

PROCUREMENT OF HARRIER CENTRE ROOF REPLACEMENT

Head of Service:	Andrew Bircher, Interim Director of Corporate Services
Report Author	Andrew Bircher
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	no
If yes, reason urgent decision required:	
Appendices (attached):	n/a

Summary

To present the findings of a review into the procurement of the Harrier Centre Roof replacement, commissioned as requested by the Strategy and Resources committee meeting on the 21st September 2023.

Recommendation (s)

The Committee is asked to:

- (1) Note the findings of the report and endorse the learning points from it (as set out in para 4.1 of this report).**

1 Reason for Recommendation

- 1.1 The committee is asked to note the outcome of the review following the procurement of the Harrier Centre roof replacement and support the recommended items for improvement.

2 Background

- 2.1 A report seeking funding to pay for the works at the Harrier Centre was brought to the Strategy and Resources Committee on the 21st September 2023. The report sought further funding for the roof replacement project as a result of substantially increased costs from the initial estimate following a procurement exercise. Permission was sought from the committee to fund the works at the new, increased costs.
- 2.2 Approval was given for the works at the meeting and the works have progressed through to successful completion.

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- 2.3 During the meeting members of the committee raised concerns about the fact that the costs had increased since the work was first scoped. There was also concern expressed about the closeness of the final bid figures between different suppliers.
- 2.4 The explanation for this was given to the committee reflecting that the material costs had increased over time since the original estimate. The closeness of the figures was explained by the fact that the roofing material itself was coming from one supplier and as a result of that fixed cost the only variable cost was installation costs from the various suppliers, whose margins would only differ slightly.
- 2.5 Although the committee approved the funding it was requested that a review should take place of the procurement process to see if any lessons could be learned. That review was commissioned through our (external) internal auditors (a company called Southern Internal Audit Partnership – SIAP - who provide internal audit services for a number of local authorities in the South East of England).
- 2.6 A summary of the key findings by SIAP are set out below.

3 Key findings from SIAP following their review of the Harrier Centre Roof procurement.

1. Background

1.1. At the Strategy and Resources Committee 21 September 2023 an additional funding of £105k to previously approved funding of £150k, was requested for the project.

Scope of review

2.1. To review the procurement process to ascertain the reasons for the price increase and reasons why the bids were close in value.

2.2. This included:

- Seek to determine if due process was followed throughout the procurement process including how the potential suppliers were identified and any due diligence undertaken around these suppliers.
- Seek to provide insight as to why prices increased from the original proposal.

3. Key findings

The procurement process

3.1. Contract Standing Orders require all procurements at threshold 2 and 3 to be processed via the Council's eSourcing platform In-Tend. This requirement was fulfilled.

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3.2. The Council's Procurement Strategy March 2022, section 9.3 sets out that local SMEs should be encouraged to bid for contract opportunities, subject to the normal tendering requirements. This was adopted in full in the March Request For Quotation (RFQ) and in part in the October RFQ.

3.3. For the October RFQ no evidence, including a Companies House check, was identified that indicates collusion between the suppliers. All suppliers completed the statement of non-collusion as required.

3.4. Whilst the fitting of the new roof has been subject to a competitive procurement process, the anti-vandal roofing materials specified within the RFQ are from a sole manufacturer. In circumstances of a sole provider a waiver to the normal procurement rules, in line with Contract Standing Orders is needed. Whilst a waiver was raised, it was done so retrospectively as a result of an administrative oversight.

Price Increases

3.5. The review identified three main reasons that account for the increase in cost for the project from the original capital bid to outturn expenditure:

- **Original budget estimate insufficient.** The original capital bid was based on a quotation received from the supplier of the roofing with a provision added (internally) for preliminaries and contingencies. These provisions were insufficient to incorporate all other supplier costs beyond the roof materials and labour for fitting, as evidenced on the returned RFQ's. As a result, a revised capital bid had to be submitted and a further RFQ exercise undertaken, thereby extending the timeframe for the project.

- **Extended timeline/inflation.** During a period of high inflation, the extended timeline has contributed to the increase in cost. Based on the National Statistics Office, RPI between June 2022 – September 2023 was 11.3% and Construction Output Price Indices (Private industrial Non-housing new work) indicates monthly cumulative change of 4.9% between June 2022 and September 2023.

- **Change in scope for works.** The project brief within the October RFQ required additional work compared to the March RFQ documentation. These additions have contributed to an increase in cost in the range of £16.6k - £26.1k (depending on supplier) and a further increase of £15k in the contingency requirement in the RFQ.

4 Recommendations / management actions

4.1 There are a number of improvements identified through the audit as follows:

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- 4.1.1 Ensure greater focus on the timely supply and approval of waiver documentation, recognising as in this case that there was a sole supplier involved and therefore a waiver of the CSOs was required for that element of the overall procurement, even though the rest of the process was to go through a tender. This has been agreed and will be taken forward with the procurement team.
- 4.1.2 In the case of a small number of suppliers through a closed tender, credit checks could be carried out at an earlier stage of the process. This has been agreed and will be taken forward with the procurement team.
- 4.1.3 Ensure that where possible there is minimal delay between the sourcing of a quotation and carrying out the works so as to avoid any cost increases and regularly refresh estimates in a time of high inflation if the work has not been progressed. This has been agreed and where possible will be implemented by the Building services team.

5 Risk Assessment

Legal or other duties

5.1 Equality Impact Assessment

5.1.1 Nothing arises from this report

5.2 Crime & Disorder

5.2.1 n/a

5.3 Safeguarding

5.3.1 n/a

5.4 Dependencies

5.4.1 n/a

5.5 Other

5.5.1 n/a

6 Financial Implications

6.1 **Section 151 Officer's comments:** None arising from the contents of this report.

7 Legal Implications

7.1 **Legal Officer's comments:** None arising from the contents of this report

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8 Policies, Plans & Partnerships

8.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- Effective Council

8.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.

8.3 **Climate & Environmental Impact of recommendations:** n/a

8.4 **Sustainability Policy & Community Safety Implications:** n/a

8.5 **Partnerships:** n/a

9 Background papers

9.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Poole Road Pavilion Reroofing Project, Strategy & Resources, 21 September 2023