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| Committee: Overview & Scrutiny | Date: 3rd March 2015 | Classification: Unrestricted | Report No: | Agenda Item: 7.2 |
| Report of: Service Head Corporate Strategy & Equality, Louise Russell | | Title: Contract Specification and Management in Tower Hamlets – Ensuring maximum value for money and securing community benefits (using Veolia as a case study) | | |
| Originating officer(s) Gulam Hussain, Strategy, Policy & Performance Officer, Corporate Strategy & Equality | | Wards Affected: ALL | | |

1. **SUMMARY**

- 1.1 This report provides recommendations following a challenge session on contract specification and management in the council (using as a case study the contract with Veolia for environmental services).

2. **RECOMMENDATIONS**

The Overview and Scrutiny Committee is recommended to:-

- 2.1 Agree the draft report and the recommendations contained in it; and
- 2.2 Authorise the Service Head for Strategy & Equality to amend the draft report before submission to Cabinet for consideration after consultation with the scrutiny review group.

3. **BACKGROUND**

- 3.1 The challenge session took place on 22nd January 2015 led by Cllr Abjol Miah, Scrutiny Lead for Resources.
- 3.2 Nearly a third of the Council's budget is used to procure goods or services. The session took place in the context of the Council needing to find further financial savings, maintain effective services and seek community benefits from procurement. The focus of the challenge was therefore to understand the approach used in developing contract specifications and the management of contracts, utilising the council's waste management contract with Veolia UK as a case study.

3.3 The report with recommendations is attached at Appendix One. Six recommendations have been made:

RECOMMENDATION 1:

Publish the quarterly Contracts Forward Plan on the Council's website and use the Members Bulletin to alert Councillors when it is updated.

RECOMMENDATION 2:

Officers periodically review the Council's approach to securing Community Benefits to ensure that:

- Community benefits are maximised whilst securing value for money, and
- Community benefits good practice is shared across Council services and category management areas.

RECOMMENDATION 3:

Communicate to residents the community benefits that are being achieved by the Council through major procurement activity and current contracts.

RECOMMENDATION 4:

Consider accredited learning for those involved in supporting high risk or high spend procurement and contract management activities.

RECOMMENDATION 5:

Publicise further Find it, Fix it, Love it (FiFiLi) to increase its use including a focus on utilising the support of the 37% of staff members who live in Tower Hamlets.

RECOMMENDATION 6:

Explore wider use of mobile app technology in Council services informed by the experience of FiFiLi.

4. BODY OF REPORT

4.1 The report of the challenge session is attached at appendix 1.

5. COMMENTS OF THE CHIEF FINANCIAL OFFICER

5.1 There are no financial implications as a result of the recommendations within this report. The additional publicity and communications recommendations could be implemented through existing resource arrangements.

6. LEGAL COMMENTS

- 6.1 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 Borough or its inhabitants and may make reports and recommendations to Full Council or the Executive in connection with the discharge of any functions. It is consistent with the Constitution and the statutory framework that the Scrutiny Challenge Session Report be submitted to Cabinet for its consideration and of the recommendations contained within it.
- 6.2 The report provides consideration of the Council's procurement approach, with particular focus on maximising value for money and securing community benefits through effective contract management and contract specifications.
- 6.3 Section 3 of the Local Government Act 1999 requires the Council as a best value authority to "make arrangement to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficient and effectiveness". Reviewing and updating the Council's procurement approach is an important way in which that obligation can be fulfilled.
- 6.4 It should be noted that there is reference to the Public Contracts Regulations 2006 within the report and is correct at the time of the Scrutiny Challenge Session. However, this is to be superseded by the Public Contracts Regulations 2015, which come into force on 26 February 2015.
- 6.5 It is important that the Council takes into account the prevailing European and Domestic law relating to competition when considering the promotion of local benefits within its contracts specifications. The inclusion of a number of local benefits as specific contract deliverables may be anticompetitive as they can be difficult to deliver where the bidder is based outside of the Borough.
- 6.6 It is important that the Council maintains the ability to consider each contract on a case by case basis in the process of determining relevant local deliverables in respect of each contract in order to ensure that discrimination against external bidders is removed in each case as the circumstances of whether particular measures are discriminatory will depend largely on the circumstances of the particular contract.
- 6.7 In any event, the score available for local benefits within a particular evaluation methodology should not be greater than 5% of the overall score available for quality.

Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report

1. Presentation from ***LBTH Procurement Service***. Tower Hamlets policy & practice in relation to procurement
Gulam Hussain ext 4710
gulam.hussain@towerhamlets.gov.uk

2. Presentation from ***LBTH Clean & Green Service***. Performance information and contract management approach to the council’s waste management contract with Veolia UK.
Gulam Hussain ext 4710
gulam.hussain@towerhamlets.gov.uk

7. APPENDICES

Appendix 1 – Challenge Session Report: Contract Specification and Management in Tower Hamlets – Ensuring maximum value for money and securing community benefits
