

REPORT OF GOVERNANCE AND RESOURCES SCRUTINY COMMISSION

REVIEW OF PROCUREMENT	Classification Public	Enclosures
	Ward(s) affected All	

1. FOREWORD BY THE CHAIR OF THE GOVERNANCE AND RESOURCES SCRUTINY COMMISSION: COUNCILLOR ROB CHAPMAN

The Procurement function in LB Hackney performs an important role at the heart of the delivery of services. Hackney buys some £300M of goods and services each year, across all areas of the Council. A huge range of items are purchased ranging from basic office supplies, refuse vehicles, machinery and equipment, cleaning and catering services, temporary staff and consultants to multi-million pound construction contracts. Each of these requires particular local departmental skills and expertise. The Hackney Procurement Centre provides help and advice, and also ensures that procurement is undertaken within a framework of policies and procedures that support best practice. This aims to make sure that purchasing is carried out in a fair and honest manner and that Hackney residents get value for money.

Procurement can also have an important impact on the well being of the Borough because of the environmental, economic and social importance of the scale of the Council’s purchasing activity. Within certain financial and legal boundaries, local, small, ethnic and social enterprise businesses can be encouraged to apply for contracts in Hackney. In seeking value for money, the Council must ensure that procurement is carried out in a sustainable way-helping to ensure we protect our environment and equality of opportunity is afforded to those involved in the process and the way in which our services are delivered.

In carrying out the review , the commission looked at how Procurement worked in relation to the Mayor’s Priorities, and also at the Government’s national procurement strategy (2003-2006) which lists a number of objectives which it expects all councils will have achieved by 2006. These objectives cover a range of outcomes (set out in paragraph 6.1 of the report) and provided a useful structure to help frame the conclusions of the Commission.

Our conclusion overall is that Hackney procurement has continued to improve and develop. We found no major failings in the service, and much to commend in the way that it has put in place a set of processes and structures, which appear effective. It also shows that it is aware the requirement to review such processes and practices to ensure that they remain fit for purpose and continue to improve. The scrutiny review shows that the majority of the challenges facing the function are known about, and are being addressed.

A key area of interest to the commission related to the relationships between the Procurement “centre” and local service directorates. In some areas, “good procurement” needs to be further emphasised as part of the day to day work, essential to the delivery of the of the service, and not a specialism imposed from outside. The commission believes that progress is being made here, but evidence was that this philosophy was being embraced with variable effectiveness. There are a number of recommendations concerned with this important challenge.

The Commission believes that the other important challenge is how the function can best address the new imperatives for sustainability and social inclusion in the Council’s approach to procurement within the context of delivering value for money. There are a number of further recommendations focused on this.

The Commission is encouraged by the way the service has developed, which provides a sound basis for continued improvement and development in the future.

2. INTRODUCTION

The request for a scrutiny review of this area emerged from discussions between Scrutiny Councillors, Officers and Members of the Executive at the 2006 Overview and Scrutiny Work Programme Conference and follows on from past work of the Commission relating to Procurement.

Much work has been undertaken by Officers in the area of procurement and the timing of this review was designed to coincide with a period of consolidation within a newly re-shaped Council. The Member challenge brought about by this review is deigned to both assist with and enhance the continued development of the service area.

Prior to beginning the review the Commission understood that the Council delivers services though a combination of direct provision, grants, partnership and contracts. Procurement is the term used to describe the process by which the Council selects and contracts with its suppliers. The review had value and merit because the rules by which LBH contract for goods, works and services will always be an essential component of the Council’s procurement vision and control environment.

A review of this important core Council function has allowed the Governance and Resources Scrutiny Commission to consider how Hackney’s Procurement Centre and each participating Council Directorate are contributing to the following Mayoral priorities and where it might be possible for yet more successes to be achieved;

- ***The Mayor’s Priority 1:*** ‘Improving services and increasing opportunities for all, raising the life chances of the most disadvantaged’, are achieved through the release resources for other services and the reduction of the number of paper invoices contributing to a safer, cleaner, greener Hackney

- **The Mayor's Priority 2:** 'Making sure the council is high performing and efficient' are achieved by streamlining existing processes, improving efficiency gains, providing value for money, and directing savings to the frontline

The role of the Hackney Procurement Centre is by no means straightforward. If it is to be effective in its role it often needs to perform the dual role of being a gatekeeper and also an enabler and facilitator for Council Directorates seeking to procure contracts. On occasions it is the core procurement function that will have the expertise in a given area, certainly in relation to what can and can't be done and the correct processes to be followed and on other occasions it will be a Council Directorate where quite properly the expertise and specialist knowledge specific to service delivery will exist – nearly every successful procurement will therefore need to represent a successful partnership constructed of multiple actors.

Many laws and restrictions exist which specify how and through what processes a local authority must procure services or products such responsibilities necessitate that each procurement must be conducted through a specified process which to some may appear overly bureaucratic or unnecessary but such processes are not only required in order to ensure that as a public body procurement conducted by the London Borough of Hackney is open and transparent but is also critical towards ensuring that public monies are not wasted and that value for money is achieved.

Successful procurement can therefore secure the provision of good quality and value for money services for an area's residents but effective procurement can also lead to a local authority's inevitably limited funding going further and allowing for more services to be provided. Such initiatives undoubtedly assist in the achievement of other corporate objectives to ensure the best use of resources. In addition effective procurement itself will allow LBH to be better placed to meet the targets set out by the Gershon Efficiency Review of 2004 which set local authorities the challenging target of securing more than £20bn of efficiency savings by 2007/08 thus allowing more money to be released for the improved delivery of frontline services. Gershon targets are now being stretched to 3%.

It is therefore clear that an effective, efficient, consistent and strategic procurement function is critical in contributing towards the long term financial health and stability of the borough.

At times there may be a conflict between the legal requirements of procurement and the aspiration that a local authority should not only provide services to its community but also foster an environment whereby such communities are vibrant, economically active and able to participate whether democratically, commercially or otherwise to the fullest extent of their ambition. It is in this final area that the most challenging and stimulating areas of this review are to be found and where the boundaries between the ambition and potential of a procurement function and the activities that it is constrained from undertaking by law became apparent.

2.3 **The Terms of reference for the Commission’s investigation were (full terms of reference are appended to the report):**

To review the borough’s procurement process specifically considering contract management and the ways in which this is undertaken within LB Hackney.

Assessing;

- The extent to which the LBH procurement policy assists in the delivery of corporate objectives and Mayoral Priorities
- The robustness and effectiveness of procurement guidance
- Consideration of any draft or indicative revised procurement policy and guidance proposals

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3. SUMMARY & RECOMMENDATIONS

This Commission recommends;

Recommendation one

The Commission believes that more can be done across London to promote increased pan London and/or regional procurement. The development of initiatives such as the e-market place currently being trialled as detailed within the e-procurement project is just one such example.

Recommendation

The Commission recommends that the core procurement function enhances its role and continues to contribute towards and actively monitors work being undertaken regionally by, for example, the London Centre of Excellence for Procurement and the London Contracts and Supplies Group.

Recommendation two

The Commission proposes that LBH do all within its power to promote and encourage apprenticeships and their adoption by appointed contractors and partners as may be possible through all appropriate procurement exercises – for example Building Schools for Future, Decent Homes, development of Academies and the Woodberry Downs regeneration scheme.

The Commission understands that much has already been undertaken and continues to go on within this area

Recommendation three

Similarly the Commission proposes that LBH do all within its power to promote and encourage the use of Local labour and their adoption by appointed contractors and partners as may be possible through all appropriate procurement exercises – for example Building Schools for Future, Decent Homes, development of Academies and the Woodberry Downs regeneration scheme

The Commission understands that much has already been undertaken and continues to go on within this area

Recommendation four

During its review the Commission came across a number of examples of what it considered to be good practice whereby some Directorate Management Teams in addition to lower level management teams appeared to consider upcoming procurement issues on a regular basis and that such forward plans were maintained and regularly accessible. However, such experiences did not appear to be uniform across the authority.

Recommendation

The Commission recommends that the practice of quarterly review and maintenance of Directorate level Procurement Forward Plans by each Directorate Management or Leadership Team (DMT or DLT) be established and that the

Directorate Procurement Manager be present at this meeting. The Commission recommends that the Hackney Management Team endorse such a process.

Recommendation five

Similarly the Commission became aware of how good working relations between DPMs and Directorate Management teams can help foster the relationships necessary for close involvement of DPMs in Directorate Business Planning.

Recommendation

The Commission believes that the uniform involvement of DPMs in the development of Directorate Business Plans would assist in the fuller integration of Procurement within this process. The Commission proposes that involvement of DPMs in the Council's Business Planning Cycle be endorsed by the Hackney Management Team and that the corporate guidance be amended to make such involvement explicit.

Recommendation six

Members heard how on occasion officers might view procurement exercises as external to 'core business' rather than being an integral and key part of their role.

Recommendation

The Commission recommends that, with the support of the AD Procurement, Core HR undertake a review of Job Descriptions for Tier 1-3 officers so as to ensure that the effective procurement and management of contracts (appropriate to their role) is included within all job descriptions and reviewed as part of the Council's appraisal process.

This Commission wishes to be advised by July 2007 how and when such work will be undertaken

Recommendation seven

During the course of its review Members were shown the current Standing Order Framework Support which promotes a risk based approach and were shown proposals to further devolve decision making for medium and high risk procurements to directorate level based upon achievement of certain local performance indicators "The Procurement Achievement Scheme"

Recommendation

The Commission wishes to thoroughly endorse the "The Procurement Achievement Scheme" developed by Officers and presented to it.

The Commission recommends the Director of Finance and Resources should keep under regular review the procurement performance of directorates operating the scheme to ensure that performance levels are maintained.

Recommendation eight

The Scrutiny Commission believes much could be gained by the authority through the inclusion within the recently refreshed corporate induction process of a brief introduction to procurement and cost centre responsibilities and processes.

Recommendation nine

During its review the Commission heard near unanimous evidence to suggest that Hackney's Procurement processes were perceived to achieve Value for Money as opposed to lowest possible price. This Commission believes that such an approach allows LBH to provide appropriate services that are also of the right quality for its residents, The Commission recommends and supports the continuation of present initiatives that achieve such results.

Recommendation ten

Through undertaking a number of independent panel meetings with suppliers, Officers, external organisations and peers Members became aware that all Councils have an obligation to develop "Selling to the Council" sections on their website. This Commission is also aware of work being undertaken by the London Centre for Excellence (LCE) entitled 'Buying a Better London: Report on Delivery of Workstream 5' this report sets out the results of an assessment of various local authorities websites by a panel of small and medium-sized enterprises. The Commission was advised of Hackney's score in this area and believes that more can be done to ensure that the Council's performance is at the optimum level in this area.

Recommendation

The Commission recommends that an immediate assessment be undertaken of the work required to ensure that the Council can be ranked as 'Good' by no later than December 2007 and that plans be put in place to ensure that an 'Excellent' rating can be achieved by no later than June 2008.

Recommendation eleven

The Commission wishes to receive an update in the progress of the e-procurement trial in December 2007 so that Member awareness, involvement and encouragement for the speedy roll out of this project to all appropriate areas may be undertaken. In particular, the commission noted the high cost of processing an invoice in Hackney. This is related to the relatively low number of invoices dealt with per member of staff in LB Hackney, the average London Borough managing 94% more. The commission understands that the e-procurement project will provide an opportunity to address this issue.

Recommendation

The Commission hopes and expects to see that through the successful and appropriate adoption of this project LB Hackney's total invoice costs will reduce from a rate that is currently 40.86% higher than the average for London Authorities. It hopes to see an early reduction in the cost per invoice processed by the LB Hackney, so that it at least matches the average for the London Boroughs. Members understand that such a report is scheduled to be considered by the

Cabinet Procurement Committee and are content to receive the same report for their information.

Recommendation twelve

The Commission was advised that in June 2006 DEFRA published "Procuring the Future" which sets out the recommendations of the Sustainable Procurement Task Force ("SPTF") and heard how this document provides a contemporary reference from which Hackney's continued commitment can be assessed and refocused.

Recommendation

The Commission recommends that work begin on reviewing the Council's current policies and practices with a view to establishing where and how LBH should respond to the challenges set out within the SPTF Action Plan. Members request that an LBH Action plan with appropriate timescales be prepared for Member consideration by March 2008, also taking into account the outcome of work proposed in recommendation thirteen.

Recommendation thirteen

The Commission considered a number of reports during the course of its review which set out LBH's current position and policies in respect of Sustainable and Green Procurement. The Commission believes that the public sector is in a unique position through its procurement of goods, services and buildings to influence markets so that the private sector also pursues sustainable and greener purchasing policies.

The Commission believes that LBH should aspire to do more in relation to both sustainable and green procurement however it does not believe that adequate information or analysis currently exists to determine what this should be or how it could best be achieved. The Commission recognises the role of the PRIMUS assessment used to judge all procurement valued above £25,000 and wishes to propose the potential of the mechanism currently being used be assessed before any further measures are proposed or introduced

Recommendation

That the Finance and Resources Directorate work in partnership with the Neighbourhoods and Regeneration Directorate to explore the potential for the recycling team (suggested green champions) to audit a random sampling of PRIMUS assessments annually so that an assessment may be made of the need for any subsequent steps to ensure the appropriate prominence of green and sustainable matters is given in the procurement process.

Members wish to be advised of the results of such an assessment by no later than December 2007 in addition to any required steps which may be required to respond to any conclusions drawn.

Recommendation fourteen

During its review the Commission became aware of a number of initiatives undertaken by a variety of local authorities to assist in the development of the local market and also to prepare the market more generally for the tender of contracts,

for example, meet the buyer events. Commission Members felt that from the evidence presented to it Haringey represented a particularly good example in this respect – albeit with the assistance of EU linked funding. The Commission is aware that examples of some similar activities have been undertaken already within Hackney.

Recommendation

The Commission recommends that a Procurement Conference similar that that run in March 2006 in partnership with HEN is developed and at least two further events take place before the end of 2009 in order to foster and assist with the development and support offered to the local SME market.

Recommendation fifteen

The Commission heard how a number of comparable authorities have, often with the assistance of external funding, undertaken work which has assisted the development of local small to medium enterprises (sme) and those owned and / or operated by black or minority ethnic groups (bme). In such examples assistance has taken a number of different approaches from outreach work, training and development, through to the maintenance of contact databases.

The Commission subscribes to the values underpinning such initiatives and encourages the authority to do all that it can to ensure local businesses are both empowered and able to compete for contracts.

Recommendation

That the Deputy Mayor (with responsibility for finance) and the Cabinet Member for Regeneration together consider how appropriate Council departments and our local and regional statutory partners may work together in order to assist such businesses to capitalise on the opportunities available to them. The Commission would wish to be advised of how and when LBH will achieve this whether through individual action or through work with, for example, the LDA and / or LSC by December 2007.

Recommendation sixteen

In conducting its review the Commission was struck by the many challenges faced by small, local and bme businesses in representing themselves and therefore the challenges the authority has in knowing who it should be talking to and how best to communicate with them. The Commission believes it is important for such forums to be appropriately representative and open to the whole local business community.

Recommendation

- a) The Commission recommends that the central procurement team explore all presently available means to communicate with local businesses. For example the annual event held by the Mayor to discuss his budget proposals with local businesses.

- b) The Commission believes that more should be done to ensure the supported business forums within the borough are as representative of local businesses as possible. The Commission also believes that outreach, development and support work should be encouraged as a key criteria for any continued financial assistance provided and that any grant or contract allocation be managed to ensure that such objectives are progressed. The Commission believes responsibility for development of such themes and any subsequent action within this area will in future fall to the Regeneration function of the authority and not Team Hackney as NRF funding is refocused toward LAA objectives.

Recommendation Seventeen

The Mayor of London judges London's economy as successful and dynamic overall. In the report; A Fairer London, The Living Wage in London it is suggested that many have been able to share in the benefits of growth. However, alongside this success are stubbornly high levels of poverty and deprivation. An important part of addressing this agenda is finding ways of helping more people to participate in the job market, and to ensure that once they have a job they are paid enough to ensure a decent standard of life.

Recommendation

The Governance & Resources Scrutiny Commission noted the legal impediments to the early implementation of the Living Wage through procurement. However, we believe that LB Hackney should move towards supporting its use. We ask that the Council explore and test its feasibility, reporting back to the Commission on the results of the assessment undertaken.

4. COMMENTS OF THE FINANCIAL CONTROLLER

- 4.1 The recommendations within the report are wide ranging in terms of both the issues covered and the level of financial impact upon the Council. Whilst some of the recommendations will have a very minor financial impact and are likely to be contained within the current resources available others such as implementing e-procurement will result in savings over time and others such as implementing the living wage in London would have a major financial impact.
- 4.2 In implementing any of the recommendations the Council will need to work within the resources allocated to the relevant services and remain within the overall cash limit, capital programme or other external funding sources that may be available, this may include making proposals as part of the annual budget setting process for additional funding.
- 4.3 Prior to implementation of specific recommendations a detailed financial assessment will be necessary to identify the impact and the necessary approval and procurement processes would need to be followed.

5. COMMENTS OF THE MONITORING OFFICER

- 5.1 The Governance and Resources Scrutiny Commission is asked to consider the recommendations in respect of its review of the procurement functions by the Council.
- 5.2 Much of the Council's procurements it undertakes is regulated by Government and EU legislation and guidance. The Council also has its own rules and procedures in its finance and contract standing orders.
- 5.3 There is generally no legal or propriety issues in respect of the recommendations but where applicable they should be reviewed against the statutory framework and the commercial viability to achieve the best value for money for hackney residents.

6. FINDINGS

6.1 *Policy Context*

A national procurement strategy (2003-2006) was launched by the Government in 2003. In this document the Government identifies procurement as a key enabler of providing cost-effective and efficient services and in so doing the strategy lists a number of objectives which it expects all councils will have achieved by 2006;

- Delivering significantly better quality public services that meet the needs of all local citizens through sustainable partnerships they have forged with a range of public, private, social enterprise and voluntary sector organisations
- Confidently operating a mixed economy of service provision, with ready access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector groups
- Achieving continuous improvement from all categories of procurement expenditure, by putting in place an appropriate procurement strategy and the necessary resources for implementation
- Obtaining greater value for money by collaborating with partners at local, regional, national and European levels
- Realising economic, social and environmental benefits for their communities through their procurement activities
- Demonstrating improvement in equality and opportunity for businesses, service users and council staff
- Stimulating markets and using their buying power creatively to drive innovation in the design, construction and delivery of services

In addition local authority performance in procuring is assessed by the Audit Commission in its Comprehensive Performance Assessment. In such assessments the Commission learnt that a Council's approach to value for money (VFM) is assessed most specifically in terms of whether an authority has an understanding of costs and following on from this how the Council manages and improves VFM.

There is therefore a clear framework and context within which procurement functions are expected to operate. It was therefore encouraging for the Members of this Commission to be advised during the course of its review that the 2006 CPA assessment had provided a broadly positive view and commentary on the procurement process in Hackney and perhaps most significantly commented that it had improved a lot. Moving on from the position as identified in 2004 where weaknesses were identified relating to Hackney's procurement process and in relation to procurement skills.

Such an assessment enabled Members to approach their review of procurement processes and practices within LBH as an exercise centred on evolution and not revolution. Challenging the status quo in order to establish whether and how easily improvements might be achieved and the extent to which outputs were focused upon community outcomes.

Members understood that Hackney's most recent procurement framework was designed and implemented during 2002 and focused on placing significant controls and clear and rigorous processes in place. However this scrutiny review of procurement coincided with the desire to establish a new approach to procurement which recognised that whilst the method adopted in 2002 had had the desired effect in terms of controlling procurement activity, it had resulted in the creation of a procurement process which could be time consuming and applied a 'one size fits all' approach. Prior to 2002 the approach taken by LBH to risk and procurement had been very traditional, focusing scrutiny and risk assessment on higher value contracts, even if the actual level of risk attached to those contracts was relatively little. Since that time a more sophisticated risk assessment model had been developed, which became operational in October 2005. Members, were again, fortunate to encounter positive feedback through being advised that this model had been assessed by PricewaterhouseCoopers in 2006, who had found it to be consistent with best practice. Similarly positive feedback is understood to have been provided in another internal audit report relating to contract management

6.2 *Role and structure of procurement department in LB Hackney*

Members understand that the procurement function sits with the Council's Finance and Resources Directorate with its head being the Assistant Director Procurement and Fleet. The principal areas supporting the procurement function take two forms Directorate Procurement Managers and the Hackney Procurement Centre

6.2.1 DPMs

The procurement framework is supported by staffing structure which includes an embedded senior officer responsible for each directorate (Directorate Procurement Managers - DPMs). These officers are well placed to understand the operational needs of their departments and act as champions (supporting requests for urgent project approval for example) as well as quality controllers, vetting the proposed addition of new suppliers to the Council's financial system, approving risk assessments and procurement business cases, and providing specific project advice.

Since April 2006 DPMs have been holding monthly Procurement Surgeries to support the restructured directorates and to further embed best practice.

6.2.2 Hackney Procurement Centre

The Hackney Procurement Centre provides a number of functions and during the evidence received Members were advised that the centre focuses on the development of policy, implementation of standards and the training of officers in procurement related matters.

In relation to the developing policy Members became aware of a number of policies developed by the team during the course of its review, for example, relating to the development of an e-procurement and e-market place trial.

Members were also advised about work undertaken with Hackney Enterprise Network (HEN). A body whose aims include supporting small businesses across the borough by creating a forum for them to exchange business knowledge and ideas, and extends to bringing local businesses together to trade (The Commission also spoke to HEN referred to in section 6.6 of this report) .

The Hackney Procurement Centre manages all corporate procurement, including cross-cutting contracts in collaboration with other organisations and Directorates therefore ensuring standards are maintained. Approves new suppliers, control of overall supplier numbers and the provision of expenditure intelligence.

In relation to training Members heard that the Centre offers two forms of course. The first an initial module covering 'basic procurement', is followed by a more advanced module the 'procurement driving licence' certificate. To date two hundred officers had been through this training.

Introductory training was initially delivered through four launch workshops held during September and October 2005. Since the start of the programme last year 168 staff have obtained PDL level 1, and 37 staff have obtained PDL Level 2 in contract letting and 23 in contract management.

Such exercises have been supported through a number of initiatives undertaken at First-Third Tier Staff Event (an event involving the circa the top 150-250 most senior staff employed by LBH).

6.2.3 Recommendations

Recommendation one

The Commission believes that more can be done across London to promote increased pan London and/or regional procurement. The development of initiatives such as the e-market place currently being trialled as detailed within the e-procurement project is just one such example.

Recommendation

The Commission recommends that the core procurement function enhances its role and continues to contribute towards and actively monitors work being undertaken regionally by, for example, the London Centre of Excellence for Procurement and the London Contracts and Supplies Group.

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The Commission proposes that LBH do all within its power to promote and encourage apprenticeships and their adoption by appointed contractors and partners as may be possible through all appropriate procurement exercises – for example Building Schools for Future, Decent Homes, development of Academies and the Woodberry Downs regeneration scheme.

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Recommendation three

Similarly the Commission proposes that LBH do all within its power to promote and encourage the use of Local labour and their adoption by appointed contractors and partners as may be possible through all appropriate procurement exercises – for example Building Schools for Future, Decent Homes, development of Academies and the Woodberry Downs regeneration scheme

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6.3 Processes

- 6.3.1 In order to ensure the delivery of a standardised procurement process it is necessary for a procurement framework to exist. Such a framework sets out the way in which a procurement process should proceed allowing for a number of variables essentially mapping a process before an actual specific procurement exercise has begun.

Under the Procurement Framework operational within LBH from 2002 to September 2005, the route adopted for each contract was determined solely by the estimated value of that contract over its life. Members heard how this method had the potential to lead to excessive scrutiny of low risk and simple procurements and so increased the potential for insufficient scrutiny on contracts below the threshold that had nevertheless significant political or business risks attached to them. The revision of the procurement framework was therefore identified as a task that needed to be undertaken with the outcomes being sufficiently flexible to take into account the associated risk and impact on the Council and the community of a contracting activity, thereby improving the focus of scrutiny.

This means that Hackney's Procurement Framework takes as its foundation an assessment of a proposed procurement's risk and impact to the Council and the community. This assessment determines the procurement route adopted. Procurements over £25K in value are categorised as Simple, Low Risk, Medium Risk or High Risk. The top two categories follow the Gateway Process through Procurement Board or Council Procurement Committee (CPC, formerly the Audit, Finance and Procurement Committee) therefore meaning procurements of higher risk receive increased levels of scrutiny. Templates are utilised throughout the process to promote consistency of adoption and ease of use. Members also reviewed the applicable Standing Orders as part of their review (see section 6.5)

Members heard how when operating optimally the procurement process ensures that every procurement is tied to business and directorate objectives through the scrutiny of each procurement business case with a value of over £25k by the appropriate DPM and Directorate Management Teams (DMT) before going to the market for tender. For Medium and High risk procurements that procurement framework sets out that business cases need to be signed off by Hackney Procurement Board or Council Procurement Committee and Cabinet. Members were advised that such rigour ensured these sort of procurements receive scrutiny on at least 2 further occasions within the gateway process (see section 6.4 of report); as follows;

- Gateway 4 (Investment Decision). This checks that the tender process has delivered a suitable and affordable solution.
- Gateway 5 (Benefits Realisation). This checks to see if the contract delivered the anticipated outcomes and aims to transfer items of learning from both positive and less positive experiences.

6.3.2 Recommendations

Recommendation four

During its review the Commission came across a number of examples of what it considered to be good practice whereby some Directorate Management Teams in addition to lower level management teams appeared to consider upcoming procurement issues on a regular basis and that such forward plans were maintained and regularly accessible. However, such experiences did not appear to be uniform across the authority

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The Commission recommends that, with the support of the AD Procurement, Core HR undertake a review of Job Descriptions for Tier 1-3 officers so as to ensure that the effective procurement and management of contracts (appropriate to their role) is included within all job descriptions and reviewed as part of the Council's appraisal process.

This Commission wishes to be advised by July 2007 how and when such work will be undertaken.

6.4 *Risk management (the Gateway process)*

Members were advised that in its approach to managing risk within the procurement process Hackney could be considered to have adopted Procurement Best Practice in 2002 through the implementation of the Gateway Process which ensures a staged process of review is followed by each procurement process undertaken in accordance with a number of set criteria.

The Gateway model, developed by the Office of Government Commerce (OGC), was revised in 2005 to ensure that it remained fit for purpose for the issues faced by public sector procurement. The Commission heard how current Contract Standing Orders and the associated procurement framework embody this best practice, albeit slightly amended to fit Hackney's circumstances, and place a greater focus on the original business case, options appraisal, evaluation strategy and contract management arrangements than was previously the case.

The Gateway Procurement Process is designed to manage and mitigate risk. It does this by ensuring that each procurement over £25K must be subject to completion of the Risk Assessment Tool (RAT), available on the Intranet. The process works through a review of the procurement project carried out at a key decision "Review" point by a team of experienced people, independent of the project team. Hackney uses four "Review Points" during the lifecycle of a project, three before contract award and one looking at service implementation and confirmation of the operational benefits.

6.5 *Standing Orders*

- 6.5.1 Members heard how Hackney's contract standing orders continue to be subject to refinement and review. As a general principle wholesale changes are avoided so that knowledge remains relevant and compliance is therefore made simpler.

When being advised about the standing order framework and the Gateway Process Members heard Officers acknowledge that the Gateway Process imposes an administrative premium on procurement, whilst accepting that the same is true for any control process.

During its review Members were shown proposals to further enhance the way in which additional focus on the risk of a project could be built into such a process (an approach entitled the Procurement Achievement Scheme) and set out below;

6.5.2 Procurement Achievement Scheme (PAS)

In July 2005 revised standing orders provided for a more sophisticated assessment of risk than had been previously achieved under the contract value driven system. Such an approach in turn allowed for a reduction in the

administrative burden arising from internal approval processes for all but high risk procurements. Hackney's Gateway process is well embedded and the changes made in 2005 were commended by the CPA assessment.

The PAS proposal reviewed by Members as part of its review of standing orders retains the benefits of external scrutiny of strategic and critical procurement issues and retains the value of our embedded knowledgebase. At the same time it provides a structured approach to eliminate scrutiny processes that may no longer add value.

PAS hopes to achieve such aims through the introduction of a set of focused key performance indicators (KPIs) for procurement and contract management. Achievement of good KPIs by a department will demonstrate that it is successful at managing procurement risks and therefore requires less corporate involvement in its decision making processes.

The proposal gives directorates with 3 levels of relationship with Contract Standing Orders;

- *Level 3* - The current position.
- *Level 2* - Medium risk procurements treated as "low risk" i.e. dealt with at directorate level subject to the requirements of the scheme of delegation.
- *Level 1* - high risk procurements treated as "low risk" at Gateway Stage 2. The Investment Decision (Gateway Stage 4) requires approval by Cabinet Procurement Committee and Cabinet.

The PAS proposals suggest that all directorates start at level 3. Sustained achievement of the four KPIs proposed for a period of 6 consecutive months or at least 9 months in any 12 month period will allow achievement of level 2. Sustained achievement for a further 6 months will allow achievement of level 1.

The KPIs proposed for PAS are as follows;

- *Predictability (1)*: Time stated on the project plan from Gateway 2 to Approval (Gateway 4) to Contract Award is as programmed in at least 90% of procurements
- *Cost*: Contract costs fall within projections at contract award, including achievement of any predicted savings in 90% of procurements.
- *Contract Performance*: Contract KPIs are satisfactory or better in 80% of cases.
- *Skills*: 80% or more of staff at Tier 3 and above hold Stage 2 Procurement Driving licences.

Members heard how officers proposed that Cost and Performance KPIs will form part of the Gateway Review 5 reporting. It is proposed for all 4 KPIs will be reported quarterly per directorate as part of the Council's Performance Management arrangements. A suggested list of helpful and intuitive performance measures were shared with Members.

Members were advised that the PAS proposals will place added responsibility on DPMs such a move correlates with Member observations obtained throughout this review relating to the opportunity for enhancement and the potentially pivotal nature of this role.

6.5.3 Recommendations

Recommendation seven

During the course of its review Members were shown the current Standing Order Framework Support which promotes a risk based approach and were shown proposals to further devolve decision making for medium and high risk procurements to directorate level based upon achievement of certain local performance indicators “The Procurement Achievement Scheme”

Recommendation

The Commission wishes to thoroughly endorse the “The Procurement Achievement Scheme” developed by Officers and presented to it.

The Commission recommends the Director of Finance and Resources should keep under regular review the procurement performance of directorates operating the scheme to ensure that performance levels are maintained.

6.6 Directorates

6.6.1 EFQM Survey

An assessment of the procurement baseline activity was run in May 2004. This was done utilising an EFQM based Procurement Excellence Model. The questions within this questionnaire were broadly based on the topics within the original EFQM model to promote consistency of feedback. This exercise was repeated in 2006

Members heard how;

- All scores have increased, and progress demonstrated in embedding the processes initiated in 2004, and in the development and engagement of the procurement team. The strategy is regularly updated and communicated and training held for users and procurement team members. Involvement in Central Government Initiatives, and other procurement initiatives was felt to have improved.
- Customer Results, although improved, are the lower scoring section, and work needs to be focused on this area.

The September 2006 survey experienced a low response rate. Responses were felt to potentially not be representative and as a result a refined survey using a Tier 1-3 forum was used to corroborate these results

Potential areas for improvement were identified as follows;

- Do you contribute to setting or reviewing the procurement objectives
- Are your DPM and other procurement staff involved in reviewing your spending plans and contributing to making improvements?
- Improve user engagement
- Promote the function
- No procurement involvement in spending plans

A number of big improvements were recorded demonstrating;

- Officers increasingly knew how to feedback suggestions for improvements or issues with procurement services / suppliers / contracts
- Awareness of DPM Procurement Surgeries

6.6.2 Directorate specific evidence

Members undertook a number of panel meetings where they had the opportunity to speak informally with internal customers of the procurement team. The results of such discussions have informed this review and allowed Members to place additional and supporting context to the evidence it has received from elsewhere.

Members heard from a number of procurement customers how they believed processes and practices applied had supported the achievement of value for money in the contracts awarded, critically taking into account the quality of services provided to LBH clients as opposed to merely the achievement of best or lowest value.

Relevant Officers appeared aware of a number of legal constraints upon the procurement and tender exercises. However on occasions the procurement process involves intensive work from all involved irrespective of the project or their associated risks. Members are hopeful that the proposed PAS will address such concerns. It was not clear when speaking with internal customers whether all management teams regularly considered upcoming procurement matters.

Members heard examples of where pre-tender 'meet the buyer' events had taken place but also encountered the perception that the ability of LBH to develop the market and meet a number of buyers at pre-tender stage could be further developed. The ability of DPMs to support procurement in a directorate was noted as being enhanced the closer their understanding of that directorate's operational environment.

Members came across the view that a number of examples of good practice in procuring existed and that more could be done to share learning perhaps through the distribution of case studies on the LBH website or intranet.

Owing to the legally prescribed and consequently frequently high effort procurement exercises Members have pondered whether as much attention is given to post tender award monitoring. Again Members are hopeful that the

proposed PAS will allow for the realisation of additional capacity in order to respond to any such needs.

6.6.3 Recommendations

Recommendation eight

The Scrutiny Commission believes much could be gained by the authority through the inclusion within the recently refreshed corporate induction process of a brief introduction to procurement and cost centre responsibilities and processes.

6.7 *Clients and the market*

6.7.1 Members felt that in collating evidence it was important to also hear the views of LBH clients and of those that had competed for contracts. Those that Members spoke to have a generally positive relationship with LBH and a fair impression of the way procurement exercises were conducted.

LBH's process and practices were felt to be comparable to those of neighbouring authorities. Members also held from clients that LBH operated a value for money approach to procurement.

Members encountered what they believed to be a two tiered community in respect of businesses and their understanding of and ability to compete for contracts with LBH and locate the required information needed to allow their competition for tenders etc.

Management of tendering process was commonly undertaken by Directorate Officers. Members heard how on a number of occasions LBH officers challenged price on a number of components of a tender thus further demonstrating LBH's desire and operation of appropriate mechanisms to secure value for money.

Tender related queries were frequently reported as being handled effectively. As with a number of LBH Officers clients and potential clients welcomed the pre-tender meetings and / or briefings process where capacity allowed.

After hearing from a number of clients and representative fora Members were left with the perception that local, small and medium enterprises would benefit from increased access to information, development assistance so as to make better use of such information and consideration being given to whether information needed to be provided in differing formats so as to ensure its appropriateness.

6.7.2 Recommendations

Recommendation nine

During its review the Commission heard near unanimous evidence to suggest that Hackney's Procurement processes were perceived to achieve Value for Money as opposed to lowest possible price. This Commission believes that such an approach allows LBH to provide appropriate services that are also of the right quality for its residents, The Commission recommends and supports the continuation of present initiatives that achieve such results.

6.8 *Communication*

6.8.1 In collecting evidence for this review Members considered the importance of communication both internally and externally in relation to the procurement function. It appears logical that if procurement processes are to be well understood they should be accessible and available on the Council intranet. Whilst Members heard no evidence that such information is not contained within a repository it is always possible that more can be done for example the internal promotion of examples of best practice or lessons learnt.

Members also considered how differing approaches to making information relating to current or pending procurements might assist in greater competition for tenders or the development of local markets or companies to be in a better position to compete. In considering such issues Members became aware of some work undertaken by the London Centre of Excellence for Procurement (LCE) under the Buying a Better London initiative which assessed how Council's fulfilled their obligation to publish online 'Selling to the Council' guidance and established that significant inconsistencies in relation to depth and relevance of information existed across London. The report highlighted a general lack of consistency of information provided, navigation, accessibility and a lack of sme targeted information.

6.8.2 Recommendations

Recommendation ten

Through undertaking a number of independent panel meetings with suppliers, Officers, external organisations and peers Members became aware that all Councils have an obligation to develop "Selling to the Council" sections on their website. This Commission is also aware of work being undertaken by the London Centre for Excellence (LCE) entitled '*Buying a Better London: Report on Delivery of Workstream 5*' this report sets out the results of an assessment of various local authorities websites by a panel of small and medium-sized enterprises. The Commission was advised of Hackney's score in this area and believes that more can be done to ensure that the Council's performance is at the optimum level in this area.

Recommendation

The Commission recommends that an immediate assessment be undertaken of the work required to ensure that the Council can be ranked as 'Good' by no later than December 2007 and that plans be put in place to ensure that an 'Excellent' rating can be achieved by no later than June 2008.

This Commission wishes to be advised by May 2007 how and when such work will be undertaken.

6.9 E-procurement

- 6.9.1 Members review a project initiation document as part of their review which set out work relating to e-procurement and set out the ways in which the Council hopes to capitalise on the savings that can be made through efficient procurement via e-procurement, e-tendering, e-invoices, e-auctions and the use of e-market places.

The project overview shared with Members demonstrated both an understanding of key cost drivers and an approach to value for money encompassing, responding to the challenges set out within a number of areas.

CIPFA	Total Costs per invoice	Of which are Staff Costs	Cost per FTE	Invoices per FTE	BVPI08 (% of invoices paid on time)
Hackney	£3.93	£3.31	£29,382.00	8880	86%
Cambridgeshire	£1.97	£1.07	£22,500.00	21006	98%
London Authorities	£2.79	£1.21	£26,965.00	17234	87%
CIPFA Members	£2.21	£1.37	£21,083.00	21691	91%

6.9.2 Recommendations

Recommendation eleven

The Commission wishes to receive an update in the progress of the e-procurement trial in December 2007 so that Member awareness, involvement and encouragement for the speedy roll out of this project to all appropriate areas may be undertaken. In particular, the commission noted the high cost of processing an invoice in Hackney. This is related to the relatively low number of invoices dealt with per member of staff in LB Hackney, the average London Borough managing 94% more. The commission understands that the e-procurement project will provide an opportunity to address this issue.

Recommendation

The Commission hopes and expects to see that through the successful and appropriate adoption of this project LB Hackney's total invoice costs will reduce from a rate that is currently 40.86% higher than the average for London Authorities. It hopes to see an early reduction in the cost per invoice processed by the LB Hackney, so that it at least matches the average for the London Boroughs. Members understand that such a report is scheduled to be considered by the Cabinet Procurement Committee and are content to receive the same report for their information.

6.10 Sustainable Procurement

6.10.1 In reviewing sustainability Members were advised that it links three broad themes of environment, equality and economy. The Local Government Act 2000 gave local authorities a power to broadly do anything which they consider is likely to achieve the improvement of economic, social or environmental well being of their area

However Members were made aware of limitations to this power – most notably in this context in section 3 of the act... “the power under section 2(1) does not enable a local authority to do anything which they are unable to do by virtue of any prohibition, restriction or limitation on their powers which is contained in any enactment (whenever passed or made)”. In other words, the new power does not override other legal constraints upon the council.

There are some strong and obvious links between Best Value and sustainability. Resource efficient products may sometimes be more expensive to buy, but will have lower operating costs over their life than less efficient competitors.

The EU procurement regime at its heart requires that the principle of non-discrimination between competitors be followed. Criteria that relate to the location of supplier or its conduct in matters unrelated to the contract (provided it complies with EU law) as preconditions of consideration for invitation to tender would generally be deemed as unfair. A requirement for the successful supplier to establish a local presence, where this is necessary for the discharge of the contract would however be permissible.

In relation to Green Procurement Members heard how LBH is committed to;

- Comply with any environmental legislation, corporate policy or other requirements relevant to our activities.
- Continually improve our environmental performance by setting realistic objectives and targets and to regularly review our progress.
- Minimise the detrimental environmental impacts associated with our activities by reducing our need for finite resources and repair goods where appropriate
- Prevent pollution and mitigate any actual incidents of pollution as far as possible.
- Use refurbished and recycled products and materials where possible and practicable
- Phase out the use of specific substances such as ozone depleting chemicals, asbestos and certain pesticides that are damaging to health and the environment
- Ensure that products derived from natural sources, such as timber, are produced in a sustainable manner and comply with all national and international legislative requirements
- Encourage suppliers to investigate and introduce environmentally friendly processes and products at competitive prices.
- Ensure that, wherever possible, environmental sustainability and local economic criteria are used in the award of contracts, providing that the cost or availability does not prejudice service delivery.

- Use our position to raise awareness of the environmental issues of procurement with staff, producers, suppliers and the general public through education and information provision and promote 'greening the supply chain'.
- Work with voluntary agencies and professional bodies to implement the Mayor of London's Green Procurement Code

In October 2005 the Council revised its procurement processes to require completion of a PRIMAS (Procurement Impact Assessment) for every contract over £25k and strengthened consideration of equalities and environmental issues in the business planning process.

Sustainable procurement should be viewed within a wider policy context. The Council has the capacity (and in some cases the duty) to promote issues that fall under the sustainability umbrella. For example, as a Planning Authority the Council enforces building regulations which in turn set standards for energy efficiency in new homes and offices.

Procurement has a clear role in supporting such a wider agenda though ensuring that we meet our own standards and that the standards that we set for our services are also delivered by suppliers who provide services on our behalf, or who contribute to our delivery of services.

6.10.2 Recommendations

Recommendation twelve

The Commission was advised that in June 2006 DEFRA published "Procuring the Future" which sets out the recommendations of the Sustainable Procurement Task Force ("SPTF") and heard how this document provides a contemporary reference from which Hackney's continued commitment can be assessed and refocused.

Recommendation

The Commission recommends that work begin on reviewing the Council's current policies and practices with a view to establishing where and how LBH should respond to the challenges set out within the SPTF Action Plan. Members request that an LBH Action Plan with appropriate timescales be prepared for Member consideration by March 2008, also taking into account the outcome of work proposed in recommendation thirteen.

Recommendation thirteen

The Commission considered a number of reports during the course of its review which set out LBH's current position and policies in respect of Sustainable and Green Procurement. The Commission believes that the public sector is in a unique position through its procurement of goods, services and buildings to influence markets so that the private sector also pursues sustainable and greener purchasing policies.

The Commission believes that LBH should aspire to do more in relation to both sustainable and green procurement however it does not believe that adequate information or analysis currently exists to determine what this should be or how it

could best be achieved. The Commission recognises the role of the PRIMUS assessment used to judge all procurement valued above £25,000 and wishes to propose the potential of the mechanism currently being used be assessed before any further measures are proposed or introduced

Recommendation

That the Finance and Resources Directorate work in partnership with the Neighbourhoods and Regeneration Directorate to explore the potential for the recycling team (suggested green champions) to audit a random sampling of PRIMUS assessments annually so that an assessment may be made of the need for any subsequent steps to ensure the appropriate prominence of green and sustainable matters is given in the procurement process.

Members wish to be advised of the results of such an assessment by no later than December 2007 in addition to any required steps which may be required to respond to any conclusions drawn.

6.10.3 SME / BME Procurement

Following the identification of sme and bme businesses as an area requiring attention during the course of its review Members identified a second LCE 'Buying a Better London' project work stream which focussed specifically in sme / bme led regeneration. Upon further examination of this work stream Members identified a neighbouring borough, Haringey, as a lead for this project and requested additional information from them about their pilot and how it operated.

6.10.4 Trade Local

Members heard how sme businesses are determined by central Government to be that of anything below 250 employees. The majority of the project undertaken by Haringey was made possible through use of EU funding which, for example, resulted in the appointment of a community outreach worker.

Much of the work undertaken by Haringey was came under the banner of Trade Local – a procurement initiative that worked with suppliers in 2003 / 5 to boost their capacity to sell to the public sector. The project was undertaken in partnership between Haringey and Enfield Council's and Fit to Supply with match-funding from the European Regional Development Fund and resulted in the creation of a database of businesses willing to supply goods or services to the public sector. Such businesses are kept informed of future contracts or approved lists offered by the Councils.

Invitations to seminars and workshops were made available and over-time distance learning options were developed and made available (proving more popular) to assist with the development of sme businesses. In addition one to one diagnostic meetings were offered to those businesses identified (an exercise which received unanimous effective or very effective ranking is subsequent surveying)

6.10.5 SME Procurement pilot

In addition Members heard about an SME Procurement pilot which worked to identify and reduce barriers that prevent some small and medium sized businesses being able to compete fairly for places in public sector supply chains.

The Panel heard that Haringey has an ethos that procurement can be viewed as a tool to help deliver the community strategy by making opportunities available to SMEs, and have such they have sought to develop their SME supply base, and to ensure they act in a way which gives local businesses opportunity. Mechanisms used to support this include;

- devised community benefit clauses for use in tendering and
- developed 'Think SME' elements for incorporation into procurement
- guidelines and documentation so that SMEs are part of the procurement process instead of being an 'add on'

Members heard how meet the buyer events are now commonly undertaken and the extension of such events to include the use of speed dating as a novel means of ensuing large contractors met with local businesses who might be able to assist them with the delivery of their contracts. Members also heard how the development of the procurement function had allowed the focus of procurement in Haringey to shift far more towards market development initiatives.

Members heard how such initiatives have been proven to have delivered;

- 25 new jobs created over 2003/5
- 1000+ Local SMEs supported

6.10.5.1 Recommendations

Recommendation fourteen

During its review the Commission became aware of a number of initiatives undertaken by a variety of local authorities to assist in the development of the local market and also to prepare the market more generally for the tender of contracts, for example, meet the buyer events. Commission Members felt that from the evidence presented to it Haringey represented a particularly good example in this respect – albeit with the assistance of EU linked funding. The Commission is aware that examples of some similar activities have begun to be undertaken already within Hackney.

Recommendation

The Commission recommends that a Procurement Conference similar that that run in March 2006 in partnership with HEN is developed and at least two further events take place before the end of 2009 in order to foster and assist with the development and support offered to the local SME market.

6.11 *Role of economic development and community leadership*

6.11.1 Supporting SMEs

The Commission understands that the area of economic development and community leadership is a crowded terrain but remains one where a local authority should use all appropriate means to bring to bear its desired outcomes. On occasion it may be possible to identify appropriate and allowable procurement means to achieve such goals. However the Commission is aware that a great deal of procurement activities are closely defined and to some extent restricted.

In the 2006 Budget the Government detailed its stated aim of streamlining publicly funded business support from around 3000 products and services to no more than 100 by 2010. In order to ensure alignment with such initiatives it is imperative not only that any decisions taken by LBH are measured but seek to capitalise and key into what appears to be a multitude of initiatives already being planned or implemented as opposed to merely adding an additional layer to an already crowded and at times confusing area. Above all the Commission would encourage LBH to adopt an approach that is;

- Targeted - where it will have greatest impact;
- Efficient - delivered to get best value for money;
- Fit for purpose

In order to achieve such initiatives it is imperative that LBH work with its appropriate London office (GoL), the GLA, the London Development Agency and if appropriate to Challenge – involvement of all areas of local government GOL role.

Members of the Commission have become aware of a number of proposed areas of work which they believe adequately reflect the areas where they would wish to see further development by the authority, albeit with procurement as a participant rather than a lead actor (it appears that the majority of such activity falls with the Neighbourhood and Regeneration Directorate);

- Establishing a system to support outreach and community investment for enterprise programmes (including social enterprise initiatives)
- Development of effective business networks
- Ensuring that local businesses get access to such opportunities as may arise through the development of capacity to work with large scale contracts and bidding for smaller sub contracts
- Updating local businesses on the available opportunities and encouraging them to seek appropriate sub-contracts supported by appropriate brokerage systems
- Development and / or enhancement of existing databases of potential buyers and suppliers to cover businesses currently outside of local supply chains.
- Operation of Seminars, network and meet the buyer events to encourage innovation and best practice.
- Consultancy for individual Small and Medium Enterprises (SMEs) who require detailed guidance (e.g. on quality standards and environmental management) in winning larger contracts and dealing with the resultant growth issues.

- 1 to 1 mentoring and coaching for key businesses via appropriate business forums
- Support for small businesses to develop their e-commerce potential

The Commission would wish to endorse such work and would both anticipate and expect to see LBH Procurement as a key partner in any such activity.

6.11.2 Recommendations

Recommendation fifteen

The Commission heard how a number of comparable authorities have, often with the assistance of external funding, undertaken work which has assisted the development of local small to medium enterprises (sme) and those owned and / or operated by black or minority ethnic groups (bme). In such examples assistance has taken a number of different approaches from outreach work, training and development, through to the maintenance of contact databases.

The Commission subscribes to the values underpinning such initiatives and encourages the authority to do all that it can to ensure local businesses are both empowered and able to compete for contracts.

Recommendation

That the Deputy Mayor (with responsibility for finance) and the Cabinet Member for Regeneration together consider how appropriate council departments and our local and regional statutory partners may work together in order to assist such businesses to capitalise on the opportunities available to them. The Commission would wish to be advised of how and when LBH will achieve this whether through individual action or through work with, for example, the LDA and / or LSC by December 2007.

Recommendation sixteen

In conducting its review the Commission was struck by the many challenges faced by small, local and bme businesses in representing themselves and therefore the challenges the authority has in knowing who it should be talking to and how best to communicate with them. The Commission believes it is important for such forums to be appropriately representative and open to the whole local business community.

Recommendation

- a) The Commission recommends that the central procurement team explore all presently available means to communicate with local businesses. For example the annual event held by the Mayor to discuss his budget proposals with local businesses.
- b) The Commission believes that more should be done to ensure the supported business forums within the borough are as representative of local businesses as possible. The Commission also believes that outreach, development and support work should be encouraged as a key criteria for any continued

financial assistance provided and that any grant or contract allocation be managed to ensure that such objectives are progressed. The Commission believes responsibility for development of such themes and any subsequent action within this area will in future fall to the Regeneration function of the authority and not Team Hackney as NRF funding is refocused toward LAA objectives.

6.11.3 The London Living Wage

The Commission considered the current thinking regarding the London Living wage proposals outlined in the GLA Economics Unit report "A Fairer London: A Living Wage" (March 2005 & May 2006). London is an expensive city. There is general acceptance around the principle of London Weighting, that pay levels need to take into account the extra costs of living in London. However, the statutory minimum wage is set at a national level and does not take regard of local variations. The fact that poverty level wages in London are significantly above the national minimum wage is primarily due to much higher housing costs in London. Because of the additional cost of living in London, the national minimum wage leaves some families below the poverty line.

The Living Wage is not the same as a minimum wage. It is defined by the Family Budget Unit as a wage that achieves a low cost but acceptable standard of living. It should provide an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents. The London Living Wage reflects this and is calculated in the context of meeting this level, while living in the capital city.

The Commission considered that there could potentially be an important role for the procurement to help encourage the adoption of a Living Wage for people employed on contracts for LB Hackney. The Greater London Authority, the London Development Agency, and the 2012 Olympics bodies have recognised that procurement processes can be an important way of encouraging employers to adopt a living wage, and have signalled this in policy statements. It is recognised that there are legal and financial impediments to its mandatory adoption, however, the Commission would wish to explore what might be done by LB Hackney to promote the Living Wage through its procurement policies and procedures.

6.11.4 Recommendations

Recommendation seventeen

The Mayor of London judges London's economy as successful and dynamic overall. In a report; A Fairer London, The Living Wage in London it is suggested that many have been able to share in the benefits of growth. However, alongside this success are stubbornly high levels of poverty and deprivation. An important part of addressing this agenda is finding ways of helping more people to participate in the job market, and to ensure that once they have a job they are paid enough to ensure a decent standard of life.

Recommendation

The Governance & Resources Scrutiny Commission noted the legal impediments to the early implementation of the Living Wage through procurement. However, we believe that LB Hackney should move towards supporting its use. We ask that the Council explore and test its feasibility, reporting back to the Commission on the results of the assessment undertaken.

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7 CONCLUSION

- 7.1 This has been the first investigation conducted by the Governance and Resources Scrutiny Commission since the 2006 Local Government Elections. The review has aimed to identify and understand the processes relating to Local Government Procurement, celebrate any appropriate Hackney successes and identifying any appropriate areas or future improvement. The Commission's perception of the challenges currently being faced and dealt with on a day to day basis has been increased and the recommendations have been made bearing these in mind.
- 7.2 As the review progressed, it became evident that Procurement is a highly complex area, and there are no simple answers to a number of the issues that were raised. One area of where the Commission is keen that as an authority we keep pushing the boundaries relates to sustainable and green procurement and the closely related issue of economic development and supporting our local communities.
- 7.3 The Commission was encouraged by the way the service has developed and recognise that this provides a sound basis for continued improvement and development in the future.
- 7.4 The Commission chose to amend its original timescales so as to ensure it reviewed all appropriate avenues and also to better coincide its conclusions with other work streams already taking place within the central procurement function.
- 7.5 The Commission recognises that many of the report's recommendations require partnership working between the procurement centre and directorates and accordingly much relies upon inter-Council co-operation in order to drive forward services that are provided to our residents at an appropriate quality standard but that also delivery value for money.

Lead Councillor: **Cllr Rob Chapman**

Scrutiny Officer: Ben Vinter, ☎ 020-8356 3441

8. CONTRIBUTORS

The following people attended the Scrutiny Commission's meetings and gave evidence or spoke with Members of the Commission in ways that helped shape the review. The Scrutiny Commission owes a great deal to them not only for what they contributed to the investigation but also for the enthusiasm and commitment they brought to the task.

Chris Hudson – AD Procurement & Fleet LBH
Michael Robson – Head of Strategic Procurement LBH
Ian Lewis & Jane Woolley – Team Hackney
Tom McCourt – AD Public Realm LBH
Janice Wightman - AD Adult and Older People LBH
David Hare - Neighbourhoods & Regeneration LBH
Paul Howell – Appetito
Katie Wingfield & Sue Pickard – Select
Steve Coombs – Lovells
Michael Wood & Jean Coleman - LB Haringey
Neil Barklem – Hackney Enterprise Network

9. MEMBERSHIP OF THE SCRUTINY COMMISSION

9.1 Contributing Members of the Scrutiny Commission

Councillor Rob Chapman, Chair
Councillor Matthew Coggins, Vice-Chair
Councillor Luke Akehurst
Councillor Michael Desmond
Councillor Faizullah Khan
Cllr Mulready - Jones
Councillor Mischa Borris

Scrutiny Officer Ben Vinter

Background papers

The following documents have been relied upon in the preparation of this report or were presented to the Scrutiny Commission as part of the investigation:

Description of document	Location	Date
Contract Standing Orders	Overview and Scrutiny Team, Room 40, HTH	30.1.07
Procurement Driving Licence programme	“ “	“ “
E-Procurement and Payment Arrangement PID	“ “	“ “
Procurement Achievement Scheme	“ “	“ “
Sustainable Procurement - briefing	“ “	“ “
Green Procurement Guide and Policy	“ “	“ “
Local Enterprise Growth Initiative (application)	“ “	“ “
London centre for Procurement Excellence (Buying a better London – work stream)	http://www.lcpe.gov.uk/workstreamsexemplars/List_of_Current_Projects.asp	“ “

Governance and Resources Scrutiny Commission Investigation Proposal

1. The proposed review and suggested terms of reference

To review the borough's procurement process specifically considering contract management and the ways in which this is undertaken within LB Hackney.

Assessing;

- The extent to which the LBH procurement policy assists in the delivery of corporate objectives and Mayoral Priorities
- The robustness and effectiveness of procurement guidance
- Consideration of any draft or indicative revised procurement policy and guidance proposals

2. Origin of request (e.g. Surgery, Neighbourhood Committee, outside body, performance indicator).

The request for a scrutiny review of this area emerged from discussions between Scrutiny Councillors, Officers and members of the Executive at the 2006 Overview and Scrutiny Work Programme Conference and follows on from past work of the Commission relating to Procurement.

Much work has recently been undertaken in the area of procurement and it is considered that member consideration of the identified area would assist with continued development.

3. What are the likely objectives of any review? (i.e. Improvement in service delivery, budget saving, change policy, recommendations to outside bodies).

To make recommendations, as appropriate, for;

- Transparency of decision making
- Record keeping
- Service development and review
- London Borough of Hackney policies, procedures and practices

Outputs of the review will include a report of findings.

4. What is the scope of the review?

To gain an understanding, on behalf of the whole Council and as community representatives, of the requirements for effective procurement and contract management and an assessment of how LB Hackney currently performs within this area, including how the existing procurement, standing order and contract management frameworks deal with the following areas;

- Relationship with providers
- Value for money
- Performance monitoring and effectiveness
- Management of the risks within the procurement process
- Variation and/or change management
- Contract review (benefits realisation) process

5. What is the likely scale of any recommendations, and who are likely to be affected by them?

It is anticipated that the review will be concluded in December 2006.

Recommendations may have implications for action upon the Directorates identified under point 6 and will have to be taken into account with appropriate budgetary and planning cycles.

6. Who is likely to have to implement any recommendations?

Potential to affect the following LBH Directorates;

- Finance and Resources and more broadly those Directorates that undertake contract management

7. What are likely sources of evidence/ stakeholders?

Meetings are expected to run from September 2006 through to December 2006

12 September

- Introduction to issues associated with procurement. Overview of procurement and contract management processes making reference to appropriate Audit and CPA reports and procurement outcomes
- Contract Management – procedural framework, training, policies, supporting structure
- Procurement outcomes – is the process responsive to service needs and aligned to delivery of corporate objectives
- Gateway Process and risk

9 November

Consideration of Standing Order Framework

Procurement Processes – a client's view (Business Excellence Model survey feedback)

A refreshed Procurement Policy

4 December

Draft conclusions

8. What level of support is likely to be required by the review?

Support will be required from the following Directorates

- Finance and Resources
- Support, research and steering provided by the Scrutiny Officer
- Support, research and steering provided by the Lead Member with the collaboration of other members.

9. What are the timescales for the review? (i.e does it need to be completed in order to meet a deadline elsewhere?)

To be concluded in December 2006.

10. Who will be the Lead Member?

Cllr Rob Chapman will lead a working party of Members drawn from those sitting on the Governance and Resources Scrutiny Commission.

11. How will progress be monitored?

To be agreed at the time of producing the final report and this Commission or working group's recommendations.

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