

## POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

15 MAY 2013

Present: County Councillor Clark (Chairperson);  
County Councillors Bale, Hunt, Keith Jones, Knight, Lloyd,  
Mitchell, Robson and Walker

Apologies: County Councillor Lloyd

### 62 : MINUTES

The minutes of the meeting held on 17 April 2013 were approved by the Committee as a correct record and were signed by the Chairperson.

### 63 : COMMISSIONING AND PROCUREMENT

The Committee, as part of its work programme for 2012/13, had agreed to consider the Council's Commissioning and Procurement Strategy and procedures. Members received a report providing an overview of the Strategy and detailing the Committee's previous consideration of this item in May 2011.

Members were advised that the annual spend on the external procurement of goods, services and works in the delivery of services is over £300m and therefore it was important for the authority to ensure that the best use is made of the resources available. In December 2010 the former Committee was advised of a change in the Council's approach to procurement and Members agreed to monitor procurement in the future. The draft Commissioning and Procurement Strategy 2011-15 was considered by the Committee at a meeting on 18 May 2011, prior to the Strategy being approved by the former Executive on 15 September 2011.

The Commissioning and Procurement Strategy was published at a time when demands were increasing and budgets were being reduced. The Strategy aimed to:

- Establish a clear strategic direction and priorities for change
- Establish key commissioning and procurement policy principles
- Set out what the Council was going to do and how it would support delivery of the Council's vision
- Provide a framework to plan and deliver the changes required to meet the vision

The report listed the objectives set out in the Commissioning and Procurement Strategy as follows:

- Develop and implement a coherent and consistent approach to commissioning across the Council to ensure services meet statutory obligations and deliver positive outcomes for citizens, communities and customers;
- Manage and organise all of our procurement activities using *category management* to ensure effective prioritisation and co-ordination of resources across the Council;
- Use strategic sourcing to lever scale through aggregation of related spend across the Council and manage demand to avoid unnecessary costs and spend;
- Strategically manage markets and key suppliers with a stronger focus of supplier relationship management and contract management;
- Make use of and support collaborative sourcing where it represents value to the Council;
- Invest in the Council's organisational structure and ensure people are aligned across the organisation to deliver the new ways of working;
- Recognise the value and importance of partnering and collaboration across the public, private and third sector;
- Invest in the development and capability of all Council staff involved in commissioning and procurement;
- Simplify and standardise core processes and ensure the Council's controls mandate compliance with process, contracts and suppliers;
- Invest in effective use of technology to underpin and simplify our core processes for both staff and suppliers;
- Create and share information to allow effective performance management and decision making.

Category Management was defined as the best practice approach to managing procurement by organising the authority's spend and resources into specific categories, delivering improved value for money from external spend on goods, services and works. Members were advised that the Council's spend is extremely diverse. Under the Category Management approach expenditure is split into six categories: Social; People and Professional Services; Construction and Special Projects; Environment; Transport and Facilities Management; Corporate and ICT. The approach is underpinned by a Strategic Sourcing process which aims to actively challenge current practices and satisfy the Council's procurement needs through the proactive and planned analysis of supply markets.

The report provided details of correspondence between the former Chairperson and the former Executive Member for Finance and Service Delivery relating to the previous Committee's consideration of the new approach to Commissioning and Procurement.

Members were advised that in early 2011 a Commission and Procurement Programme was established under the Transformation portfolio. The programme aimed to:

- Deliver cashable savings of £18.5 million p.a. by 2013/14
- Embed a strategic approach to Commissioning and Procurement through the development and delivery of category management and strategic sourcing processes and capabilities
- Deliver Commissioning and Procurement excellence and a model for best practice within Local Government
- Simplify, standardise and enable procurement processes for internal customers and suppliers
- Upskill the commissioning and procurement resource with the required capability to support the new arrangements

As part of the programme, a recruitment exercise to a revised Commissioning and Procurement team structure was undertaken. The Commissioning and Procurement Team is now fully staffed.

The Committee was asked to note the following:

- In 2011/12 the Council achieved £1.615 million of savings under the Transformation Commission and Procurement Programme, a shortfall of £162k against the target set. In 2012/13 at Quarter 1 an outturn of £2.597 million was projected, a shortfall of £1.001 million against the budget target of £3.598 million.
- The 2013/14 budget proposals also contain significant levels of savings from procurement initiatives, including £2.306 from the Transformation activity. £60k is projected to be saved within Building Maintenance, £507k savings were targeted in Central Transport Services, and another £360k from Passenger Transport.
- During scrutiny of the 2013/14 budget, the Committee heard from the Operational Manager Commissioning and Procurement that a five-year plan was under development aimed at achieving £15 million savings. The Committee also heard that efficiencies in procurement should be balanced with the potential negative effect on the local economy.

The Chairperson welcomed to the meeting Councillor Russell Goodway, Cabinet Member for Finance, Business and Local Economy; Christine Salter, Corporate Chief Officer – Corporate Services; Steve Robinson, Operational Manager, Commissioning and Procurement and Scott Parfitt, Senior Lecturer, Faculty of Business and Society, University of South Wales. The Cabinet Member and officers were invited to present further detail of the Council's current and future activities regarding Commissioning and Procurement.

Steve Robinson thanked the Committee for the opportunity to address the meeting. He made a presentation on the principals of Category Management and delivering savings. A summary of the presentation is set out below.

The Committee was advised that the Council faces significant challenges, including continuing budgetary pressures – the Council needs to reduce the general fund by £65 million over the next 3 years. The Council spends £330 million per annum on commissioning and procurement and therefore needed to focus on reducing non essential spend and delivering improved value for money and efficiency whilst supporting economic, social and environmental wellbeing.

In response to the challenges it faces the Council has engaged in a Knowledge Transfer Partnership with the University of South Wales. The Commissioning and Procurement Strategy 2011-15 aims to change the way the Council manages procurement through the implementation of category management – defined as the best practice approach to managing procurement. Category management works by identifying key spend categories and proactively managing them to ensure that the authority only procures what it needs and supplier arrangements deliver maximum benefit.

The Committee received further details of the category management structure for 2012/13; the Category Management Team; and the key processes. Savings of £18.5 million (£12.5 million General Fund) were initially targeted by 2013/14. Savings achieved to date were £3.977 million in 2011/12 and £3.641 million in 2012/13. Planned savings for 2013/14 were £4.4 millions – totalling £12 million general funds savings. A further £8 million (circa) of savings had been earmarked during the next 3 years.

Members were advised of the consideration given to the local economy and Small Medium Enterprises (SMEs) as part of Category Management

procurement. The Committee was informed of the need to gain an understanding of the local market; breaking down contracts into small contracts to improve access to opportunity; and the use of collaborative frameworks and promotion of consortia bids. The Authority had, in collaboration with Rhondda Cynon Taf, Torfaen and Caerphilly Councils, developed a 'Selling to the Council' guide which explains what suppliers need to do in order to bid for Council and wider public sector business.

Officers closed by advising that in the future the Authority would need to embed category management in order to deliver savings and greater value for money by improving contract and supplier management. The Contract Standing Orders and Procurement rules are scheduled to be reviewed to reflect arrangements for decision making and the Wales Procurement Policy Statement requirement to increase advertising. The Authority was also seeking to engage and influence the national procurement agenda and deliver the objectives of the Wales Procurement Policy Statement.

The Chairperson also introduced Scott Parfitt, Senior Lecturer on Public Sector Procurement, University of South Wales. Mr Parfitt advised the Committee that he had been lecturing on procurement since 2003. He had been invited by the Authority to enter a knowledge partnership – acting as a critical friend with a view to improving best practice.

The Chairperson thanks Steve Robinson for his presentation and invited questions and a discussion on the issues from Members of the Committee. During the discussions the following key matters were raised:

- Members questioned what positive steps were being taken to ensure that the local economy was being supported. Officers advised that under EU legislation it was difficult to give preference to smaller suppliers. However, clear guidance was made available to local suppliers and steps were taken to ensure that threshold levels were achievable. Consortia bids were also encouraged. Officers had also arranged workshops and invited suppliers both large and small.

Efforts had also been made to raise awareness of the Commissioning and Procurement website. A contract calendar was published which provided information on contract frameworks and when those frameworks were due to expire. Indications had shown that there was early interest and positive feedback had been received.

- Members raised concerns that the Alito procurement system was not fit for purpose and questioned if efforts were being made to replace this system. Officers stated that it was intended to assess the feasibility of using SAP software to support tendering.
- Members were concerned that small businesses were finding the form filling process overwhelming when applying for procurement contracts. Officers were asked what efforts were being made to address this. The Committee was advised that training was provided and improvements were being made to simply and standardise the bidding for low value contracts – for example the SQUID (Supplier Qualification Information Database) allows suppliers to complete the Pre-Qualification Questionnaire (PQQ) once upon registration of their details. A self certification form has also been developed so that suppliers can confirm that they meet the procurement criteria prior to this information being verified at the preferred bidder stage. The self certification form will be piloted later this year. SMEs were also being supported when completing the PQQ and more organisations were now passing its requirements.

Scott Parfitt emphasised that Cardiff was pioneering in this respect. Mr Parfitt noted that whilst Sell2Wales would provide more opportunities for SMEs, it would also provide such opportunities to SMEs in England.

Steve Robinson stated that the Authority was seeking clarification on the potential to advertise to specific geographical regions on Sell2Wales. There were 30,000 organisations registered and the Welsh Government was supportive of restricted advertising, such as advertising to organisations with a Cardiff postcode where a competitive local market could be demonstrated.

- The Committee was advised that the Authority supported procurement bids from social enterprises. The third sector had been engaged with the development of the ‘Selling to the Council’ guide.
- Referring to the recent horsemeat scandal, Members sought clarification on what checks are made to the supply chain during the procurement process. Officers advised that suppliers pre-qualify as potential bidders and service specific checks are in place. Testing arrangements were in place during the horsemeat affair. Scott Parfitt stated that some of the best supply chains in the world had fallen foul of the horsemeat scandal. Everybody would be tightening their

procedures as a result but there would be cost implications. Mr Parfitt advocated a pan-Wales approach to this issue.

- Members questioned whether the Authority could require, or give preference to, suppliers who adopt the Living Wage policy. Mr Parfitt stated that he would applaud such a move but he recognised that this is a difficult issue to progress due to EU legislation. The legal advice indicates that in considering applying the Living Wage to contracts that each contract would need to be assessed on a case by case basis. It may therefore be difficult to stipulate and enforce payment of the Living Wage within contracts. In addition, any increase in costs to the suppliers were likely to be passed down the supply chain. Further work is scheduled to be undertaken to clarify the options open to the Council.
- The Committee asked Scott Parfitt to provide an estimate, in percentage terms, of potential savings an ‘unreformed’ public sector organisation could achieve by adopting a Category Management procurement approach. Scott Parfitt stated that it would be impossible to provide an accurate estimate. However, Members were advised that Cardiff’s Commissioning and Procurement Team were one of the leading teams in Wales.
- The Committee heard that resistance to the adoption of category management procurement within service areas was decreasing. The adoption of category management required significant change in working practices, and as those changes have bedded in, resistance had subsided. Officers advised that building relationships and working in partnership were key and the progress made thus far had been very positive. Relationships would have to be established with new senior managers in order to continue this work.
- Officers were unable to quantify or give any real clarity when asked about the level of local contracts awarded to local businesses. The spending data for 2012/13 was still being verified and officers would be in a better position to answer this question in between 4 and 6 weeks time.
- Members asked whether officers considered the complexity of the e-tendering process was off-putting to small businesses. Officer stated that the majority of tenders were not e-tenders. The limitations of current e-tendering system were acknowledged and improvement options were being developed using the SAP. Training on the

BRAVO system had been offered to suppliers and efforts were being made to ensure processes were simple. However, when tendering for contracts of lower value officers described the BRAVO system as ‘a hammer to crack a nut’.

- It was noted that around £8 million of savings had been identified to be achieved over the next three years. Officers stated that there were significant challenges ahead particularly in Adult Social Care and Domiciliary Care. Officers reminded the Committee that whilst it may not be possible to deliver savings in all instances, it may be possible to delivery an improved quality of service. Officer agreed to provide the Committee with a breakdown of how the circa £8 million savings forecast can be achieved.
- The Committee questioned whether ‘lotting’ strategies had been successful in allowing small businesses to win contracts. Officers advised that lotting tender bids were frequently used, particularly in domiciliary care, where suppliers were able to bid across lots valued in hours or in areas of the city, depending on what it most advantageous. Members noted with concern that evidence existed of some SMEs joining more than one consortium, each putting in rival bids. Officers stated that whilst consortia bids were encouraged, this matter was of concern. A commitment was given to investigate this issue further.

AGREED – That a letter be sent by the Chairperson on behalf of the Committee to Councillor Russell Goodway, Cabinet Member for Finance, Business and Local Economy, thanking him and the Officers for attending the Committee and to convey the following observations of the Committee:-

- Members were informed that compliance with Council procedure rules has improved since the team came into place and that Senior Leadership Team receives a quarterly monitoring report to ensure continued improvement. This information could also be built into Cabinet budget monitoring or quarterly performance reports. The Committee noted that the Commissioning and Procurement team has developed strong relationships with service areas, although there is still some push back. The Committee understands that the team has have achieved good buy-in from existing senior managers and hope that these relationships do not weaken under the new senior management structure.



- Members welcomed the steps which have been taken to support small and local business, given the legal restrictions which apply. The Committee is keen that the procurement process should be made easier for suppliers, in particular small businesses. Members noted from the officers' comments that it is anticipated that a self-certification form for bidders for low value/low risk contracts will be in place in the coming months. Members also noted that the Welsh Government should launch the online Supplier Qualification Information Database (SQuID) in 2014 and that it is hoped that this will further simplify the procurement process. The Committee heard at the meeting that there is increased use of lotting strategies to improve access for SMEs, although it is often difficult to preclude or even have visibility of suppliers bidding for multiple lots as part of different consortia.
- The Committee would like to receive a breakdown of the circa £8m opportunities which have been identified within the Commissioning and Procurement savings plan to be achieved over the next three years. Members noted officers' comments that there has been a concentration on 'quick wins' to date and that there will be a shift in approach now that the team is more mature, to look at driving through reductions in non-essential spend.
- The Committee would, however, emphasise the non-financial benefits which can be achieved through our external spend and that we should drive forward the ethical procurement agenda as there are often unintended consequences on local businesses and communities of driving costs down too far. The Committee strongly recommends that further thought is given to how the local multiplier effect can be built into the contracts if possible, and if it is not, Members would like to further understand the legal arguments why.
- The Committee recommends that a robust method of monitoring what the Council spends locally is developed and that this should be built into the quarterly compliance reports. In addition, the Committee recommends that the Council considers the adoption of community benefits clauses as a core part of our contract specification, although Members noted comments that it may be difficult to enforce stipulations regarding the payment of the Living Wage specifically. Members were informed that a report is being prepared with Legal Services to consider this issue in more depth and request to consider this in pre-decision scrutiny.

- Members would like to emphasise the vital role which the third sector has to play. Officers commented that the team encourages and supports services areas in collaborating. The Committee recommends that the benefits of partnership working and maximising mutual efficiencies is explored further.
- The Committee requests a breakdown of the People and Professional services category; in particular the consultancy and agency spend for 2012/13, once these figures have been verified. The Committee is also interested to have more detailed regarding the tender light solution.
- The Committee will seek to consider contract monitoring and quality as part of its 2013/14 work programme. The Committee is keen to understand whether the newly-established Commissioning and Procurement team has developed enough expertise to be able to properly monitor the delivery of contracts with service area clients.

#### 64 : CORRESPONDENCE

It was noted that responses to a number of letters from the Chairperson to the Cabinet Member for Finance, Business and Local Economy were outstanding. Councillor Goodway gave a commitment to address this as a matter of urgency.

The Chairperson also requested to receive a copy of the letter from Minister Edwina Hart, to the Cabinet Member, concerning Callaghan Square, which the Cabinet Member referred to at the joint meeting of the this Committee and the Economy and Culture Scrutiny Committee held on 16 November 2013. Councillor Goodway explained that the original letter had been accidentally destroyed. He would endeavour to get a copy of the letter from the Minister.

#### 65 : DRAFT POLICY PERFORMANCE AND REVIEW SCRUTINY COMMITTEE ANNUAL REPORT 2012/13

Members received a report requesting the Committee's approval of the draft Annual Report 2012/13 prior to its consideration by full Council.

AGREED – That:

- the draft Annual Report 2012/13 be amended to make clearer where responses had not yet been received from the Cabinet or where recommendations or requests had not been responded to in

full;

- the draft Annual Report be amended to reflect the issues considered during this meeting; and
- subject to these amendments the Annual Report be approved.