

Report of: Chief Procurement Officer

Meeting: Scrutiny Board (Central and Corporate Functions)

Date: 6th October 2008

SUBJECT: Inquiry into Procurement, Outsourcing and Commissioning Services

1.00 PURPOSE OF THIS REPORT

1.01 The purpose of this report is:

- a) to set out some of the main principles and drivers that underpin decisions to seek alternatives to in-house service provision.
- b) to outline the legal framework which applies to alternative means of service provision.
- c) to provide an overview and an update on the work currently being undertaken to develop a one-council approach to procurement and commissioning

2.00 BACKGROUND INFORMATION

2.01 Main Principles, Drivers and the Legal Framework

2.02 All local authorities are under a general legal duty to ensure they provide value for money (VFM) in all of their undertakings. The most widely used, and most universally accepted, test of VFM is competition.

2.03 For this reason, practically all of the inspection regimes which apply to local government and its services have some requirement to demonstrate and evidence willingness to use competition to drive VFM. Good performance against these inspection regimes usually brings the reward of additional funding and/or relaxed central government regulation.

2.04 Other reasons why the council may wish to explore alternative means of service provision would include:

- a) To improve the quality and/or efficiency of services that are deemed to be performing poorly in comparison with others.
- b) Political ideology at both the local and national levels.
- c) Organisational restructuring and reconfiguration to prioritise resources.

2.05 In recent history, the main two legislative arrangements that have driven the need to market test local authority in-house services were:

- a) Compulsory Competitive Tendering (CCT).
 - i) Under CCT councils were effectively forced to expose defined services to competition.
- b) Best Value
 - i) The Best Value regime replaced CCT and whilst it was not as prescriptive, competition still played a major part in demonstrating Best Value to the Audit Commission's inspectorate. Councils were required to review all of their services over a five year period, and those reviews had to incorporate the 4 C's of Best Value - which were Consultation, Comparison, Challenge and Competition.

2.06 Currently, the duty of Best Value still applies although the requirement to review all services does not. The Best Value Inspection regime was replaced by the Comprehensive Performance Assessment (CPA) which focuses more on outcomes. However, the use of competition is still an important factor in the CPA and is assessed under the 'Use of Resources' criteria.

3.00 ONE-COUNCIL APPROACH TO PROCUREMENT AND COMMISSIONING

3.01 Why do we need one?

3.02 Commissioning, in its widest sense, is at the heart of everything the Council does. The following points set out the business case for why a one-council approach is needed:

- a) To adopt a 'One Council' ethos to the way we commission goods works and services, but also to recognise that 'one size doesn't fit all' when it comes to commissioning.
- b) To define and adopt consistent terminology relating to procurement and commissioning activity.
- c) To ensure commissioning activities are linked to the Council's strategic objectives.
- d) To set out a commissioning framework so that our potential partners and providers (and inspectors!) are clear on our approach. If we are clear on approach, as 'one council' it will be easier for us work in partnership with our local partners.
- e) To avoid a 'silo' approach which could lead to duplication and inconsistencies in our approach to commissioning and our dealings with providers and service users.
- f) To provide a vehicle to deliver recommendations or improvements on commissioning activity that are identified through:
 - i) Internal and External Audit Reports
 - ii) Scrutiny Board Investigations

- iii) CPA Results.
- g) To ensure that we have appropriate and consistent governance in place around commissioning – particularly cross-organisation commissioning. Commissioning is an inherently high risk activity.
- h) To develop a comprehensive menu of commissioning options which can be used as part of options appraisal.
- i) To position commissioning activity in the context of other corporate initiatives, e.g. Service Prioritisation, Efficiency, Delivering Successful Change, Performance Management, etc..
- j) To set out our approach to reviewing arrangements currently commissioned in-house
- k) To maintain and develop the reputation that Leeds has for being best practice in this area.

3.03 The one-council commissioning framework

3.04 The diagram attached at Appendix 1, which will be presented at that the Scrutiny Board Meeting, seeks to:

- a) Identify the key elements of the framework,
- b) Diagrammatically show how the key elements of the framework interrelate
- c) Map out the concepts of a 'one-council' commissioning framework in more detail using a 'mind map' containing illustrative examples.

4.00 CONCLUSIONS

4.01 The duty to achieve value for money through the use of competition has remained relatively constant for some time. However, over the last 10 to 15 years, the legal framework governing how this is achieved has changed significantly from being highly prescriptive in specific areas to a more outcome based approach across all areas.

4.02 The council is already progressing proposals to develop a consistent approach to procurement and commissioning and is currently consulting directorates on those proposals. The results of this scrutiny investigation have the potential to contribute greatly to the development of that approach.

5.00 RECOMMENDATIONS

5.01 Members of the Scrutiny Board are asked to:

- a) Note and discuss the content of this report with a view to identifying further information required for this, and future stages, of their investigation.

Background papers - There are no background papers.