12 are £422,400. All of these are in corporate contracts. £220,400 of this is in the form of a rebate to the Council.

- 4.13 The savings reported in this paper exclude any that arise from the work of PwC.
- 4.14 This report reviews the 50 largest contracts in the General Fund. Reviews have also taken place of the contracts which form part of the Pension Fund and the Insurance Fund. The outcome of the review of Insurance Fund contracts was included in Insurance Fund budget agreed by Cabinet on 24 November 2011. The outcome of the review of Pension Fund contracts was included in the Pension Fund budget agreed by the Pensions Committee on 17 January 2012.

## **5.0 RELEVANT RISKS**

- 5.1 Conducting these reviews provides a clear indication to potential tenderers that the Council is looking for future efficiencies. This leads to tensions and may motivate some providers to inflate future prices. Contrary to this some suppliers are under increasing pressure to retain business with the Council. Accepting lower prices may lead to reductions in quality or risk business sustainability. The Council remains a major purchaser of goods and services and has an important impact in the local economy.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 No other options were considered in the drafting of this report.

## **7.0 CONSULTATION**

- 7.1 Consultation continues with all Departments and suppliers affected by these reviews. There is also ongoing consultation with other Councils in Merseyside to promote the adoption of collaborative contracts that increase the potential for savings through aggregation.
- 7.2 Some of the suggested procurement efficiency savings identified in this report may require consultation before they are agreed and implemented.

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 8.1 There are no direct implications for voluntary, community and faith groups.

## **9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 9.1 The savings target agreed by Council is £0.5m in 2011-12.

## **10.0 LEGAL IMPLICATIONS**

- 10.1 All procurement activity and subsequent price negotiations are conducted in strict accordance with the Council's contract procedure rules and European procurement directives.

## **11.0 EQUALITIES IMPLICATIONS**

- 11.1 An equalities impact assessment is considered for all contracts that are tendered or reviewed. Where the impacts are considered material a full

Equality Impact Assessment will need to be undertaken and reported to Cabinet when the policy decision is being made.

## 12.0 CARBON REDUCTION IMPLICATIONS

12.1 All new contracts include a requirement for suppliers to consider their carbon impact and contribute to the delivery of the Council's carbon reduction targets.

## 13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report

FNCE/13/12

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## APPENDICES

None

## REFERENCE MATERIAL

Corporate Procurement Strategy - Cabinet 2 June 2011

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet - Procurement Strategy	2 June 2011
Cabinet - Procurement Strategy	13 October 2011