



Report to Audit & Performance Committee

Report Title:	Future of Procurement Services
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1. Purpose

- 1.1 This paper provides a summary of the main changes that are now being implemented following an extensive review of the procurement service.

2. Background

- The review identified a complex delivery and governance model for procurement services including separate groups supporting the commissioners of adults and childrens services;
- With the input of staff and other key stakeholders, a range of delivery models has been explored and tested against their ability to sustain high levels of professional input and technical support to all services areas;
- The review found that significant progress has been made by the existing procurement team in policy areas such as modern slavery and social value where Westminster is regarded as a lead authority;
- Consideration has been given to developing a more consistent approach to contract management and providing those who are accountable for contract outcomes with enhanced levels of support, training and the systems they require to fulfil their role;
- Westminster City Council (WCC) has an annual expenditure of c £650m per annum and is managing the procurement of 150 new contracts with a value of over £100k at any one time. It is estimated that the equivalent of over 400 people are involved in managing contracts directly or as part of their role.

3. Executive Summary

1. The Procurement Service will become an integrated 'centre of excellence' incorporating procurement activity currently undertaken within adults and childrens;
2. The new operating model will be built on established 'Business Partner' principles already working successfully within HR and Finance;

3. A 'core service offer' will be established with the provision of 'opt in' additional services. External resource will be used to accommodate peaks in demand or specialist skills;
4. The service will be led by a new 'Director of Procurement';
5. There will be a focus on building a strong enabling culture with career progression opportunities from apprentice levels upwards.
6. A clear attraction strategy will ensure that Westminster is credible in the market for talent and able to attract and retain the best;
7. Contract and supplier management practice will be strengthened to provide professional practice leadership for contract and supplier relationship management including implementation of the council's new Contract Management Framework.
8. Parallel work has been undertaken to improve the 'operational effectiveness' of the team and council's procurement practices. This has led to improvement in several areas including quality and completeness of data and stakeholder satisfaction.
9. Close co-ordination is being maintained with RBKC who themselves are strengthening their procurement capability in respect of sovereign services.

4 Key dates

- After formal staff consultation an extensive program of work will begin to implement the new arrangements.
- It is expected that the new service will be established from 1st April 2020 though some operational changes will be implemented earlier.

The immediate next steps are;

Theme	Action	When
Governance	Update Standing Orders and Procurement Code to reflect new governance arrangements	December
	Reform PAB into CGRB and develop new Terms of Reference	From September
	Revise evaluation criteria weighting as part of update to Standing Orders	December
	Agree new reporting content for Audit & Performance Committee	December
	Continue to improve completeness of contracts register data (increased from 47% to 58% since 2018)	Ongoing; target of 75% by December
Resources	Recruitment - Director of Procurement Role Other posts	Starting September End of internal consultation
	Formal staff consultation	October/November
Contract Management	Supplier Financial Risk & Monitoring Contract Management F/W implementation	From September From October
Customers and Communications	Roadshows for internal clients / stakeholders on new service model	September - November
	Update external and internal intranet resources and guidance	November, following updates to Procurement Code

5. The Review

- 5.1 A review of Procurement Services has been undertaken to recommend a future operating model and organisational structure(s) for procurement at Westminster City Council (WCC). The review commenced in October 2018 and identified the need for change and improvement across five areas:
- Target Operating Model
 - Strategy and Governance
 - Systems and Processes
 - Structure and Capabilities
 - Engagement, Development and Culture
- 5.2 Work has been undertaken to improve the 'operational effectiveness' of the team and council's procurement practices, which has led to improvement in a number of areas including quality and completeness of data and stakeholder satisfaction.
- 5.3 The review has included extensive engagement with staff, internal customers of the service and Members. The work has been informed by:
- The council's context – its priorities (including the priorities of the City for All plan), the challenges it faces and the external environment to which it must respond
 - The council's internal makeup – the way other support services are configured and the role procurement should play in the new Finance and Resources department
 - Procurement best practice, as recognised in local government and more widely
 - Engagement with internal stakeholders (customers of the service)
 - Engagement with staff in the procurement team (those who deliver the service)
- 5.4 In parallel, discussions have taken place at Executive Director and Cabinet Member level to consider the right organisational model for procurement going forward.
- 5.5 This paper outlines the proposed changes to the operating model for procurement, including the service model, organisation structure for Procurement Services and new governance arrangements. It is intended to be considered alongside a possible further review of commissioning across the Bi-Borough (the previous consultation being paused pending further consideration).
- 5.6 implementation program that will follow endorsement of this paper is detailed in the attachment to this report. It gives significant priority to the development of the skills, capability, culture of the service and the new governance framework that will support the desired outcomes detailed in (4).

6. Current Operating Model

- 6.1 The council currently operates a complicated, semi-devolved model for procurement activity. In part this has been created as a result of which services are shared on a Bi-Borough basis with the Royal Borough of Kensington & Chelsea (RBKC).

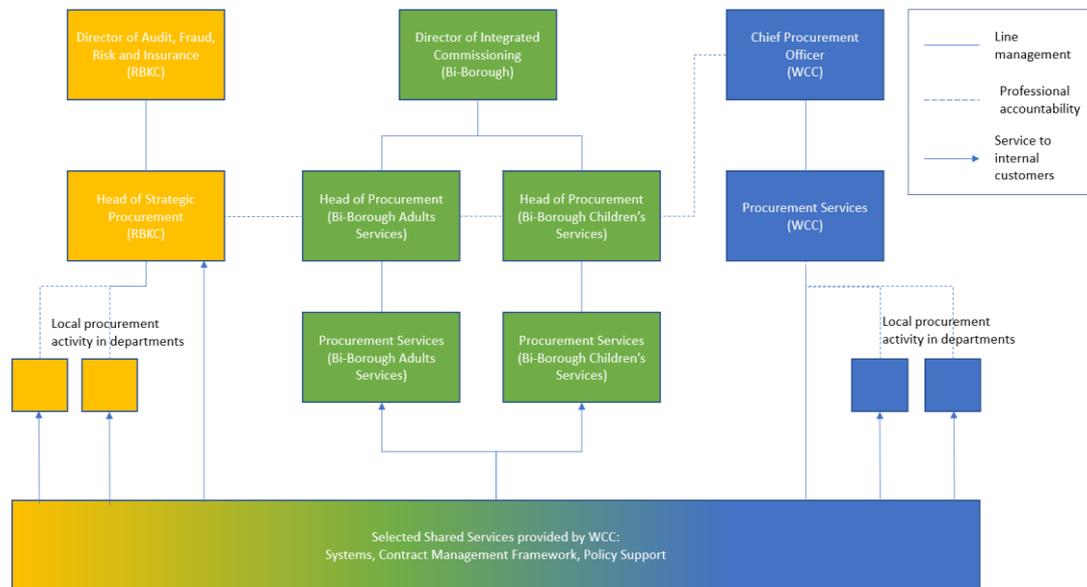


Figure: Schematic showing procurement activity across WCC and RBKC (note shows procurement roles and functions only, not all line management)

- 6.2 Currently, procurement activity for corporate, place-based and services at WCC is overseen and/or undertaken by the WCC Procurement Services team. Procurement activity for Adults and Children's services is undertaken by procurement resource in the Bi-Borough Integrated Commissioning Service; however, Bi-Borough Public Health procurement is supported by the WCC team. RBKC delivers its own procurement activity for its sovereign contracts (primarily corporate and place-based).
- 6.3 Procurements may be subject to the governance procedures of Procurement Assurance Board (PAB), Contracts and Commissioning Board (CoCo), or both, depending on the origin of the project.
- 6.4 The existing model creates multiple, sometimes competing accountabilities and has procurement resource dispersed across multiple teams in two organisations. It is recognised that the model could be simpler and benefit from more efficient use of resources, which is a key consideration for the new operating model.

7. New Operating Model

- 7.1 The new operating model applies to the following:

- All procurement activity for WCC
- All procurement activity for Bi-Borough services
- Selected procurement activity for RBKC sovereign services where there is agreement to share resources and pool expertise.

7.2 RBKC is developing a business case for a new Target Operating Model for procurement. This model has procurement activity largely devolved to services with a small corporate core of supporting activity and a Head of Strategic Procurement as the head of professional practice. Officers involved in procurement activity will be professionally accountable to the Head of Strategic Procurement.

7.3 RBKC wishes to maintain leadership and accountability for its own procurement strategy and activity, initial discussions have taken place on what resources could be shared to more efficiently provide procurement 'infrastructure' across both councils. Possible areas identified include:

- Governance and policy advice
- Systems maintenance and development
- Development of contract management capability

7.4 The proposed new operating model allows for the pragmatic sharing of these services, where there is appetite to do so, without proposing an immediate integration or formal shared service.

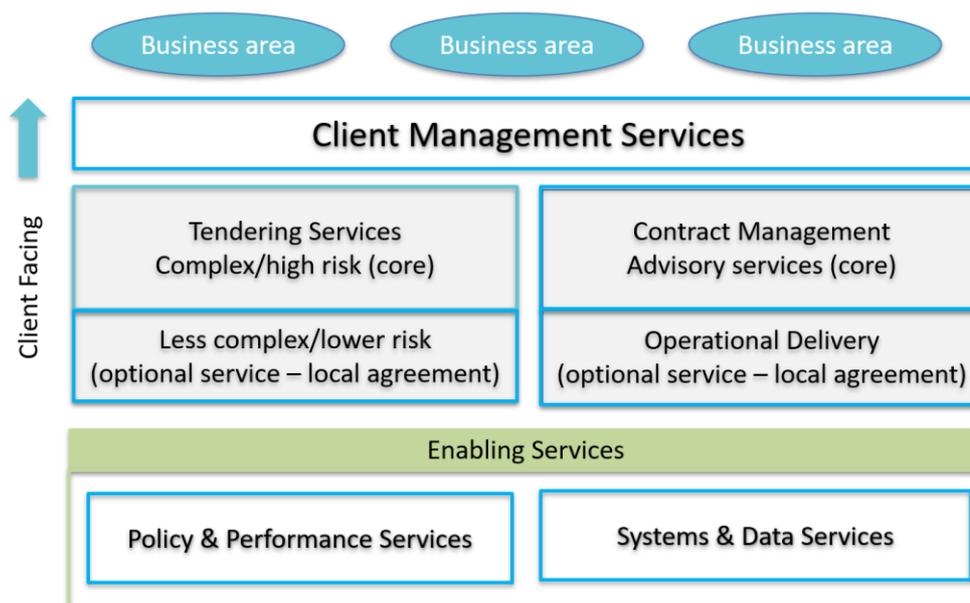
8. Service Outcomes

8.1 The outcomes desired from the proposed service model are:

- An alignment of service and corporate priorities and procurement activity
- The capacity to deliver service outcomes and the flexibility to adapt to changing needs
- Consistent and high professional standards and access to the specialisms required
- Accurate information and data and the ability to use it to inform and influence
- Effective oversight and development of procurement practice across the council
- The development and use of effective IT systems and processes
- Effective oversight and development of contract management practice across the council
- An integrated 'whole system' approach to the flow of information and data including procurement, contract and supplier management and P2P
- Better commercial outcomes for the council and recognition of 'value added' by the team's customers and wider stakeholders
- The leadership and culture to enable the above

9. Proposed Service Model

- 9.1 The service model describes the services (and thresholds for those services) that will be provided by Procurement Services, in the context of the operating model for procurement at WCC and RBKC.
- 9.2 The proposed service model has been designed to meet the outcomes stated earlier in this paper and to provide the essential elements to (i) maintain and develop the council's procurement infrastructure (governance, systems, etc.) and (ii) effectively manage the council's business-as-usual procurement requirements, while (iii) offering flexibility and choice for service areas to buy in to additional services as required. The model can be represented as follows:



9.3 Client Management Services

- 9.3.1 Providing commercial advice and aligning procurement service outputs with customer needs. This service will provide a comprehensive commercial advisory service to senior officers and Members in relation to all aspects of procurement activity. This will be fulfilled through the creation of new Senior Commercial Manager roles, who will work in business partnership with service areas to ensure that their priorities and objectives are realised using the full range of skills, knowledge and expertise provided by the new Procurement Services team.

9.4 Tendering Services

- 9.4.1 Selecting suppliers and supply chains to deliver service and business outcomes. Tendering in the new model is classified as one of four 'types' which will allow for governance to be applied proportionately;

Centrally-led Tender	Centrally-led Tender	Service-led Quotation
<p>Type A – High Value and/or High Risk</p> <ul style="list-style-type: none"> Total contract value (or concession) is over the PCR threshold (or value equivalent if using an existing framework or DPS) All new frameworks or Dynamic Purchasing Systems All 'High Risk' projects 	<p>Type B – Medium Value and Not High Risk</p> <ul style="list-style-type: none"> Total contract value is over £100,000 but below the PCR value threshold (or value equivalent if using an existing framework or DPS) and; Is not 'High Risk' 	<p>Type C – Low Value and Not High Risk (Three+ Quotes)</p> <ul style="list-style-type: none"> Total contract value over £5000 but below £100,000 Not 'High Risk'
		<p>Type D – Very Low Value and Not High Risk (One Quote)</p> <ul style="list-style-type: none"> Total contract value below £5000 and; Not 'High Risk'

9.5 Contract Management Services

9.5.1 Enabling contract owners to meet or exceed contractual outcomes. Contract Management Services will lead on developing and embedding best practice in contract and supplier management across the council. The core service to the council will include:

- Ownership, implementation and development of the new contract management framework
- Maintenance and development of the accompanying toolkit and making this available to contract managers via regularly updated intranet resources
- Leadership of a community of contract management practice across the council
- Oversight of contract performance and contract management practice across the organisation, including the information and assurance provided to Members

RBKC has expressed an interest in drawing on support across these areas.

9.5.2 An operational contract management service is currently provided for People Services (HR) contracts and selected ICT contracts. It is proposed to extend this service offer to other areas across WCC and RBKC to give services the option of buying into a professional contract management service.

9.6 Policy and Performance Services

9.6.1 Creating a governance and performance framework that ensures procurement activity is effective and able respond to future policy objectives and business priorities. This will include horizon scanning and providing strategic advice to the organisation on relevant legislation that may impact on its policies and processes. The service will drive forward the responsible procurement agenda, including policy issues such as Social Value, Modern Slavery and the London Living Wage.

9.6.2 The Policy and Performance Service will include ownership and oversight of procurement governance, including maintaining and advising on Standing Orders relating to Contracts, the Procurement Code and the expanded gateway process.

9.7 Systems and Data Services

9.7.1 Systems and Data Services will own, maintain and develop the technology infrastructure needed for effective procurement activity, including the council's e-tendering system. This service will work with the council's Corporate Finance service to ensure reconciliation of records and data with the council's financial management system to ensure effective P2P operations.

9.7.2 The service will also provide data and analysis to support effective decision making and to provide information and assurance to Members, including to Audit & Performance Committee. The service will continue the work already underway to improve the quality and completeness of the council's supplier and spend data to ensure that decision making is robust and based on reliable evidence.

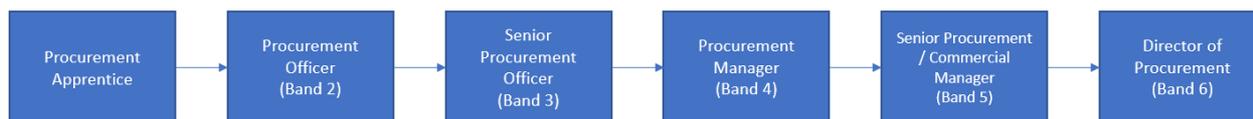
10 Resourcing

10.1 It is proposed to bring together procurement resource across the organisation to form a new procurement centre of excellence, including the amalgamation of the existing WCC Procurement Services team and procurement resource in the Bi-Borough Commissioning Service. This creates the opportunity to consolidate the good practice that exists across the organisation, adopt consistent processes and standards and make the most efficient use of available resources. The new service will be led by a Director of Procurement reporting to the Executive Director, Finance & Resources.

10.2 The changes are subject to formal staff consultation.

11. Career Progression

11.1 Feedback from staff has been that career progression opportunities have not always seemed clear, open and transparent. The new structure facilitates a clear career pathway, particularly for staff entering the service through an Apprenticeship:



11.2 The levels of professional qualification, experience and soft skills needed to progress through the service will be clearly set out in the new job descriptions, in a way that allows individuals to identify a career pathway and take control of their own development. This will be supported by a rigorous on-the-job learning

programme for Apprentices and the council's talent management programme for more experienced officers.

12. Governance

12.1 Supporting the Commissioning Cycle

12.1.1 Commissioning is the process for deciding how best to use the resources available to achieve the desired outcomes and meet the needs of service users, whether those are residents, businesses, communities or internal users (staff and Members).

12.1.2 It typically follows a four-phase, cyclical process, shown below in the model from the Institute of Public Care. Procurement is one of the mechanisms by which commissioning intentions can be delivered.

12.1.3 Commissioning activity takes place in all departments at WCC and RBKC (whether or not the same language is used), in so far as all areas of the organisation are responsible for determining how best to deliver their priorities with the available resources and whether a third party or commercial solution will be used. Commissioning is therefore governed at a local level by Department Leadership Teams.

12.1.4 The new model gives explicit consideration to how Procurement Services will support departments to do this. The figure below shows how the capabilities/services in the new model support each phase of the commissioning cycle and the positioning of key decision and review points:

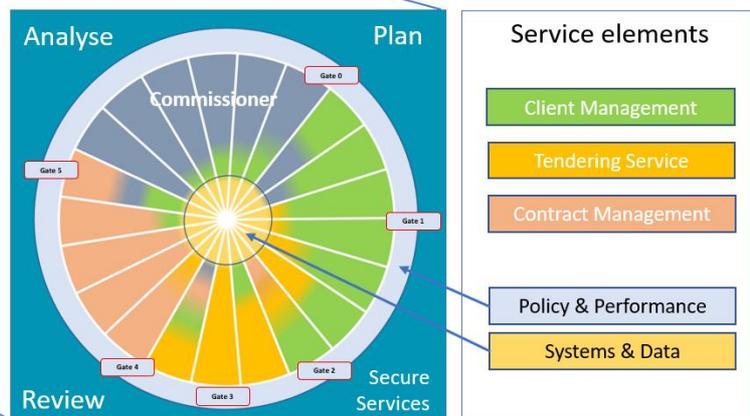


Graphic illustrates areas of focus of the proposed service within the commissioning cycle and how governance will be overlaid at key decision/review points.

Key decision/review points

Gate 0	Project registration
Gate 1	Business case review/options appraisal
Gate 2	Business case & procurement strategy
Gate 3	Award decision
Gate 4	Mobilisation readiness
Gate 5	Benefits realisation/periodic review

Commercial Project Gateway Process/OGC
(aligned to Commissioning Cycle)



12.2 Procurement Governance

12.2.1 There are a number of boards and groups involved in the planning and scrutiny of procurement projects across the council, including:

- Procurement Assurance Board (PAB)
- Commissioning and Contracts Board (CoCo)
- The corporate Project Management Office (PMO)
- Individual project boards

12.2.2 Procurement Assurance Board (PAB) is an officer group that reviews procurement projects at two stages: the procurement strategy prior to commencing a formal process and the particulars of the contract award once the procurement process has concluded. The board includes representation from Procurement Services, Finance and Legal, as well as the service area(s) leading the project. It governs all procurement projects except Adult Social Care and Children's Services.

12.2.3 Commissioning and Contracts Board is an officer group that performs a similar function in respect of Adult Social Care and Children's Services procurements but has a remit beyond the procurement process alone.

12.2.4 Other 'line of business' boards and bodies involved may review or commission procurement activity or projects but do not currently have a recognised role in the council's Procurement Code in relation to procurement specifically.

12.3 Proposed new governance model

12.3.1 The new governance model is designed to address known weaknesses (of PAB) and takes account of feedback from project sponsors, legal and finance - specifically that it was seen to be non-value adding, ineffective, lacked proportionality and duplicated governance taking place elsewhere.

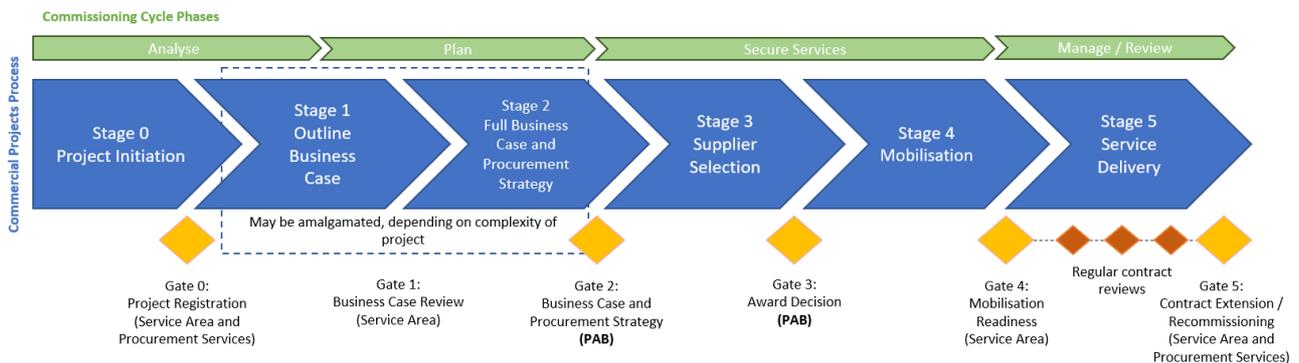
12.3.2 The Commercial Gateway Review Board (CGRB) will act as a single review body for procurement activity and promote consistency and the highest commercial and professional standards by ensuring that rationale for any proposed procurement or contract management arrangement is robust, legally compliant and financially sound. The level of Governance is set proportionately after an assessment of risk and commercial impact at Gate 0. The gateway panel will be objective comprising procurement, legal and finance expertise whose purpose is to give assurance and confidence to all of those who are sponsoring procurement activity that threshold standards at the gate have been met. The CGRB will also capture and report on emerging themes, for example corporate risk, skills and capacity issues or cross cutting linkages as well as tracking performance targets as they relate to procurement and contract management activity (e.g. savings capture from tendering, social value benefits or London Living Wage Compliance).

12.3.4 The Commercial Gateway Review Board will have updated Terms of Reference in line these principles and the roles outlined in the table below at each stage of the gateway process.

12.4 Commercial Gateway Process

12.4.1 Governance will be aligned to a simple gateway process for commercial projects (based on the former OGC model, variants of which still represent the standard for most procurement activity). In practice, the council is already using a version of this process, but this will be developed and rolled out more clearly across the organisation, with the specific roles and responsibilities at each 'stage' and 'gate' documented and communicated.

12.4.2 It is recognised that there are detailed and industry-specific project flows in place for certain types of projects (e.g. RIBA stages for construction projects). The following shows the typical, high level flow of projects that include procurement activity in the new model:



13. Implementation

13.1 Program of work

13.1.1 Delivery of the service transformation will be managed as a coordinated program of work which has nine "Work Streams". These are shown in Appendix 1.

13.1.2 Immediate next steps are detailed in the Executive Summary.

Appendix 1 – High level program overview

Work Strand	Activity	19Q2 JAS	19Q3 OND	19Q4 JFM	20Q1 AMJ	20Q2 JAS	20Q3 OND	20Q4 JFM
1. Team Restructure	a) ELT endorsement	★						
	b) Consultation							
	c) Internal Staff Selection							
	d) External Recruitment • Director of • Other posts		★					
2. Team Development & Culture	a) Skills assessment							
	b) Development program							
	c) Culture shaping / embedding							
3. Governance	a) Governance - transition to CGRB for all procurement activity	★						
	b) Embed commercial Gateway process and gate threshold standards							
	c) Revise Procurement Code							
	d) Implementation of LLW		★					
	e) New performance measures, KPI's and reporting (Team / Stakeholders / Exec/ Cab Members / Audit & Performance)							
	f) P2P • Linking Spend to Contracts • Increased use of P-Cards • Catalogue utilisation • Data codification							

Work Strand	Activity	19Q2 JAS	19Q3 OND	19Q4 JFM	20Q1 AMJ	20Q2 JAS	20Q3 OND	20Q4 JFM
4. Communication	a) Transformation progress/internal comms							
	b) Internal website							
	c) External website							
5. Internal relationships	a) Establish ways of working							
	b) Service planning (core and opt in support) and financial agreement							
	c) Reporting and KPIs							
6. Contract Management	a) Financial Risk & Monitoring	★						
	b) Contract Management F/W Implementation							
	c) Contract Manager Community – Training & Support Needs							
7. Tendering Service Development	a) Establish ways of working							
	b) Embed new approach (segmentation and low value)							
	c) Upskilling team and stakeholders							
8. Systems	a) CapE – e tendering							
	b) Contract Management							
9. Budget	a) Sustainable base budget							
	b) Opt In Services							
	c) Funding contributions RBKC and other sources							