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Procurement review - School building maintenance works

Denbighshire County Council

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This document was produced by Derwyn Owen and Anthony Veale.

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Summary report

1. Following the receipt of correspondence from a contractor on the approved tender list, we conducted a review of Denbighshire County Council's (the Council) procurement arrangements in respect of schools' building maintenance works.
2. Our review focused on school building maintenance procured directly by the Council and did not cover school building maintenance procured directly by schools.
3. In respect of school building maintenance procured directly by the Council, the Council set a budget of £477,574 in the financial year 2012-13 and £545,678 for the 2013-14 financial year.
4. In carrying out our work, we took into account the findings of a recent Internal Audit review of 'Procurement of Construction Services' (October 2013).
5. We sought to answer the question: Are the Council's arrangements for procuring school building maintenance fit for purpose?
6. We concluded that improvements need to be made to the current procurement arrangements to ensure that the Council can demonstrate that it is achieving value for money. In addition, the Council is not fully complying with its contract procedure rules in respect of schools' building maintenance work.
7. We reached this conclusion because:
 - the current practices adopted by the Council for allocating work in respect of schools' building maintenance need to be more transparent;
 - whilst the Council has provided a rationale for allocating work to a small number of contractors, current processes need to improve to enable the Council to check and monitor work allocations;
 - the Council is not fully adhering to its current contract procedure rules;
 - arrangements to check the pricing of quotations submitted are inadequate;
 - the quality control arrangements in place need to be strengthened; and
 - arrangements to declare, manage and monitor relationships between Council officers and contractors need to improve.

Detailed report

Improvements need to be made to the current procurement arrangements to ensure that the Council can demonstrate that it is achieving value for money. In addition, the Council is not complying fully with its contract procedure rules

The current practices adopted by the Council for allocating work in respect of schools' building maintenance needs to be more transparent

8. Schools' building maintenance work is allocated to contractors who are on the Council's approved list of contractors. There are currently in the region of 280 contractors on the approved list. This list is used not only by school building maintenance procured directly by the Council but also by non-school public buildings, the agricultural estate, the industrial building portfolio, Design and Construction, Social Services, Housing Maintenance, Housing Regeneration and schools directly.
9. No information is provided by the Council about how contractors can apply to join the approved list either via their website or other forms of external communication.
10. The Council does not have an agreed procedure (or any form of established criteria) setting out the basis on which work allocations should be made to those included on the approved list. Such a procedure should be communicated to contractors who are already on the approved list and made available to contractors who wish to access the approved list.
11. We are told that contractors are selected to undertake work based upon an assessment of past performance, value for money, quality of work and in some cases at the request of the client (ie the school). Whilst our work found some evidence to support this basis for work allocation, the Council needs to improve its processes by:
 - clearly communicating to contractors how to apply and access the approved list;
 - establishing agreed procedures or criteria as to how contractors will be selected from the approved list in terms of work allocations; and
 - establishing agreed processes to evidence the selection of contractors from the approved list based on price, quality or past performance.

Whilst the Council has provided a rationale for allocating work to a small number of contractors, current processes need to improve to enable the Council to check and monitor work allocations

12. Our analysis of schools' building maintenance work allocations in 2012-13 identified:
 - a total of 1,291 invoices were paid against the budget of £477,574 to 52 companies;

- the trades provided by these companies included heating (three companies), electrical (two companies), roofing (two companies), general builders (seven companies) and specialist contractors (38 companies); and
 - of these works, 576 invoices were under £100, 504 invoices were between £100 and £500, 145 invoices were between £500 and £1,000 and 66 invoices over £1,000.
- 13.** For the 2012-13 financial year, 39 per cent of the work in value terms was allocated to three contractors. These three contractors received nearly 43 per cent of the actual jobs allocated. For clarification, the highest paid contractor won the contract works through competitive tender.
- 14.** Our analysis of schools' building maintenance work allocations in 2013-14 identified:
- a total of 857 invoices have been paid to date (total spend to date £404,544) against the budget of £477,574 to 52 companies;
 - the trades provided by these companies included: heating (three companies), electrical (two companies), specialist electrical (one company), roofing (two companies), general builders (eight companies) and specialist contractors (36 companies); and
 - of these works, 377 invoices were under £100, 297 invoices were between £100 and £500, 84 invoices were between £500 and £1,000 and 99 invoices over £1,000.
- 15.** For the 2013-14 financial year to date, 34 per cent of the work in value terms has been allocated to three contractors. These three contractors received 45 per cent of the actual jobs allocated. For clarification, the third highest paid contractor to date won the contract works through competitive tender.
- 16.** A more detailed breakdown of these figures is included in [Exhibit 1](#) below.

Exhibit 1: Three highest paid contractors for school building maintenance for the 2012-13 and 2013-14 financial years:

2012-13 financial year analysis		
Contractor	Value of work awarded as a percentage of the schools maintenance budget	Number of jobs awarded as a percentage of the total number of jobs
Highest paid contractor (Contractor A)	14.6%	12.2%
Second highest paid contractor (Contractor B)	13.6%	18.5%
Third highest paid contractor (Contractor C)	13.2%	7.6%

2013-14 financial year analysis		
Contractor	Value of work awarded as a percentage of the schools maintenance spend to date	Number of jobs awarded as a percentage of the total number of jobs
Highest paid contractor (Contractor B)	15.2%	28.4%
Second highest paid contractor (Contractor C)	11.0%	13.1%
Third highest paid contractor (Contractor A)	8.1%	3.3%

17. Following us presenting our initial findings, the Council has been able to provide us with a rationale for allocating these jobs to these three contractors based on price, specialism or geography for both the 2012-13 and 2013-14 financial years.
18. However, no performance management information is collated which details the level of spend and the number of jobs allocated to contractors during a particular period. This type of analysis would enable the Council to assess, scrutinise and challenge its allocation of work to contractors. More importantly, this analysis and assessment would enable the Council to better demonstrate that it was achieving value for money in respect of its procurement processes.

The Council is not fully adhering to its current contract procedure rules

19. One of the clauses in the Contract Procedure Rules per the Council's Constitution state:
'The Responsible Officer may dispose of the requirement to obtain competitive quotations or tenders for contracts with an estimated value of less than £10,000. However, the Responsible Officer shall keep in mind the requirements of best value for money. The Responsible Officer shall obtain, where practicable, one written quotation before a formal purchase order shall be issued.'
20. Our work identified that the Council did not, in a number of instances, obtain a minimum of one quote, prior to raising a purchase order. Our work confirmed that there were no practical reasons why a minimum of one quote was not obtained.

Arrangements to check the pricing of quotations submitted are inadequate

21. From an overall pricing perspective, our work identified that there are minimal arrangements in place for checking the quotations submitted by individual contractors on the basis that:
 - Not all jobs less than £10,000 are supported by a quotation.

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- There is no documented evidence of price checking taking place for quotes that are received. It should be noted that reliance is placed on the technical and professional integrity of the appropriate officers being relied upon to undertake quality control checks.
 - There are no criteria in place for Council officers to select and check a sample of jobs quotes received against approved pricing lists.

The quality control procedures need to be strengthened

- 22.** In terms of the general quality control arrangements, we identified that:
- the level of checking is dependent on the type of works, ie larger jobs are subject to greater levels of quality control;
 - there are procedures in place for surveyors to document and evidence quality control checks (post-inspection reporting procedure);
 - the Help Desk performs a weekly spot check to confirm Post Inspection reports are being completed; and
 - on all types of works and orders, schools (clients) are sent questionnaires relating to contractor performance and maintenance team performance.
- 23.** Our work has identified a number of deficiencies in respect of the quality control procedures:
- the Council does not set criteria in respect of minimal levels of checking or target levels for checking quality;
 - the processes or procedures whereby surveyors can evidence quality checks are not being used consistently and as frequently as they should be; and
 - schools are seldom completing the feedback questionnaires.
- 24.** As such, limited performance management information is available to enable the Council to monitor and evaluate the performance of contractors and hence actively manage the approved list. The Council is therefore unable to effectively demonstrate that contractors are selected from the approved list on the basis of past performance and/or quality.

Arrangements to declare, manage and monitor relationships between Council officers and contractors need to improve

- 25.** Whilst there are corporate arrangements within the Council, there are no specific arrangements in place at a local level for officers to declare, manage and monitor relationships between Council officers and contractors. This is particularly important for those officers who are in a position to allocate contract work, check the quality of contract work and authorise the payment for works undertaken.
- 26.** In this respect, arrangements need to be put in place to ensure that declaration of interests are proactively managed and officers are regularly reminded of the importance and the requirement to declare any interests.

Appendix 1

Recommendations and action plan

Recommendation	Council's response	Implementation date
<p>The current practices adopted by the Council for allocating work in respect of schools' building maintenance need to be more transparent .</p> <p>The Council should review and strengthen their procedures in respect of their use of approved contractor lists. The Council should:</p> <ul style="list-style-type: none">• clearly communicate to contractors how to apply and access the approved list;• establish agreed procedures or criteria as to how contractors will be selected from the approved list in terms of work allocations; and• establish agreed processes to evidence the selection of contractors from the approved list based on price, quality or past performance.	<p>Work is ongoing to establish framework arrangements for reactive maintenance works to all public buildings. This is in conjunction with the work being undertaken by the Construction Procurement Working Group which is considering procurement of construction projects corporately (not just within Property).</p> <p>While an approved list is likely to remain for specialist contractors and, in the medium term, contractors wishing to be considered for higher value non-reactive works, this will be advertised on the Council's website.</p> <p>The Proactis e-sourcing system being rolled out through the Strategic Procurement Unit will facilitate the selection of contractors and recording and monitoring of cost, quality and performance.</p>	<p>July 2014 for agreed ITT and consultation.</p> <p>User training will take place May/June 2014. System configuration for monitoring will commence once users have been trained.</p>

Recommendation	Council's response	Implementation date
<p>Whilst the Council has provided a rationale for allocating work to a small number of contractors, current processes need to improve to enable the Council to check and monitor work allocations</p> <ul style="list-style-type: none"> Management information needs to be available to enable Council officers to check and monitor the levels of work allocated to contractors. 	<p>No automated system currently in place. The Proactis e-sourcing system being rolled out through the Strategic Procurement Unit will provide an electronic information management tool for this purpose.</p>	<p>User training will take place May/June 2014. System configuration for monitoring will commence once users have been trained.</p>
<p>The Council is not fully adhering to its current contract procedure rules in respect of school building maintenance works.</p> <ul style="list-style-type: none"> Officers should be reminded of the requirement to obtain quotes for all works for less than £10,000 unless it can be demonstrated that a quote would not be practicable, eg for emergency works. 	<p>Evidence shows that over the last two years (2012/13 to February 2014) from a total of 2,148 jobs completed, 44.5% were for a value of less than £100 and 37.5% were for a value below £500. Only 7.5% of jobs were for a value over £1,000. Given the volume, diverse nature of the jobs and client expectations to have service delivery restored ASAP, it is not considered practicable in terms of internal resource (when coupled with the workload generated through planned, capital and client request works), customer needs and the availability of contractors willing to undertake reactive works, to routinely obtain quotes for reactive works.</p>	<p>April 2014</p>

Recommendation	Council's response	Implementation date
	<p>A threshold of £1,000 anticipated cost for gaining a single quotation or documented justification for not doing so is suggested and this will be incorporated into the Facilities & Maintenance (F&M) procedures. This will be monitored by senior officers through the existing order/invoice approval measures.</p>	
<p>Arrangements to check the pricing of quotations submitted are inadequate. The Council need to introduce appropriate and sufficient procedures with regards to price checking quotations. In this respect:</p> <ul style="list-style-type: none"> • criteria needs to be established to select and check a sample of jobs quotes received against approved pricing lists; • price checking needs to be clearly documented and evidenced; and • all jobs less than £10,000 should be supported by at least one quotation (unless there is a justifiable reason not to obtain a quote such as emergency works). 	<p>A process will be incorporated into the F&M procedures initially based on random selection of 25% of single quotes received to be reviewed by the relevant manager with the appropriate surveyor.</p> <p>Due to the diverse and sometimes specialist nature of reactive works, standard pricing guides are not readily available, particularly where local markets can dictate rates etc. Subsequently, the professional judgement of officers with recorded justification will need to be recognised as acceptable criteria.</p> <p>See previous note re: CPR's</p>	<p>April 2014</p>

Recommendation	Council's response	Implementation date
<p>The quality control procedures need to be strengthened.</p> <p>In this respect:</p> <ul style="list-style-type: none"> • criteria setting out minimal levels or target levels for quality checks are required; • surveyors need to ensure that they consistently and more frequently evidence quality checks; and • schools need to be actively reminded to complete feedback forms on a regular basis. 	<p>The existing F&M procedures require quality sign-off by surveyors. This is now being regularly monitored by management.</p> <p>The introduction of the Proactis e-sourcing system currently being rolled out through the Strategic Procurement Unit will provide an improved method for recording and monitoring information.</p> <p>As well as issuing feedback forms for schools to complete, the Building Maintenance Help Desk now also telephones schools in an effort to gain the feedback required on the questionnaire. Property do not have the remit to compel response nor the ability to sanction non-compliance.</p>	<p>Ongoing.</p> <p>User training will take place May/June 2014. System configuration for monitoring will commence once users have been trained.</p> <p>Auto-generated e-mails to clients will contain satisfaction questionnaires based on the current system.</p>
<p>Arrangements to declare, manage and monitor relationships between Council Officers and contractors needs to improve.</p> <ul style="list-style-type: none"> • Arrangements need to be put in place to ensure that declaration of interests are proactively managed and procurement officers are regularly reminded of the importance and the requirement to declare any interests. The Council should review its guidance and training procedures, particularly in respect of staff involved in procurement procedures. 	<p>A local arrangement for Property is now in place.</p>	



WALES AUDIT OFFICE

SWYDDFA ARCHWILIO CYMRU

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Tel: 029 2032 0500

Ffôn: 029 2032 0500

Fax: 029 2032 0600

Ffacs: 029 2032 0600

Textphone: 029 2032 0660

Ffôn Testun: 029 2032 0660

E-mail: info@wao.gov.uk

E-bost: info@wao.gov.uk

Website: www.wao.gov.uk

Gwefan: www.wao.gov.uk