

**Report of: Assistant Director, Service Finance
on behalf of the Commissioning and Procurement Board**

Meeting of:	Date	Agenda item	Ward(s)
Policy and Performance Scrutiny Committee	14 March 2017		All

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SUBJECT: Procurement Processes – Update report to the Policy and Performance Scrutiny Committee (14 March 2017)

1. Synopsis

- 1.1 This report is the bi-annual update to the Policy and Performance Scrutiny Committee (the ‘Committee’) to enable the Committee to maintain an overview of the work of the Commissioning and Procurement Board and the Council’s contract spend.
- 1.2 The report forms part of the implementation of the agreed decisions of the Executive on 18 September 2014 following a year-long review of the Council’s procurement process by the Committee. The last such report was presented to the Committee on 19 September 2016.

2. Recommendations

- 2.1 To note the recent work of the Commissioning and Procurement Board from July 2016 to December 2016 as set out in this report.
- 2.2 To note the actions of Strategic Procurement and the Commissioning and Procurement Board in following up the recommendations of the Committee.

3. Background

- 3.1 The Committee undertook a year-long review of procurement processes and key areas of Council spend. The Executive in response decided that the Board should provide the Committee with a bi-annual report on its work. The report is to enable the Committee to maintain an overview of the work of the Board and contract spend. This report covers the work of the Board from July 2016 to December 2016.
- 3.2 This report is divided into two parts: Part A and Part B. Part A provides a summary of general updates on the matters agreed by the Executive. Part B provides the second bi-annual report from the Board to the Committee detailing the specific procurement reviews that took place in the period in question.

PART A: Summary regarding matters agreed by the Executive

3.3 Action 1: Assisting the voluntary and community sector.

The Committee asked that we report some of the work which Strategic Procurement is conducting to try to support the voluntary and committee sector. The following illustrates some of this work:

- Encouraging the voluntary and community sector to link in with umbrella organisations such as Voluntary Action Islington (VAI);
- Working with the newly established Voluntary and Community Sector Development Team to plan networking events;
- Getting to know the voluntary and community sector by encouraging commissioning client officers in departments to have 'meet the buyer', networking, sub-contracting/partnering and/or information events;
- Offering training on bidding as part of a consortium;
- Transparently publishing lists of all contracts on the Council's website with an aggregate annual value of £5,000 or more to ensure voluntary and community sector can see who our prime contractors are with whom they can build alliances, where they may be too small to contract directly;
- Having dedicated pages on Selling to the Council with a range of guidance and support available including a helpline 020 7527 8118 and generic email address procurement@islington.gov.uk to help with general enquiries on how to do business with the Council;
- Maintaining regular supplier registration days and offering a very significant training offer to providers as covered within this report;
- Advertising larger requirements transparently on the Council's website, London Tenders Portal and via VAI, so these opportunities are widely visible to the sector;
- Allowing providers the opportunities to set up e-alerts which scan any published adverts for key words or categories of services and email the organisation to inform them of the opportunity;

- Having a Tender Resource Pack to provide general information to the sector which is updated biennially, along with a range of tips and guides;
- Completing a range of impact assessments and reviewing and challenging commissioning client officers on social value as part of every tender;
- Consulting and encouraging commissioners to undertake market engagement when developing services they will be re-commissioning to ensure the voluntary and community sector can give their perspective on developing proposals;
- Having a clear overarching corporate Procurement Strategy which dedicates one of the four themes to Supporting the Local Economy and particularly the voluntary and community sector;
- Reviewing commissioning client officer packaging proposals and suggesting ways to divide contracts into smaller lots which may work for the voluntary and community sector;
- Having specific questions as part of the selection process where relevant on an organisation's experience in working with a range of voluntary and community sector organisations;
- Having questions as part of award in regards to understanding of how an organisation will work in partnership with the community and voluntary and community sector organisations;
- Indicating clearly within advertisements that we welcome bids from the voluntary and community sector or partnership and consortium or as sub-contractors where relevant;
- Providing as much notice as possible of potential opportunities and by publishing and list of all contracts we have over £5,000 in an open access format, organisations can sort by what they want in terms of interest or end date to see when opportunities may become available;
- Careful consideration is given to contract durations to ensure they are sustainable for the investment of resources but not so long they are unobtainable wherever possible;
- Having very straightforward procurement processes, for example allowing direct invitations to quote for light-touch services (those primarily within Health and Social Care) up to £500,000, thus greatly reducing the time and investment required from organisations;
- Using the national standard Selection Questionnaire (SQ) applicable to all governmental organisations and replacing the old Pre-Qualification Questionnaire (PQQ);
- Offering training on how to complete an SQ;
- Where questions are asked which are bespoke to the goods, works or services procured, ensuring those questions are proportionate to the size of the contract procured and no unnecessary questions are asked and no documents are usually requested as part of the SQ;

- Reviewing questions carefully to ensure they do not distort the market by excluding the voluntary and community sector unnecessarily;
- Encouraging outcome based specifications which allow the voluntary and community sector to demonstrate their unique abilities to deliver services;
- Discouraging lots of background reading wherever possible and not requesting excessive number of documents to be submitted;
- Prudently balancing the cost and quality ratio on a case by case basis to allow organisations the opportunity to demonstrate their innovation within the financial envelopes available;
- Offering training on how to complete a tender;
- Assigning contractual obligations and risks objectively to ensure these are balanced fairly with the Council and organisation;
- Including terms within the specifications where relevant with direct links to the community and thus at the heart of what the voluntary and community sector can deliver;
- Avoiding unnecessary specification requirements, reporting commitments and key performance indicators (KPIs) and where possible removing as much jargon as possible;
- Having sensible and published procurement timetables, responding quickly to questions wherever we can and allowing fair time to submit questions and review Council responses;
- Ensuring proper consideration of payment terms and payment milestones, paying promptly so as to not require excessive cash flows;
- Clearly articulating what is expected from the outset from organisations with no later hidden surprises, but still allowing the voluntary and community sector to demonstrate their key selling points;
- Making it clear what the budget and expectations are to avoid all organisations, including those within the voluntary and community sector, bidding unsustainably and where an unsustainable bid is identified, challenging this;
- Providing comprehensive feedback on any submission to allow bidders the opportunity to see where they did well and where they need to improve;
- Training internal client commissioning officers on contract management and supplier relationship management to help them when working with the voluntary and community sector.

3.4 **Action 2: Require bidders to explain how they will improve the social, economic and environmental well-being of the Borough.**

Social Value is due to form a significant part of the next bi-annual report to the Committee.

Consequently, this report will not seek to duplicate the contents. However, as previously reported, Social Value is a standard consideration of each procurement strategy report and is often built into contracts as specific questions or specification terms. The Board challenge Social Value and there is a specific Board member with responsibility for social value. Guidance is in place to support commissioning officers, which is currently being reviewed. The Committee will note in the improvements in Social Value consideration as part of the individual challenge processes in Part B of these reports.

3.5 **Action 3: Ensuring housing contracts deliver value for money.**

In the last report, we noted we were completing the final actions delivering Contract Management and Supplier Relationship Management training and reporting on its success.

Strategic Procurement is currently in the process of commissioning further internal training on Evaluating Tenders. We will update the Committee in the next report.

3.6 **Action 4: London Living Wage.**

Action 5: Strategy, Equality and Performance Unit to improve guidance within the procurement procedures relating to equalities.

Action 6: Raising the threshold in the Procurement Rules that triggers the requirement for competitive tenders.

As per last report, these actions have been fully implemented and thus no longer form part of the report.

3.7 **Action 7: Continue to offer registration days**

Strategic Procurement has continued to offer bi-monthly Supplier Registration Days. The days assist potential providers to register on the London Tenders Portal and are advertised on the Council's website.

A list of the available future Supplier Registration dates is published on the Council's website: https://www.islington.gov.uk/business/opportunities/selling_council/procurement-ops

Continue to offer training workshops to local suppliers

In the six month period that this report covers the following have been delivered (approximately one workshop per calendar month):

- Consortia Bidding Workshop x 1 workshops
(1 July 2016)
- Completing a PQQ workshop x 2 workshops
(19 July and 14 October 2016)
- Completing an ITT Workshop x 2 workshops
(23 September and 23 November 2016)

The Committee will be presented with the second full year annual performance data on the provider in the next bi-annual report. The supplier workshop performance year is from April

until March, with the data being assessed at that point.

The Committee should note that with the introduction of the Selection Question (SQ) replacing the Pre-Qualification Questionnaire (PQQ), the training has been updated to be 'Completing a SQ' with effect from January 2017.

A list of the available future Supplier Workshop dates is published on the Council's website: https://www.islington.gov.uk/business/opportunities/selling_council

3.8 **Action 8. Maintain tight control over the use of consultants.**

As the Committee is aware, the Council has a rigorous process to understand and control the use of consultants. Engagement of a consultant has required completion of a business case with the support of the Corporate Director and/or Assistant Chief Executive, along with approval of the consultancy business case panel. An independent audit has been completed to provide quality reassurance on the process. The Head of Strategic Procurement (or his representative) will also advise where it is more appropriate to directly employ a member of staff. The Board oversee the panel members and have provided refreshed names.

The Committee should note there are significant changes being introduced by HMRC to the employment tax and national insurance contributions paid by individuals by invoice in the public sector. Strategic Procurement is part of a working group including Legal, Human Resources and Finance helping to prepare the Council for those changes.

The extent of the changes is still being formulated, but the Council will only have until 6 April 2017 to implement the changes. However, what is known is that where the Council continues to pay a worker through their own company (i.e. paying them by invoice), or continues to pay for a previously engaged worker, the council will be responsible for:

- running checks outlined by HMRC to determine their 'IR35 rule' status, which ensure that applicable workers pay the correct tax and national insurance; and
- deducting the right tax and national insurance contributions for those workers and paying HMRC.

The Committee will be briefed as part of the next bi-annual report with the extent of the changes.

PART B: Bi-annual report to the Policy and Performance Scrutiny Committee to enable the Committee to maintain an overview of the work of the Commissioning and Procurement Board and contract spend.

3.9 **Action: A bi-annual report to the Committee for information to enable the committee to maintain an overview of the work of the Board and of contract spend.**

Overview of the work

The Board brings together senior/chief officers from each Council department and the Executive Member with responsibility for procurement to oversee procurement processes and contract spend.

3.10 CMB commissioned the End-to-End Review of Supply Chain Management. The Board were tasked with maintaining an overview of the outcomes of the review and ensuring its recommendations are delivered. We reported that the Board was overseeing the operational group, the Supply Chain Practitioners Group.

In the July – December 2016 period covered by this report, the Supply Chain Practitioners have covered agenda items as follows:

- Evaluating tenders and giving feedback
- Changes to the Procurement Rules
- Forward planning
- Corporate Contracts Database Register (CCDR)
- Involvement and coproduction
- Framework agreements
- Grants and working with the VCS
- Bid rigging.

3.11 The Procurement Strategy and Procurement Service Plan have continued to be progressed. A review has taken place of our current status. The objectives which were reviewed and agreed at Executive have been monitored. We are on target to achieve the five year outcomes set.

3.12 The Committee wanted the Procurement Toolkit to be maintained and updated. Work has continued to ensure we have a suite of documents to support commissioning client officers at all stages of the contract life-cycle.

3.13 The Board have maintained an oversight of the messages delivered by Strategic Procurement to all staff. The messages are delivered through IC Bulletin and Managers' Bulletin instead of a separate newsletter since January 2016.

3.14 The Board oversee the transparency publication of the Council of all contracts which exceed £5,000. The data is managed by Strategic Procurement on behalf of the Council. Findings continue to be presented on a calendar monthly basis to the Board for assessment.

3.15 The Community Right to Challenge window ran from 1 September 2016 until 31 October 2016 on the Council's website as planned. The window is operated by Strategic Procurement and overseen by the Board. The window allows local community and faith groups to express their interest in running existing Council services and is a legal requirement. The window closed with no expressions of interest from local community or faith groups to take over existing Council services.

3.16 Spend Overview

From 2015/16, the Board looked at in-year spend, as opposed to spend a year in arrears. This allowed the Board to more closely monitor spend and tackle areas of concern more quickly.

- 3.17 The spend includes all non-payroll transactions and therefore also includes spend that cannot be influenced e.g. levies, transfer payments and fees the Council must pay, such as those to the Greater London Authority (GLA) and pension fund contributions.
- 3.18 Spend also includes direct payments to residents and grants, thus is not all contractual procurement spend. The true procurement spend is in the region of about three fifths of the total spend. The Board oversaw spend which aggregated above £5,000 for the year.
- 3.19 In the first seven months of financial year 2016/17, it was reported by Strategic Procurement at December 2016 Board that there had been a total spend of £309,797,769.93 with 4,935 different suppliers. The work analysed and reviewed suppliers in terms of spend above £75,000, utilising data from the financial management system. 379 suppliers were above £75,000 and of those 98.7% were in a satisfactory contract or a levy payment. Five suppliers (about 1.3%) warranted further investigation, primarily because the five suppliers were in a large number of smaller contracts where greater value for money may have been achieved if these were aggregated.
- 3.20 Procurement Challenges
The Board has maintained its Constitutional responsibility to “challenge the approach and strategy of commissioning officers across the Council for the purposes of improving efficiency”.
- 3.21 The process of reviewing and challenging a commission to be procured is very time consuming and needs a very significant amount of input to effectively consider the decision, identify improvements and give reassurance that value for money will be achieved.
- 3.22 The Board has challenged planned commissioning approaches for example:
- Domiciliary Care (Dom Care) – this is a statutory service based on demand. Spend is increasing due to demographic pressures and greater complexity in service need. The Board challenged on the robustness of the outsourced model. Driving down costs too harshly resulted in providers withdrawing from the market and recognition was made of the need to deliver qualitative services of this kind. The Board insisted that lessons needed to be learned from previous exercises to ensure modelling was sustainable. It was noted that unusually for this market, London Living Wage was able to be secured. The Board challenged to ensure the monitoring process meant the staff were definitively benefiting from this advantage. The Board proposed extending the contract period through optional extensions to ensure a partnership could be built with the providers. Providers were involved in the re-modelling of this service.
 - Learning Disabilities Framework - this was a collaborative arrangement to join, which opened up a local market of existing and new providers at competitive capped rates. The Board were keen ensure that the Council could maintain London Living Wage, as not all providers were signed up to its payment. The Board challenged the approach to contract management, specifically sharing information and were able to get assurance of how this is done in a safe manner.
 - Young Carers - this was a jointly commissioned agreement with health and social care. The Board were satisfied why an external partner needed to deliver these services. Concerns of how service levels could be maintained with significant budget reductions, which was explained through increased efficiency, capacity building and partnership in addition to removal of duplication. The market is fairly limited, but the Board were still keen to see young people having choice and it was agreed their views would be built

into the commissioning process.

- Tufnell Park Primary School Regeneration - this is a project to expand primary school places due to need. The intention to use an existing framework agreement for speed and efficiency was commended. The Board challenged the approach to decamping children from existing sites and maintaining their safety. Concerns of how Blacklisting history were to be managed was agreed. Communication with existing parents, children and the neighbourhood was seen as key by the Board.
- Community Stop Smoking Services - this is a complex Islington-Camden joint re-commissioning as all providers had withdrawn previously. The packaging was explored by the Board and this was now more likely to be attractive to the market. Assurance of how member aspirations to engage with the voluntary and community sector was outlined and agreed to be prudent. The tiers of support, so service users get the level of support they need, was actively reviewed and resulted in three levels becoming increasing more involved. The Board indicated were the report could be improved to be made more accessible to the public. Flexible working and ensuring social value were agreed as readily achievable in this service.
- Multi-Borough Domestic Violence Refuge - this is a service across boroughs where women and children are at risk. Service users are by necessity often placed outside of borough for their protection. The governance complexities of multi-borough commissioning was explored as part of the challenge. It was agreed to have a number of lots to reflect the differing needs of boroughs and specialist cases. Landlord/provider property issues are complicated in services of this nature and therefore different options would need to work in different boroughs. The duration and cost:quality split were challenged, including the need to get boroughs to work consistently to deliver the collaboration. Cross-charging of boroughs and resettling service users to appropriate accommodation was key.
- Reducing Serious Youth Violence - here the link with voluntary and community sector was considered vital by the Board, including working with priority grounds. Partnership working was developed to reflect this and key working/interventions were made more specific. Ensuring local employment was in the Board's view a way of mitigating some issues and this was consequently built in within the award criteria, including links to gaining experience. The Board noted the need for young people to be involved in the process and the strategy was amended accordingly.
- Arboriculture Services - here the service is for specialist tree-cutting with responsible use of dangerous plant. This Board determined this service could link with other services. Implications were considered and agreed. Apprenticeships were considered as a possibility here and details of the iWork Council services were thus passed to the contractors. Employment of Islington based residents was also agreed as a real opportunity with this re-commissioning. The method statements were amended to better reflect opportunities for social value and criteria were streamlined to remove unnecessary potential duplication. The approach to joint contract management was addressed, following naturally on from the joint re-commissioning.
- Anti-Social Behaviour Park Patrol Services - the service is one that patrols the borough and passes information back to the Council. Integration and link with individuals and the voluntary community sector was noted and agreed. Environmental impact from travelling around the borough was reviewed. The Board considered there may be an opportunity for the patrol services to know something of the Council's approach to

making every contact count. The approach to contract management and agreement of the correct rate for staff being in excess of London Living Wage was agreed.

- Residential Property Sales and Marketing Framework for High Value Voids - the government intends to require Councils to sell social housing and the Council will be obligated to comply. The Board noted that this was being imposed on the Council. A hybrid model was developed for the sales which were part in-house to a newly developed capacity and part out-sourced. The Board recognised the better pricing which could be achieved, the fewer assets would need to be sold to achieve the Islington contribution. The Board identified there could be opportunities for Social value, for example private sector landlords supporting engagement, purchase of temporary accommodation, a proportion of profits to community funds or even sponsorship. It was agreed this would be thoroughly explored. The Board explored the implications of a number of factors including the Council's trading company iCo being involved, shared ownership and the portfolio choices.
- New Build Residential Block at Centurion Close - this proposal was for a disused car park to be turned into social housing. The Board ensured that energy efficiency and future proofing would form part of the specification requirements. The Board also explored the level of surrounding facilities including play space and how this may be improved. The risks associated to the Council completing the design and procuring the build was reviewed against the more traditional procurement of design and build. The Board investigated to ensure appropriate levels of confidence in the proposal. The approach to contract management was also explored with monitoring and lessons learned now being actively captured. The Board required confirmation of suitability of the site, disruption from deliveries and opportunities for apprentices built into the commissioning approach.
- Enforcement Agents - the proposal reduced the number of agents. The Board explored reducing the number of agents to be satisfied that this would not adversely effect competition. The legal framework in which these services operate was explored and the limitations of a collaboration. What can be recovered is limited by recovery and level by law. Safeguarding vulnerable residents was a concern of the Board and approaches were debated and agreed. The opportunity to make every contact count was also noted and it was suggested elements of this could be addressed in either the award criteria or specification or both. It was noted this was not a criminal judgement issue and the service is highly regulated.
- Integrated Community Equipment Services - this is a twenty-borough joint supply and install procurement. In addition, Islington pools the budget with Health to deliver these services. The statutory service covers both large and small items to help service users within their homes. There were efficiencies to be gained through joint commissioning. The Board explored the tight timescales involved and ensuring the service could be maintained without disruption to service users, including mobilisation. Different standards of equipment were addressed and the likely impact of amendments to these, which is overseen by occupational therapists. The Board wanted to know service user feedback was evidenced for improvements and the benefits of having care closer to home. London Living Wage was mandated on the Islington draw of the procurement, as would be training the service user on safe use of the equipment.
- Refuse Carrying Vehicles Purchase - this was a fleet purchase for waste vehicles which were becoming beyond economical and possible repair. Whilst there are three main manufacturers within the market, the Board noted the advantages of minimising variety in the stock. Complexities of the size of Islington streets limited larger vehicles on some

routes. Safety was a key concern of the Board and explanations of how this would be addressed within the specification were provided. Trackers and the Safer Urban Driving Scheme were also covered. The vehicles are in use daily and subject to considerable wear and tear. The warranty was key in early years of the vehicles. The approach to use of the vehicles in terms of the 'village principle' and reducing usage was explored and was being adopted.

- Charles Simmonds House - this is a specialist build over two underground tunnels, where care is needed in regard to weight restriction. Social and accessible housing was ensured to be part of the redevelopment proposal. Apprentices were agreed to be maximised in the proposal and the intention was London Living Wage would be adopted. Confidence was tested in the finances of the scheme, given the high number of associated external factors. Ensuring a welcoming space and suitability for young people was additionally included. The liaison with local residents and partners from noise and disruption was reviewed for reasonableness. The Tenant and Resident Association concerned were brought in to input into the scheme.
- Financial Systems - this strategy was to explore opportunities to modernise and integrate finance and personnel systems. Available systems and existing systems were reviewed and a challenge was made as to the need for renewal and benefits. It was agreed to not underestimate the cost and impact of change, including on indirect matters such as corporate governance. Lessons were being learned from other borough experiences and the Board expressed concerns of hidden costs, ownership of data and maintaining business continuity. All these areas were to be addressed further in a series of workshops. Increased control was discussed, as was the need to explain why these systems are important and what they do. The changes in current technologies were discussed and it was agreed this would be addressed as the paper progressed.
- Passivhaus Pilot - this is a programme to test a European approach to insulate walls, floors, ceiling and glazing to achieve up to 75% saving in fuel consumption in Victorian Terraces. It was noted by the Board this was specialist and benefits to social housing tenants could be granted. The Board wanted to know about the management of tenants as works are completed and need re-housing. Reviewing existing projects for this type of scheme was agreed important and finance extensively explored the payback period on investment given. The price: quality split was amended and further details on safety were included within the scheme.
- Temporary Agency Workers - the existing agreement was coming to an end and needed re-commissioning. A marginally different approach, buying from a different consortium approach was proposed. The Board addressed IR35 in the discussion. Approaches on internal banks of staff and internal management was debated and dismissed for practical reasons. The reason, specialisms and short notice nature of demand was discussed and how this would need to be addressed within the new procurement. Transparency in use and cost of agency staff with comparators to persons on payroll was agreed essential. Timescales for implementation were discussed for robustness and controls in place to limit over-use were covered. The majority of costs is actual salary to the worker and only a very small margin forms fees, therefore significant cuts in rates will effect workers directly and the Council's potential ability to fill assignments.
- High Rise Insulation Project - this is a re-procurement to insulate high rise buildings. The greatest risks were associated with cost increases in recent comparators. It was noted that suppliers should be made to ensure apprenticeships and other elements of social value. The main benefit to residents would be the direct saving on energy bills, but for

the Council it will significantly reduce repairs on crumbling aged concrete. The project is to be part funded from Section 106. The market is a small and declining, made up of a mix of main contractors with sub-contractors and individual trades. The Board noted the importance of communicating clearly with residents and opportunities for feedback - this is being built into the programme of works. Bidders will be asked to provide a comprehensive timetable for the works.

4. Implications

4.1 Financial implications:

This is an information report only on work undertaken and thus has no additional financial implications.

4.2 Legal Implications:

This is an information report only on work undertaken and thus has no specific legal implications.

4.3 Environmental Implications

This is an information report only on work undertaken and thus has no additional environmental implications.

4.4 Resident Impact Assessment (incorporating the Equalities Impact Assessment):

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

Neither the initial screening for a Resident Impact Assessment (RIA) nor a full RIA has been completed, as this is an information report only on work undertaken and thus has no additional resident and/or equalities implications.

5. Conclusion and reasons for recommendations

- 5.1 This report updates the Policy and Performance Scrutiny Committee on work undertaken in response to its review of procurement processes and key areas of Council spend.

Appendices/Background papers

- None

Final report clearance:

Signed by:

Asst Director, Service Finance

Date

Received by:

Head of Democratic Services

Date

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APPENDICES

None for this report.