

CYNGOR SIR POWYS COUNTY COUNCIL

SCRUTINY COMMITTEE A

14th December 2017

REPORT AUTHOR : Vince Hanley, Interim Professional Lead, Commercial Services

SUBJECT: Procurement of Fleet Spares

REPORT FOR: INFORMATION

Purpose

To inform Scrutiny of the Processes utilised for the Procurement of Fleet Spares and the emerging benefits of the new contract

Background and Position Pre-Tender

The Council spend over £500,000 every year on vehicle spares and this level of spend is subject to the provisions of the Public Contract Regulations 2015.

The Council also has a mandate from Welsh Government to take advantage of nationally negotiated contracts undertaken by the National Procurement Service on their behalf

Up until 2016 the Council's Vehicle Spares Requirements were purchased from a variety of suppliers, some of which were Powys based but mainly were nationally and internationally based). Spend with local suppliers, accounted for approximately **18%** of the total, with significant amounts spent with individual suppliers based in Shrewsbury and Cardiff.

Spend with suppliers was largely ad-hoc and was managed by the Vehicle and Plant Maintenance Workshops (Newtown (vehicles), Llandrindod Wells (plant), Brecon (vehicles)) Current supply relationships were based largely on two primary factors; the makeup of the vehicle fleet, primarily Ford (below 7.5 tonne) and DAF (over 7.5 tonne); and locality to the Workshops, as many orders are small value, and locally delivered, or are collected by Workshop staff. These collection duties can take up a large amount of productive workshop hours. No formal contracts existed and the purchases were not compliant with the provisions of the Public Contract Regulations 2015.

Management of the stock is undertaken by the Workshop Managers. Parts were either ordered on a spot basis, e.g. for specialist parts, or a selection of faster-

moving parts were kept on an imprest basis, and managed by the Workshop Managers.

However management information on what parts were purchased, volumes prices and from whom they were purchased was unavailable within the service and could only be identified on a manual basis by trawling invoices and delivery notes.

In short the Council was not getting the benefit of the aggregated spend for fleet parts, it did not comply with regulations, and the overall processes for purchase could be improved.

Procurement Process

A project was put in place to improve services and to bring purchases to accord with the requirements of contract procedure rules and regulations. A new Transport Management system was being planned which would provide much more information than was currently available but this was unlikely to be in place in time for the project.

The Council are mandated to 'call off' from National Procurement Service (NPS) contracts where they exist and the Fleet Parts contract had only just been put in place at the time of the review of this spend. This use of the framework was undertaken by running a mini-competition and following a period where a specification was drafted of requirement and parts utilised, a procurement was undertaken.

The Fleet contract was awarded by NPS in an open process some months previously and all such suppliers had a fair opportunity to bid to the frameworks. Unfortunately none of them did.

Within the terms of this contract there were options to deliver Community Benefits to each County and included the use of local suppliers including Fair Payment Clauses (see Appendix 1) and this was pressed very hard within the mini-competition by Commercial Services and Transportation.

Outcomes of the Mini-competition

The successful company's prices were lower than the manual sample taken from previous purchases by as much as 20% and though one or two items were higher in price for the vendor in overall terms it was far more beneficial to award to Digraph.

Other benefits offered including the provision of a free of charge imprest stock at their cost at each of our locations which would be developed by analysis volume and type of spares used over time to ensure that parts were immediately available to workshops.

The company could also provide the management information on parts used volumes and data that managers required to manage the workshops.

A further 2% of all Powys spend with the company will be paid back to this Council for Community Benefits purposes and this could be used for Community projects in the County but with a fleet services bias would be appropriate perhaps to help fund an apprenticeship in one of our workshops..

Their bid also provided options for our local suppliers to supply to the company and to limit the loss of any business they were obtaining directly from the Council and each of these suppliers were contacted in this regard

Contract 6 months Progress

A review has now been carried out of spend so far with Digraph and it's spend with local companies and the continued direct spend (by Powys CC) with its local supply chains. Because the contract was transitioned between April and June some spend with local suppliers continued directly.

The overall level of spend on fleet spares has reduced significantly to £200k for the half year to September 2017, £104k of which is directly with Digraph and £22K with local suppliers representing **11.12% of spend**. However Digraph have indicated that in the first 6 months of the contract a further £20k of their business was sourced via local Powys suppliers representing a modest increase in the proportion of local spend this year from **18% to 21.84%**. Digraph have excluded spend through their company purchase card which wasn't available at the time of drafting this report and this may further increase these proportions. The figures are shown in the table below:

Fig 1: Comparison of Local Supplier spend 2016/17 and 2017/18

	FY2016/17	Percentage (FY2016/17)	FY2017/18 Q1 & Q2	Percentage (FY2017/18)	Notes
Total Spend	£ 576,641.87	100.00%	£ 203,355.67	100.00%	
Not Local Spend	£ 466,146.09	80.84%	£ 180,733.69	88.88%	
Local Spend	£ 110,495.78	19.16%	£ 22,621.98	11.12%	Spend with local suppliers outside of Digraph
Digraph Local Spend	N/A	N/A	£ 19,766.85	9.72%	Spend with local suppliers by Digraph (from June)
Total Local Spend	£ 110,495.78	19.16%	£ 42,388.83	20.84%	Total spend with local suppliers both outside of and by Digraph

Conclusion

The contract with Digraph is working well for the service and the Council has seen a reduction in the overall spend on Fleet Spares spend representing a potential efficiency. Further analysis will be required after a full year to confirm. However it is pleasing that the local spend which was feared to have been lost when the contract was awarded has been retained through the supply chain and through the use of the community benefits clauses within the contract. A further opportunity is available to utilise the 2% of all spend for community schemes as we see fit.

Fair Payment Clauses

- 1.1** *Where the Supplier enters into a Sub-Contract, the Supplier shall include in that Sub-Contract:*
 - 1.1.1** *a provision that where the Sub-Contractor submits an invoice to the Supplier, the Supplier shall consider and verify that invoice in a timely fashion;*
 - 1.1.2** *a provision that the Supplier shall pay the Sub-Contractor any sums due under such an invoice no later than a period of 30 days from the date on which the Supplier has determined that the invoice is valid and agreed; and*
 - 1.1.3** *a provision requiring the counterparty to that Sub-Contract to include in any Sub-Contract which it awards provisions having the same effect as Clauses 13.14.1 and 13.14.2 of this Agreement.*