

**Draft Scrutiny Statement
Procurement of Housing Contracts
April 2010**

DRAFT



Introduction and Scope

Introduction

1. A Call In meeting of the Environment and Neighbourhoods Scrutiny Board was held on 3rd June 2009. This was to consider an Officer Delegated Decision of the Chief Housing Services Officer relating to a request to enter into a framework contract with Cascade Homes, Care Solutions and Green Investments (Jump) for the supply and management of temporary accommodation for a period of 12 months, commencing in May 2009 at a cost of £2.6m per annum.
2. In consideration of this particular decision, a number of concerns were raised about the processes that were followed for this particular contract. This led the Scrutiny Board to conduct a wider review into the processes followed by Environment and Neighbourhoods when procuring contracts in housing services.
3. In July 2009, the Board agreed to establish a working group to consider evidence as part of this review. The membership of this working group included Councillors Barry Anderson, Graham Hyde and Joe Marjoram.

Scope of the review

4. The concerns raised during the Call In were considered when determining the scope of this review.
5. In particular, we noted that the decision to enter into a framework contract with the three temporary accommodation providers was made subject to the completion of the pre-qualification questionnaire (PQQ) process. However,

it was evident from the Call In meeting that the suitability and financial viability of one of the prospective providers had already raised concerns amongst local Ward Councillors and residents prior to the completion of the PQQ process. We subsequently learned that this particular provider had indeed failed to pre-qualify.

6. In view of this, we questioned the robustness of the procurement process followed by the directorate, particularly in identifying prospective providers, and also sought clarification of the specific role of Procurement and Legal Services in this process.
7. The fact that two extensions to the framework contract had been requested by the directorate as a result of not having completed a competitive tender exercise before the contract expiry date also led us to question the contract management and monitoring arrangements in place.
8. In consideration of the above, we agreed that our review would focus on the following areas:
 - *The general procurement process followed by Environment and Neighbourhoods for contracts procured in relation to housing services and the specific role of Procurement and Legal Services in this process.*
 - *Contract management and monitoring arrangements in place within Environment and Neighbourhoods*
 - *The rationale and processes followed to waiver Contracts*



Introduction and Scope

Procedure Rules in relation to housing contracts.

- *Contract review processes and any lessons learned from the Call In.*
9. During our review, we welcomed the contribution of representatives from Environment and Neighbourhoods, Supporting People, Corporate Procurement, Legal Services and Internal Audit. In recognition of the strategic move towards adopting a more joined up approach for the procurement of housing provision for vulnerable clients, we also invited contributions from the Adult Social Care and Children's Services directorates.
 10. Overall, this review has enabled Scrutiny to observe how the lessons learned from the Call In have led to significant improvements within Environment and Neighbourhoods in terms of its procurement and contract management processes for housing and housing support services. However, it also presented opportunities to identify where procurement practices within the directorate and across the Council could be strengthened.
 11. Whilst acknowledging that there will be resource implications attached to our recommendations, which will need to be taken into consideration by the various directorates, our recommendations seek to bring about long term efficiency gains across the Council.



Conclusions and Recommendations

The procurement of quality temporary accommodation

12. During the Call In meeting, local residents shared their experiences of poor quality temporary accommodation within their areas which had been contracted by the Council. This led the Scrutiny Board to make a formal recommendation to the directorate to ensure that all properties are inspected for suitability prior to allocation to service users. Where this is not possible, then to ensure that an inspection is undertaken within 48 hours or on the next working day.
13. Following the Call In, we were very pleased to learn that the concerns raised had prompted the directorate to take a more proactive approach in checking the suitability of temporary accommodation contracted by the Council by ensuring that every property is inspected.
14. We appreciate that previously such an approach would have proved more difficult to adopt given the high numbers of temporary accommodation placements (we noted that demand rose to over 400 households accommodated at any given time in September 2008).
15. However, in 2004 the Government set a target for all local authorities to halve temporary accommodation by March 2010. Using the 2004 figures as the baseline, the target set for Leeds was to reduce from 521 to no more than 261 placements in March 2010.
16. Over the last couple of years, we have observed a dramatic fall in the numbers of temporary accommodation placements across the city. Recent performance figures reported to the Scrutiny Board in March 2010 indicated that on 31 December 2009, there were 98 homeless households in temporary accommodation throughout Leeds. This is a reduction of 81 or 45% from the end of September 2009, when 179 homeless households were accommodated.
17. We learned that this reduction has been achieved primarily through a focused effort to reduce the use of private sector accommodation leased through the Leeds Housing Options Service by successfully maximising homeless prevention opportunities. We therefore congratulate the relevant staff within the Environment and Neighbourhoods directorate for this achievement.
18. Decreasing the demand for temporary accommodation placements will obviously make it more manageable to check the suitability of temporary accommodation properties prior to making any placements. Such quality assurance is paramount when we consider the vulnerability of many of the homeless households that use this service.
19. However, during our review we learned of the strategic move towards procuring a Council-wide contract for the provision of temporary accommodation for all vulnerable clients across the city. Such provision had been very fragmented in the past and therefore this new contract aims to provide a more integrated service and will be managed jointly by Environment and Neighbourhoods, Adult Social Care and Children's Services.



Conclusions and Recommendations

20. In welcoming this move, we would fully expect to see the same quality assurance standards adopted as part of the new Council-wide contract. We therefore recommend that the Director of Environment and Neighbourhoods leads on the development of a robust inspection programme as part of the Council-wide contract to ensure that all properties are checked for suitability prior to any placements being made.

Recommendation 1
That the Director of Environment and Neighbourhoods leads on the development of a robust inspection programme as part of the Council-wide contract for the provision of temporary accommodation to ensure that all properties are checked for suitability prior to any placements being made.

Improving data sharing on prospective contractors

21. As with the majority of housing contracts, the Council-wide contract for the provision of temporary accommodation will be procured through one of the competitive tender routes set out in the Council's Contracts' Procedure Rules. These Rules set down strict procedures that must be followed to ensure that all procurement is compliant, ethical and within the legal framework. They also encompass the need for transparency, openness and fairness.

22. During our review, we learned that as part of any procurement process, an

advertising and pre-qualification questionnaire (PQQ) process is undertaken to aid the selection of appropriate contractors. The aim of this process is to ensure potential contractors are robust and competent organisations. Checks are therefore carried out and the organisations are vetted to determine whether they are financially viable; have a suitable health and safety policy; have competent administrative procedures; have effective employment practices; have robust management procedures and are able to demonstrate a track record to deliver services.

23. Whilst acknowledging such safeguarding measures, we refer again to the Call In meeting and the fact that concerns had already been raised about the suitability and financial viability of one of the prospective providers prior to them completing the PQQ process.

24. In particular, it was brought to our attention that a decision had been taken by the Planning Inspectorate in March 2009 which had dismissed an appeal against service of notices for unauthorised works by an individual who was linked to this particular provider. Such local intelligence about this provider had been held by the Council's Planning division yet had not been taken into consideration during this particular procurement process.

25. We subsequently learned that this particular provider had indeed failed to satisfy the PQQ process and therefore was not awarded a contract. However, in view of such a track record, we questioned why they had been considered as a prospective provider in the first instance.



Conclusions and Recommendations

26. Following the Call In meeting, we were pleased to learn that officers from Environmental Health and Planning are now involved in the procurement work for the tender of the new framework contract and that providers will be required to provide an up-to-date list of potential properties likely to be included in the contract, which will also be shared with officers from Environmental Health and Planning as appropriate.
27. Whilst acknowledging the role of the PQQ process and the safeguards this brings, our review has highlighted a need to improve data sharing internally to ensure that all local intelligence about a particular company/person is taken into account during the procurement process. In relation to housing contracts, we would particularly emphasise the importance of sharing data with Planning Enforcement and Environmental Health.
28. Whilst not wishing to cause any unnecessary delays to the procurement process, we do recommend that a robust internal data sharing system/protocol is developed to complement the PQQ process as part of any procurement exercise.
29. Once a contract has been procured and awarded, we recognise that the future success of the contract will be dependent upon the contract management arrangements put in place to deliver the contract's terms and conditions and also the commitment of all partners to comply with such arrangements.
30. Whilst our review primarily focused on the contract management arrangements used within Environment and Neighbourhoods for housing related contracts, in identifying and sharing models of best practice we also recognised opportunities to strengthen contract management practices throughout the Environment and Neighbourhoods directorate and across the Council.
31. During our review, particular attention was given to the contract management arrangements adopted by Supporting People Services in recognition of the fact that the majority of housing related support services for vulnerable adults are commissioned through Supporting People.
32. The Supporting People programme is managed through a Commissioning Body, which comprises representatives from the Council, NHS Leeds and the West Yorkshire Probation Service. However, the programme is administered on a day-to-day basis by the Housing Strategy and Commissioning section, which sits

Sharing best practice models around contract management

Recommendation 2

(i) That the Chief Procurement Officer leads on developing a robust internal data sharing system/protocol to complement the Pre-Qualification Questionnaire process as part of any procurement exercise.

(ii) That an update report is brought back to Scrutiny by October 2010.



Conclusions and Recommendations

within the Environment and Neighbourhoods directorate.

Care and Children's Services are also keen to learn from this process.

33. We learned that in 2008/09, the Leeds Supporting People programme received a grant settlement of £32.9 million, a reduction of £3 million from the position in 2003/04. As a result, efficiency savings of approximately £7.5 million have needed to be generated since 2003 in order to balance the budget, given the real increases in costs, and to also commission new strategically relevant services.

34. In acknowledging that the Leeds Supporting People programme succeeded in delivering significant improvements in service quality and performance at the same time as generating efficiency savings, we noted that such improvements were a direct result of partnership working with service providers through a new contract management process which was introduced in April 2007.

35. This process includes a quarterly performance review of all services subject to Supporting People contracts against a Quality Assessment Framework and has led to significant improvements in the quality, performance and in the value for money of commissioned supported housing services in the city.

36. In recognition of its success, we learned from the Chief Housing Services Officer that the Supporting People contract management arrangements are to be adopted as best practice for other housing contracts. This will include the new Council-wide contract for the provision of temporary accommodation as we learned that both Adult Social

37. We are conscious that contract compliance and management was also identified as a significant area for improvement by the Central and Corporate Functions Scrutiny Board following its Inquiry into the Procurement of Services during 2008/09. A number of recommendations were put forward by the Board to help improve contract management, which included using a case study approach to demonstrate good examples of contract management across the Council and to build these into existing guidance and training.

38. In view of this, we would recommend that the lessons learned from the Supporting People contract management arrangements are disseminated more widely across the Council and for the Director of Environment and Neighbourhoods and Chief Procurement Officer to lead on championing such arrangements as a best practice model.

Recommendation 3
That the lessons learned from the Supporting People contract management arrangements are disseminated more widely across the Council and for the Director of Environment and Neighbourhoods and Chief Procurement Officer to lead on championing such arrangements as a best practice model.



Conclusions and Recommendations

Conducting timely contract reviews

39. During the Call In meeting, we noted that two extensions to the framework contract for the provision of temporary accommodation had been requested by the directorate as a result of not having completed a competitive tender exercise before the contract expiry date.
40. We were informed that the initial intention was to move forward with the procurement of a Council-wide contract before the existing framework contract had expired. However, subsequent delays in identifying the total number of units required by all directorates had led to the Environment and Neighbourhoods directorate putting in place its own contract in order to meet its statutory requirements. In view of the short timescale left to complete a competitive tender exercise for a new contract, the directorate sought approval to waiver/invoke particular contract procedure rules to enable them to enter into a framework contract and secure temporary accommodation provision whilst the competitive tender exercise is carried out.
41. We learned that, on average, the Procurement Unit will receive around one or two requests each week to waiver/invoke contract procedure rules. The Procurement Unit and Internal Audit are required to provide written advice about any risks of securing the contract without seeking competition, which is taken into account as part of the decision making process and published with the delegated decision form.
42. Whilst acknowledging that a robust business case and rationale is required when making a request to waiver/invoke contract procedure rules, it was noted that many of these requests are made as a result of contracts not being monitored effectively.
43. It was highlighted that the Procurement Unit has a system in place (ALITO system) which notifies relevant officers within each of the directorates when a contract is due to expire. The degree of notice is usually determined by the officers responsible for managing each contract.
44. However, where an extension provision is written into a contract, the Procurement Unit will write to the contract manager 6 months before the expiry date to make it clear that an evaluation of the service would need to be undertaken before granting an extension to ensure that the quality of service remains, otherwise it should be subject to competitive tender.
45. With regard to the Supporting People Contracts, we noted that as there are over 100 contracts in place, which are often short term contracts, most of these will have an extension provision as it would not be feasible to submit this volume to competition as they come up for renewal. Instead contracts are prioritised for competitive tender. However, it was highlighted that in addition to the quarterly reviews conducted for each contract, an evaluation process would also normally take place 9 months before the expiry date, with proposals now in place to change this to 12 months.



Conclusions and Recommendations

46. It is vital that contracts are reviewed as early as possible in order to avoid unnecessary delays in the tendering process and to also reduce the need to waiver/invoke contract procedure rules unnecessarily.

47. We were pleased to learn that the Procurement Unit now has a dedicated team in place to help improve contract management and assist clients in monitoring contracts more effectively.

48. Whilst we acknowledge that directorates are directly responsible for monitoring their own contracts, we recognise the valuable role of the Procurement Unit in assisting to alert contract managers prior to a contract expiry date. However, we believe that such alerts need to be made much earlier than 6 months.

49. We discussed when would be an appropriate time to review a contract and, in line with the proposal put forward for the Supporting People contracts, we would recommend that all contracts are formally reviewed at least 12 months before its expiry date.

Recommendation 4

That, as part of the ALITO system used by the Procurement Unit, all contract managers across the Council are prompted to conduct a review of a contract at least 12 months before the contract expiry date.

50. When conducting such reviews and evaluating the future of a contracted service, this process also needs to be guided by the general procurement principles of transparency, probity and fairness.

51. In particular, we recognised the need to ensure that the individual interests of those conducting the reviews and taking part in any procurement discussions are accurately registered and openly disclosed to avoid any conflicts of interest which may prejudice the process.

52. Whilst acknowledging that Members and officers of the Council are governed by Codes of Conduct which require them to register and declare any interests/relationships of a business or private nature with external contractors or potential contractors, we would recommend that the Chief Procurement Officer explores ways in which this can be made more transparent as part of any contract review process.

Recommendation 5

That the Chief Procurement Officer explores ways in which the requirement for all Members and officers to formally register and declare any interests/relationships of a business or private nature with external contractors or potential contractors can be made more transparent as part of any contract review process.

Procuring high quality goods/services for the residents of Leeds.

53. Finally, we would like to acknowledge again that it was through the actions of the local residents and Ward Councillors who utilised the Scrutiny Call In process to share their concerns about a particular procurement process that led us to conduct this wider review.



Conclusions and Recommendations

54. In acknowledging that Leeds City Council annually procures around £800m worth of goods, works and services from the private and voluntary sectors, as well as other public sector organisations, it is vital that best practice is utilised across the Council in relation to procurement and contract management processes in order to secure value for money, high quality services, goods and works for the residents of Leeds.

DRAFT

DRAFT

**Scrutiny Board (Environment and Neighbourhoods)
Procurement of Housing Contracts
April 2010
Report author: Angela Brogden**