Walsall Council

<u>Scrutiny Value for Money (vfm) Assessment Framework</u>

Procurement Service- February 2010

Summary

This document outlines the current costs and performance of the Procurement Service. It also, where possible assesses, the quality of the service though in carrying out the exercise, the difficulty in measuring outcomes for the service was made apparent and one of the key officer recommendations at the end is to establish new procedures for monitoring these outcomes to allow more robust tracking of value for money in the future.

The process also highlighted the lack of consistency in approaches to procurement across the council and the absence of a strategic vision of the role of procurement and commissioning. A parallel piece of work to this review has begun to address these issues and is highlighted in the forward looking statement at the end of the document.

Overall it was found that the procurement service is performing well with limited resources but that by addressing the issues highlighted, the value for money of both the procurement service itself and of the various contracted services the council delivers will continue to improve.

Scrutiny Panel Value for Money (vfm) Assessment

Reason for considering / assessing this service The Corporate Scrutiny and Performance Panel recognise the important role the procurement service has to play in increasing efficiency and effectiveness across the council and they have acknowledge that in the current financial climate this is even more true than ever. Through regular financial monitoring reports, the Panel are also aware that at the same time, those financial difficulties mean that realising savings targets has become increasingly difficult and are therefore keen to assure themselves that the service is as well equipped as it can be to meet those challenges.	
How does this service support the priorities of the council? The Procurement service supports all priorities indirectly by supporting front line services to procure more effective services. Specifically the procurement service has a major contribution to make towards the 'working smarter' priority by helping to realise efficiencies and procure more effective ways of delivering services.	

COSTS	
What does this service cost us? Gross revenue budget Capital Budget (If applicable)	**£771,302** **£**
How this is distributed: **Employee related expenses** (*Salary costs, Internal/External training etc*)	**£714,966**
Premises related expenses (*Energy/Water/Accommodation recharges*)	**£** **Through CSS recharge**
Transport related expenses (*Vehicle, fuel, public transport, car allowances etc.*)	**£2,523**
Supplies and Services (*Furniture, Professional Fees, Insurances, Advertising*)	**£53,813**
Other (*link into Annual Efficiency Statement and Gershon*)	**£**
Income – Fees and Charges	**£2,018,082** **Procurement savings target**
Other Income (*Include Grant income*)	**£**

Examination of comparative costs for the procurement function is difficult as the scope of services can vary quite significantly from authority to authority. Reviews of the neighbouring councils do show that the team within Walsall is smaller when considering the corporate element of the service. The average ratio of spend per procurement officer is around £50m whereas in Walsall it is £100m.

In terms of salary costs per employee the structure within Walsall is at a similar level.

The majority of councils are looking to introduce or have introduced a category management approach to procurement so the costs reported are not necessarily on the same basis. This approach seeks to develop specialist procurement officers in particular fields or categories of spend. The role is more than contracting and tendering as it encompasses:-

Category Management 8 step cycle

8. Review

7. Implementation

1. Define Category

6. Set Category Tactics

2. Assess Role of Category

5 Devise Strategies

3. Assess Performance

4. Set objectives & targets (scorecard)
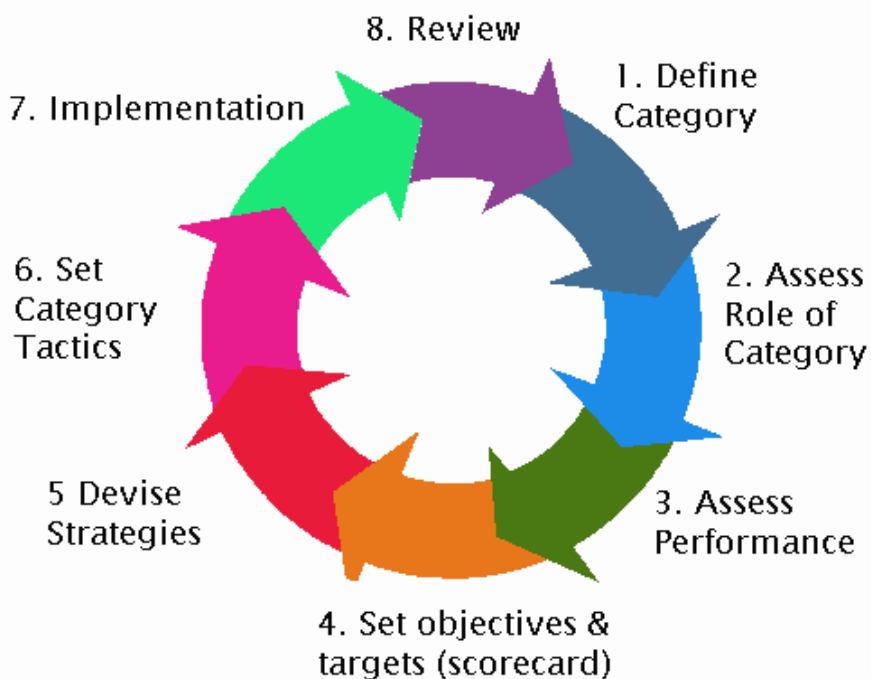
PERFORMANCE DATA

What is the inspection rating of this service and how has it changed over the last 3 years?
(if applicable)

Corporate Assessment 2008

Improved strategic procurement is helping achieve efficiency savings and improve services. The Council is strengthening its capacity in this area through building the capacity of the team and revising and improving its strategy. Some significant contracts have been let recently. As well as the re-tendering for children's services, the Council has secured an improved community meals service by externalising it, and entered into partnership with Housing 21 to transform its adult residential provision for older people. Good learning from work on the education contract has been used effectively in these procurements. Cashable savings of £1 million have been delivered through improved procurement this year,

Supporting People 2009

Corporate procurement is contributing positively to procurement practices within the Supporting People programme. Examples were given where corporate procurement expertise is being utilised to develop Supporting People services and included advice relating to the short term contract process. This additional resource is supporting the programme to efficiently procure appropriate services to meet service user needs.

Positive procurement and commissioning plans are being developed. The corporate procurement team is pooling knowledge to inform joined up procurement processes for floating support services across various social care departments. Outcome based commissioning has now been used in the last 12 to 18 months for Supporting People (and other) services - especially for new extra care schemes (205 units or more of these are Supporting People funded). This will improve efficiencies and outcomes in procurement and commissioning practices.

CAA 2009

The current report released in December scores Walsall as 2 out of 4 for Use of Resources overall. The report concludes ….

Overall, the Council is performing adequately but needs to improve outcomes in the following focus areas: clear vision of expected outcomes, a more extensive involvement in commissioning and a clearer demonstration of service competitiveness.

Clear vision of expected outcomes and extensive involvement in Commissioning

We are pleased to note that the Council has developed and published a number of strategies covering commissioning and procurement. These strategies have been endorsed by members and form the basis of the development of services. They are based on a detailed analysis of intelligence collected from a variety of sources including users, carers and providers. The development of the Council's joint strategic needs assessment, with key partners, has provided valuable data to support this process and should contribute to the better targeting of Council and partner resources into those areas of known greatest need.

Improvement through service redesign

Involvement from all people who have an interest in a particular service is a fundamental part of the Council's approach to developing, improving and managing services. The contract monitoring framework for care contracts focuses on quality of services and is used to safeguard service users by developing quality action plans with providers.

Understanding the supply market

The Council has a good track record of understanding it is strengths and weaknesses in service delivery and, in some cases, it has used the market to modernise and improve key services, for instance in Community Meals and in reprovisioning Older People's. Understanding and developing capacity within the supply market, particularly the Third Sector, is central to the Council's procurement plans. Workshops, facilitated by external organisations, have been run to develop providers' capacity and to help revise contract terms and conditions.

Evaluation of procurement options

Tender evaluation models include factors apart from price, and different approaches have been developed to suit individual service needs. Performance indicators are built into contracts to secure the operational as well as the strategic objectives of the Council (e.g. indicators on the demographics of agency staff used by the Council to improve local employment).

Reviewing service competitiveness and achieving value for money and wider objectives

The Council believes in collaborative working and works with a range of partners. It has undertaken joint

procurement projects with other councils and NHS Walsall; uses buying consortia for a range of commodities and government national frameworks for services which have delivered significant efficiencies. It has run a successful programme of e-Auctions either on its own or on behalf of other councils.

However, the Council needs to demonstrate a clear rationale for insourcing / outsourcing decisions for key services (e.g. improved service performance at a lower cost, innovative approach to joint commissioning or external recognition for procurement exercises). *"The Council scores 2 out of 4 for Use of Resources, which is adequate. It has sound arrangements to achieve value for money, but cannot show that this has delivered better outcomes for local people."*

Recommendation 2

The Council needs to ensure that it is able to demonstrate outcomes, outputs and achievements for local people as a result of the arrangements in place to commission and procure quality services and supplies tailored to suit local needs.

What performance indicators does this service have to demonstrate vfm?

A range of indicators are used to track the transactional elements of the procurement service. The project management and strategic aspects are difficult to measure and there are limited indicators available nationally which reflects this fact. The other measure is financial performance and the delivery of budget targets

Transactional Procurement Performance Indicators

Measure/Indicator	Prior Year Comparables			April to Sept 2009 Actual	Forecast 2009-10
	April 2006 to March 2007 Actual	April 2007 to March 2008 Actual	April 2008 to March 2009 Actual		
Number of Purchase Orders Raised	33,335	35,091	41,385	22,885	45,770
Number of Orders Raised by Consolidated Creditors	12,310	11,519	5,643	93	186
% of Orders Raised By Consolidated Creditors	**36.93%**	**32.83%**	**13.64%**	**0.41%**	**0.41%**
Numbers of staff trained (New & Refresher)	Not known	80	434	82	150
Number of Different Active Requisitioners	266	311	516	493	550
VFM 6.1 - Avg spend per transaction with Suppliers where we spend over £1k	£1,157.00	£1,168.91	£1,208.38	£1,215.49	£1,250.00
VFM 6.2 - % Spent through Corporate Contracts **	**4.96%**	**7.65%**	**11.56%**	**11.49%**	**12.00%**
VFM 6.3 - % of Invoice Lines Matched to Orders*	**45.93%**	**42.93%**	**51.57%**	**64.16%**	**70.00%**

VfM indicators produced by CIPFA have been used for 2006/7 data and the indicator definitions for 2008/9 have been slightly amended and updated data is being collated to use this template.

Procurementindicator
s2008-09.pdf

What is in the Beacon Index?

Procurement does not fall within the scope of the Beacon Index

Is this service on target to deliver efficiencies identified in their service plan? (If not, what corrective action has been taken?)

The procurement savings target has not been achieved over the last 2 years although significant savings have been achieved. The accounting methodologies identified council wide savings as an income target for the Procurement service whereas it did not have any direct control over the service budgets from the savings would have to be derived. This anomaly lead to directorate procurement savings taking precedence over the council wide savings allocated to procurement.

Performance over the last 3 years is set out in the table below

What control measures are in place?

Savings are reported as part of the normal budget monitoring process which occurs on a monthly basis. External spend is monitored to minimise any "off contract" spend to ensure that the benefits of contracts are achieved.

Procurement Savings

The table below summarises the savings achieved over the last 2 years with an estimate for this financial year.

The savings achieved below are as a direct result of action taken by the corporate procurement team. However the effects of previous year's budget savings are not included in each individual year

2007 08		2008 09		2009 10	
Domiciliary care - rates	82,392	Stationery & Furniture	256,143	CCTV Maintenance	23,000
Domiciliary care - uplift	80,144	ICT Hardware	18,250	Waste Disposal	69,533
Office stationery	50,000	Education New Contract	312,211	Rebates Received	45,084
Fostering - large suppliers	40,000	Waste Disposal	60,900	Agency Tax Received	162,575
Education Old Contract	300,000	Foster Care	95,661	Additional Rebates Forecasted	10,000
Agency Staff	317,597	Additional Domiciliary Care	185,855	Additional Agency Tax Forecasted	116,125
		Agency Tax	311,723		
		Contract Rebates	39,395		
Savings achieved	**870,133**	**Savings achieved**	**1,280,138**	**Anticipated Savings**	**426,317**
Savings target	**870,000**	**New Savings target**	**2,665,972**	**New Savings target**	**2,110,615**

In addition to specified savings to be delivered through corporate activity, the team has supported the delivery of a significant range of procurement activities that have secured the necessary financial savings or other objectives within the plans of public service directorates.

Service	Activity	Spend	Savings
Learning Disability Community Support	Contract renegotiations and preparation for tender	£7.5m	£1.1 million target £200,000 this year
Residential & Nursing Adult Services	Implementation of new framework	£30m	Older People £1m Learning Disabilities up to £1.3m Mental Health up to £173,000 Younger Adults with Disabilities up to £600,000
	Continuing healthcare and end of life care NHS Walsall		£550,000 to NHS Walsall £125,000 this year
Mental Health Extra Care scheme	New contract for facility at Pinfold House		£134,000 from mental health and supporting people budgets
Contact Services	Contract renegotiations. Support for options appraisal process to develop new model of service	£1m	£30,000
Older People Day Care Services	Support through contract negotiations to reconfigure services	£1m	£500,000 £200,000 this year
W2R Waste Public Finance Initiative	Support to project on development of new facility with Staffordshire, Warwickshire, Sandwell	£200m over 30 year	Yet to be finalised

Other key projects have been supported which are linked to the receipt of grant funding, some of which have conditions which require that it is spent within specific timescales and procurement support was needed to achieve this.

Service	Activity	Grant or Capital Funding
Arboretum redevelopment	Procurement support for consultants to prepare bid to Lottery plus individual elements within overall scheme	£8m
Working Neighbourhood Fund projects	Variety of projects to support the worklessness agenda	£1m
Early Years Capital fund	Play equipment	£300,000
Youth Service	Provision of specialist vehicles	£200,000
Provision of Fresh Meat	Emergency work to put arrangements in place following sudden collapse of existing supplier to ensure continuity of supply to schools and residential establishments	£200,000 annual spend
Finance Direct	Development of new ways of working and purchase card implementation to support achievement of £810,000 saving	

QUESTION?
How does performance identified above compare to other authorities / service providers?

A regional workshop is to be held to consider what best practice procurement looks like similar to one undertaken in the East Midlands. Information gathered through the East Midlands workshop is available within the shared folder East Midlands Comparative Data.xls. A West Midlands event has been suggested by the regional Heads of Procurement and is organised for 13th April.

The procurement team have successfully delivered legally compliant procurement process. The approach by the council taken in some projects has been used by Improvement and Efficiency West Midlands to showcase good practice to other authorities at 3 regional events on e-Auctions, social care procurement and the procurement of temporary staff. Our work on the council's temporary staff arrangement has been used as a national case study published by the Office of Government Commerce

QUALITY OF SERVICE

How does this service identify and evidence the quality of service provided:-

The intranet pages have a comments and feedback form which seeks to secure information on the team's performance. Unfortunately limited information has been forthcoming through this route so a questionnaire to service managers will be distributed however this can have a limited response. Key users are engaged through regular user meetings.

The contract monitoring framework operated by the team monitors the contracts put in place from an operational and safeguarding basis. Areas of concern are investigated and quality improvement plans agreed with providers to address them.

Performance Indicator/ comparable data:-

No performance data for the strategic element

Achievement of recognised standards, for example :-
There are no recognised standards for procurement however the team supported the achievement of the Equality Standard level 3. Procurement was viewed to adopted good practice in its approach to incorporating equality within contracts
- *Procurement – strong evidence of good practice*

Customer Satisfaction:-
- Compliments / complaints / comments
- Surveys   - Place survey
              - Tracker survey
- Service initiated feedback from customers
- Local Neighbourhood Partnership (LNP) feedback
- Partner feedback

None available at this time

Employee Satisfaction:-

The service carried out an employee stress survey which was used to identify any areas of concern or room for improvement and actions put in place to address them. The survey results were slightly better than average results for other areas undertaking the survey. A follow up survey is now due to monitor whether the actions have been successful.

How does the service plan to engage with the public / customers in the future?
- consultation strategy
As a support service the team has limited contact with users. During tender processes bidder forums have been used as a communication tool. Tender procedures incorporate specific communication strategies to ensure bidders have the opportunity to receive updates and make comments or suggestions. Recent tenders for domiciliary care, adult transport as well as residential and nursing care are notable examples.

The web site and email bulletins have been used extensively as a communication tool. The

procurement intentions plan seeks to keep organisations informed of future opportunities.

Supplier feed back forms have been used.

How does the service effect the 6 strands of equality (Age; Disability; Gender; Race; Religion or Belief; Sexual Orientation)

The incorporation of equality into service specification is a key opportunity for procurement to assist in the implementation of council policies. Encouragement and challenge is given to commissioning managers to ensure that these issues are incorporated into contracts and is monitored through the contract monitoring framework.
I
Is there a higher or lower participation in take up of the service from any of the six groups?

The service is a support service N/A

Does the service have any negative or positive impacts on any of the six groups?

The service can have an impact through the incorporation of equality within service specifications and the subsequent monitoring of those contracts can ensure the delivery of quality services. The contract monitoring team issue quality improvement plans to providers to aid their development.

QUESTION?
How does the quality of service identified above compare to other authorities / service providers?

The quality of service between authorities is difficult to measure for 2 main reasons. Firstly there are no objective criteria or indicators that will allow easy comparison between authorities. There may be some limited subjective data based on local procedures. Secondly the range of services offered, the scope and scale of the procurement functions offerings within different authorities makes meaningful comparison extremely difficult.

Previous benchmarking focused on management procedure and process comparison rather than qualitative measures. Comparative costs were reviewed on 2006/7 data, see below, which reports that Walsall's costs appear to be low. However there are some questions as to the validity of this indicator.

PP 1(a) Cost of the Procurement function as a percentage of organisational running costs (expenditure)

Walsall	Average	LQ	Median	UQ
0.10%	0.15%	0.10%	0.11%	0.18%
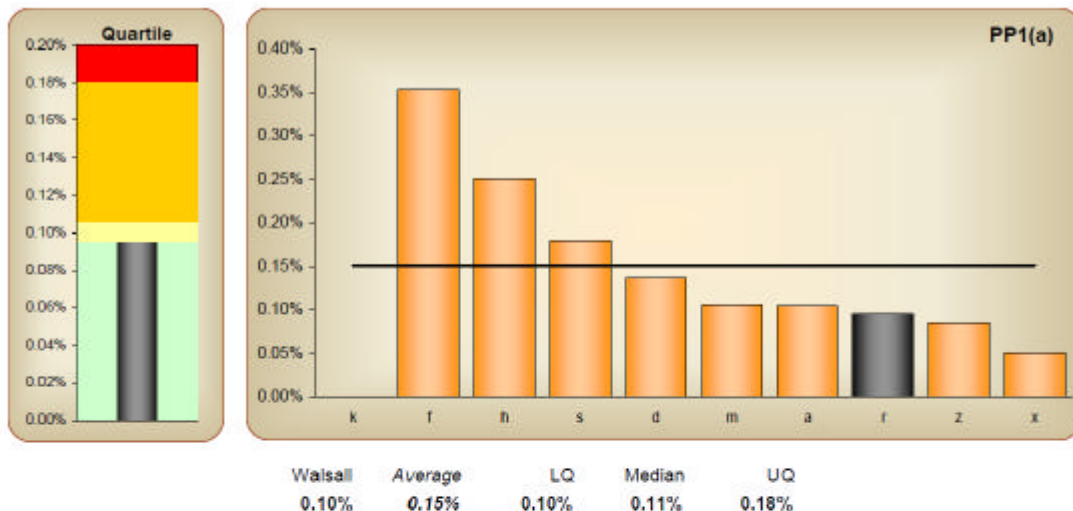
PP 1(b) Cost of the Procurement function as a percentage of non-pay spend
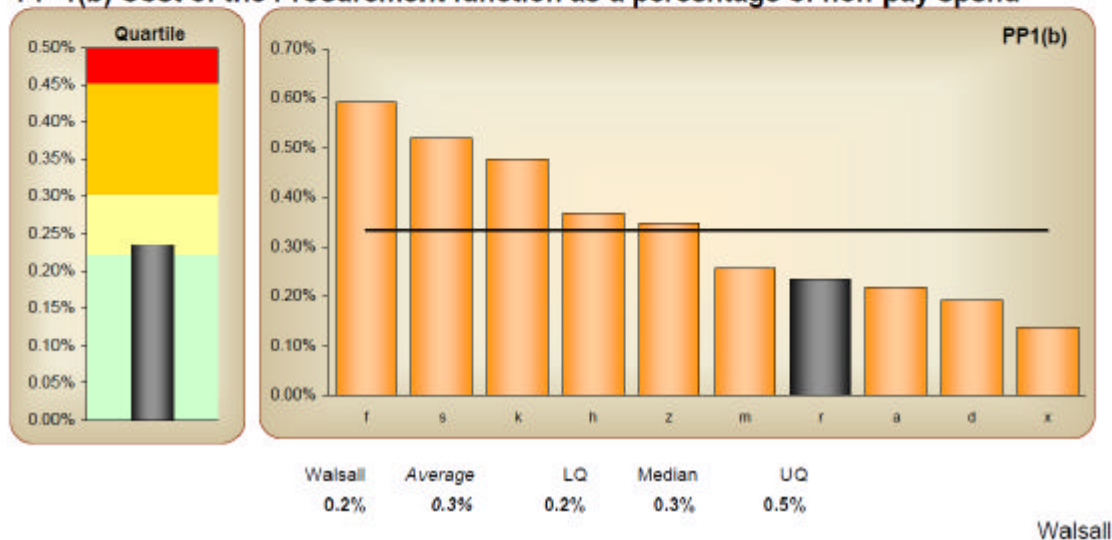
Walsall	Average	LQ	Median	UQ
0.2%	0.3%	0.2%	0.3%	0.5%

Walsall

(Brief statement summarising the view of the Officers conducting the assessment)

Procurement has been able to deliver efficient arrangements but the impact across the council is mixed due in part to a lack of clarity of the role that procurement should adopt and how that relates to other issues such as commissioning and contract management.

It is our view that this service, in terms of vfm is:-

☺   **Delivering services in an efficient and effective manner and demonstrating vfm in all areas**   ☐

😐   **Generally delivering an efficient and effective service and demonstrating vfm but needs to address the following issues:**   ☑

     1. Lack of clarity of role of procurement and commissioning within the council

     2. Resources to deliver the council's objectives

     3. Inconsistent and unstructured procurement approaches across the council

     4. Consider measures to demonstrate the delivery of appropriate outcomes

☹   **In the majority of areas examined is not able to evidence that service delivery is efficient and effective or that vfm is being delivered. Our recommendation is that….**   ☐

Scrutiny Panel Value for Money (vfm) Assessment

Forward Looking Statement

The potential for improvement in the council's approach to procurement and commissioning have been highlighted within this and other reports. To deliver significant improvements which deliver more effective outcomes and reduce the risk of non compliant procurement there will need to be a fundamental shift in the council's approach. This is being facilitated through a change programme which will provide greater clarity on the role of procurement and commissioning and how these fit into our approach to service development. The development of greater collaboration with NHS Walsall, particularly through the joint commissioning unit, is providing an opportunity to challenge current arrangements within Adult and Children's Services, as well as support services such as procurement, to develop models which are more suited to the future needs. Detailed discussions have been taking place to accurately map out current arrangements and define future support services which will need to be in place to support effective joint commissioning. This will need to take into account forthcoming changes through the implementation of Self Directed Services (Personalisation) which will require the council to put in place contractual arrangements which will be radically different than the current approaches.

Governance of procurement is fragmented and a proper project management system should be implemented which are owned by directorates with an accountable manager reporting through a corporate arrangement which maintains that strategic overview and challenge. The recent audit of commissioning highlighted the lack of visibility corporately of a contracts being awarded and outcomes being achieved. The council has routinely analysed spend data to identify key suppliers, their location, the volume and value of transactions and the opportunities for aggregation. This work has enabled the process of identifying lead officers for all of the council's key contracts and it is planned that detailed discussions will take place with them to develop plans which will set targets and key performance indicators for each category of spend. Similar contracts can then be grouped together to be managed in a more strategic way to deliver improvements and is consistent with modern procurement practice, adopted by a large number of councils. This category management approach is not necessarily centralisation but should be around service improvement within a single governance framework. It is important that there is a single governance framework to seek to ensure the consistent application of procurement approaches which comply with the relevant regulations. Additional challenge is being sought through reviewing best practice models within other councils as well as exploring the potential that private sector partners may be able to offer.

The recent implementation of legislation has provided more opportunities for aggrieved suppliers to take the council to court, delaying or invalidating contracts which may have been procured inappropriately. To alleviate and

manage these risk accountable managers must be identified, who have been appropriately trained in procurement, or who have sufficient knowledge, to oversee and manage procurement projects. Legal Services and Procurement are working to jointly develop and deliver this training programme to provide managers with the necessary skills and competences. Training will be supported by the development of resources, toolkits and processes which will enable managers to carry out their procurement responsibilities in a compliant manner. This approach will be supplemented by more effective procurement planning with a central register of contracts and plans being put in place.

MEMBERS TO COMPLETE
FINDINGS OF THE ASSESSMENT BASED ON EVIDENCE GATHERED:

(Brief statement summarising the view of the members conducting the assessment)

It is our view that this service, in terms of vfm is:-

🙂 **Delivering services in an efficient and effective manner and demonstrating vfm in all areas**

😐 **Generally delivering an efficient and effective service and demonstrating vfm but needs to address the following issues:**

    1.

    2.

    3.

    4.

☹️ **In the majority of areas examined is not able to evidence that service delivery is efficient and effective or that vfm is being delivered. Our recommendation is that….**