



Report of: **Assistant Director (Service Finance) on behalf of the Procurement Board**

Meeting of:	Date	Agenda item	Ward(s)
Policy and Performance Scrutiny Committee	17 September 2015		All

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**SUBJECT: Procurement Processes – Update report to the Policy and Performance Scrutiny Committee (17 September 2015)**

## 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 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. One previous such report was presented to the Committee in February 2015.

## 2. Recommendations

- 2.1 To note the recent work of the Procurement Board from January 2015 to June 2015 as set out in this report.
- 2.2 To note that with effect from the end of June 2015, Council agreed to re-name the Procurement Board the “Commissioning and Procurement Board” to better reflect the work undertaken, thus subsequent reports will be presented from the Commissioning and Procurement Board.

## 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 Procurement 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 Procurement Board and contract spend. This report covers the work of the Procurement Board from January 2015 to June 2015.
- 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 Procurement Board to the Policy and Performance Scrutiny 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.**

Strategic Procurement have maintained their work to assist the voluntary and community sector through actions agreed in the VCS Procurement Action Plan, including:

- Maintained a regularly updated forward plan of procurement opportunities;
- Encouraged commissioners to plan ahead and promote below-threshold opportunities;
- Encouraged market engagement exercises to inform plans and procurement routes;
- Maintained supplier registration days at least averaging calendar-monthly;
- Commissioned and delivered training to support organisations;
- Challenged short term procurement planning and contracts.

#### **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 fundamental to the work of the Procurement Board. Commissioners are challenged to ensure they have covered Social Value as part of their Procurement Strategy reports. The Procurement Board maintains the ethos of the guidance in place and has a champion for Social Value now as a permanent member of the Procurement Board. Additionally, Social Value criteria and/or questions are built into the bidding process as appropriate both within documentation and in selection and/or award criteria. The Third Sector Strategic Forum (TSSF) have also taken on Social Value as a main part of their board.

#### **3.5 Action 3: Make sure housing contracts are quality assured to ensure value for money.**

The Procurement Board have challenged a significant number of housing repairs related contract matters. Part of this challenge process has been around quality assurance to ensure value for money. Contract Management and Supplier Relationship Management is also about to receive a new roll-out of improved training, overseen by the Chair of the Procurement Board as Project Sponsor.

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

London Living Wage is considered as a matter of course on all contractual matters, is included within the Council's Procurement Rules and is adopted wherever reasonably possible. The

work on London Living Wage is well published across the Council and Islington has received significant acclaim for its continued efforts in this regard.

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

The Strategy and Communications division have worked closely with Strategic Procurement to advise on potential improvements to documentation. Procedures looked at included specification guidance, business cases, the Tender Resource Pack for suppliers, the invitation to tender and the contract management guidance. We have adopted a new Procurement Strategy 2015/20 which has equalities at its core and equalities form a fundamental part of the Procurement Rules. We have recently published a new version of the Supplier Tips on Equality and Diversity on the Council's external website for suppliers.

**3.8 Action 6: The Procurement Board was tasked to explore raising the threshold in the Procurement Rules that triggers the requirement for competitive tenders to £172,514.**

The Procurement Board supported this decision and further commissioned an End-to-End Review of supply chain management which looked at the matter. This was recommended in order to reduce the burden on smaller providers and the processes they need to go through to win work from the Council. Informed by Strategic Procurement and Legal Services, the Procurement Board, Corporate Management Board, Joint Board and Executive Members all looked at the relevant risks involved. The raised threshold was then adopted at Full Council on 25 June 2015.

**3.9 Action 7: Continue to offer registration days and training workshops to local suppliers.**

The Council has offered an average of at least one monthly Supplier Registration Day which is advertised on the Council's website, where the Strategic Procurement Team assists potential providers to register on the London Tenders Portal. In addition, we have re-commissioned the training workshops to local providers. The main provider for this is local themselves and feedback has been outstanding from attendees from the sessions delivered to date.

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

The Council has a rigorous process to understand and control the use of consultants and endorses the need for that process to continue to be adhered to across the Council. Engagement of a consultant requires 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. Use is regularly challenged and use of consultancy is subject to an independent audit occurring later this financial year. The Head of Strategic Procurement (or his representative) will also advise where it is more appropriate to directly employ a member of staff.

**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 Procurement Board and contract spend.**

**3.11 Action: The Procurement Board shall provide a bi-annual report to the Policy and Performance Scrutiny Committee for information to enable the committee to maintain an overview of the work of the Procurement Board and of contract spend.**

As set out in the Council's Constitution, the Council has a Procurement Board "the Board" (recently re-named the Commissioning and Procurement Board at Full Council on 25 June 2015) which brings together relevant officers and the Executive Member with responsibility for procurement to oversee procurement processes and contract spend.

**3.12 The End-to-End Review of Supply Chain Management**

The Board have maintained an overview of the review. They have ensured the contents of the review are appropriately challenged for accuracy. The Board have ensured information is presented to the Corporate Management Board (CMB) for decision.

**3.13 Procurement Strategy and report standardisation**

The Board have maintained oversight of significant reports produced for decision making. For example, they have standardised the report for challenge by the Board and then Joint Board, ready for public decision at Executive. The Board have assumed responsibility for ensuring the template contains the requisite information for a balanced decision to be taken. Similar consideration was also given to the quotations value for money report.

**3.14 Spend Overview**

During the financial year 2014/15, the Board have been reviewing spend from 2013/14. In 2013/14 the Council had 7,000 suppliers and a total spend of £528,709,543. This was a reduction from 8,500 suppliers but an increase in spend from £511,918,319 in the previous financial year. The spend includes all non-payroll transaction 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.

3.15 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. During the period of this report, spend between £100,000 and £250,000 was reviewed and included only three property-related areas not in formalised contractual arrangements. Members of the Committee have already been informed that this range has a contract spend of £28,678,412, with £9,083,045 of spend which cannot be influenced e.g. levies, transfer payments and fees.

3.16 The Board has also considered the spend overview for all of 2014/15, which overall was up £4m. 99% of Council spend was determined to be fully compliant. There was a big increase in the number of direct payments to individuals. Spend was considered to be overall properly monitored and regulated. Work to identify category management opportunities and potential savings was underway.

**3.17 Legal and policy changes**

The Procurement Strategy shapes the overall spend, savings, value for money, consistency/robustness of approach for external spend, encourages long-term planning, contributes to the achievement of corporate objectives, promotes responsible procurement and social value, sets the approach for partners and transparency and sets out the framework in which the Council's external spend will operate. The Board worked on finalising the Procurement Strategy which was agreed by the Executive on 18 June 2015. The Council was commended on its Procurement Strategy being "aligned with Council policy and supporting the

National Procurement Strategy.”

Consultancy business cases – the Board considered the re-refresh of panel members for the consultancy business case panel and how it operates.

Bribery Act – the Board considered the need for Conflict of Interest declarations and how these should be stored. This has subsequently been added to the remit of Strategic Procurement.

Joint Borough working – how this happened in practice and when this does or does not offer good value to the Council.

Embedding category management – the idea that multiple services within a Council or organisation may be buying the same thing. The spend analysis work has placed the Council in a good position to understand this and tackle examples through the Board.

Social Value – how this is part of the work of the Board. This has resulted in several amendments to documentation to i) identify what is being done more clearly and ii) expand on this work.

Understanding legal changes – the Public Contracts Regulations 2015 came in this year (replacing the previous 2006 Regulations). The Board considered the plan for implementation and training staff for how this would be enacted.

National Standard Pre-Qualification Questionnaire – The Board considered the implications of the standard PQQ and the elements which could be amended. The Board also considered the requirements for management of deviations and this resulted in an amendment to the Procurement Rules to comply with legislative changes.

New Procurement Rules were considered and how these brought about the changes from new legislation and the End-to-End review. The need to maintain transparency and value for money was fundamental to the re-drafting. Amendments following the audits on use of framework agreements were considered and brought into the report.

Transparency Code for Local Government 2015 – The Board have maintained oversight of the work being undertaken to meet the legal requirements of the code, including publication of all contractual spend over £5,000.

### 3.18 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”. 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. The Board has challenged planned commissioning approaches for example:

- Adult Lifestyle and Health Improvement Programme – collaboration with Islington and Camden. This was a suite of Public Health contracts considered by the Board including: Adult Weight Management, Smoking Cessation, Cancer Exercise, Exercise on Referral, Community Outreach Health-checks and Behavioural Change. The Board challenged the approach for the model and the outcomes for service users, including payment by results. Several changes were made to the specification to take on board the recommendations. Further challenges were brought around social value and the quality

levels chosen, which resulted in the model including elements in regards to building capabilities of staff. Concerns around the rise of e-cigarettes and potential health risks meant this would then be included within the smoking cessation elements. The board required the Adult Lifestyle and Health Improvement Programme to be explicitly visible in Islington and Camden.

- Islington Carers Hub – a service required as a result of the Care Act 2014. The Board in this case queried quality management and how robust contract management procedures were undertaken. This resulted in further assurance from not just contract monitoring statistics, but from service user feedback and surveys. Other changes included the suggestion for extension provision and better quantification of finances where these were linked to the NHS. The noted potential for overlap in the award criteria meant this was subsequently reviewed in order to allow greater responses to fewer questions, thus simplifying the process for providers.
- Vaults and Mausolea – a service which is provided through the Camden and Islington shared cemetery service. This is an income stream for the cemetery services in a specialist area of providers who can meet the Local Authorities Cemetery Order Regulations. The Board challenged whether stonemasons could provide the services, but this was clarified to not be part of memorial provision in that manner. The Board queried why there was no active marketing of the services which Islington can offer and it has been agreed this could be done sympathetically to those grieving, rather than assuming families would know what was available. Further challenge included the land chosen for vaults and mausolea, now confirmed to be land unsuitable for other purposes, ensuring that London Living Wage would apply and keeping cemeteries as inclusive as possible for all faiths.
- Supported Housing Services for Single Homeless Adults – the services were challenged for mechanisms to ensure pricing could be controlled. Benchmarking and quality provision have now become fundamental to the Procurement Strategy for this report. There has also been some work on ensuring that this more costly provision remains for emergencies only and people are moved on to more appropriate forms of long term provision.
- Housing Repairs Programme – the contracts which support the in-house delivery of the service. This was a programme of 11 contracts including: a job booking ICT system, gas materials, drainage work, specialist disabled adaptations e.g. lifts and hoists, disabled adaptation testing, asbestos works, general build works, specialist disabled adaptations, electrical repairs, general building materials and void property repairs and re-servicing. These services were challenged as to why they were being re-procured so quickly, which was in part because the business requirements were not fully known by the Council or providers. The Board challenged these to be staggered in order that the programme would have the required resources. The Board challenged these to ensure the contracts were flexible for the in-house services to slowly take on even more of the work directly. The Board challenged the ICT system and ensuring it was fit for purpose including visits to other neighbouring boroughs to see how others had managed in a similar environment. The commissioners faced challenges around ensuring full transparency from the Board, particularly in regard to award criteria. Challenges were made around ensuring the long-term vision for the services supported the category management approach for these services across the whole Council and not just for housing. The Board made a number of challenges on youth employment and apprenticeships and this has become fundamental to the service delivery, including a training facility manager. Many other specifics of the reports were challenged and acted

upon including for example: ensuring long term quality of data, financial controls, comparable costing, ensuring effective consultation with leaseholders, utilising a PQQ to select contractors for tendering and removal of areas of ambiguity.

- Communal Heating repair and maintenance – a new approach to a readily understood schedule of rates. The new model was challenged against the old, the benefits of the new model being a fixed price for work completed. Challenges were made around the noted increasing costs, measures to curb future costs increases, proper definition on section 20 consultation, focus on the preferred option and why, improvements around access, what can be legally enforced in regards to local labour. Further challenges were made around ensuring downtime of boilers was minimised which has resulted in boiler management systems being installed.
- Wireless concession – an income generating contract to allow a commercial income stream for the Council and improved social inclusion from technology e.g. some limited free access to the internet via Wifi. Challenges were made by the Board in regards to the market and potential health and safety risks. A market test was completed to ensure market provision and an independent health and safety assessment has been completed. The Board queried the value and level of investment and this was subsequently made clearer within the Executive report. Concerns were raised on the overlap with other wireless contracts in place and the approach to the market not being excessively complicated. Challenges were made to the options appraisal including the maintenance of the roof space, planning consents, security of the network, commercial opportunities and expansion of Council assets. Further challenges were also made in regard to the licensing required, benefits achieved and how income was re-invested, which were adopted as part of the final report for decision by the Executive.
- Cleaning and Janitorial Supplies – a collaborative contract with the majority of London boroughs, collectively working as the London Contracts and Supplies Group. The Board challenged the discounts being made as a London wide arrangement, how the new arrangement would be made seamless, the engagement with schools and London Living Wage being assured. The Board also followed up on the draft award criteria which were subsequently amended, animal testing being prevented and the environmental damage made. Thus a number of consequential amendments were made to the report to reflect the challenges made.
- Housing Consultancy Framework – a range of specialisms which are needed from time to time to assist with the in-house teams to build new housing as a Council priority. The Board challenged the opportunity for the specialisms to become available for all the Council and not specifically housing siloes. The Board challenged the novation of design team practice and this resulted in some consequential amendments. The Board challenged to ensure that LLW and apprenticeships formed part of the offering. The Procurement Strategy was also refined to ensure proper clarity between selection and award criteria. The use of consultancy for these services was challenged to ensure that use would be minimised.
- Supporting People Floating Support Services – followed a review in 2014/15 to consolidate six services into one. The Board challenged the capacity and how savings would be realised, the service groups affected, collaboration opportunities or learning and how market engagement would be achieved. The approach to allow consortiums and partnerships of providers was considered at length and how this would ensure a seamless service for users. A number of elements of terminology were tightened within the report presented to Executive to remove ambiguity on interpretation.

- St Luke's Design Team – a multidisciplinary team required to develop the area around Finsbury Leisure Centre and Bunhill. The design competition element was challenged to ensure that it was appropriately handled, the community was consulted and the Executive gave approval. The route to market was challenged which resulted in moving away from use of the Open Procedure. The management of confidentiality was challenged to ensure that it was appropriately robust and how this would be factored into the elements of the process. The number of providers to be invited to submit the costly bids to the market was challenged and subsequently reduced. The Board also challenged the commissioning team to ensure the consultation resulted in involvement and not just opinions.
- Heat Supply for Bunhill Phase 2 Heat and Power Network – a proposal to bring ambient heat from the canal into the power network. The Board challenged the approach and how they would ensure return on investment, in addition to environmental improvements. The approach through an energy supply company (ESCO) was reviewed and appropriate planning with the canal. The strength of the funding was considered and whether timescales were appropriate. The Board challenged whether there was in fact a market for the services and agreed the best way to establish this was through public advertisement. The Board challenged the use of jargon in the report and when this complex arrangement was presented publically it could be made more transparent.
- Adventure Playgrounds award criteria were challenged by the Board, including the reserved provider status. The approach to deliver savings was challenged and how the services would be costed. The age group which the service was available to was considered and whether this was broad enough and the registration of the services. The Board challenged the approach of the assessment mechanism and that social value could be brought out more in the criteria. Long term funding was challenged and whether, should Council budgets be hit further, there was potential for this to be factored into options for the Executive to consider in the future.
- Gas and Electricity – the Council has in house service to purchase these services for ourselves and a number of other contracting authorities. The Board challenged the appropriateness of the route to market and the possibilities for further collaboration. There was some clarity around who the Council purchased for and its potential to extend that provision within the confines of the regulated market place. The Board challenged to ensure that proper benchmarking was undertaken and the loss of some facilities no longer being purchased. The Board challenged to ensure that appropriate fluctuation was built in as options to the report and other financial matters such as mark-up and domestic energy pricing.
- Business Critical Software Support and Maintenance – this contains the main financial systems of the Council. Challenges were made concerning the work to consolidate this service to date and the savings achieved. The service is planning to use Competitive Dialogue to re-procure the services and discussion ensued on what this meant practically and how mobile working and web-integration could be delivered. The integration issues and potential for improved functionality will now be built into the contract specification. The contract was also discussed in terms of access from a range of sized provider and it was recommended to make a decision the service was done in lots. The Board also challenged the need to keep abreast of a rapidly changing technological environment and services which were more user-friendly and suitable for use across all boroughs. The work from this has been built into strategies for the future



of the Council's Digital Services.

- Sexual Health Promotion Services – services which have transferred to the local authority from the NHS. The Board challenged the commissioner to address client groups and links to other advisory services. The Board also considered the range of providers working in this field and whether smaller providers would be able to access this opportunity and how it could be scoped to ensure that they could. The Board challenged to ensure that sexual exploitation of young people was properly addressed and how social value could be brought out more and the close working with Camden.
- Refurbishment of 69-85 Old Street – a specialist redevelopment including the relocation of existing provision including a dental practice. The Board challenged to ensure that like-for-like services would still be provided in comparable premises. Further challenges included the increased distances for services users to access services, the lease arrangements and how much funding could definitely be realised from the programme of works. Quality was challenged and how this could be more specifically included before this went to Executive, as was the need to better address social value and Blacklisting.
- Cyclical Improvement Programme - back-up providers. A report was presented for challenge considering the implications of introducing back up providers for the existing services to meet service user needs. The Board challenged on the complexity of existing arrangements and the need to utilise external legal advice services. The difficulty in operating multiple works contract arrangements was considered and defaults and the period of times contractors should be given. Further challenges ensued in regards to clawing back monies when the contractors default and the risks of challenge in doing so.
- Advocacy (Care Act) – a lead provider working with smaller providers. The Board challenged the numbers of qualified and trained advocates available in the borough, the contract value and anticipated usages. The contract was the result of a new legal requirement, the need is not fully ascertain, but further work was completed to improve estimates and figure work for the Executive. Challenges were made on the use of a budget cap and the report was amended to make this element more specific. The Board challenged working with other boroughs and it was understood that there was a lack of wide interest from providers. The contract was amended to clarify the skill levels required and the commissioner was challenged to provide greater market engagement. The Board wanted to emphasise the importance of qualitative services and consideration was to be given to fixed-pricing. Lesson learnt were reviewed by the Board for potential development in this service area which included the importance of clarity to the market.
- Substance Misuse – Detox and Residential Rehab Services. The Board challenged the issues identified within the tri-borough and how our proposed dual-borough arrangement would improve this situation. The Board challenged the presentation of the report and keeping the report structured simply. The commissioner was also required to explain how the decreased usage would work and make this more explicit. The Board challenged how savings would be realised and this was explained in terms of who would be able to access the services. The use of some statistics was criticised for being complex and unnecessarily leading. The Board also challenged whether weighting had been agreed across boroughs and the right weights were being used. Some queries highlighted alternative borough provision, reduces the influence on service users and may save money. The Board concluded that there was a need to ensure outcomes for service users.

## 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:

Director, Service Finance

Date

### Received by:

Head of Democratic Services

Date

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