


<p style="text-align: center;">Non-Executive Report of the:  <b>Overview and Scrutiny Committee</b>  26<sup>th</sup> October 2016</p>	 <p style="text-align: center;"><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b>  Neville Murton, Service Head, Procurement &amp; Finance    Sharon Godman, Service Head, Corporate Strategy &amp; Equality</p>	<p><b>Classification:</b>  Unrestricted</p>
<p><b>Challenge session progress update – Contract Specification and Management in Tower Hamlets – Ensuring maximum value for money and securing community benefits (using Veolia as a case study)</b></p>	

<b>Originating Officer(s)</b>	Gulam Hussain, Senior Strategy, Policy and Performance Officer
<b>Wards affected</b>	All

**Summary**

This report follows up from the scrutiny challenge session on contract specification and management in the council (using as a case study the contract with Veolia for environmental services). The report and recommendations was agreed by the Overview and Scrutiny Committee in March 2015. An action plan was developed to address the recommendations. The report and accompanying action plan was endorsed by Cabinet in October 2015. This report reviews the progress against the original recommendations.

**Recommendations:**

The Overview and Scrutiny Committee is recommended to:

1. Note the progress of the recommendations from the scrutiny challenge session.

## **1. DETAILS OF THE REPORT**

- 1.1 This report provides an update on the progress of implementation of recommendations from the scrutiny challenge session on contract specification and management in the Council. The session held in January 2015 used as a case study the contract with Veolia for environmental services. The report went to Overview and Scrutiny Committee in March 2015. An action plan was developed to address the recommendations. The report and accompanying action plan was agreed by Cabinet in October 2015.
- 1.2 The session took place in the context of the Council needing to find further financial savings, maintain effective services and secure community benefits through procurement exercises. Using the contract for environmental services as a case study, the challenge session explored the approach used in developing contract specifications which reflect the need to deliver high quality services, provide community benefits and represent value for money and how our approach to developing specifications and managing contracts can be further strengthened.
- 1.3 The report (Appendix 1) made six recommendations. Progress against each recommendation is recorded in the accompanying action plan (Appendix 2).
- 1.4 Of the six actions developed in the scrutiny action plan four have been completed and will be continued on an ongoing basis as directed by the recommendations. Of the remaining two actions, progress has been delayed due to the focus on delivering against the Best Value Action Plan and the need to align emerging work streams as part of the proposed Digital Strategy for the Council. Both outstanding actions are anticipated to be complete by early 2017.

## **2. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 2.1 This is an update report on progress to date in delivering the six recommendations agreed by O&S in March 2015 and endorsed by cabinet in October 2015. As such there are no direct financial implications arising from the recommendations within this report.
- 2.2 However appendix 2 details the activities undertaken to meet the six recommendations agreed and below is a summary of the associated costs;
  - Recommendations 1-3 have been implemented through existing resources within the Procurement and Communications services.
  - Recommendation 4 has been met through a new supply contract that will provide tendering support to local businesses and a new e-sourcing solution. The former will cost the Council £1.03m over 2.5 years and will be funded through New Homes Bonus funding set

aside and the latter will be funded through earmarked reserves. The additional activity in relation to the new corporate procurement training programme and contract management guide & toolkit have been met through existing resources within the Procurement Service

- Recommendation 5 is being progressed and will also be delivered through existing budgets.
- The digital strategy that will contribute towards recommendation 6 will require additional investment and funding for this will need to be agreed through the Councils financial approval process in the context of the Councils Medium Term Financial Strategy.

### **3. LEGAL COMMENTS**

- 3.1 The Council is required by Section 9F of the Local Government Act 2000 to have an Overview and Scrutiny Committee and to have executive arrangements which ensure the committee has specified powers. Consistent with that obligation Article 6 of the Council's Constitution provides that the Overview and Scrutiny Committee may consider any matter affecting the area or its inhabitants and may make reports and recommendations to the Full Council or the Executive, as appropriate, in connection with the discharge of any functions. It is consistent these powers that the Committee receives this update report on progress on the implementation of recommendations from scrutiny reviews.
- 3.2 This report provides details of an Overview and Scrutiny challenge session and subsequent report titled "Contract Specification and Management: Ensuring maximum value for money and securing community benefits" which made 6 recommendations. This Report is at Appendix 1.
- 3.3 In response to the recommendations, an action plan was been prepared and which is at Appendix 2. There were 6 actions; all appear to be capable of being carried out within the Council's powers. In relation to those actions, 4 have been completed and 2 are still ongoing.
- 3.4 Section 3 of the Local Government Act 1999 requires that the Council as a best value authority "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". Reviewing and where required updating the Council's procurement approach is an important way in which that obligation can be fulfilled.
- 3.5 In its consideration of the Scrutiny Challenge Scrutiny Report and its recommendations, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who

do not (the Public Sector Equality Duty). A proportionate level of equality analysis will be required by the Council in developing contract specifications and when considering the nature of local community benefits being sought from individual contracts.

#### **4. ONE TOWER HAMLETS CONSIDERATIONS**

- 4.1 The recommendations contained within this report support the Council's strategic objective 'a transformed council, making best use of resources and with an outward looking culture'.

#### **5. BEST VALUE (BV) IMPLICATIONS**

- 5.1 The Scrutiny Review supports the Best Value duty by setting out a number of recommendations which aim to support improvement, informed by consideration of economy, efficiency and effectiveness. The report recommends that work be undertaken to assess the effectiveness of existing arrangements to support effective contract management and periodically review the council's approach to securing community benefits to ensure the continued availability of high quality front line services delivering value for money.

#### **6. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 6.1 There are no direct environmental implications arising from the report or recommendations.

#### **7. RISK MANAGEMENT IMPLICATIONS**

- 7.1 There are no direct risk management implications arising from the report or recommendations.

#### **8. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 8.1 There are no direct implications of crime and disorder as a result of the recommendations of this review.

#### **9. SAFEGUARDING IMPLICATIONS**

- 9.1 There are no direct implications of safeguarding as a result of the recommendations in this review.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- None

**Appendices****Appendix 1 – Action Plan****Appendix 2 – Contract Management Update****Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

**Officer contact details for documents:**

N/A