



City of Westminster

# Audit and Performance Committee Report

<b>Date:</b>	14 July 2021
<b>Classification:</b>	General Release
<b>Title:</b>	Procurement and Commercial Services update
<b>Wards Affected:</b>	N/A
<b>City for All Summary</b>	<p>The Council spends over £500million each year on third party services and contracts. Procurement, commercial activities, and contract management are therefore key enablers to deliver City for All and ensuring the delivery of maximum value for Westminster and its residents and partners. This includes using our significant spend to influence and create positive action on tackling the climate emergency, contributing to local and national recovery, leveraging community benefit and driving forward greater diversity and inclusion. Sections 4.5 and 4.6 of this report include an update on the development of the Responsible Procurement Strategy for Westminster, which will be a key enabler to City for All.</p>
<b>Financial Summary:</b>	N/A
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## 1. Executive Summary

- 1.1 A review of Procurement Services at Westminster in 2018 identified the need for change and improvement across five areas: Target Operating Model, Strategy and Governance, Systems and Processes, Structure and Capabilities, and Engagement, Development and Culture. In April 2020, a new target operating model was launched, with the intention of transforming the Procurement function and driving improvement to the service.
- 1.2 The new procurement operating model replaced the historic category-focused approach with a business partnership model, which offers improved alignment to directorates and increased focus on business outcomes. It also incorporated procurement activity for Adults and Children's Services, which had previously been managed in the respective directorates. The service, which leads on procurements over £100k, is now structured around four specialisms:
- Business Partners – work closely with their respective business areas to provide commercial support and develop robust forward pipelines;
  - Tendering Services – manage tendering activity for high value and more complex procurements in line with plans and priorities agreed with the Business Partners;
  - Contract and Supplier Management – providing dedicated support and capability building for contract managers, monitoring corporate supplier and supply chain risk and leading cross cutting supply chain development;
  - Policy, Performance and Systems – providing critical systems infrastructure, policies, and performance monitoring for the team and the effectiveness of the policy and governance framework overall.
- 1.3 The new model was designed to enable a greater emphasis on the whole commercial lifecycle and on Procurement working with departments to create strategic forward plans, supporting them to find additional in-life contract savings and supporting them in commercial negotiations.
- 1.4 A new team has been recruited into the transformed function, bringing extensive and diverse experience of best practice from a range of industries and sectors.

- 1.5 A key focus of the transformed function is to provide the Council with insight, measure the impact of procurement and contract management activity, and fulfil the potential of procurement to enable the Council to deliver on its aims. This relies on robust data and a reporting framework that is fit for purpose. Historically there has been insufficient focus on data and on measuring the impact of procurement and contract management activity across the Council, and the Audit and Performance Committee has therefore lacked the data required to enable it to carry out its obligation to maintain oversight of procurement and contract activity at the Council.
- 1.6 A new procurement reporting framework is needed to give the committee oversight of these areas. This report includes an update on progress in implementing the new operating model for the Procurement & Commercial Service, an overview of the commercial pipeline and procurement activity and provides information on the first phase of key performance indicators which will be reporting to the Committee.
- 1.7 Subsequent reports to the Committee will be made twice every year commencing with the next report in September 2021, and will cover:
- **September:** Report on contract performance for the previous year;
  - **March-April:** Procurement and Commercial Services general update covering: current activity and risks; retrospective view of performance; and overview of forward plan.

The March 2022 report will include additional performance measures relating to delivery against CityforAll commitments and other Responsible Procurement actions, and additional measures of supplier and contract management at Westminster. In addition, once the new Procurement and Contract Management system has been implemented, additional Key Performance Indicators will be reported, as well as an overview of supplier spend.

## **2. Recommendations**

- 2.1 It is recommended that the Committee note the contents of this report and provide feedback on whether it meets their needs, as well as suggesting any changes or additional content they would like to see in future reports.

## **3. Structure of Reporting Framework**

- 3.1 A new Procurement Reporting Framework has been developed, which contains three distinct elements:

(a) Narrative elements of a qualitative nature, giving insight into the **current activity:**

- Progress in implementing the new operating model for the Procurement & Commercial Service, including implementing the new Procurement Code & systems;
- Progress in creating a Responsible Procurement Strategy to support City for All;
- Overview of current tendering activity and risks;
- Progress in implementing the Contract Management Framework;
- High level overview of contract performance of the Councils highest value contracts (platinum contracts). The full report on the contract performance for 2020/21 will be coming to the committee in September.

(b) Quantitative measures, giving a **retrospective view of performance**:

- Stakeholder satisfaction scores;
- Compliance with the Procurement Code;
- Savings achieved;
- Living Wage commitments made;
- Responsible Procurement commitments which have been put in place.

(c) A view of the **Procurement and Commercial forward plan**:

- Overview of the procurement pipeline and upcoming procurement activity;
- Summary of procurement risks for each directorate.

## 4. Current Activity

### 4.1 Procurement & Commercial Service Operating Model

- 4.1.1 A new operating model for the service was implemented in April 2020, with the aim of:
- creating an integrated 'Centre of Excellence' incorporating procurement activity previously undertaken within the adults and children's services;
  - recruiting and retaining a team of high-quality professional practitioners, including a new Director of Commercial Partnerships and procurement leadership team;
  - establishing procurement 'Business Partners' for each Service Area; and
  - providing professional practice leadership for contract and supplier relationship management, including implementation of the Council's new Contract Management Framework.
- 4.1.2 Building a strong permanent team is a critical part of delivering the desired outcomes above, and excellent progress has been made in recruiting the new team, including an entirely new leadership team.

Recruitment is almost complete, with only small number of junior roles left to fill in the team. The team has moved from being made up mainly of temporary workers (having only 36% permanent staff in November 2020) to over 80% of the team being permanent members of staff today. This progress has been a critical milestone for driving forward the transformation and improvement.

- 4.1.3 In 2019-20, Procurement had one of the worst performing 'Our Voice' responses with an engagement score of 38% (30% less than F&R Directorate). This year as a result of significant staff engagement and involvement, the engagement score increased significantly to 77% (a 39% positive shift and only 5% less than the F&R Directorate).
- 4.1.4 The leadership team has also set-up a Staff Reference Group, a representative group of staff across the Procurement and Commercial Services meeting every six weeks, to support the development of the service. They have led the development of a People Plan, which aims to build on Westminster Way and the F&R Business Plan to create our own service level plan, framed around four pillars:
- Diverse and inclusive workplace;
  - Staff wellbeing and morale;
  - Ensuring staff are informed and engaged; and
  - Personal development, training and qualifications.

Staff have responded very positively about the level of involvement and engagement which is critical to our improvement journey.

## **4.2 Procurement Code and Governance**

- 4.2.1 The Procurement Code provides the legal and procedural framework for the procurement of works, goods and services. It forms part of the Westminster City Councils Constitution and serves as a guide to Officers, giving practical effect to Council priorities whilst at the same time mitigating against commercial and compliance risk. Over the last year, the Procurement Code has been updated and the new version was published in March 2021, superseding the previous version dated September 2017.
- 4.2.2 The updates reflect the changes to the department's operating model and governance procedures, as well as reflecting wider Council priorities such as City for All and the Climate Change agenda. The structure of the Procurement Code is also now much easier for stakeholders to follow and understand. Training on the new Code has been conducted with the Legal and Finance teams, and via education sessions across the Council, as part of a wider stakeholder education and engagement programme by the Procurement team.
- 4.2.3 The Procurement team (working with Legal) also submitted a response in March 2021 to the UK Government's 'Green Paper on Transforming

Public Procurement'. The Council supports the Government's aims to simplify and speed up the procurement process and incorporate the flexibility to drive value, innovation, and the delivery of our social, economic and environmental priorities. Our feedback on areas of concern related mainly to proportionality, the potential scope of some of the proposed measures and our ability to maximise social value opportunities for local communities and businesses. In addition, several of the proposed measures (e.g. increased transparency obligations) would impose a significant additional cost burden on contracting authorities at a time when resources are increasingly stretched. The intention to bring forward legislation was signaled in the recent Queen's speech but no dates have yet been announced. Procurement will continue to monitor progress and input to the plans as they develop.

### **4.3 Systems and Data**

- 4.3.1 Successful commissioning, procurement and contract management at Westminster rely on having procurement and contract management systems that are fit for purpose, and robust contract and spend data. This area has historically presented some challenges for the Council, with the tendering system lacking sufficient contract management functionality, and contract data and spend data not being easily linked. This has impacted the ability to provide meaningful reporting, e.g. on spend against contract or contract performance.
- 4.3.2 To improve future performance in this area, a procurement process has been conducted to select a cloud-based eSourcing procurement and contract management system to replace the existing CapitalESourcing system. Three successful providers have been appointed to a Framework Agreement owned by the Council, which will commence in August 2021 for a period of four years. The framework will allow all London-based Borough Councils to call-off software subscriptions and related services for cloud based eTendering and Contract & Supplier Management software solutions. The new system will be implemented from August 2021 with full go-live of all modules by early 2022.
- 4.3.3 Benefits of the new system to the Council will include more efficient delivery of procurement processes, vastly improved reporting and data analysis, and improved governance and transparency. The new solution will include contract and supplier management functionality not supported by the current system, as well as allowing better integration to the Council's IBC ERP/finance system. The link to ERP will vastly improve information flows and the council's ability to accurately track spend by contract, as well as supporting additional controls in the end-to-end procurement and invoicing process. The phased implementation will begin with the tendering module, followed by the contract management module which will underpin the roll-out of the council's Contract Management Framework.

4.3.4 Procurement are also leading a 'data readiness' project to build (and data cleanse) the Council's contract register before implementing the new system. Phase one focuses on identifying and recording in a central database all contracts for suppliers with annual spend above £100,000 (the threshold at which Procurement are engaged). Contracts identified to date cover over 90% of >£100k spend, compared with less than 50% of the spend when the project began. Once the new system has been implemented, it will also be possible to centrally record lower-value contracts (which are currently held by Contract Managers across the Council), giving even more spend coverage and enabling more granular spend reporting.

#### **4.4 Stakeholder Engagement**

4.4.1 A core element of the new Procurement operating model is the introduction of a Business Partnering model. The Heads of Commercial (Business Partners) are the first point of contact for internal customers, ensuring that procurement activity is aligned to client business objectives and strategy.

4.4.2 All four Business Partners are now in role, covering GPH, ECM, Adults & Children's, and Corporate. They have worked with stakeholders across the Council to establish strong working relationships and jointly develop commercial pipelines, which sets out a forward plan of all upcoming commercial activity across the Council. This pipeline will enable earlier engagement and a more planned and pro-active approach to procurement activity which should reduce the number of direct awards and waivers requested and encourage more innovation. Strategic Procurement Boards have also been set up monthly with each Executive Director's SLT to improve forward planning, collaboration and oversight of procurement activity.

4.4.3 As part of improving Procurement support to stakeholders and enabling the development of improved commercial skills and knowledge across the Council, Procurement's stakeholder-facing internal website has been completely rewritten and was relaunched across the Council in June 2021. The site provides information on our new service offer and the team, as well as access to key documents, information and guidance (for example, the recently updated procurement code).

#### **4.5 Responsible Procurement Strategy and City for All**

4.5.1 The council spends over £500million each year on third party services and contracts. The Procurement and Commercial Service is working with colleagues across the Council to develop a new Responsible Procurement Strategy to ensure that our procurement, commissioning and contract management activities are fully aligned with City for All and deliver maximum value for Westminster and its residents and partners. This means that we will use our significant spend to influence and create positive action on tackling the climate emergency,

contributing to local and national recovery, leveraging community benefit and driving forward greater diversity and inclusion in our supply chain.

4.5.2 A comprehensive engagement programme will be undertaken involving staff across the council and with suppliers in order to inform and shape the approach. The strategy which will go to the Councils Cabinet in the Autumn will be accompanied by detailed work plan which will set out the actions we will take and how we will measure our progress.

4.5.3 A new post to lead on responsible procurement has been added to the structure, who has now been in post since 1st March 2021 and is leading and coordinating this work.

#### **4.6 Tackling the Climate Emergency**

4.6.1 Procurement is leading a cross-cutting programme of work which underpins all three of City for All's Greener and Cleaner ambitions, with a key objective to 'Revitalise our supply chain' and help to meet WCC's Climate Emergency commitments. This forms part of the overall Responsible Procurement Strategy, which is based on internal targets and external ambitions such as the UN Sustainable Development Goals.

4.6.2 The team is taking a targeted and tailored approach to minimising supply chain environmental impacts and maximising sustainability outcomes. Using an analysis of the nature and relative value of current and future contracts, Procurement has identified categories of spend that will deliver the greatest impact on carbon reduction as well as other environmental benefits such as waste reduction, climate resilience, air quality and urban greening.

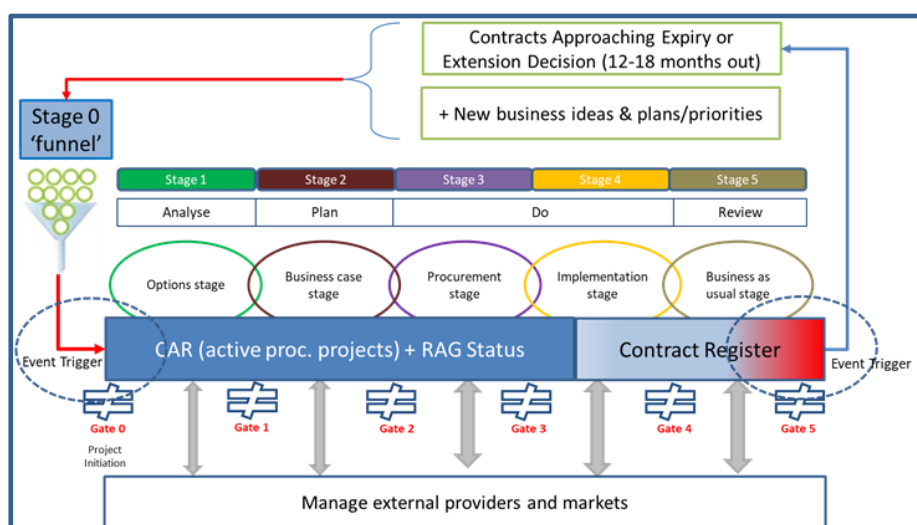
4.6.3 Existing contracts within these priority categories are being assessed for potential improvements and all new procurements will consider relevant interventions from the outset. Work has now begun to embed climate action into every stage of the end-to-end procurement process, from selection of suppliers based on environmental criteria, to monitoring contractual obligations from suppliers.

4.6.4 In parallel, Procurement is embarking on a pilot project to 'deep dive' into 10 of our highest spend, most carbon intensive supplier contracts. The team will baseline contract and supply chain carbon emissions and work with suppliers to reduce carbon over the life of each of these contracts, focusing on 'hotspot' areas and ensuring that operational and cost impacts are minimised. By focusing our available resource in this way, we will achieve the greatest impact, whilst strengthening relationships with these 10 key suppliers. The market intelligence and contract insights gained will also help inform our approach to low carbon procurement across all similar contracts going forward.

#### **4.7 Overview of current tendering activity & risks**



- 4.7.1 The role of Procurement starts from conception with pre-tender activity involving Market engagement, developing new and innovative service models, procurement strategies, commercial modelling, contract development, supplier relationships, KPI alignment and stakeholder relationship building. Once the initial strategy stage has been approved, the team lead and deliver complex procurement processes including negotiated procedures, commercial negotiations with suppliers, framework delivery, evaluation and moderation processes and overall governance control. The team then support the contract sign off stage, following which the contract management is handed over to the respective services supported by the new Supplier Relationship function.
- 4.7.2 The Procurement and Commercial Team deliver on a vast array of projects which are registered on our Commercial Activity Register. There are typically 300 live projects at any one time, at different stages. This includes on average of 100 projects at strategy stage, 100 at procurement process and award stage and 70 projects in final contract stage. The remaining are at project initiation phase.
- 4.7.3 Each project is managed with a formal assessment of risk at key decision points (Gates). This assurance is provided to the project sponsor by a Gateway Review Board comprising representatives from legal, finance and procurement.
- 4.7.4 Each project is also monitored, and RAG rated to indicate whether key milestone dates are at risk. Since April 2020, the number of projects at major risk flagged “RED” has fallen from 27 to 7. The remaining 7 are delays to commissioning due to the ongoing pandemic, a review of these is currently under way with the respective service and plans are in place to manage this.
- 4.7.5 The diagram below illustrates the project flows and decision points at a high level.



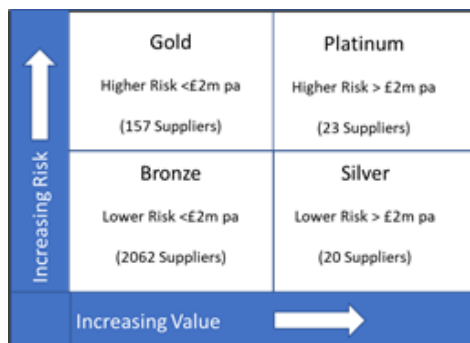
4.7.6 Important decision points are at 'Gate 2' – the decision to proceed to go to market with a tender and 'Gate 3', the decision to proceed to award a contract. Gate 4 represents the end of the tendering process and the point of handover to the service for ongoing contract management.

4.7.7 Recognising the high number of major capital and regeneration programmes within Westminster, and the specialist nature and risk profile of such work, the Procurement team now includes several specialist CapEx and construction procurement professionals, who support delivery teams with market knowledge, best practice and commercial risk management in this area. This includes risk identification and mitigation throughout the lifecycle of the procurement, such as due diligence conducted on suppliers at selection stage, and ongoing monitoring of financial risk through the life of the contract.

#### 4.8 Contract & Supplier Management

4.8.1 **Contract Management Framework Implementation** – In line with the Council's Contract Management Framework, contracts are now categorised into one of four designated groups according to value and risk. This guides the level and intensity of contract management required and ensures the council is able to allocate resources, skills and governance proportionately taking account of commercial impact, contract and supplier risk.

4.8.2 Contracts Segmentation principles



4.8.3 **Our expenditure** is concentrated in the Platinum and Silver groups where 68% of spend falls to only 43 suppliers. 157 Suppliers are classified Gold (higher risk and lower value) which make up 9% of expenditure and the balance of 2062 Bronze suppliers make up the remaining 23%.

4.8.4 **A 'community of practice' forum** has now been created for contract managers (now with 223 members) providing access to contract and supplier information. This will form the basis of further support and training for contract managers which will run alongside the new system implementation during the latter part of the year.

- 4.8.5 **Contract Management System** - as referred to elsewhere in this report, the contract for a new 'system' has been awarded. This will offer an integrated corporate contract register and contract management system which will provide essential support to contract managers and enable 'real time' reporting of contract performance.
- 4.8.6 **Refresh of the Corporate Contract Register** – the accuracy and completeness of the corporate contract register is central to our ability to forward plan and mitigate risk by reducing 'off-contract' spend. At the start of the service transformation less than 50% of the council's expenditure with suppliers where we spent over £100k each year was matched to a centrally held contract. As a result of intensive work to rebuild the contract register this figure has improved markedly and is now over 90%. Checks are also in place to ensure that any significant purchase order, over £100k is also matched to a centrally held contract. Work will continue to validate and improve the quality of data held at contract and supplier level and to further increase this figure.
- 4.8.7 **City for All – Supply Chain Revitalisation** - Procurement is also leading a cross-cutting programme of work within the City for All Action Plan to enable 'Supply Chain Revitalisation' – leveraging the significant contribution that our suppliers and the wider supply chain can make to improve environmental outcomes and their contribution to a 'Cleaner and Greener' borough.
- 4.8.8 This work has included support to providers during the COVID-19 outbreak who have experienced financial distress or were unable to maintain service continuity. The Council proactively contacted its suppliers as the pandemic began and since that time has provided £1.7m of relief measures of which just over half has been additional funding.

### **New Contracts**

- 4.8.9 During the 20/21 financial year, 100 new contracts came into effect. Of these 51 had a value exceeding £100k and 12 above £1.5m. 69 contracts secured additional social value commitments from the supplier.
- 4.8.10 The table below shows the distribution of new contracts by directorate. 39% new contracts awarded were in GPH, followed by 31% in Finance and Resources and 17% in ECM.

## **Contract performance**

- 4.8.11 This report has captured feedback from the managers of contracts for suppliers designated 'Platinum', which are those that have the highest commercial value and importance.
- 4.8.12 These 23 Suppliers designated 'Platinum' represent 50% of the Council's total third party spend across 27 contracts.

<b>Directorate</b>	<b>Above £1.5m</b>	<b>Above £100k</b>	<b>Less than £100k</b>	<b>Total</b>
Adults Services	1	1	2	4
Childrens Services	-	1	4	5
ECM	3	4	10	17
Finance & Resources	2	10	19	31
GPH	6	20	13	39
Public Health	-	3	1	4
<b>Total</b>	<b>12</b>	<b>39</b>	<b>49</b>	<b>100</b>

- 4.8.13 This feedback will be obtained quarterly and enhanced by actual performance data once the contract management system is commissioned.
- 4.8.14 The key observations arising from the survey done in June 2021 are:;
- Every "Platinum" supplier has designated contract manager(s)
  - All except one contract has performance KPIs which are monitored – 50% are reviewed monthly, with the rest quarterly.;
  - Most of the Platinum suppliers are rated as Good – meeting or exceeding expectations. The remainder are rated Satisfactory (meeting expectations generally, but with some minor issues);
  - Only 1 supplier has service levels and responsiveness rated as Poor. The contract is subject to specific improvement plans in order to address the issues;
  - In terms of their costs, all except one is either in line with budget, or below;

- f) The 3-month outlook for all Platinum Suppliers were rated as either Stable or Improving.

#### **4.9 Key Milestones for Procurement Service in 2021-22**

- Approval and implementation of the Council's 'Responsible Procurement Strategy'
- Implementation of the core systems refresh including e-procurement, Contract Management and wider P2P integration
- Further development of reports to this Committee to include key performance indicators measuring City for All action plan delivery, Contract and Supplier Management
- Launch of Procurement & Contract management eLearning module
- The Contract Management Framework will be developed and rolled out, through a process of consultation with the service areas and contract managers. This will include introduction of tools, templates and training for contract managers, which will drive consistency and improved contract performance.
- Establish a Risk Management forum, to actively monitor and mitigate risks with contracts.

### **5. Retrospective View of Performance - Key Performance Indicators**

#### **5.1 Stakeholder Satisfaction**

A new process was introduced in May 2021 to measure stakeholder satisfaction. Stakeholders are asked to score 10 statements about the procurement activity they have engaged in, and satisfaction scores from all surveys received in the period are combined to give an average satisfaction score. Only a small number of surveys have been received so far, however these surveys show an overall satisfaction level of 85%.

#### **5.2 Compliance with Procurement Code**

The Council's Procurement Code requires that contracts valued above £10k are awarded via a competitive process, to ensure value for money is achieved. Occasionally, business risks or urgency mean that this is not possible, and a contract must be awarded directly to a supplier without competition. In these cases, a 'waiver' from the requirements of the Procurement Code must be requested, which requires approval from the Executive Director of the requesting Directorate, and the Director of Commercial Partnerships. During April and May 2021, a total of 14 waivers were requested (more detail of these is provided in Appendix 2). This is a reduction of almost 50% against numbers of waivers requested each month during 2020, and is the result of both increased focus on this area, and improvements to the Procurement Code clarifying when

waivers are required. Procurement Business Partners are working in partnership with the Directorates to reduce the need for waiver requests, through development of a detailed pipeline, earlier engagement and improved forward planning of procurement activity.

### 5.3 Savings achieved

Since April 2021, Procurement have been tracking savings associated with tendering activity. The cumulative total of savings achieved in the financial year to date is recorded each month, split into 'cost avoidance' and 'cashable savings'. Savings achieved to the end of May 2021 total £2.1 million (more details are provided in Appendix 2).

### 5.4 Living Wage commitments

As part of its Living Wage accreditation, the Council requires all new in-scope contracts to contain an obligation on the supplier to pay the Living Wage. New contracts include this requirement as standard, whereas for extensions and renewals of existing contracts, the provisions are negotiated in where possible. Some existing contracts do not contain provisions which allow the Council to insist upon this, and for these contracts Living Wage will not be mandated until the contract is retendered. During April and May 2021, average 88% of contracts awarded contained a commitment to pay Living Wage. The remainder were either out of scope or were extensions that did not have LW included but will be implemented when these services are reprocured.

### 5.5 Responsible Procurement plans

The Procurement Code requires that new contracts contain responsible procurement commitments by the supplier, which are allocated minimum 5% of the marks in evaluating supplier bids. These commitments are recorded in the responsible procurement delivery plan, which forms part of the contract. New contracts include this requirement as standard, whereas for extensions and renewals of existing contracts, the provisions are negotiated in where possible. Some existing contracts do not contain provisions allowing the Council to insist upon this, and for these contracts responsible procurement commitments may not be included until the contract is retendered. During April and May 2021, on average 78% of contracts awarded contained such commitments.

### 5.6 Number of individual purchase orders > £100k raised in period without valid contract

The Council's Financial Regulations and Procurement Code require that a signed contract must be in place before any purchase orders (POs) are

raised or payments made to the supplier. The Procurement team monitors the PO data retrospectively each month to ensure that this is the case for all POs valued at over £100k; any POs raised without a supporting contract are investigated with the relevant service area, with the aim of putting a contract in place as soon as possible. This monitoring and investigation has resulted in the historic number of POs without contracts reducing from 72 at the start of this monitoring, to under 10 at present. During April, no new POs were raised without a contract, and in May, 3 were raised, due to POs being raised before the contract was signed, or after it expired.

## **6. Forward Plan, Risks and Opportunities**

- 6.1 This section details key procurement projects coming up and the procurements risks and opportunities across the council. In each directorate there are some underlying risks, such as the impact of Brexit on the workforce and supply chains, the impact of the pandemic as well as specific risks to the area which are included in this report. [Appendix 1](#) provides more detail on the larger procurement projects taking place over the next three years.

### **Growth, Planning & Housing**

- 6.2 Growth Planning and Housing (GPH) brings together the council's Housing, Property, Development Planning and Economy & Infrastructure services. The commercial pipeline has over 100 procurement projects over the next seven years, with a value of over £1 billion. Most contracts are capital contracts for stand-alone large-scale regeneration and development programmes. This includes Ebury Bridge and Church Street which are two multi-phase long-term regeneration schemes with several procurement workstreams and the transformation and reinvention Oxford Street District over the next ten years.
- 6.3 The housing team utilise a number of term contracts for a variety of housing requirements. These long-term contracts are used for repair and maintenance of the housing stock which include specialist services for mechanical, electrical, heating and lifts, but also major works for different geographical areas of Westminster. There are seven term contracts that are due to be re-procured between 2025 and 2027.
- 6.4 The council also implemented several homelessness support services at speed during the pandemic. Over the next three years these short-term arrangements will be turned into more sustainable, procurement compliant arrangements. Council teams should be able to respond to the funding released by the government quickly with trusted providers. Flexible procurement mechanisms will be explored to be overseen by Commercial Gateway Review Board.
- 6.5 GPH procurement risks:

- **Workforce and supply chain** – The impact of Brexit and the pandemic is particularly acute in this area. There are ongoing concerns around material and labour availability for large scale construction. Currently timber and cement availability is more limited. The council has enhanced its market engagement and supplier relationship to ensure risks are understood and appropriate mitigation is in place.
- **Demand for affordable housing** - The demand for housing comes with a huge pressure to build new homes. Many of the Westminster regeneration schemes are replacing housing with considerably more units. As always, there is a target deadline that the council must meet, that in turn causes programme pressures in respect of procurement and delivery. However, the matrix management of the tendering team will allow the appropriate procurement resource to be allocated, even at short notice.

#### 6.6 GPH procurement opportunities:

- **Social Value (Responsible Procurement)** - Procurement was recently referenced in the Queen's speech for the state opening of Parliament, reinforcing the importance of securing Social Value through procurement. These large GPH capital projects present significant opportunities for the council to ensure its third party spend is fully aligned with City for All and deliver maximum value for Westminster and its residents and partners, including the delivery of social return and **benefit**. The council has already made great progress in delivering social value through contracts, however working with the council's supply chain to ensure they share the same values as the council will help to expand the benefit. The Responsible Procurement Strategy under development will frame this approach.
- **Strategic approach to procurement** - With so many large regeneration and development programmes, there is an exciting opportunity to combine or rationalise the number of procurement project in order to ensure economies of scale, value and shared learning. A lead Procurement Manager is being recruited to support each of the three large schemes Ebury Bridge, Church Street and Oxford Street projects, which will help to develop a more joined up approach in the future.

#### **Adult Social Care and Public Health**

- 6.7 Adults and Public Health promote and support the health and wellbeing of adult residents of Westminster and Kensington and Chelsea, to enable them to live as independently as possible within their community. To help deliver this aim, services are commissioned to support over 4000 residents across bi-borough provided by social care providers and the voluntary sector.



6.8 Over the next three years, large-scale procurement projects, detailed in appendix 1, will be carried out with the aim of delivering what service users need as efficiently as possible. The Commercial Pipeline for Adults & Children's services has identified 46 Adult Social Care and Public Health procurement projects over the next 3 years. This represents most of the third party spend in Adults and Children's services. Residents will be directly involved in the decisions about the services they receive through working with the Local Account Group and other user groups.

6.9 Adults Social Care & Public Health Procurement risks:

- **Financial Pressures and increased demand** - Whilst we are still amid the pandemic and the full extent of the impact is not yet known, an increase in costs to the delivery of adult social care is expected. This is likely to be a combination of increased demand for adult social care services and the resulting impact of increased pressure on the NHS. This sits alongside the risk that health inequalities will widen in Westminster, with local data shows a widening of health inequalities with the fourth highest gap in life expectancy and healthy life expectancy gap for men. While many of these trends are national trends, locally this will be partially mitigated by continued investment of preventative services, some funded via the Public Health grant. Good engagement with the market is crucial prior to tenders, followed by a competitive tendering process to ensure value for money.
- **Care market** – There are significant pressures on the care market including workforce stability and financial viability (to which the Council's policy of paying London Living Wage makes a positive contribution). In residential care, the number of people moving into care homes has reduced, as more people are staying at home. Therefore more support is required to help people live independently home such as home care and community equipment provision. Commissioners are still supporting providers to adapt their service delivery, increase vaccination take-up and improve infection control. Consistent with other local authorities, WCC and RBKC have maintained funding and service delivery to end of March 2022. This has resulted in a number of directly awarded contracts through to 2022 and a demanding procurement schedule to recommission these services over the next two years. Again, market engagement is crucial when recommissioning these services to ensure there is a viable market of interested providers.
- **New White Paper Integration and innovation: working together to improve health and social care for all** - The Department of Health and Social Care's white paper published in February, details significant changes to the NHS commissioner/provider landscape. There is a marked shift away from the focus on competition towards a new model of collaboration, partnership and integration. This includes removing the commissioning of NHS and public health services from the scope of the

Public Contracts Regulations 2015, to be replaced by a bespoke NHS provider selection regime. This will impact on some Public Health contracts. Procurement is closely linked to national developments through the Local Government Association's national forum specifically addressing this issue.

#### 6.10 Adults Social Care & Public Health Procurement opportunities

- **Resident and Provider Involvement** – Procurement will work with the market and residents at an earlier stage, to design, build and provide new residential, supported living, home care and preventative services, forming successful, long term partnerships with providers. This will be demonstrated through the following procurement projects:
  - o Develop new community equipment and technology offer to enable residents to live in their own homes as independently as possible
  - o Transform the model for reablement, moving away from block contracts, to a model of co-design and longer term partnership, where risks and benefits are shared between the LA and the provider
  - o Increase personalisation of home care through improved direct payments so that individual packages of care and funding are tailored to meet individual needs
  - o Expanding our Extra Care and supported housing offer introducing new bespoke facilities with quality care and support provision across the borough
  - o Increasing the quality of our residential care provision through new Beachcroft House care contract and the range of provision across Westminster
  
- **Continuing the pre-birth to five transformation** – This area, funded by Public Health, so sitting across Adults and Children's services, is seeing a new healthy child programme being currently procured to integrate with children's Early Help services. The newly commissioned services will sit in the existing family hubs in bi-borough starting on 1 April 2022 and see cohesive service delivery for residents.

#### Children's Services

- 6.11 Children's Services have a variety of contracts, grants and funded arrangements in place across Westminster City Council and the Royal Borough of Kensington and Chelsea providing statutory and non-statutory services that improve outcomes for children, young people and their families. Commissioned services include those that deliver early intervention, allowing for positive outcomes and to prevent cases from escalating, as well as delivering some of our statutory offer to our more vulnerable children and young people.

6.12 Over the next three years, around 20 procurement projects will be carried out across bi-borough with the aim of securing high quality, value for money services which have been influenced and shaped, wherever possible, by the voices of our children, young people and their families. Grant and other funded arrangements will also be reviewed to ensure these remain relevant and meet the needs of children and young people in the borough.

6.13 Children's Services procurement risks:

- **Pandemic impact on health and wellbeing** - Unemployment among young people has increased rapidly since the Covid-19 pandemic struck, with the number of young people aged 16-24 claiming out of work benefits in Westminster increased by 380% since the beginning of lockdown, from 415 to 1,575 (March 2021). There has also been a significant and negative mental health impact on young people due to Covid-19. Our local NHS mental health provider CNWL are reporting that CAMHS referrals are now higher than pre-pandemic levels and that young adults (18-25) referrals are growing quickly, particularly among BAME residents. This is against a backdrop of currently reduced staffing. Like in adults, we will be working closely with the NHS to ensure support is available for this growing demand.
- **Rising demand for services** - The prevalence of special educational needs in England continues to rise having reached 15.4% of all school pupils. In Westminster schools this figure is slightly higher than the national average (15.5%) and at the start of the autumn term 2020 the number of Education Health and Care Plans had reached 1249. Recent referrals for assessment of pre-school aged children also mirrors the national spike in referrals due to Coronavirus. Needs analysis, demand modelling and market engagement will be significant parts of pre-procurement planning before any recommissioning.
- **Fixed-term exclusions in secondary** - In Westminster, the latest confirmed data from the DfE covering the academic year 2019/20, shows our permanent and fixed term exclusion rates for secondary schools are above national and inner London averages. However, unconfirmed data from September 2019-February 2020 does suggest that fixed term exclusions were at a lower level than in previous years, which is a positive trend. With schools having opened fully for all children from March 2021, it is recognised that some children may find it more challenging to manage the return to school and this is a current focus for schools and the multiagency network. In order to support the delivery of the ambitions of our new Inclusion Strategy and to promote the best outcomes for children and young people, we expect to enter into a contract for the provision of alternative education provision and a separate contract for behavior outreach.

#### 6.14 Children's Services procurement opportunities:

- **New service developments** – Responding to the impact of the pandemic on residents, a new bridging the gap pilot service, establishing a new service, with a specialist hub offering moderate Emotional Wellbeing and Mental Health and employment support is progressing.
- **Transport** - Continuing the improvement of Special Needs Passenger Transport and manage costs with a new framework, providing a specialist taxi service to provide travel care and support to and from specialist schools for eligible pupils with SEND.
- **Exclusion support** - Increasing prevention and support for excluded pupils via our local Alternative Education Provider and procuring from the market a new provider of behavioural outreach to work with primary and secondary school children at risk of exclusion.
- **Continuing the pre-birth to five transformation** - Linked to the 0-5 Healthy Child Programme, a procurement will be undertaken to source a provider to deliver Children Centre Outreach, working from Westminster's existing family hubs. The service will be part of the Council's early intervention and prevention services to support families at risk of isolation and support early childhood development.

#### **Environment and City Management**

6.15 The Environment and City Management directorate aims to provide the safest, cleanest and greenest environment. The directorate's vision is to help make Westminster the best city in the world. Services include waste and parks, city highways including parking, public protection and licensing, community services and libraries, archives and registrars.

6.16 The Commercial Pipeline for ECM has over 30 items of procurement over the next six years, with an estimated cost of over £1 billion. Large strategic procurement projects include waste collection, parking the expansion of electric vehicles and leisure services review.

#### 6.17 Environment & City Management procurement risks:

- **Reduction in income and grant funding** - There is a risk that the Council experiences a reduction in income and grant funding across Environment and City Management due to impact of Covid-19. The services within ECM generate significant commercial income to fund services. The government is making additional funding available to local authorities to mitigate the income declines, but this will not fully fund the income declines. There is also a risk that external funding from Transport for London and developers will be reduced, and this may impact schemes in the capital programme. This will continue to be monitored to ensure than any procurement projects / risks are managed appropriately.

- **Contract failure leading to service reduction or loss of delivery -** Suppliers in numerous industries have been badly affected by the recent pandemic leaving key suppliers facing financial distress. For example, the Leisure industry has been badly affected with full closures for large periods of the last year creating zero opportunity for income generation, but with underlying cost remaining in the business leading to large losses. Following negotiation with the incumbent Leisure provider Sports and Leisure Management (SLM), both parties have mutually agreed to end the current contract by January 2023. The Council is now working on the operating model following this which will include the need to manage the risks and uncertainty across the leisure sector.

#### 6.18 Environment & City Management procurement opportunities:

- **Parking and Enforcement** - The re-procurement of parking administration and enforcement contracts will create an opportunity to align requirements across the Council as a whole, notably, encompassing estates and housing requirements as well as aligning tech and systems requirements across ECM as a whole. The contract re-lets also create an opportunity to reduce running costs and encourage innovation in service delivery by the removal of existing terms of contract relating to property provision.
- **Impacting on climate change** - The council has an asset base with potential to support income growth and have a positive impact on climate change. For instance, the council has committed to a continued rollout of electric vehicle charge points, this has been largely delivered through existing TFL frameworks and grant funding. An opportunity lies around future commercial arrangements in an emerging market.
- **Waste** - There is a real opportunity to re-shape the way waste collection services and contracts are delivered in Westminster. Waste collection remains one of the largest spend areas within the Council but an area of continued innovation. Working alongside external support and smart cities initiatives there is the opportunity to drive change and innovation in the delivery model.
- **Leisure** - A change in the model for leisure provision in Westminster can remove the risk around supplier default and also give the Council more control whilst creating new commercial opportunities. Procurement will work closely with the Environment team and wider Council support to redesign services ahead of the expiry of the existing leisure contract.

#### **Finance and Resources**

- 6.19 Finance and Resources account for a smaller number of contracts than the service directorates however these impact on all areas of council

service delivery. Smart City is a key pillar in the City for All strategy. The pandemic has accelerated our ambition to become smarter in how the council connects, collaborates and responds to challenges in Westminster. The council wishes to deliver these projects at pace, but it is important that the right solutions are found, that improve the experience of stakeholders.

6.20 The Commercial Pipeline for ICT & Corporate services currently records 50 items of procurement over the next five years, with an estimated cost of over £150million.

6.21 Finance and Resources procurement risks:

- **Reducing barriers for SMEs** - Improving the attractiveness of ICT procurement opportunities for SME's (Small and Medium Sized Enterprises) is a key aim bringing new organisations and innovation into the market. Procurement processes and specifications should be accessible to organisations without significant resources to bid. This requires early engagement with the ICT stakeholders within the council to ensure a clear specification is produced, as well as early engagement and involvement with the wider market.
- **Innovative requirements-** there are a large number of potential innovative projects being brought forward by the Digital innovation team which in turn means these are fast paced and difficult to keep up with the growing market. The main risk is to make sure contracts allow for continued innovation across the term of the agreement.

6.22 Finance and Resources procurement opportunities:

- **Market engagement** - Earlier market engagement on large value, high risk and complex ICT and corporate procurements will enable WCC to understand the market better, their concerns and issues (i.e. Covid 19) and to test, refine and develop our procurement solution and strategy.
- **Digital Partner framework** - Procuring this new framework will provide a cost effective and efficient route to market for WCC and RBKC therefore reducing the requirement for one off ICT procurements. The Digital Partner framework aims to deliver a contractual 'zero commit' framework with 9 suppliers with permitted spend up to £10 million over two years with option to extend for further 2 years. The framework will deliver improved digital services and allow both councils to implement the digital and smart city ambitions.
- **Innovation Hub** - The Innovation Hub programme is looking to reinvent our working space by creating a physical space to foster innovation and create a culture of creativity. The space is intended to be used for staff, guests and partners and will have the latest technology showcased

enabling our ways of working to be more efficient. This will provide learning and insight for future procurements.

- 6.23 More details about the large procurement projects over the next three years are found in Appendix 1.

## 7. Financial Implications

The 2021/22 budget for Procurement is £1.760m. There are no savings for Procurement in the 2021/22 budget, although the reorganisation of the team will save £200k overall.

A business justification has been submitted to Corporate Finance for the capital funding for the new procurement system for the amount of £0.210m. It is expected that this will be funded from the Capital Contingency fund.

*Comments provided by Kim Wreford, 7/6/21.*

## 8. Legal Implications

Under section 3 of the Local Government Act 1999 the Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. It must comply with relevant procurement legislation and rules governing tenders and the award of contracts as set out in the Procurement Code.

The measures proposed and implemented by Procurement & Commercial Services enables the Council to meet its statutory obligations and corporate priorities.

Legal Services is working closely with the Procurement team and the directorates to deliver the various projects set out in the report.

*Comments provided by Kar-Yee Chan, 3/6/21.*

## 9. Staffing Implications

N/A.

## 10. Consultation

**If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:**

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**APPENDICES:**

Appendix 1: Overview of the council Procurement & Commercial forward plan

Appendix 2: Procurement Key Performance Indicators April – May 2021.

**BACKGROUND PAPERS:**

Procurement internal website & Procurement Code:

[WCC Procurement and Commercial Services - Home \(sharepoint.com\)](#)