



City of Westminster

Audit and Performance Committee Report

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Title:	Annual Contract Review 2016/17
Wards Affected:	N/A
Financial Summary:	N/A
Report of:	Chief Procurement Officer
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1. Executive Summary

1.1 This report forms the Annual Contracts Review for consideration by the Audit and Performance Committee, in accordance with their Terms of Reference, specifically those listed below under Performance Monitoring:

- 23. To maintain an overview of overall contract performance on behalf of the Council.
- 24. To review and scrutinise contracts let by the Council for value for money and adherence to the Council's Procurement Code.

1.2 This format of reporting focuses on the [Executive Management Team](#) (EMT). The EMT is made up of eight directors, including the Chief Executive, who are responsible for the overall management of the council, for setting and monitoring overall direction, ensuring high performance and for overall risk and reputation management.

1.3 This report is a summary of contract data taken from capitalSourcing and the recommendations recorded from the action logs of the Procurement Assurance Board (PAB) which are used to inform EMT on a quarterly basis, for Westminster contracts only.

1.4 The final element of this report highlights a number of areas where Procurement Services are working to support the Council deliver best value, in terms of Professional development of staff, departmental accreditation and the procurement programme to address priorities for 2017/18.

2. Recommendations

2.1 It is recommended that the Audit and Performance Committee note the contents of this report.

3. Background, including policy context and procurement systems

3.1 The Procurement Code sets the mandatory rules on behalf of Westminster City Council in regards to the award, management and monitoring of contracts and is aligned with the Councils overall governance practices. It applies to all Members and officers that are responsible for conducting procurement and contract management activity on behalf of the Council. The code informs users of the appropriate governance and procurement assurance processes which ensures good business practices are applied and that the Council achieves best value, whilst ensuring risks are minimised and procurement complies with relevant legislation, corporate strategies and policies.

3.2 A review of the Procurement Code and procurement assurance process was conducted during quarter 3 of 2016/17 and the updated Code was published in January 2017.

3.2.1 The Procurement Code was updated and published following approval from EMT and the Cabinet Member for Finance and Corporate Services. The code is reviewed regularly to make sure it is in line with any amendments to legislation and/or corporate policy, as well as ensuring it is easy to understand and follow. This review was developed in response to consultation with wider Council officers, was made more 'user friendly' and introduced some key updates such as; Corporate Contracts mandate; Inclusion of Spend definitions; Category Planning section; Contract Management mandate; Responsible Procurement mandate.

3.2.2 In order to streamline procurement assurance across the Tri-borough and for Westminster City Council (WCC), a single Procurement Assurance Board (PAB) was created to replace the Tri-Borough Contract Approval Board and the WCC Board. The new PAB is commonly referred to as Gate and all procurement activity with an estimated total contract value of £100,000 and above is reviewed by this board. In addition, procurement assurance for both Adult Social Care (ASC) and Children Services (CS) was delegated to the respective Contract and Commissioning Boards (CoCo). This meant that ASC and CS would no longer attend the newly formed PAB, however, the Corporate Procurement teams, Legal and finance representatives would be

represented at both CoCo's. Terms of Reference for the PAB and both CoCo's were also finalised and agreed.

3.3 capitalEsourcing is used to manage the majority of the Councils procurement and contract management activity. The use of a single system provides an important source of data and a complete audit trail of the Councils activities, enabling full visibility of commercial commitments; better management of risk; identification of commercial opportunity and resource planning.

4. Review of contracts let by the Council for value for money and adherence to the Procurement Code

4.1 The term contracts let refers to all contracts in capitalEsourcing with a service commencement date within the relevant reporting period (2016/17 financial year). Contracts that are not registered on the system are not captured in this report

4.2 EMT is issued a quarterly contract review report which provides information on the procurement activity that has taken place in their area of remit. This gives EMT members the opportunity to scrutinise any areas of concern or non-compliance. The quarterly contract review reports are based on contract data from the capitalEsourcing system and recommendations from the action logs of the procurement Assurance Board, reporting on: contracts let and overall compliance with the Procurement Code, Extensions/variations and waivers.

4.2.1 Contracts Let: A total of 73 contracts commenced during the 2016/17 period. Appendix A provides a detailed summary.

4.2.1.1 39 contracts were below the value of £100,000 threshold and are classed as devolved procurements.

- 3 have no contract value assigned
- 1 was compliant with the procurement (as part of wider procurement)

4.2.1.2 34 contracts were over the value of £100,000.

- 28 contract awards were compliant with the Procurement Code
- 4 contract awards were recommended by CoCo
- 2 were let following approval of a waiver

4.2.2 Extensions/Variations: There were 12 extensions of existing contracts which are detailed in Appendix B.

4.2.3 Waivers: It is recognised that there are instances where the requirements of the Procurement Code cannot be precisely followed so a waiver of the Code must be sought. The waiver process is defined in the Procurement Code and officers must submit a waiver request using a standardised template, providing sufficient justification to key questions. Approval for contracts below £1,500,000 must be sought from the CPO and for contracts exceeding £1,500,000 (£300,000 for consultancy) a Cabinet Member decision is required. Appendix C provides full details of the waivers that were approved.

4.2.3.1 The numbers of waiver requests are indicated in table 1 below:

Table 1

	Number of Waivers				
	Qtr1	Qtr2	Qtr3	Qtr4	Total
2014/15	20	19	28	37	104
2015/16	13	8	15	19	55
2016/17	24	9	11	15	59

4.2.3.2 Table 2 below provides a summary of the reasons why waivers were sought, by type of waiver and by Service Area during 2016/17. It should be noted that 68% of the total number of waivers related to contracts where the total value did not exceed £100,000.

Table 2

2016/17 Waivers, by type	No. of Waivers		Grand Total
	Under £100k	Over £100k	
Waiver Directly award a contract without competition.	29	9	38
Waiver Non compliant contract extension	8	7	15
Waiver Contract award with change to evaluation criteria	1	3	4
Waiver Use of a Memorandum of Understanding	1		1
Non compliant retrospective waiver	1		1
Grand Total	40	19	59
	68%	32%	

4.2.3.3 Table 3 provides a breakdown of the 19 contracts over £100k where waivers were approved. The justification for each waiver is detailed in Appendix C.

Table 3

2016/17 Waivers, by type and directorate (£100k+ only)		No Waivers	Grand Total
Waiver Contract award with change to evaluation criteria		3	£38,901,443
Growth, Planning & Housing	<i>Procurement Strategy (Pre-tender)</i> Housing Options Service	1	£35,000,000
	<i>Procurement Strategy (Pre-tender)</i> Semi-Independent Housing Services	1	£3,661,443
Public Health	<i>Procurement Strategy (Pre-tender)</i> Maternity Champion Contracts	1	£240,000

2016/17 Waivers, by type and directorate (£100k+ only)		No Waivers	Grand Total
Waiver Non-compliant contract extension		7	£12,402,698
Corporate Services	Ericsson Telephony Service Provision	1	£9,968,598
Adult Social Care	Housing and Care 21 Older People with complex needs and Outreach services	1	£906,000
	Housing and Care 21 Glarus Court enhanced home care	1	£725,000
	Paddington Development Trust Community Champions project Church St	1	£135,000
	Queens Park/Mozart Community Champions Project	1	£135,000
Growth, Planning & Housing	London Business School Council House - Additional refurbishment works comprising installation of audio and visual services, restoration of window reveals and 2 no listed chimneys.	1	£313,100
	Phoenix Software Ltd Microsoft Office 365 Licenses	1	£220,000
2016/17 Waivers, by type and directorate (£100k+ only)		No Waivers	Grand Total
Waiver Directly award a contract without competition.		9	£3,832,333
Adult Social Care	Housing and Care 21 Provision of Dementia Services	1	£1,171,872
	Westminster Society Residential Care (5 Homes, 19 Units) Accommodation services for people with Learning Disabilities	1	£153,749
	Supported Housing (88 Units dispersed). Accommodation services for people with Learning Disabilities.	1	£229,005
Corporate Services	Penna PLC Advertising Recruitment	1	£659,000
Children's Services	Family Lives Westminster Children's Centre Outreach Service	1	£518,457
Growth, Planning & Housing	G.E.M. Environmental Services Ltd Mechanical Services Contract	1	£307,250

	PRP Architects Lead Consultants to prepare a concept scheme to gain planning permission for the Beachcroft Specialist Housing for Older People programme Site RIBA Stage 2-3	1	£125,000
City Treasurers Department/Finance	Insight Investment Management (Global) Ltd Investment Management Agreement	1	£380,000
Policy Performance & Communications	Verint Systems UK Limited Lagan CRM Solution	1	£288,000
Grand Total		19	£55,136,474

4.3 The data above is dependent on the source of information input into the capitalSourcing system. Compliance regarding completion of mandatory fields and ensuring that contract records are accurately maintained is actively monitored and Contract Managers are informed and supported through training and regular communications.

4.3.1 Compliance for 2016/17 is recorded as 85%, which is a slight decrease from the 94% recorded during 2015/16. However, it is evident that compliance is improving as more departments within the Council are actively managing contracts and ensuring records are registered in the capitalSourcing system.

4.3.2 The compliance project was reviewed during 2016/17 and it has been highlighted that the current scope of checks was limited. A second project phase has been agreed for 2017/18, whereby the scope of compliance checks has been widened to include areas such as; recording recommendations made at PAB; applying policing rules to every stage of the tendering process; ensuring contracts are activated following a contract award; ensuring all activated contracts include a soft copy of the final contract.

4.4 2016/17 value add (Procurement and Contract management activity)

4.4.1 Westminster City Council is committed to ensuring the best value for money for the services it delivers. The Council's vision to be a City for All is also supported through our Responsible Procurement approach. As part of the 2016/17 review of the Procurement Code, it was mandated that all contracts with a total contract value of £100,000 or above, must ensure a minimum of 5% total weighting of the tender evaluation score to be allocated to Responsible Procurement.

4.4.2 Some examples of significant procurement and contract activities which demonstrate best value are listed below:

4.4.2.1 Ricoh Contract

Print and Document Management - Five local authorities have reviewed the framework and are in discussions with Ricoh to call-off from the agreement. They are at various stages of reaching an agreement with Ricoh, which range from an imminent commencement date to early stages of discussions. The local authorities in talks at present include Camden, Hammersmith & Fulham, Waltham Forest, One Source (Havering, Newham and Bexley) and Ealing. WCC are supporting Ricoh with their efforts to promote their services which we hope to create the revenue stream for Procurement via a rebate process.

4.4.2.2 Managed Service for Temporary Agency Resources Procurement

A further competition exercise was undertaken using the YPO HR Services and Solutions Framework (Lot 1). The annual contract value is in the region of £14m with a supply base of 142 agencies.

The new contract aims to deliver improved service standards to enhance service quality and user experience, control agency fees over the term of the contract and achieve and maintain financial & non-financial benefits to drive continuous improvement.

Savings forecast:

Estimated overall savings of £165k based on FY 15/16 volumes)
Potential YPO rebate of £75k per annum (based on YPO framework performance where clients receive on average £5k for each £1m spent)

Social Value:

Quarterly skills training & CV workshops

Circa 200 work experience placement could be offered through supply chain & commitment to create a week long work experience placement each quarter within the WCC Matrix Hub

Collaboration with agencies to assist long-term unemployed residents

4.4.2.3 Community Sexual Health Procurement

Investment in adult community sexual health services has been inconsistent. The redesign of the services intends to deliver improvements in quality and move the balance of care away from Genito Urinary Medicine (GUM) services to the more accessible community based services for the residents of the three boroughs. The procurement was tendered across the three councils for two services:

- Lot 1 sexual health promotion and psychosocial support
- Lot 2 contraception and sexually transmitted infection screening in the community

The tender outcome has forecast £3.9m savings which is based on the tenderers' prices per borough, against the baseline budget of circa £13m (over the three year term). The savings will form part of the respective council's financial plans.

5. Overview of overall contract performance of ‘active’ contracts over £100,000

- 5.1 Procurement Services have been working with each of the Service areas to ensure overall contract performance is carried out in the system. It is the responsibility of Contract Managers to carry out the first assessment within the capitalEsourcing system, 12 months following the service commencement date, for all contracts that have a total contract value of £100,000 or above.
- 5.2 The following four categories are used to rate overall contract performance: Exceeds expectations; Meets Expectations; Below Expectations; Critical Failure.
- 5.3 Appendix ‘D’ provides an extract of all active contracts currently registered on capitalEsourcing that are over £100,000 and their contract performance rating.

5.3.1 In summary it shows of 174 active contracts of which 150 (86%) were assessed and performance rated:

- 138 (79%) were assessed and rated as ‘Meets Expectations’
- 6 (3%) were assessed and rated as ‘Above Expectations’
- 6 (3%) were assessed and rated as ‘Below Expectations’
- No contracts were performance rated as ‘Critical Failure’

5.3.2 In terms of the total number of contracts assessed in the system, 86% represents a positive increase on the number of contracts assessed and reported on during 2015/16 (63%)

5.3.3 Table 4 below provides a breakdown of contract performance by each Service area.

Table 4

Service Area	Meets Expectations	Not Evaluated	Above Expectations	Below Expectations	Grand Total
Growth, Planning & Housing	48	7	2	1	58
Adult Social Care	42	8	1	2	53
City Management & Communities	19	1		1	21
Corporate Services	14			1	15
Public Health	5	5	1	1	12
Policy Performance and Communications	2	2	2		6
Children's Services	4	1			5
City Treasures Department	4				4
Grand Total	138	24	6	6	174

5.3.4 Of the 24 Contracts that have not been performance rated in the capitalEsourcing system, 12 have a total value over £1.5million and table 5 provides a summary. Procurement Services are working with each service area to ensure the contract performance rating is updated in capitalEsourcing system.

Table 5

Contract Performance - Not Evaluated	Contract Value
Growth, Planning & Housing - Amey: ecm_WCC_3653 Tri-Borough Total Facilities Management Contract and London boroughs framework agreement	£154,812,103
Adult Social Care - Care UK Homecare Limited: ecm_WCC_2460 Nursing and Res Care Forrester Court	£56,722,425
City Management & Communities Sports and Leisure Management Ltd: con_WCC_8889 Management of Leisure Portfolio Contract	£35,441,542
Growth, Planning & Housing Geoffrey Osborne Ltd: con_WCC_10256 Lisson Arches Contract	£20,000,000
Adult Social Care - Vincentian Care Plus: con_ASC_10296 Provision of Home Care Services for Westminster - Vincentians	£14,700,000
Adult Social Care - Sage Care Ltd: con_ASC_10297 Provision of Home Care Services - Sage Care Ltd	£13,000,000
Adult Social Care - London Care LTD: con_ASC_10298 Provision of Home Care Services - London Care Ltd	£11,900,000
Growth, Planning & Housing - Faithful+Gould: con_WCC_7453 Project Management and Design Team Services for City Hall Refurbishment	£7,000,000
Growth, Planning & Housing - Faithful+Gould: con_WCC_7520 Project Management and Design Team Services for City Hall Refurbishment	£3,912,955
Public Health - Turning Point: con_WCC_7222 Lot 1 WCC Substance Misuse Treatment Service	£7,602,404
Childrens Services - Caterlink: con_RBKC_7301 WCC School Meals Mini-competition	£7,500,000
Public Health - change, grow, live (CGL): con_WCC_7225 Lot 2 - WCC Alcohol Specific Treatment Interventions Services	£3,362,471
Grand Total	£335,953,900

5.3.5 Six contracts were performance rated as 'Below Expectations' and are summarised below in Table 5. Commentary for this assessment is available for two contracts (as indicated below) and Procurement Services are working with Contract Managers to provide commentary for the remaining contracts on the capitalEsourcing system.

Table6

Contract Performance rated Below Expectations	
Service Area Supplier Name / Contract Title	Contract Value
Adult Social Care, Sanctuary Housing Association SHSOP – Contract: (Start: 24/08/15 - End: 23/08/23) Date of Contract Performance rating:	£13,609,935.60
Adult Social Care, One Westminster Befriending Plus: (Start: 01/10/13 - End: 30/09/17)	£200,600.00
Adult Social Care - subtotal	£13,810,535.60
Corporate Services, BT Global Services Managed Services for HR, payroll and finance (Lot 1) - WCC Call Off contract (Start: 01/06/2013 – End: 31/05/2018) Reason for rating: Well documented below par performance of this contract relating to still outstanding transition activities. Ongoing Commercial discussions to resolve and develop plan to deliver outstanding functionality and review key troublesome processes.	£9,478,000.00
Corporate Services subtotal	£9,478,000.00
Public Health, Central London Community Healthcare NHS Trust Contract for the Provision of PH 0-5 and FNP -WCC (Start: 01/10/15 - End: 30/09/17)	£8,501,572.00
Public Health subtotal	£8,501,572.00
City Management & Communities, Enterprise Mouchel Limited Contract D - Gully Service: (Start:01/04/14 - End: 31/03/18) Reason for rating: The service has been struggling to meet its performance targets almost since its start. The service changed hands during the first two years and it was clear that the service was significantly under resourced meet the operational requirements. Late last year Kier, the new owner approached the City council to explore the opportunity to withdraw by mutual agreement from the service. This was reviewed with procurement and in June of this year, following approval by Gate a new contract was awarded to the main Highways provider FM Conway which commenced on 1st July 2017.	£800,000.00
City Management & Communities subtotal	£800,000.00
Growth, Planning & Housing, OCS Environmental Services Limited Asbestos Removal and Encapsulation: (Start: 01/05/13 - End: 30/04/18)	£625,000.00
Growth, Planning & Housing subtotal	£625,000.00
	£33,215,107.60

5.3.6 It is recognised that the current methodology for recording contract performance is transactional in nature. Therefore, during 2016/17, feedback was sought from Contract Managers. The general view was that this method was too simplistic and did not provide a true representation on the overall performance of a particular contract. As such, during 2017/18, Procurement Services will be conducting a review of Contract performance with a view to piloting a contract performance score card. The approach will be focused on value and risk to provide more meaningful information and greater visibility.

6. Professional Development

- 6.1** The majority of Procurement Services are either qualified or part qualified and studying for full membership of the Chartered Institute of Procurement & Supply. The majority of Category Managers are fully qualified at level six with the remainder at level four or five.
- 6.2** An ongoing training programme ensures that all team members are kept up to date with procurement related skills and legislation
- 6.3** During 2015/16 the Chief Procurement Officer (CPO) implemented a rolling training programme “Procurement & Commercial Training Programme” that included:
 - 6.3.1** Category Management – mandated for all procurement staff
 - 6.3.2** Contract Management Framework – mandated for all Commissioners, Contract Managers and Procurement Staff
 - 6.3.3** Legal Aspects & Contract Development (Back to Basics) – mandated for all Procurement staff
 - 6.3.4** EU Procurement Directive
- 6.4** During 2016/17 the “Procurement & Commercial Training Programme” has been maintained with Adult Social Care and Children Services also accessing the Category Management training. Competitive Dialogue training was also made available.
- 6.5** The programme is being updated to include the following additional modules:
 - 6.5.1** Specification writing
 - 6.5.2** Negotiation
- 6.6** Core elements of the programme are available for booking via the Council’s Learning Management System.
- 6.7** The CPO is sponsoring the introduction of a Public Commercial Officer Apprenticeship. In our Route Map to Success, the Councils is committed to becoming a more commercially savvy organisation and the CPO has been tasked with enabling this through the development of commercial skills across the organisation. One element of this skills programme is to offer existing staff with contracts/procurement/commissioning roles the opportunity to develop their commercial skills through a new higher level Public Commercial Officer Apprenticeship programme.

6.8 The 2017 Procurement Programme includes a work stream entitled 'Engaged & Capable Team' which will look to develop signposting to opportunities, training, seminars, job share, and other means for continuous professional development.

7. Chartered Institute of Procurement & Supply

7.1 Westminster City Council received confirmation of achieving the CIPS standard in October 2016, becoming the second London Borough to win an award. The award followed a formal review of the organisation, strategy, people, processes and performance management.

7.2 The Procurement Services team received recognition that its work has maintained procurement policies, procedures, processes and systems that meet the required CIPS standards.

7.3 In addition to the above, CIPS are leading a campaign to ensure greater accountability for organisations and individuals by the inculcation of a voluntary professional procurement licence. The aim is to improve corporate governance, transparency, anti-corruption measures and recognise the importance of the profession for sustainable development.

7.4 EMT approved a recommendation to support the CIPS campaign and this will be actioned by Westminster City Council issuing a joint statement of support this year.

7.5 Finally, following the judging of the CIPS UK, Supply Management Awards 2017, Westminster City Council have been shortlisted by CIPs for 'Delivering Social Value through Responsible Procurement' in the Best Contribution to Corporate Responsibility category. The awards presentation will be held in September this year.

8. Further developments and Procurement Programme 2017/18

8.1 The main objectives and priorities for the Procurement Service over the next year are to lead and support the commercial procurement activity in line with the Council's needs and priorities, as part of the wider Corporate Services team. The Corporate Services vision is to Enable and Protect the Councils we serve by providing a range of high quality services that support the frontline operations of the Councils.

8.2 Procurement Services will do this by working towards the Procurement vision of 'Procurement Excellence' which is delivered through the 5 key [Corporate Service objectives](#). Transform; Value; People; Partner; Commercial

8.3 The Procurement Programme 2017/18 is split into these 5 objectives with work streams under each to address specific priorities.

<p>Transform:</p> <ul style="list-style-type: none"> • Contract Management - To improve and standardise contract management practices, develop closer relationships with contract managers and key suppliers
<p>Value:</p> <ul style="list-style-type: none"> • Value Measurement - To ensure robust and credible systems are in place to capture and measure value created • Responsible Procurement – To maximise value for money and drive additional social value outcomes
<p>People:</p> <ul style="list-style-type: none"> • Engaged and Capable Team - To ensure continuous professional development and to have an informed, motivated and high performing team
<p>Partner:</p> <ul style="list-style-type: none"> • Governance - To minimise and simplify control mechanisms and improve transparency of data and process • Relationship Development - Increase the credibility of Procurement Services with stakeholders across the organisation
<p>Commercial:</p> <ul style="list-style-type: none"> • Category Management - To embed a Category Management approach for all of the Council's spend

8.4 Procurement Services will be introducing eSignatures for our contracts for Goods, Services and Works via the capitalEsourcing system. Legal Services have confirmed their support and Procurement Services will run an initial pilot with two service areas during quarter 2 of 2017/18. Next steps following successful completion of the pilot will be to submit a report to EMT, which will cover off the reasons for the change; an overview of how the process will work in practice; assurance on how robust the capitalEsourcing system is in terms of security and governance. Pending agreement from EMT this will be rolled out across all service areas.