

# **Procurement of Services**

**Draft**

# **Scrutiny Inquiry Report**

# Introduction and Scope



## Introduction and scope

- 1 At its meeting on 9<sup>th</sup> June 2008, Scrutiny Board (Central and Corporate Functions) resolved to undertake an Inquiry into the procurement of services. The Board was particularly interested in how the authority measures the value for money received from external service providers; how quality is ensured; and how the ethical framework of the Council is translated within contracts.
- 2 Our starting point was to better understand the business case for the proposed development of a One Council Commissioning Framework and particularly to understand how this Framework would address elected Members perennial concerns over contract management.

# Conclusions and Recommendations



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- 3 The procurement of goods, services and works is a major part of the City Council's business, accounting for over £700 million of expenditure. It is not surprising, therefore, that a great deal of attention is focused on ensuring value for money.
- 4 Procurement is an activity that is shared across all Directorates. It ranges from small-scale, routine purchases to large and/or high-risk projects. The role of the Procurement Unit within this process is by no means straightforward. It performs the dual role of gatekeeper and also enabler and facilitator for Council Directorates seeking to procure contracts. On occasion, it is the Procurement Unit that will have the expertise in a given area, certainly in relation to what can and cannot be done and the correct processes to be followed, however on other occasions it will be a Directorate where, quite properly, the expertise and specialist knowledge specific to service delivery will exist. The key to successful procurement is therefore around successful partnership working.
- 5 However, much procurement activity is undertaken by staff who are not specialists in this area of work. We endorse therefore the concept of a One Council Commissioning Framework. In our view, the business case for why a one-council approach is needed is clear. The framework, as described to us, provides a clear methodology for approaching the commissioning cycle; clear guidance on the decision-making process; additional corporate support on commissioning; sets out a commissioning framework so that our potential partners and providers are clear on our approach; and provides an opportunity to share good practice in a more structured way.
- 6 There is provision in the Council's Constitution for ensuring that contracts let do meet the Council's compliance regulations and are subject to appropriate scrutiny and transparency. Whilst we did not come to any firm conclusions on the governance arrangements for the One Council Commissioning Framework, we recommend that further work is undertaken to ascertain whether the Framework can be embedded within existing Constitutional arrangements, for example, Contracts Procedure Rules or Financial Procedure Rules. This could involve the introduction of a formalised role for Scrutiny. For example each contract could have a Contract Supervising Officer who is responsible for the way that contract is managed. That person could be held to account by Scrutiny where contracts are managed poorly.

# Conclusions and Recommendations



## Recommendation 1

**That further work is undertaken by the Chief Procurement Officer to ascertain whether the One Council Commissioning Framework can be embedded within existing constitutional arrangements. This could involve a formalised role for Scrutiny.**

- 7 The One Council Commissioning Framework has within it two important elements which have been the focus of our inquiry.
- 8 The first element of interest has been the concept of 'Category Management'. Category Management recognises the very different approaches required (and challenges faced) when commissioning the full range of Council goods, works and services. This approach (rather than a 'directorates' approach) reinforces the One Council ethos.
- 9 We believe a Category Management approach will 'bring into line' directorate resources and 'central' resources to focus on specific key spend areas or categories and identify management/responsibilities within those categories. We would recommend that the Chief Procurement Officer is given responsibility for the successful development of the Category Management approach.

## Recommendation 2

**That the Chief Procurement Officer is given responsibility for the successful development of the Category Management approach.**

- 10 We recommend that Category Management plans for key spend areas are also developed. These plans should cover up to a 3 year period and detail what the Council plans to commission in those areas; what resources will be required to commission and manage the arrangements; and how efficiencies will be made in those spend areas.

## Recommendation 3

**That Category Management plans for key spend areas are developed by the Chief Procurement Officer. These plans should cover up to a 3 year period and detail what the Council plans to commission in those areas; what resources will be required to commission and manage the arrangements and how efficiencies will be made in those spend areas.**

- 11 We also recommend the identification of Category Managers responsible for specific categories, who will engage with the relevant

# Conclusions and Recommendations



parts of the Council who spend in that category area.

## Recommendation 4

**That a Category Manager is identified for each category, who will be responsible for that category and will engage with the relevant parts of the Council who spend in that category area.**

12 A Category Management approach will also, in our view, address the need for the authority to be more 'market savvy'. It became apparent in our discussions that our knowledge of available markets in some areas was deficient.

13 Category Management will focus the Council's mind on developing supplier and provider intelligence. Thus we would be looking for improvements in supplier and market development, strategic partnerships, supplier engagement and contract compliance.

14 In our minds, contract compliance is a significant area for improvement.

15 Across public procurement networks the issue of poor contract compliance and management has become known as the 'let and forget' concept. This refers to the fact that considerable effort goes into procuring or commissioning a service up to the point where the

contract is let, but then relatively little effort goes into managing the contract arrangement throughout the contract period.

16 We were told that the common reasons for this include:

- different resources being used at the procurement stage and the contract management stage with no continuity between the stages;
- not enough resource being allocated to contract management duties;
- available resources not being targeted to best effect;
- staff not having the correct skills and competencies or being unaware of the requirements of the service specification/contract.

17 It is our view that where a contract is poorly managed and monitored, as well as increasing the chances of poor service delivery and increased costs during the life of the contract, the opportunity to redesign and improve the next contract by building on lessons learned is lost.

18 We are of the view that contract management could be improved by the following actions;

- At a general level through training and development on generic contract management skills. We therefore support the introduction of a 'certificate of competency' and

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its modular approach to training. A modular approach helps officers identify the relevant competencies they should have in relation to their role in the commissioning cycle. We would also recommend using a case study approach to demonstrate good examples of contract management across the Council and identifying what makes them good examples then building that into guidance and training.

- At an individual project level, incorporating contract management in the pre-contract procurement phase of a project. For complex or high risk services, there should also be a Contract Management Plan in place alongside the specification. This plan should identify the level of resource to be assigned to contract management; any training requirements; contract priority areas; and approaches to be adopted.
- At a regional level, taking a collaborative approach to addressing capacity and capability problems around contract management. We note that the region's Councils have already identified 'contract management' as one of the priority areas should they be successful in securing funding as part of the Yorkshire and Humber's Regional Improvement and Efficiency Plan (RIEP).

## Recommendation 5

**That a 'certificate of competency' is developed and introduced for officers involved in procurement.**

**That contract management is incorporated in the pre-contract phase of all projects and that complex or high risk services also include the development of a Contract Management Plan identifying resources to be assigned to contract management and any training requirements.**

**That a regional approach is taken to addressing capacity and capability problems around contract management, using Yorkshire and Humber's Regional Improvement and Efficiency Plan (RIEP) funding to facilitate improvements.**

- 19 The second element of our Inquiry has been around the concept of socially responsible commissioning, particularly around equality. The Equality and Diversity Scheme 2008 – 2011 has priority outcomes relating specifically to procurement.

# Conclusions and Recommendations



Outcomes	Actions
All organisations commissioned to deliver services meet the duties within the relevant equality legislation	Develop and rollout equality assurance and impact assessments within procurement
Our staff have the skills, understanding and confidence they need to ensure that through procurement arrangements organisations we commission to deliver our services meet duties within relevant equality legislation	Develop and deliver training programme for all procurement staff to ensure they know, understand and implement our equalities duties in awarding contracts for functions, goods and services.

20 At a number of stages within the procurement process there is an opportunity to influence contractors regarding equality, diversity and cohesion considerations. The stages included are: Pre qualification, Specification, Tender, Contract award and Contract monitoring.

21 However, there is currently no formal structure within which to ensure that this takes place. There is too much reliance on an individual's personal knowledge of equality and diversity. Also, less account is taken of equality and diversity issues where contracts do not involve service provision.

22 Whilst initial work on the Equality Assurance process indicates that it is influential in embedding equality within the procurement process, it is vital to fully evaluate equality assurance following the full procurement cycle. This would need to be led by Procurement and involve contractors, service managers and the Equality Team.

23 We were told that a number of principles have been established as key to making changes in this area around equality and diversity. These are initial areas only and could be developed further based on the approaches adopted from this point on.

24 We recommend that further discussion and agreement needs to take place on the most appropriate way forward to influence contractors' employment practices, which promotes our legal equality duties and helps achieve our Equality and Diversity Scheme.

## Recommendation 6

**That further discussion and agreement takes place on the most appropriate way forward to influence contractors' employment practices, which promotes our legal equality duties and helps achieve our Equality and Diversity Scheme.**

# Evidence



## Monitoring arrangements

- Standard arrangements for monitoring the outcome of the Board's recommendations will apply.

## Reports and Publications Submitted

- Report of the Chief Procurement Officer – October 2008
- Report of the Chief Procurement Officer – December 2008
- Report of the Chief Procurement Officer and Strategic Equality Manager – February 2009

## Witnesses Heard

- Wayne Baxter – Chief Procurement Officer
- Anne McMaster – Strategic Equality Manager – Equality Team

## Dates of Scrutiny

- 7<sup>th</sup> July 2008 – Scrutiny Board
- 6<sup>th</sup> October 2008 – Scrutiny Board
- 1<sup>st</sup> December 2008 – Scrutiny Board
- 2<sup>nd</sup> February 2009 – Scrutiny Board