

PERFORMANCE AND FINANCE SCRUTINY SUB-COMMITTEE MINUTES

22 NOVEMBER 2011

Chairman: * Councillor Sue Anderson

Councillors: * Nana Asante (1) * Barry Macleod-Cullinane
* Tony Ferrari * Jerry Miles

In attendance: Paul Osborn Minute 56, 57, 60
(Councillors)

* Denotes Member present
(1) Denotes category of Reserve Members

50. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Member:-

Ordinary Member

Reserve Member

Councillor Varsha Parmar

Councillor Nana Asante

51. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Item 11 – Major Contracts and Procurement Savings

Councillor Tony Ferrari declared a personal interest in that he was the former Portfolio Holder with responsibility for Major Contracts and Property. He would remain in the room whilst the matter was considered and voted upon.

Councillor Paul Osborn, who was not a Member of the Sub-Committee, declared a personal interest in that he was the former Portfolio Holder with responsibility for Performance, Communication and Corporate Services and that he had previously been in receipt of hospitality from Capita. He would remain in the room whilst the matter was considered and voted upon.

52. Minutes

RESOLVED: That the minutes of the meeting held on 26 July 2011 be taken as read and signed as a correct record.

53. Public Questions, Petitions and Deputations

RESOLVED: To note that no public questions were put, or petitions or deputations received at this meeting.

54. References from Council and Other Committees/Panels

None received.

RESOLVED ITEMS

55. Chair's Report

The Sub-Committee received a report that set out issues considered by the Chairman since the last meeting of the Performance and Finance Scrutiny Sub-Committee.

Following a question from a Member, the Chairman reported that, with regard to the options identified by officers across Adults and Housing in relation to responsive repairs and maintenance procurement, the preferred option of contracting two or three suppliers for each function had been the option pursued.

RESOLVED: That the report be noted.

56. INFORMATION REPORT - Cabinet Decision Making Protocol

The Sub-Committee received a report which provided an explanation of the implications of the Cabinet decision making protocol and the amendments made to the Council's financial regulations.

An officer stated that the Cabinet Decision Making Protocol had been approved by Council on 3 November 2011. It brought together officer delegations and the revised key decision thresholds relating to Cabinet decision making into a single cohesive protocol. She advised that the officer delegations at section 3b of the constitution, and Portfolio Holders' terms of reference had not altered. The Protocol provided officers with guidance regarding key decisions and explained which decisions were within the remit of the Executive.

The officer reported that the financial regulations had been updated and fully reflected current legislation and that there had been some amendments to the scheme of delegation and the processes relating to capital had been strengthened.

In response to questions from Members, the officer advised that:

- the Constitution Review Working Group would shortly be reviewing the Portfolio Holder delegations with a view to streamlining the process and that some authorities, such as Camden, permitted officers to take key decisions;
- there was no ambiguity in the guidelines regarding the taking of key decisions;
- the protocol used by Portfolio Holders made it clear that officers were not permitted to take decisions that were politically sensitive, were not in keeping with current policy or had 'unusual' features;
- Portfolio Holder decisions could still be called-in;
- contracts over the sum of £500,000 were still reserved to Cabinet.

An officer added that virement in excess of £100,000 had to be referred to Cabinet.

RESOLVED: That the report be noted.

57. Revenue and Capital Monitoring for Quarter 1 as at 30 June 2011

The Sub-Committee received a report of the Interim Director of Finance, which had been previously considered at Cabinet on 8 September 2011, and which set out the council's revenue and capital monitoring position as at 30 June 2011. In presenting the report, the Director provided updated information on the Quarter 2 position, recognising the time that had elapsed since the Quarter 1 period end.

The Interim Director explained that in setting the budget for the year in March 2011, Council had been advised of a range of inherent risks within the budget estimates, and that some of these risks had indeed presented further budgetary challenge leading to forecast overspends.

The overspend at the end of quarter one was just over £1 million and this had risen by the end of quarter two, leading her to recommend a range of actions to bring net spending back into line. There was evidence that by the end of period 7 this action was having a positive impact.

The Interim Director reminded Members that this was exactly the purpose of budget monitoring and forecasting, to enable issues to be identified and appropriate action to be undertaken.

The Interim Director of Finance undertook to circulate a blank copy of the pro-forma used for bidding for the Transformation and Priority Initiatives Fund to Members of the Sub-Committee and stated that she would look into the possibility of circulating copies of completed pro-forma that had been submitted.

The Interim Director responded to a range of Councillor questions on the details within the report and on the additional information with respect to the more recent period.

RESOLVED: That the report be noted.

58. Major Contracts and Procurement Savings

The Interim Head of Procurement presented a report, which had been requested by the Performance and Finance Scrutiny Sub-Committee, which provided an over arching view of how major procurement contracts in excess of £1m would be managed and provided a brief summary of Procurement savings being achieved across the Council.

He stated that a review by Pricewaterhouse Coopers (PwC) in 2009 had indicated that some £21m of savings per annum could ultimately be achieved in revenue and capital spend, including costs recharged to the HRA, schools and other bodies. Subsequently, procurement and major contracts had been included in the transformation initiative being undertaken across the council. He reported that this transformation programme targeted cost savings through securing sustainable change, a consistent approach to purchasing and increased compliance with council procurement procedures and corporate contracts. He added that currently there was a shift in the council away from large contractors to smaller local businesses, which had the ability to be more responsive and flexible and less costly and that the new strategy would require officers with new skill sets in the areas of client and contract management.

RESOLVED: That the report be noted.

59. Exclusion of the Press & Public

RESOLVED: That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item for the reason set out below:

| <u>Item</u> | <u>Title</u> | <u>Reason</u> |
|-------------|--|---|
| 11. | Major Contracts and Procurement Savings: Appendices 1, 2 and 3 | Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)). |

60. Major Contracts and Procurement Savings

Following questions from Members on the content of the confidential appendices, the Interim Head of Procurement advised that:

- currently on the Highways contract with EnterpriseMouchel there were between 130-135 staff who were subject to the Transfer of Undertakings (Protection of Employment) TUPE;
- an advantage of larger contracts had been the provision of emergency cover at peak times, for example, during the heavy snow fall in 2009/10 and 2010/11;
- currently, there was enormous over-capacity in the market place which had in the past meant that the council had been willing to pay overheads that were not in proportion with the levels of service provided;
- managers needed a more extensive skill set in the area of client and contract management. He added that although these client and contract management skill sets were mentioned on the Highways risk register, these had not been included in the council-wide risk register due to an oversight; the Interim Head of Procurement undertook to rectify this;
- of the nine short listed bidders, two were local (although not strictly based in Harrow). The Interim Head of Procurement undertook to provide Members with further details of the nine short listed bidders;
- examining the savings target alone would not help to identify other less tangible benefits, for example, local service provision and greater operational flexibility on the part of contractors, neither of which were easily quantifiable;
- on the Housing and Corporate R&M procurement, value chain analysis had shown that there was the opportunity for both a significant improvement in services and 13% of savings, with an overall savings potential of 20%;
- the first work package in this procurement relating lift maintenance was indicating a saving of 25% and the Interim Head of Procurement undertook to inform Members of the total number of tenders received for this work package;
- the £21m procurement savings figure outlined in the general report included capital and revenue, but did not include the Capita contract. The savings may take up to 3 years to achieve. The £2m corporate saving quoted in the report related to the 2011/12 budget;
- there were structures outlined within Risk, Audit and Fraud department relating to the interface between software used by contractors and

those used by the council. Capita were qualified and skilled to provide advice in this area. He added that the council currently used the Bravo tendering software which enabled officers to evaluate tenders on equal terms and that tender specification documents emphasised sustainability to bidders;

- tender contracts would continue to include conditions and clauses relating to performance. Contracts would include positive and negative incentives, which would be communicated to bidders early on in the tendering process. In the past, officers had been unwilling or unable to enforce liquidated damages clauses. This had been identified as both a skills and management gap which would be addressed;
- previously contracts had been managed in terms of operation and service management and there had been no central oversight of the overall tendering process. However, centralisation of contract management meant that financial, operational and commercial teams would work together to manage individual contracts through the Strategic Procurement Board.

A Member, who was not a Member of the Committee, stated that he supported this centralised model and felt that the council should move towards a commissioning model whilst ensuring that the management of contracts was supported by officers at the appropriate strategic level, making appropriate decisions. He requested further training for Members with regard to contracts and procurement, stating that Members needed to understand the related legal and commercial framework. The Interim Head of Procurement stated that this training would be offered to Members at the February 2012 Members' Quarterly Briefing.

Following further questions from Members, the Interim Head of Procurement stated that:

- the total value of the Capita contract was £100m over 10 years. He undertook to provide Members with further information about what options were available to the council once this 10 year period had elapsed;
- a Member stated that he understood that £700,000 of saving through moving to a smaller building was written into the initial Capita justification;
- with regard to remote access fobs, the costs of these had been significantly reduced from £250 to £31 per annum under the IT outsourcing project. A Member stated that those Members not using their remote access fobs should be encouraged to return them.

The Interim Director of Finance stated that there was often reluctance on the part of Capita and other large contractors to provide detailed cost analyses. Prior to entering into the contract with Capita, the council had commissioned an independent body to evaluate Capita's pricing model. The advice from the

independent body had enabled the council to persuade Capita to reduce their quotes. Following a request from Members, the Interim Director of Finance undertook to provide further information about the mobile and flexible working initiative to a future meeting of the Sub-Committee.

A Member, who was not a Member of the Committee, commented that cloud based computing solutions and the use of smaller platforms should be investigated as these could provide the council with considerable potential savings.

The Interim Head of Procurement stated that the successful re-tendering of the leisure services contract and the recently negotiated dry recyclables contracts had been as a direct result of work undertaken by the procurement team. The relevant Service Manager, Procurement officers and Finance officers had worked together to bring these to fruition.

A Member, who was not a Member of the Committee, congratulated officers for their work on these two contracts and added that this was the kind of strategic and commercial approach required across the council.

The Chairman requested that in the future, reports to the Performance and Finance Scrutiny Sub-Committee should clarify any acronyms used.

RESOLVED: That the appendices be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 10.00 pm).

(Signed) COUNCILLOR SUE ANDERSON
Chairman