

# Finance and Resources Committee

10.00am, Tuesday, 3 February 2015

## Commercial and Procurement Services – Contract Register Update

Item number	7.9
Report number	
Executive/routine	
Wards	

### Executive summary

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This report updates the Committee on progress with regard to the updating of the Council's Contract Register.

### Links

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Coalition pledges	P30
Council outcomes	C025
Single Outcome Agreement	

## Commercial and Procurement Services – Contract Register Update

### Recommendations

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- 1.1 It is recommended that the Committee note the content of this report.

### Background

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- 2.1 The council's Contract Register is the central database which records all Council contracts relating to the purchase of works, goods and services. All contracts in excess of £10,000 for works and £3,000 for goods and services require to be recorded in the Contract Register and contracts below this value should be recorded where possible<sup>1</sup>.
- 2.2 An up to date Contract Register is an important tool that can be used as a source for effective planning of procurement and contract management activity. Its use throughout the Council will also help to increase spend with contracted suppliers.
- 2.3 In addition, the Procurement Reform (Scotland) Act 2014 proposes a requirement for all local authorities to publish a register of contracts in excess of £50,000.
- 2.4 The Committee considered a report on the Contract Register on 5 June 2014. This report provides an update on the work to increase the Contract Register's coverage.

### Main report

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- 3.1 The Contract Register is maintained by Commercial and Procurement Services (CPS). However, it is the responsibility of service areas to provide complete, accurate and up to date contract information in order that the Contract Register can be properly maintained and relevant.
- 3.2 CPS supports service areas in this by:

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<sup>1</sup> In anticipation that these thresholds are approved when the Council considers the review of Contract Standing Orders on 5 February 2015.

- a. Publishing the Contract Register on the Orb;
- b. Providing service areas with regular updates on contracts which are approaching their contract end date, thereby enabling improved and timely planning of procurement activities;
- c. Regularly providing service areas with information on the percentage of spend made through contracted suppliers;
- d. Investigating and consulting with service areas on spend with non-contracted suppliers;
- e. Updating the Contract Register where new contract information is identified; and
- f. Incorporating additional projects into procurement plans where the need for new contracts is identified.

3.3 When figures were last reported to the Committee in June 2014, there were 687 contracts with an annual value of £514m on the Contract Register. Of these 541 with an annual value of £400m were still live at 31 December 2014 and 146 (£114m) had expired.

3.4 At 31 December 2014 there were 756 live contracts on the Contract Register with an annual value of £493m. A further 72 contracts (£13m) added to the register since the June Committee meeting had expired by 31 December 2014.

3.5 The table below summarises the Contract Register entries over this financial year to 31 December 2014 and shows the number and annual value of contracts added between June and December 2014.

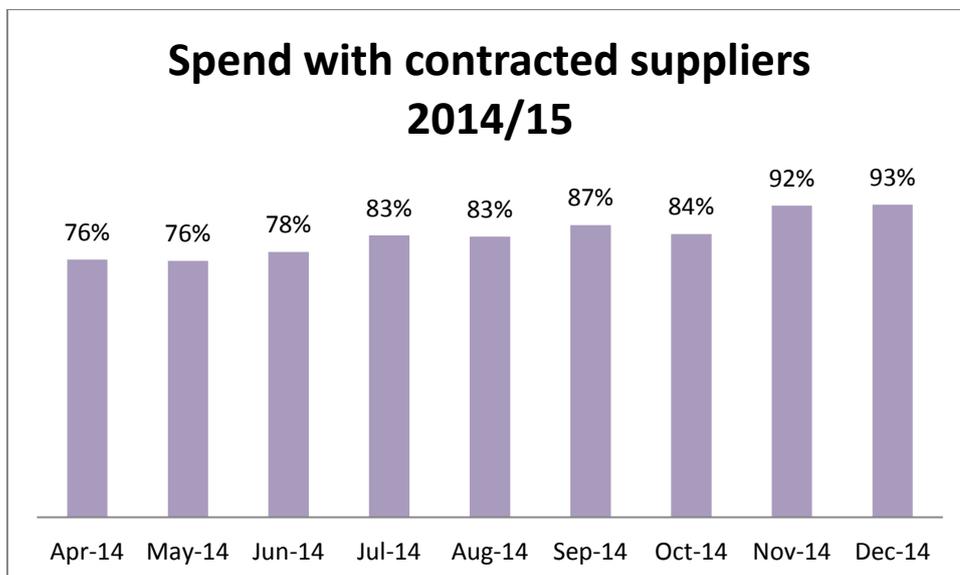
	Live contracts at 31 December 2014		Expired contracts at 31 December 2014		<b>Total</b>
On Register reported on 5 June 2014	541	£400m	146	£114m	<b>£514m</b>
Added to register between June and December 2014	215	£93m	72	£13m	<b>£106m</b>
<b>Total</b>	<b>756</b>	<b>£493m</b>	<b>218</b>	<b>£127m</b>	<b>£620m</b>

3.6 A breakdown of live contracts by Directorate is shown in Appendix 1 and the number and value of contracts expiring by March 2016 is shown in Appendix 2.

3.7 It should be noted that the table above includes both contracts where a new contract has been awarded to replace an expiring contract. The total annual value shown in the table may not therefore be directly compared with the Council's actual expenditure on works, goods and services.

3.8 A better indicator of the proportion of the Council's contracted expenditure on works, goods and services is provided by comparing expenditure with contracted suppliers with total expenditure on works, goods and services. Between June 2014 and December 2014 this rose from 78% to 93%. This reflects the number

of contracts that have been added to the Contract Register and increased compliance with those contracts, as well as increased rigour in identifying and excluding from the calculation non-relevant expenditure, for example grant payments. The chart below shows the improvement in this indicator in 2014/15.



- 3.9 Work continues to increase this percentage beyond the current 93% but the Committee should note that the Contract Register is not designed to record all expenditure below the thresholds noted in 2.1 above and as a result the percentage of spend with the suppliers listed on the Contract Register will never reach 100%.

## Measures of success

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- 4.1 The success of the Contract Register can be measured by:
- High percentage of third party spend with contracted suppliers.
  - Improved planning of upcoming procurement activities and effective resource allocation.
  - Reduced number of waiver reports.

## Financial impact

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- 5.1 Maintaining a comprehensive Contract Register will help the Council identify and deliver savings from improved commercial and procurement activity. It is also an important part of the control environment, helping to promote improved buying practices; thereby increasing the percentage of expenditure with contracted suppliers and reducing off contract spend.

## Risk, policy, compliance and governance impact

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- 6.1 Maintaining an accurate and up to date Contract Register, as recommended following the review of Contract Standing Orders, is imperative in reducing the risk of failing statutory and regulatory requirements and reducing off contract spend.

## Equalities impact

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- 7.1 There is no relationship to the public sector general equality duty to the matters described in this report and no direct equalities impact arising from this report.

## Sustainability impact

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- 8.1 A comprehensive Contract Register will enable a better understanding of the supplier base in order to understand how to encourage SMEs and third sector relationships.

## Consultation and engagement

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- 9.1 A programme of engagement has taken place with all Service Areas.

## Background reading/external references

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[Procurement Reform \(Scotland\) Act 2014](#)

[Report to Finance and Resources Committee – 5 June 2014, Commercial and Procurement Services – Contract Register Update](#)

Contract Register – available to inspect from Commercial and Procurement Services

### Alastair Maclean

Director of Corporate Governance

Contact: Nick Smith, Commercial and Procurement Manager

E-mail: [nick.smith@edinburgh.gov.uk](mailto:nick.smith@edinburgh.gov.uk) | Tel: 0131 529 4377

## Links

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**Coalition pledges**    **P30** – Continue to maintain a sound financial position including long-term financial planning

<b>Council outcomes</b>	<b>C025</b> – The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1: Live contracts: Annual contract value Appendix 2: Contracts due to expire

## Appendix 1: Live contracts - annual contract value

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The table below provides an overview of the annual value of contracts in 2014/15 split by service area.

Directorate	Number	Value £
Children & Families	66	89,639,438
Corporate Governance	77	19,898,969
Economic Development	14	1,932,841
Health & Social Care	201	157,914,834
Services for Communities	348	144,357,892
Cross Directorate	50	79,478,183
<b>Total</b>	<b>756</b>	<b>493,222,157</b>

## Appendix 2: Contracts due to expire

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The table below provides an overview of contracts due to expire by March 2016 by service area.

Directorate	Number of contracts expiring by 31 March 2016	Annual value of contracts expiring by 31 March 2016 £
Children & Families	27	4,462,736
Corporate Governance	23	3,190,837
Economic Development	11	423,350
Health & Social Care	165	140,181,037
Services for Communities	205	46,304,203
Cross Directorate	20	40,929,984
<b>Total</b>	<b>451</b>	<b>235,492,146</b>