



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	11 February 2016		All

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**SUBJECT: Procurement Processes – Update report to the Policy and Performance Scrutiny Committee (11 February 2016)**

## 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 in 11 September 2015.

## 2. Recommendations

- 2.1 To note the recent work of the Commissioning and Procurement Board from July 2015 to December 2015 as set out in this report.
- 2.2 To note that the Commissioning and Procurement Board is the new name the former Procurement Board with effect from the end of June 2015 to better reflect the work undertaken by the Board, following Full Council recommendation.

### **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 2015 to December 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 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.**

Strategic Procurement has maintained their commitment to the voluntary and community sector through the VCS Procurement Action Plan. All agreements over £5,000 in aggregate value are published on the Council's transparency pages, allowing the voluntary sector the opportunity to see what has been commissioned, for what value and for how long. The list is now in an open access format allowing the voluntary sector to cut, sort or filter the data in a way which suits them. Commissioners are actively encouraged to plan ahead and promote relevant opportunities.

##### **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 a standard consideration of each procurement business case and procurement strategy report. The Board oversee and challenge Social Value and there is a specific Board member with responsibility for social value. Social Value considerations are regularly built into the questions asked as part of procured activities and guidance is in place to support commissioning officers.

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

The Board directly oversee the procurement of and challenge all significant housing contracts to safeguard quality assurance to ensure value for money.

In the last report, we agreed to commission introduction training on Contract Management and Supplier Relationship Management. We can confirm this has been commissioned and content/attendance overseen by the Board/Strategic Procurement. Six group training sessions have been delivered in the past six months to more than 60 commissioning, procurement and/or contract management officers. Further sessions have been commissioned for the last quarter of the 2015/16.

##### **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 possible.

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

In the report accepted by the Committee in September 2015 we agreed an action plan with the Strategy and Communications division with a series of improvements to be made. We can report that these actions have now been implemented e.g. looking at the list of documentation outlined previously, improvements to the website, changes to supplier guidance etc. We will continue to review the content periodically but remove this action to avoid duplication in the next report.

**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.**

We reported in September 2015 that the Board and the CMB commissioned End-to-End Review of Supply Chain Management supported this decision. Consequently the change was discussed at Joint Board and Executive, then adopted at Full Council on 25 June 2015. The change to the EU Goods/Services threshold (at that time £172,514), the highest level the Council could move general goods and services tender threshold to. A legislative change has reduced this threshold marginally to £164,176 with effect from 1 January 2016. Consequently the Head of Strategic Procurement and Council's Monitoring Officer are obligated to amend the Council Constitution accordingly.

The Head of Strategic Procurement is exploring whether the threshold could be set higher for certain types of procurement which are not governed by this legislation, as Member expressed an interest in seeing where flexibility could occur. Many voluntary sector services may fall under the legal definition of "light-touch services". Consequently it may be possible to reduce any tender burden on certain services within this categorisation. The work for this review will be overseen by the Board to put recommendations before members. Recommendations are scheduled to be completed by end of quarter one 2016/17.

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

Strategic Procurement continues to provide a minimum of one monthly Supplier Registration Day. The day is to assist potential providers to register on the London Tenders Portal and is advertised on the Council's website.

In the September 2015 report to the Committee we reported that we have re-commissioned the training workshops from a local provider for local providers. The sessions have been centred on the areas which providers have told us they wanted. Until end of December 2015 the following have been delivered (approximately one workshop per calendar month for up to 12 participant organisations):

- Completing a Pre-Qualification Questionnaire x 3 workshops
- Completing an Invitation to Tender x 2 workshop
- Consortia Bidding x 1 workshop

**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. 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.

**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: 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 relevant officers and the Executive Member with responsibility for procurement to oversee procurement processes and contract spend.

- 3.12 CMB commissioned the End-to-End Review of Supply Chain Management. The Board have been tasked with maintaining an overview of the outcomes of the review and ensuring its recommendations are delivered. The Board are currently overseeing the next recommendation to be delivered: the introduction of a Supply Chain Practitioners Group. The Council's Constitution has been updated to reflect the Supply Chain Practitioners Group and set a broad set of outcomes to be delivered. Strategic Procurement will now work with departments to pull together an operational management group to review matters such as category management, standardisations and lessons learnt.
- 3.13 The Procurement Strategy has now been introduced following Executive approval. Strategic Procurement has put together the Procurement Service Plan which helps ensure delivery of operational tasks to meet the strategy outcomes. The Board have overseen and influenced the contents of that Procurement Service Plan.
- 3.14 Following Full Council approval of the new Procurement Rules in June 2015, the Board noted there was a need to communicate out the changes. Furthermore it was identified it would be helpful to present an 'easy-read' summary. The Head of Strategic Procurement therefore put together a simplified diagram which has been communicated out to departments. The Procurement Toolkit which supports departments in adhering to Procurement Rules has been rationalised and simplified. Contents are under constant review to keep them up-to-date with changes in legislation, as overseen by the Board. A review of whether elements of the procurement process can be further simplified is also underway, with particular regard to the work of the voluntary committee sector.
- 3.15 The Strategic Procurement Newsletter has been the traditional way of communicating message to departmental representatives and relevant officers. It has been identified that officers in departments are struggling to keep up with the level of communications which they are sent with depleting resources. Consequently the decision has been taken to utilise the IC Bulletin and Managers' Bulletin as the primary means to communicate with departments with effect from January 2016. The final Strategic Procurement Newsletter was December 2015.

- 3.16 The Board have continued to oversee the transparency publication of the Council. The data is managed by the Strategic Procurement team and presented on a calendar monthly basis to the Board for comment/review (see Spend Overview for details). The Council is required to “publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000.”
- 3.17 The Community Right to Challenge is operated by Strategic Procurement and overseen by the Board. The window for this financial year for groups, such as local community and faith groups, to express their interest in running existing Council services was open from 1 September 2015 until 31 October 2015. This is a legal requirement for the Council to complete. However, there were no expressions of interest, suggesting broadly favourable opinion to Council service delivery.
- 3.18 Spend Overview  
In 2014/15 the Council had 7,133 suppliers and a total spend £515,196,339.41.
- For 2015/16, the Board have moved to look at in-year as opposed to a year in arrears. This allows the Board to more closely monitor spend and tackle areas of concern more quickly.
- 3.19 During the first six months of 2015/16 (April 2015 until end of September 2015) the Council has had a total spend of £239,754,385.48. The total number of suppliers used in the first six months of 2015/16 was 4,841.
- 3.20 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.
- 3.21 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 have focused on overseeing spend above £75,000, in the first six months of 2015/16 (the present financial year).
- 3.22 There are 310 suppliers with whom the Council has spent above £75,000 with a total value of £204,239,886.63. Items to note were:
- 255 Suppliers were in contract or in process of being re-procured, which accounted for a total value of £135,591,316.65
  - 45 Suppliers were associated to arrangements which cannot be influenced such as levies, transfer payments, which accounted for a total value of £67,169,742.87
  - 10 Suppliers were associated to arrangements which warranted further investigation. The Board are following these up with relevant parties in departments. The total value of these arrangements was £1,478,827.11.
- 3.23 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”.
- 3.24 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.
- 3.25 The Board has challenged planned commissioning approaches for example:

- Parent/carer support – here the Board challenged the number of award criteria with relatively low assigned percentages. This could have meant a significant amount of work for providers with very few marks allocated.
- Refurbishment of passenger lifts at Spa Green and Margery Estates – the Board challenged to ensure the works ensured greater accessibility. In addition, the Board proposed a greater emphasis on cost, given this was partly re-charged to leaseholders and quality is fixed by national standards.
- Reinstatement works to Rollit House – following the fire during the Easter weekend, this five storey building was forced to become vacant and needed reinstatement works to recover from the water and fire damage. The Board here challenged the arbitrary percentages applied to award criteria and had these standardised. In addition they arranged for careful review to ensure personally identifiable information was removed from the report. The Board challenged to ensure the loss adjusters were involved in the contents and London Living Wage was thoroughly considered. The Board also requested changes to ensure the building was modernised to improved safety standards.
- Contracts to support families, children looked after (LAC) and care leavers – the Board emphasised the importance of collaboration with the North London Children’s Efficiency Programme. The Board requested that there were effective arrangements in place for the collaborative work and how work would be divided equitably. The Board stressed the importance of greater clarity within the financial modelling. The Board queried the process for sustaining no voids to be in place. Similarly an emphasis was put on maintaining that elements of the paper were clarified in advance of presenting the report for formal approval. The process for tackling limited accommodation within the borough was addressed as was the benchmarking used. The price/quality ratio was further refined as a result of the challenge process as was the need to ensure qualitative service providers.
- Mental Health Supported Accommodation – here there were 11 similar services being reduced to 3. The Board challenged on ensuring there was sufficient capacity of the right type of placements for the range of service users when required. In addition information was added to the report following the challenge to stress the benchmarking undertaken. Elements were added to show how other boroughs manage their needs through the mental health pathway and meeting demand. Market development became a factor in the subsequent work from the challenge and the mechanisms in place within the terms to control quality and price. The weighting for the service model was challenged and the vagueness of certain criteria addressed.
- Mental Health Intermediate Care Pathway – here the Board queried the engagement of service users in developing independence and having effective rehabilitation. Part of redesigning the pathway now includes a re-configuration to keep service users in the community more and less people in silos. The benefit from recommendations for provider engagement has included carer support, dual-diagnosis support to improve recovery rates and expansion of peer support. Challenges to short contract terms, originally based on insecure long-term funding, have resulted in variable options being considered. Clarity around funding arrangements, particularly in regard to section 75 funding, has been improved. Elements which were difficult to meaningfully evaluate were removed from the criteria. The specification was to be outcome based and quality managed to ensure there is no clinical risk. The Board challenged possibilities to ensure local employment and the complexities of radical changes to service provision being

considered. The Board also maintained that whilst difficult within the financial envelope, the importance of London Living Wage could not be overlooked.

- Pay by Phone Services – a supplier to provide an enhanced service which also offers electronic parking vouchers/a virtual visitor system. The Board challenged the increased rate of use of pay by phone, potentially up to 97% of the market. The Board stressed the difficulty in the tightness of the proposed timetable. The management of these services is mostly outside of London and an extremely limited market place. The significance of maintaining a Living Wage was emphasised, even if this was outside of London.
- Housing Property Services District Heating Renewal – these involved multiple blocks, plant rooms and dwellings to upgrade internal heating systems, radiators, pipework and improve energy efficiency. The Board challenged the level and detail of breakdowns being available for inspection and this was included within the feasibility report. In addition the contract duration was significant lasting up to a year, this was subsequently explained owing to the complexities of multiple dwelling and planning applications, combined with limited times when works can occur. Clarity was added around tenant and leaseholder consultation. The Board emphasised the importance of minimising cost and disruption to residents and tight management of the programme. The Board considered that heat meters could be a development for the future and consequently these are now being reviewed, as is the overlap with programmes in the future. The potential of introducing apprenticeships was highlighted if longer term projects with multiple schemes were considered in the future. Furthermore the Board identified that providers being able to respond to how they could deliver social value within the work needed to be addressed and thus was made part of the evaluation criteria.
- London Sexual Health Transformation: Genitourinary Medicine (GUM) services and Contraception and Sexual Health Service (CaSH) – a London wide programme involving more than twenty London boroughs, with Islington leading for north central London region. The services are complex, being open access and with demand increasing up to 8% per annum. In addition to the direct service provision, there is also an online service for clinical triage, self-testing and partner notification proposed to be led by Camden. The Board explored the management of the complexities of multi-Council working to ensure robust processes were in places. Particular known issues included the agreement of the criteria to be explored. The timetable is challenging for a programme with so many facets to be considered and thus keeping member involvement has been fundamental to the project. The Board explored the robustness of the savings to be achieved and it was indicated this was from the tariff, more than the procurement route chosen. The decision has been taken to adopt an outcome based specification with a reiterated need for innovation on both price and quality. The Board looked into the open access nature of the services and that 40% of boroughs chose to go out of borough for their services. Similar challenges addressed the reasoning behind the choice of procurement procedure and how service providers would be kept on board with the programme.
- Fire Detection/Upgrade to Entrance Doors – a procurement to upgrade fire protection following recent fire tragedy recommendations. The Board challenged the approach and it was noted that larger organisations can present the range of disciplines required through sub-contracting. The Board additionally queried whether this was part of continuous improvement and recharging being minimised to leaseholders. It was noted the Council cannot force the works to be completed, but this then puts the matter at the leaseholders' risk. The Board considered there were opportunities to add social value such as local labour, CV writing, apprenticeships and community engagement. The

Board also explored the causation of fire and suggested some work could be done here which may support public health too e.g. fires from smoking. The Board challenged the approach to ensure there were measures in place to ensure leaseholders understood why measures were being put in place and did not inadvertently reduce their protection e.g. by adding cat flaps.

- Anson/Tollington Learning Disability Supported Accommodation – accommodation for adults with medium-high needs, learning disabilities and some times physical impairments. Here the Board challenged the duration and long term need for the service, suggesting that optional extensions may support better commissioning. The Board were keen to protect the service users and ensure they were properly supported longer term. Commissioners were required to evaluate how other boroughs had responded to their needs and potential lessons learnt. In addition there was a challenge in regards to price/quality to ensure qualitative services, whilst still delivering budget accountability. Engagement with service users on what they needed factored highly within the challenge and the importance of considering London Living Wage and overnight rates. Social value considerations as part of the challenge process included the possibility of apprenticeships in to help with the shortage of skilled specialists.
- Data Circuits and Voice Lines – The Board challenged the potential to collaborate with Camden in the future as part of shared service, but accepted the short-term need to immediately re-procure. The Board explored the potential options, including those in collaboration and supported the national agreement. The Board were keen to exploit the potential of existing networks and longer term have a clear telephony strategy, potentially reducing reliance on both mobile and land line technologies. The Board were supportive of open dialogue with the provider to see what they could deliver in regard to social value, rather than attempt to be overly prescriptive.
- Vehicle Parts – the commissioning department proposed collaboration with four other boroughs to maintain the existing fleet. The Board were keen to ensure improved clarity on the level of funding and the procurement process to be undertaken. In addition the Board challenged to ensure the contractual parties were made clear and the decisions in regard to price/quality.
- Business Critical Software – this matter was discussed across two boards and forms the base system which much of the Council’s infrastructure is based upon. The Board were keen to ensure that all options had been properly considered for the short, mid and long term, including the potential of linking with Camden as part of the shared Digital Service. The Board reviewed and endorsed the need to utilise national frameworks established by central government to maximise economies of scale, but were keen to ensure flexibility for the Council within those options. Practicalities of decision making were also explored in light of potential shared systems.

#### **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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