

From: **Vincent Godfrey, Strategic Commissioner**

To: **Peter Oakford, Deputy Leader and Cabinet Member for Strategic Commissioning and Public Health**

Decision No: 18/00033

Subject: **Commercial Services Procurement Plan for 'Core' Trading**

Key decision: **Expenditure – Over £1m**
a) Flexible contract/framework contracts for the supply of good/services to the Commercial services group 'Core' businesses
b) Flexible contract/framework contracts for the supply of good/services direct to the end customer. Operated through Commercial services group 'Core' businesses.

Classification:

Past Pathway of Paper: None

Future Pathway of Paper: For Cabinet Member Decision

Electoral Division: All

Summary: The Commercial Services Group (CS), via its 3 trading vehicles deliver a broad spectrum of services to various customers across the UK, with about 10% of its income coming directly from KCC. It also operates a selection of 'Core' services on behalf of Kent County Council, these being mainly Energy and KCS supplies. This report provides an overview of the procurement processes that need to be undertaken by CS in the current financial year (2018–2019) to be able to deliver against their agreed business plan/budget. All procurement activity in excess of £1m in 'Core' requires a KCC Key Decision.

Recommendation(s):

The Cabinet Member is asked to agree that delegated authority be given to the Strategic Commissioner to execute the procurement activities detailed within this report in consultation with the Cabinet Member for Strategic Commissioning and Public Health.

1. Introduction

- 1.1 The Commercial Services Group trade with the public sector, the private sector and the third sector. The largest customer base is the public sector and includes local authorities, emergency services, NHS trusts, multi academy trusts and schools/colleges.
- 1.2 In order to ensure best value to its customers and a significant annual contribution/dividend to KCC, CS operates in 3 different ways.
 - Core – This is where CS operates on behalf of KCC
 - Teckal
 - Sec 95

CS has its own processes and procedures for authorising procurement as part of the 3 trading vehicles above. Core however also requires a formal KCC Key Member decision where the value exceeds £1m.
- 1.3 There are 2 main types of procurement in Core. The first is where CS buys the goods/services from the supplier and then sells on to the end customer (eg. stationery and educational supplies bought by KCS). The second is where the end customer purchases direct from the supplier and a rebate is paid to reimburse CS for the costs of running and administering this compliant route to market for the customer and supplier.
- 1.4 This document details the major procurement activity (in excess of £1m over the life of the contract) that is planned to be undertaken this financial year and falls within the categories explained in 1.3 above.
- 1.5 All major planned procurement is contained within the CS business plan and has been reviewed and approved by the KCC Shareholder board and the CS Company Board.
- 1.6 All of the procurement listed is to retender existing supply arrangements due to contracts reaching their scheduled end dates.
- 1.7 All of the planned contracts will be frameworks and therefore CS/KCC have no obligation to procure from them and there is no guaranteed work load. This means that we can maintain a good level of flexibility and agility and therefore only order what is actually needed by the end customer.

2. Financial Implications

- 2.1 All of the procurement detailed within this report contributes to dividend/contribution for KCC.
- 2.2 KCC's spend on the services listed will be circa £16m pa of which the vast majority is energy.
- 2.3 The remaining value is energy purchases made by LASER on behalf of other public sector customers who utilise the frameworks. There is negligible financial risk to KCC as customers remain responsible for paying suppliers for the energy purchased by LASER; either directly to the suppliers, or via LASER

in the case of customers taking a managed service. This has been the case since LASER's inception in 1989

- 2.4 LASER consistently purchases energy for KCC and other public sector customers at below average market prices, offering cost relief at a time of constrained public sector budgets. Across KCC's portfolio (including Kent Highways), LASER's flexible procurement frameworks have achieved an average cost avoidance of £1.3M per annum over the past four years.

3. Bold Steps for Kent and Policy Framework

- 3.1 CS was KCC's first traded service and has been fully self-sufficient for 5 years.
- 3.2 It supports KCC's objectives of local employment, commercial sustainability, environmentally sustainable, value for money services, revenue generation and front line service investment through return of annual contribution/dividends.
- 3.3 CS continues to work closely with its sister companies to share learning and knowledge. Support has also been provided in the shape of specialist resources, policies and procedures and industry contacts.

4. Governance

- 4.1 All frameworks whether for LASER or KCS:
 - 4.1.1 comply with all relevant equality legislation
 - 4.1.2 comply with the public sector procurement legislation.
 - 4.1.3 comply with all relevant Public Health legislation.
 - 4.1.4 comply with the latest GDPR legislation.
- 4.2 Appendix A lists the proposed 14 Core procurements. (Restricted – commercially confidential).
- 4.3 During the last 2 years CS has significantly increased its focus on governance and business process control/compliance. This has led to major improvements in the operation of the company and this is evidenced by the results of the independent audits that have been undertaken during this time. Over the last two years, KCC Internal Audit has upgraded their overall assurance opinion of CS governance and controls from "Limited" to "Substantial". A detailed signing authority matrix is now in operation and this has led to much higher level of checks and scrutiny to ensure transparent and proper controls.
- 4.4 There are commercial contractual arrangements in place for all contracts that CS manage on behalf of KCC and these are reviewed by the Strategic Commissioner. As part of the wider governance arrangements, the Shareholder Board has approved the board business activity detailed in this report from a shareholder perspective and financial returns for the CS group

for the term of its business plan. Given that the 'Core' contracts are contracts that are managed on behalf of KCC, the Strategic Commissioner is responsible for managing these contracts through the CS business.

5. Conclusions

The proposed procurement activity is a replacement of existing frameworks that are due to expire and as such, given they are framework contracts, they pose little risk to KCC or CS. They ensure delivery of the budgeted income specified in the Group's business plans and are essential to ensure that CS can continue to deliver their nationwide services, whilst ensuring that the financial return benefits the residents of Kent.

6. Recommendation(s):

The Cabinet Member is asked to agree that delegated authority be given to the Strategic Commissioner to execute the procurement activities detailed within this report in consultation with the Cabinet Member for Strategic Commissioning and Public Health

7. Background Documents

7.1. none

8. Contact details

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