

**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	19 September 2016		All

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SUBJECT: Procurement Processes – Update report to the Policy and Performance Scrutiny Committee (19 September 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 February 2016.

2. Recommendations

- 2.1 To note the recent work of the Commissioning and Procurement Board from January 2016 to June 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 January 2016 to June 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 has previously noted that oversight of the voluntary and community sector is managed by the Third Sector Strategic Forum (TSSF), under the remit of the Assistant Chief Executive. However, it has also been noted the work which the Board has with Strategic Procurement in supporting the voluntary and community sector.

Strategic Procurement is publishing all agreements over £5,000 in aggregate value on the Council's transparency pages. A full list for the last two financial years is available, along with the addresses of providers. The open access format allows the voluntary sector to cut, sort and filter what has been commissioned, for what value and for how long.

The Committee was interested in understanding the size of the organisations with which the Council is working. We have written out to all Council suppliers and thus far has 1250 returns. Of those 1250 returns we can confirm that 43% were micro, 35% were small, 15% were medium and 7% were large based on the European standard definition:

Company category	Employee	Turnover	Balance sheet
Medium-sized	< 250	≤ € 50 m	≤ € 43 m
Small	< 50	≤ € 10 m	≤ € 10 m
Micro	< 10	≤ € 2 m	≤ € 2 m

How to use the table:

- If you have less than 10 staff; a turnover less than or equal to €2million; and a balance sheet less than or equal to €2million; then your organisation is 'Micro'.
- If however, your employees, turnover or balance sheet went to a higher level e.g. you have 15 employees, then you move to the next category level, in this case 'Small'.

We are committed to continuing to establish who we trade with for the Committee and to meet

our legal requirements under the Transparency Code for Local Government 2015.

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

As reported previously, 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. 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: Make sure housing contracts are quality assured to ensure value for money.

The Board directly oversee and challenge the procurement of all significant housing contracts to safeguard quality assurance to ensure value for money. In the last report, we confirmed we had commissioned introduction training on Contract Management and Supplier Relationship Management and six sessions of this training had been delivered. The Committee expressed an interest in how this training had been received. The reaction has been summarised from each of the 80 attendees' feedback sheets and is presented in Appendix A to this 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.

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

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

We reported in February 2016 that the threshold in the Procurement Rules that triggers the requirement for competitive tenders had been raised to the Public Contracts Regulations 2015 supplies and services threshold (£164,176 with effect from 1 January 2016). The same threshold has been set for concession contracts (or contracts for income).

The Committee tasked the Head of Strategic Procurement to see whether this could be set higher for types of procurement, particularly those where the voluntary and community sector may wish to bid. The Head of Strategic Procurement noted that the Public Contract Regulations do not require this threshold to be applied to works or concessions contracts or to those under the legal definition of light-touch services. Light-touch services are very specifically defined in law and those which tend to attract less cross-border competition e.g. certain social, health and education services. These light-touch services are also those where the voluntary and community sector tend to bid.

A proposal was put forward to the Board, the Monitoring Officer and ultimately Full Council. It was agreed when procuring these contracts a higher threshold could be set above which formal tendering would be required. For concessions, works and light-touch services formal tendering

is now only be required where the estimated spend or income under the contract exceeds £500k revenue or £1m Capital.

It is important to ensure there is still proper testing of the market and transparency. For contracts with a value between this new threshold and the existing threshold it was agreed at Full Council that a minimum of four (4) providers are invited directly to bid (or 5 in the case of contracts exceeding £250k revenue of £500k capital). A requirement has been written into the Procurement Rules to require a local provider to be invited wherever one is available for these direct invitations.

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

Strategic Procurement two 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. Islington has now had an e-tendering system in place for a decade and as suppliers increasingly become more e-enabled, interest in these days has waned with some sessions now receiving no supplier attendees. Staff members continue with normal office duties from a public meeting room. Whilst there is no significant detriment to work undertaken by staff members, this does result in public meeting rooms being unnecessarily blocked for public meetings. It is therefore proposed to reduce the number of these days from 12 per financial year to 6 per financial year from quarter 4 of 2016/17.

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

- Consortia Bidding Worksop x 2 workshops
(19 January and 31 May 2016) – 8 x attendees
- Completing a PQQ workshop x 2 workshops
(09 February and 1 June 2016) – 17 x attendees
- Completing an ITT Workshop x 2 workshops
(23 February and 24 May 2016) – 23 x attendees.

The Committee also expressed an interest in some performance data on the new provider. Performance information representing their first full year of delivery is included within Appendix B. The feedback was very favourable with almost all providers agreeing or agreeing strongly to the relevant statements.

3.9 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.

An independent audit was held in regards to consultancy. This identified improvements which could be made to the Council's intranet – all of which have been actioned. The guidance for the procurement of consultants available on the Strategic Procurement intranet pages has been updated with new best practice to reflect requirements for ensuring appropriate vetting arrangements are undertaken when appointing consultants, to ensure where applicable, the identity, DBS status, and experience/qualifications held are verified.

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.

3.10 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.

3.11 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 last time that the Board has been overseeing the next recommendation to be delivered: the introduction of a Supply Chain Practitioners Group.

The Head of Strategic Procurement arranged with the Monitoring Officer for the Council's Constitution to be updated to reflect the Supply Chain Practitioners Group and set a broad set of outcomes to be delivered. Strategic Procurement worked with departments to pull together an operational management group to review appropriate supply chain matters.

The scheduled bi-monthly meetings of the Supply Chain Practitioners have now taken place with agenda items covering:

- the scope of Supply Chain Practitioners/terms of reference
- spend analysis of all departments and options for collaborative working
- Social Value including presentations from the Prince of Wales Trust
- Changes to Procurement Rules and guidance
- Contract Management and Supplier Relationship Management training
- Understanding achieving best value
- Democratic Process and governance matters.

3.12 The Procurement Strategy agreed by the Executive is now supported by the more operational Procurement Service Plan, overseen by the Board. The Board have now requested a review on the progress of the Procurement Service Plan, which is scheduled for quarter 3 of 2016/17.

3.13 Following the changes to the Procurement Rules in June 2016, the Board agreed a new simplified diagram for communicating the changes. Work has commenced updating Procurement Toolkit which supports departments in adhering to Procurement Rules with resources allocated for the third quarter of 2016/17 financial year.

3.14 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.

3.15 The Board continue 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.”

3.16 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 2016 until 31 October 2016. This is a legal requirement for the Council to complete. We will update the Committee on any expressions of interest in the next report when the window is concluded.

3.17 Spend Overview

In 2014/15 the Council had 7,133 suppliers and a total spend £515,196,339.41. For 2015/16, the Board changes to look 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.

3.18 In 2015/16 the Council has had a total spend of £495,572,299.58. The total number of suppliers used was 6,190. This was a reduction of about £20million and 1,000 suppliers.

3.19 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.

3.20 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.

3.21 There are 2678 suppliers with whom the Council has spent above £5,000 with a total value of £491,773,329.71. Items to note were:

- 2409 Suppliers were in contract or in process of being re-procured, which accounted for a total value of £345,136,162.29
- 248 Suppliers were associated to arrangements which cannot be influenced such as levies, transfer payments, which accounted for a total value of £144,308,815.68
- 21 Suppliers warranted further investigation with relevant parties in departments. The total value of these arrangements was £2,328,351.74. Whilst this seems an increase, this is because in the past the Board focussed to £75,000 and above and have now changed this to £5,000 and above, as the higher entries have all been resolved.

3.22 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”.

3.23 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.

3.24 The Board has challenged planned commissioning approaches for example:

- Voice over Internet Protocol (VOIP) Software Licences and Engineering Support – a category of hardware and software that enables people to use the Internet as the transmission medium for telephone calls. The Board challenged to make this clearer for the public domain of what the service includes. Following the challenge, clarity was added to the mechanism for the assessment and the allowances of the existing framework agreement. The way in which the contract would be managed was reviewed.
- Supply of Liquid Fuel for Islington Fleet – the Board reviewed the advantages of entering into a national framework agreement from Crown Commercial Services, part of the Cabinet Office. The Board made amendments to explain why this means of procurement was better than alternative options. Further amendments were made throughout the report by the Board to improve its legibility.
- Adventure Play – the Executive asked the Board to review the proposed award criteria which had been presented with a 30:70 price:quality breakdown to the Executive. The Board agreed a more detailed breakdown of price to include operational costs, income generation and financial forecasts. The quality was broken down to include the approach, quality assurance for the community and disadvantaged, partnerships and integrated working for the local offer, facilities management, the business plan, contract mobilisation and staff development with support.
- Care Home Beds for Older People at Cheverton Lodge Nursing Home – the Board interrogated the commissioning market understanding, demand, capacity and local provision. The Board explored the governance requirements of a direct contract and the effect on service users, personal budgets and costs from not entering a block agreement. The costs were benchmarked, what a fair rate was and how uplifts in costs would be managed. The Board were clear that there had to be ceiling rates and that social value had to be added to the community. In addition, the Board were clear that ways to ensure the Council policy for London Living Wage needed to be found in re-commissioning.
- Youth Work in the South of the Borough at Soapbox – this was a new building for provision of youth provision, which the Board noted provided a great opportunity for use of the building out of hours for income generation. The Board explored the available market for the services and the engagement of young people in service designed. The Board were clear that they wanted to reach out to as many young people as possible. The Board wanted to see the provider deliver social benefits and skills as part of their practice and the report was amended to better reflect apprenticeships and employment opportunities.
- Parking and Moving Traffic Enforcement – a collaborative partnership agreement with other boroughs. The Board reviewed the number of services which the agreement may be able to include including back office services, ICT systems, bailiffs, enforcement officers etc. The Board saw opportunities for different boroughs to draw down different elements from the agreement. The providers were large and the award would be on a basket of goods approach. The Board were added clarity to the difference between and separation of selection and award criteria. Social value considerations including outreach, crime prevention, inclusion and engagement, in addition to employment chances.
- Lift Refurbishment – the Board queried the management of the effect of reducing lift availability to vulnerable residents during refurbishment and ensured appropriate

measures were in place. The Board challenged for greater clarity on award criteria and ensuring works were right first time. Social value became a focus of the Board with suggestions on how apprentices could be brought into both the refurbishment and back-office, in addition to environmental sustainability. The Board were keen to see future programmes linking in non-housing estates and sufficient providers for long-term sustainability. The Board ensured additional clarity between installation and maintenance. In addition, concerns were raised regarding the stability of the market with a number of providers in the field having entered liquidation. The Board noted ways to minimise vandalism.

- Windsor Street Learning Difficulties Accommodation Service – a new residential care service specialising in autism to bring service users out of borough back to the borough. The Board noted that bring disused garages back into use, reducing anti-social behaviour. Suggestions were made to remove potential duplication in award criteria responses and a review of the planned timetable. The building ownership was tested, as was the mechanism for contract awards. Consideration of the service users life-time care needs led to suggestions around contract duration, as were development considering the on-going need. The progressive pathways between children and adults were debated to ensure a seamless transition for service users. Planning permission and co-production were handled well.
- Canonbury Lane Mental Health Supported Accommodation – the Board reviewed the unique complexities of the service. A Section 106 agreement means that only the landlord could provide the support service. Given the complexities, the Board agreed this was exempt from the usual procurement requirements.
- Desktop Hardware – the Board reviewed a proposal to join with 35 other boroughs in an e-auction under a Crown Commercial Service framework, from the Cabinet Office. Use of the framework agreement was available at any time, but the benefit of drawing using the e-auction was only available now. The Board challenged use of the agreement for the shared service, the economical life of equipment and the decision making process for equipment. An understanding was reached on the flexibility to keep all partners inside in order to achieve economies of scale proposed. Future-proofing technology became a key consideration, as was ensuring officers had the right equipment for their needs, which was built into project programming.
- Islington and St Pancras Cemetery Groundwork – this is part of an income generation project for the installation of vaults and mausolea on contaminated ground that cannot be used for burials. The Board challenged the commissioning team on adherence to the specification and that demand should be made clear within the report. The award criteria were improved in order to allow providers to better respond to the commissioners' needs. Regulation of contaminated land and requisite health and safety matters were addressed to provide confidence to the Board.
- Light Emitting Diode (LED) replacement for Street Lighting – the Board reviewed the £4million programme to replace existing street lights with LED and install a central management system. Street lighting is managed through a Private Finance Initiative (PFI) contract and the replacements would eventually save up to £500k off the energy cost, in addition to reducing carbon tax. The Board agreed to recommend the contractor procure the works, speeding the replacement programme as part of their maintenance work. The Board expressed some concerns on the effect of service users from light change, including safety issues and 'dark spots' creating anti-social behaviour issues to be taken into account in the design. The proposal now reflects the ability to directly

control light levels as part of the CMS and existing light columns will be used.

- Contract Extensions – the Board also considered significant extensions to existing contracts. A 21 month extension with CASA for the on-going provision of community alcohol services and value of £530k per annum and a 21 month extension with Cranstoun for the on-going provision of drug and alcohol structured treatment services and value of £508k per annum. The Board recognised the needs of service users and balanced these against risks for extensions. Whilst the level and extent of the extensions was regarded as significant, merits of the proposals included integrating and improving the service, delivering services, an opportunity to engage in long-term planning, the quality of the existing provision and the impact on the market of short-term re-commissioning. The services were required to ensure the level of resources of the providers and their financial viability, whilst considering any short term needs in demand change. Commercial and transparency risks were considered along with an assessment of the need.

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

- Appendix A - Combined Feedback Results For Contract Management and Supplier Relationship Management Workshops (First 10 Sessions)

- Appendix B - Combined feedback results for Completing an ITT, Completing a PQQ and Consortia bidding (First 9 Sessions of new provider)

Final report clearance:

Signed by:

Asst Director, Service Finance

Date

Received by:

Head of Democratic Services

Date

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APPENDIX A

Combined Feedback Results For Contract Management and Supplier Relationship Management Workshops

First 10 Sessions

	Strongly disagree (people)	Disagree (people)	Neither agree nor disagree (people)	Agree (people)	Strongly agree (people)
The workshop covered the topics that I wanted to know more about		2	10	40	28
The information was presented in a clear and organised way			1	35	44
The length of the workshop was about right		6	4	42	28
The amount of material covered was about right		4	3	43	30
The pace of the workshop was about right		2	3	46	29
I now have a better understanding of my responsibilities as a contract manager			13	33	34

APPENDIX B

Combined feedback results for Completing an ITT, Completing a PQQ and Consortia bidding

Total Of 9 Sessions from 28 May 2015 – 23 February 2016

	Strongly disagree (people)	Disagree (people)	Neither agree nor disagree (people)	Agree (people)	Strongly agree (people)
The workshop covered the topics that I wanted to know more about	1		2	34	45
The information was presented in a clear and organised way	1			26	55
The length of the workshop was about right	2	2	5	30	43
The amount of material covered was about right	1	1	2	35	43
The pace of the workshop was about right	2	1	2	30	47
I now have a better understanding of how to complete a PQQ/ITT/Consortium bid	1		3	21	57