

## Corporate Resources and Governance O&S Committee – 5 April 2017

Priority Update Report of the Cabinet Member for Value for Money and Efficiency

Report by: Councillor Majid Mahmood

### 1. Purpose of report

This report sets out progress against my portfolio priorities for 2016/17, these as reported at the October 2016 meeting of this committee were:

### 2. Priorities

Working towards the shared vision of a fair, prosperous and democratic city and aligned to the priority outcomes of the City Council and in particular a city with 'A Strong Economy' my portfolio priorities for 2016/17 were:

- Implement a 'lean' governance approach to Procurement
- Declutter unnecessary Council bureaucracy to improve efficiency
- Streamline Council processes including those for producing reports and taking decisions
- Ensure value for money across all Council activity
- Promote the Birmingham Business Charter for Social Responsibility and Find it in Birmingham
- Ensure robust Contract Management practices throughout the Council with a particular focus on legacy contract spend.

### 3. Progress/Achievements

#### 3.1. Efficiencies and VFM

- The introduction of using secure digital signatures has helped significantly in the process of approving of decision reports; the process is now more agile but has retained secure governance. As the use of digital signatures becomes embedded more widely across the Council I will now be seeking to ensure that reports posted onto the Committee Management Information System (CMIS) have signatures embedded within them. However advice in previous years from Auditors and Legal Advisors has been that this should be avoided because of the potential for signatures to be copied and used for fraudulent means. The availability of software to embed a signature into a report may now overcome that concern and further advice will be sort before progressing.
- I am particularly pleased to report the continued improvement regarding the submission of late reports to Cabinet. The position up to and including June 2016 was that there were generally 2 or 3 reports submitted as 'late reports' to every meeting, with very few occasions when all reports were submitted on time. However, since taking action to improve the situation in July 2016, there were no late reports from the July 2016 meeting through to November 2016. On 3 occasions (December 2016, January 2017 and February

2017) I gave special dispensation for reports to be submitted late. In December 2016 this was in respect of a public and private report on Service Birmingham Remittance, for which negotiations were ongoing up to the last minute, in January 2017 at the special Cabinet meeting a public and private report on the Future Operating Model, with the private report needing to be tabled on the day to Cabinet Members only and at the February 2017 meeting a dispensation was made regarding the Financial Plan 2017+ because of a Final Settlement announcement awaited from the Government. I should also like to point out that although dispensations have been sought on various occasions they have been refused, with the result that the reports have been submitted on time or have been deferred to the following month without any loss of performance.

- As part of the increased focus on the Council's internal trading operations and the priority to generate additional income, I recently met with Cllr Graham Chapman, the Deputy Leader, the Corporate Director of Commercial and Operations and the Director of Strategic Asset and Property Management at Nottingham City Council to discuss various initiatives they have considered in relation to income generation. This learning has helped support the work of the Commercialism Board and the work streams emerging from it. More detail on the Commercialism Board is covered under a separate heading later in this report.
- Update on the LEAN Procurement model: The EdSI programme being delivered through the pilot LEAN model consists of a combination of refurbishment and new build extension works to 7 schools in Birmingham to meet the increasing demand for additional pupil places and includes: Osborne School, Bourneville School, Beaufort and Colebourne School, Many Hill School, Yenton School, Chad Vale School and Mere Green School. A record of Ward Councillor consultation is now being recorded and presented as an appendix to decision reports.

Key project drivers for the programme are: the earliest delivery of school places, delivery within approved financial parameters and the establishment of cost certainty as early in the process as possible and the minimisation of costs due to the provision of temporary accommodation.

The Education and Skills Infrastructure team, ACIVICO and Balfour Beatty committed to working together to deliver the programme on time and within budget by establishing a working protocol which promotes personal responsibility for delivering throughout key project stages.

The working protocol has been established which delivers collaborative leadership for this programme of works and promotes personal responsibility for delivering throughout the key project stages. Challenging each other to drive continuous improvements, clear management structures are established that guarantee key milestones are achieved to deliver joint success.

A rigorous and tiered management approach has been established to ensure the successful delivery of this programme of works. This has outlined clear responsibilities at project level, management level and executive steering group level. A monthly report to the Strategic Partnership Board ensures high level of accountability from internal partners (EdSI, Acivico and Corporate Procurement).

Balfour Beatty has provided preconstruction resources to the project. The structured co-location of the preconstruction team at Lancaster House every Wednesday has worked well and collaboration between all team members has promoted a "project approach" as

opposed to operating as three separate organisations. Additionally, structured weekly meetings have contributed to clear ownership of project tasks and prompt action to progress matters.

The full benefits resulting from this model will be reported to Cabinet in due course as part of the approval report for the next phase of projects.

### 3.2. Policy & Strategy - Corporate Procurement (inc. BBC4SR, Living Wage, Social Value and FiiB)

- Following consultation with key stakeholders a review of the Social Value Policy and the Birmingham Business Charter for Social Responsibility has been completed and approved by Cabinet in December 2016. As an outcome of the review we have further strengthened the commitment around jobs and skills to target groups facing most disadvantage.
- A tiered approach has also been adopted which includes new thresholds to make the most efficient use of Council resources by focussing on larger contracts where greater social value is possible. This adheres to the proportionality principle of the Public Services (Social Value) Act 2012 and puts less of a burden on SMEs when quoting/tendering.
- Contracts are still tested against the Living Wage Policy below the threshold and contracted employees uplifted where applicable.
- An updated Living Wage Policy was approved by Cabinet on the 21st March. Changes include removal of the £200k threshold so that it is consistent with our LW licence from the LW Foundation. Although, since the LW has always been applied through the Charter as a mandatory element, there is no change in practice.

#### 3.2.1. Achievements to date:

The six principles of the Charter support the Council's four key priorities of Children, Homes, Jobs & Skills and Health. Each signatory is delivering social value against an action plan which is proportionate, relevant, specific and measurable. A particular emphasis and priority for the Council is on the creation of work training opportunities and working in collaboration with Cllr Brett O'Reilly, the Cabinet Member for Jobs and Skills we have through the Charter enabled:

- Over 1,000 jobs to be created.
- Over 400 work placements established.
- Over 200 apprenticeships to be created.
- 623 contracted employees to be uplifted to the Living Wage

In addition to the above, over 95,000 hours of work placements including opportunities for some of the most disadvantaged individuals have been provided.

391 organisations are Charter accredited either through the tender process, or on a voluntary basis and since June 2016 another 69 organisations have signed up to the Birmingham Business Charter for Social Responsibility. These are listed in Appendix 2.

#### 3.2.2. Matching projects initiative

- During the second half of 2016 a number of social value projects were piloted, these involved charter signatories working with third sector organisations to deliver a range of services as well as helping to develop organisational resilience. These pilots were well

received by charter signatories, the third sector, elected members and council officers and focussed largely on the Maximising Independence of Adults outcomes – i.e. preventing citizens from requiring adult social care services which are under ever increasing financial pressure. In addition two further pilots supported youth employment; one pilot was concerned with minimising BCC housing stock voids and one with supporting the homeless.

- This work was incorporated into the revised Social Value Policy whereby “Approved projects that address the key priorities of the Council and are relevant to the contract will be provided by the Council for inclusion in action plans where appropriate. Supporting these projects will need to be the primary focus of the action plans.”
- A ‘Social Value Corporate Operations Group’ with representation from People, Place and the Economy directorates has been formed with the function to identify, agree and oversee the delivery of key social value projects for BCC across the directorates. These projects will be in line with the key Council priorities of Children, Homes, Jobs & Skills and Health. The longer term aim is to broaden the membership of this group to include non-Council organisations as a means to direct community needs towards the social value commitments in the local supply market.
- An example of the pilot’s achievement is the work of Highways Traffic Management and St. Basils. Through their work, 3 young homeless people have been employed, gained accommodation and importantly ‘wrap around’ support. Following the success of the pilot a workshop has been held with BVSC and third sector organisations to develop a portfolio of projects to offer to our Charter signatories for adoption.

### 3.2.3. West Midlands Combined Authority

- Officers in Corporate Procurement are also working collaboratively with the West Midlands Combined Authority including the West Midlands Fire Service and Police to share best practice and to establish a West Midlands Social Value Task Force to coordinate our social value approach to ensure we are all delivering maximum social value. It would be an open network that could involve any organisation who wishes to share good practice and deliver social value locally.
- This work has been well received by all Authorities and with this in mind we are looking at an opportunity to hold a supplier engagement event to discuss delivery of regional social value and activities include:
  - Promoting the uptake of the Social Value Maturity Index amongst our suppliers.
  - Developing 3 partner groups to help identify and deliver specific social value objectives.
  - Considering the potential use of Social Value as a part of the Planning process.

### 3.2.4. National Social Value Taskforce

- Work continues with the Social Value Portal taskforce to establish a best-practice framework for the integration of the Public Services (Social Value Act) 2012 nationally into public-sector commissioning and procurement.
- It is an open network and welcomes any organisation that wishes to get involved and who wishes to share good practice.
- The SV Task Force aims to bridge the gap between public and private sectors recognising that it is only through collaboration and partnership that success will be achieved.

- The group is working on the following:
  - Establishment of a Social Value (best Practice) Conference as an annual event.
  - Publishing a Guide to embedding Social Value
  - Promoting the uptake of the Social Value Maturity Index amongst the public sector
  - Agreeing a set of Measures that may be used across nationally as a basis for measurement along with supporting values.
  - Assessing the potential to achieve Social Value within the Planning process
  - Developing a methodology through which ‘Community’ can have their say (draft community social value charter)

### 3.2.5. FindItInBirmingham

- Since its implementation in 2010 FindItInBirmingham has continued to build on its success in supporting local SMEs. Membership has grown to over 32,000 organisations of which over 40% are Birmingham based and over 65% are in the West Midlands.
- Over £3.6 billion pounds worth of public and private sector adverts have been posted on the website since its launch, opening up opportunities to SMEs and third sector organisations.
- Monthly breakfast meetings are held for suppliers which regularly have an attendance of over 100 delegates on a range of subject matters which are helpful to local SMEs. These events often provide an opportunity for suppliers to have a 1 to 1 session with procurement officers from tier one suppliers to the Council. The most recent of these breakfast meetings have included meet the buyer events with HS2, Carillion, Amey Innovation Hub, Transport for West Midland/ Midland Metro Alliance and Bouygues UK.
- Planned events for the future are a meet the buyer with ISG Construction and we are currently in discussions about a Combined Authority Event for HS2.
- A weekly highlight report of all live opportunities on FIIB is now sent directly to all Councillors via email.

### 3.3. Commissioning

Commissioning remains fundamental to the Council’s future role as an enabler of service-delivery. It is also key to be able to move where appropriate from directly delivering services to a position where we use our resources to enable and facilitate others. This means a much greater focus on collaboration and partnerships.

Work to develop the Commissioning Strategy is continuing, with the Third Sector being consulted via BVSC in March and April. The strategy will reflect:

- Delivery of Council Priorities – Children, Housing, Jobs and Skills, Health
- The Council’s financial challenge by an increasing focus on commercialism
- The Council as a commissioner – meeting the citizens needs
- The Council as an enabler – working with partners to achieve outcomes
- The Council of the Future with a focus on innovation and creativity
- Achieving Social Value - apprenticeships, local economic growth, living wage.

The Council's definition of Commissioning is:

"Commissioning means delivering the right outcomes for citizens. It challenges us to consider more widely how outcomes can be achieved with less resource, by delivering services in a different way."

This does not necessarily mean outsourcing, but does mean that we will look at what the right service delivery models are to deliver services in the most efficient and effective way, in order to achieve the best outcomes for our citizens.

The Council's Corporate Commissioning team works intrinsically with services across the whole Council as well as with Procurement, Contract Management and Commercialism teams and is currently leading or supporting on the following commissioning projects:

- Waste Strategy: Supporting the options appraisal for the Waste Strategy for the replacement Veolia contract
- Early Years: Supporting the commissioning and leading on the procurement for the rationalisation of the Early Years and Health Visiting services
- Acivico: Leading the commissioning, market sounding and providing Senior Responsible Officer (SRO) role for the new Joint Venture partner for the delivery of Design, Construction and Facilities Management services
- Transport: Providing options strategy for the provision of Transport for Council officers.
- Security: Leading the commissioning of Security provision, considering in-house, contracted and CCTV options
- Review of Montague St Depot: Supporting the commissioning of the provision of the Montague St depot (to tie in with the Council's Transport Strategy and Waste Strategy).
- Education Services: Developing options for the provision of Education services
- Children's Trust: Supporting the Governance and Commissioning workstreams for the establishment of the new Children's Trust
- Building Consultancy: Leading the options appraisal for Building Consultancy (triggered by the direction of travel for Acivico DCFM to go into a Joint Venture)
- Community energy Co: Supporting the market sounding and the options appraisal for the establishment of a BCC Energy company
- Occupational Health: Leading on the commissioning of the Occupational Health provision, undertaking market sounding and considering partnering approach with other Authorities

In addition to the above projects, the Corporate Commissioning Board works with Directorate Centres of Excellence to ensure effective governance and commissioning skills are available to support projects.

### 3.4. Procurement

- In December last year Corporate Procurement responded to Scrutiny's request to examine the Procurement Governance Arrangements (PGA) and specifically with regard to the increased delegation threshold. The outcomes of that review are given at Appendix 1 to this report.

- Due to the budgetary pressures and the future operating model of the Council, there was a delay in the award of the Agency Framework whilst work force strategies were reviewed and agreed. The contract has now been awarded and is estimated to generate potential savings/cost avoidance of c£900k per annum, mobilisation commenced in February.
- The dynamic purchasing arrangement previously reported is nearing completion. This will result in a contractor framework to manage BCC's house building programme for the Birmingham Municipal Housing Trust (BMHT) to 2020. The framework has been structured into lots, based on value and size of plots. This will assist in engaged SME house builders to do business with the Council and to compete on a like-for-like basis with larger organisations. Officers from Corporate Procurement and BMHT have run workshops to assist SMEs to understand the requirements and the tendering process. Corporate Procurement is also involved in a National working group to improve use and understanding of dynamic procurement systems.
- The evaluations for the Youth Employment Initiative project have been completed for phase 1. Birmingham & Solihull Youth Promise Plus (YPP) is a Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) endorsed initiative funded through the European Commission ESIF 2014+ European Social Fund (ESF) and "Youth Employment Initiative" (YEI) arrangements. The project covers the Birmingham & Solihull municipal areas which form the areas of greatest need within the wider GBSLEP geography in terms of youth engagement and unemployment. The first phase resulted in contracts being awarded for Specialised Intervention Worker Services for NEETs - Lot 1.1 Young Homeless, and Supporting Known NEETS in addition to awarding contracts for Locally-Based Intervention Worker Services for NEETs in South Birmingham and Solihull Locality and in total supporting 5773 participants through the programmes. Phase 2 of this programme is due for award and commencement in February and Phase 3 in March.

#### 3.4.1. Procurement pipeline

- **Smithfield Project:** Following the successful award of the delivery advisor contract, the 2nd phase has commenced. This entails the procurement of the investment partner. The procurement is being led by the delivery advisor and Planning & Regeneration have requested that Procurement oversee the process and carry out periodic audits to ensure the process is compliant and demonstrates value for money and complies with the original scope of the delivery advisor contract.
- **Fleet Service Review:** Following the service review, a portfolio of procurements is currently being scoped with the intention to go to market from May onwards. The review has identified a number of goods that have previously been over specified and work is being completed to redraft specifications that will deliver quality goods that are fit for purpose and will deliver cost savings. A dedicated Procurement Manager has been recruited to manage the category in its entirety which will deliver specialist technical and commercial expertise within the service.
- **A Joint Venture Partner to Provide Design Construction and Facilities Management (DCFM) currently provided by Acivico Limited:** The Council is faced with uniquely challenging times as a result of continuing budget cuts and changing service demand, but also unique opportunities arising from the profound changes in local government. A new regional leadership will be put in place through the West Midlands Combined Authority, with new powers devolved from central government to allow us to drive economic growth,

investment and the reform of public services. The Council will become more strategic and much smaller.

In the light of these challenges, the Council has considered whether the current Acivico Council's wholly-owned Company is the right structure for its Design, Construction and Facilities Management services and whether the current model, and the mix of services it delivers, provides the best value for money when compared to other models in the market. In order to do this, the Council commissioned a market sounding exercise to review the delivery of these services. This exercise demonstrated the significant benefits of procuring a Joint Venture partner to work in partnership with Acivico Limited to continue to deliver these services to the Council, to drive value for money and additional expansion in the public and private market.

Taking on board the findings of the market sounding exercise, the Council is undertaking the re-commissioning of its construction-related and FM services. The report to Cabinet in December 2016 set out the Council's vision to create a more flexible and commercially focused model of service delivery to promote and facilitate partnership working that provides the optimum service for the Council and its citizens.

- Snow Hill Growth Strategy: Cabinet approved the Snow Hill Growth Strategy on 15th November 2016 which seeks to create a development proposition focussed upon the successful transformation of Snow Hill Station and the surrounding area. Implementing the strategy requires the procurement of external resource to support the strategy. This resource is:
  - Contract for a delivery advisor to programme and project manage the various work streams and provide technical advice.
  - Contract for the provision of a transportation and connectivity advisor.
  - Contract for the provision of taxation advice.
  - Contract for the provision of legal advice.
- Additional major contracts for which procurement strategies are currently being developed include: waste collection and disposal and grounds maintenance. I am working closely with the Cabinet Member for Clean Streets, Recycling and Environment to ensure that these procurement strategies bring about the service delivery outcomes required for these two important service areas.
- The Council is also enhancing its procurement capability in the ICT&D strategy through recruiting a Category Manager for this area, which is a skill and knowledge set that is currently absent. This will reduce reliance on external consultants and provide readiness for putting in place the necessary contractual arrangements that will follow the end of the current ICT contract in 2021.

### 3.5. Contract Management

- Over £6.3m of in year, new, cashable savings and income has been generated through improved contract management an increase of £700k since the October Report to Scrutiny.
- For 2017/18 it is currently projected to achieve over £5m of new in year, cashable savings and income and it is expected that this figure will increase.
- The CM team continues to build strong links with Directorates, for example in Place where dedicated regular support is provided to Waste Management and Sports and Leisure

departments. The team are heavily involved with development of a negotiation strategy and plan for several of its main contracts.

- Contract Management Reviews within People Directorate have highlighted a number of opportunities to improve contract management and the team is again working with these departments to drive continuous improvement.
- Key performance Measures, Service Improvements and Vehicle Inspections have been implemented for the Home to School Transport framework.
- The team is working closely with the Housing Repair and Maintenance Team to ensure value for money is being obtained from these contracts. Work will continue throughout quarters 1 and 2 of 2017/18.
- The review of Directorate expired Legacy contracts continues, all of the total of 151 contracts and call off arrangement that have passed their original contract expiry date are in the process of being retendered with approved single contractor negotiations and extensions in place. Only 3 of the 151 have legitimately expired as no replacement contract is required.
- There has been a financial and performance review of a number of Council contracts. For two of these contracts further investigations indicated that there were anomalies. Progress has been made to resolve the issues identified and a satisfactory conclusion has been reached for one contract, work is ongoing for the other.

#### **4. Cross-cutting work and Improvement Initiatives**

##### **4.1 Interims, agency staff and consultants**

Working with Cllr Ian Ward, the Deputy Leader I am continuing to monitor the Council's use of interims, agency staff and consultants to ensure that this method of engagement represents value for money. A cross functional team has been established to review use of consultants/interims and a report is produced for CLT monthly detailing numbers and costs of consultants currently engaged. This has resulted in definitive contract end dates and exit plans being agreed. Huge strides have been taken to cut the cost of the use of consultants from a position in 2010 when spend was around £19 million to only around £4 million in the last municipal year. Similar improvements have been made with regard to agency spend having achieved a reduction of more than £12 million. Overtime expenditure has been reduced over the same period by approximately £17m to £3.5 million last year despite losing around 12,000 FTE. New HMRC changes come in to effect on 6 April 2017 which passes the responsibility of deducting Tax and NI from personal services companies/Ltd companies (companies established by off payroll individuals-consultants/interims) to the Council. The Council has implemented the new policy and is carrying out determination assessments to ensure compliance with the new regulations. The change in regulations will result in additional costs to the Council when engaging interims/consultants via their personal services companies as the Council is liable to pay employer NI contributions. This is in addition to the costs associated with managing the pay roll for these individuals. Failure to comply with the statute may result in hefty fines.

## 4.2 Commercialism

- Commercialism is defined as an emphasis on the maximizing of profit and is the process of considering everything we do as a Council in a more business-like way. We can choose to consider profit in its widest sense and include social value or benefit to citizens/society (with the challenge that this social value and benefit is monetised).
- The Council wide vision for commercialism is to take a more business-like approach to everything we do by:
  - Planning for and Investing in growth
  - Realising efficiencies
  - Embracing and embedding a culture of innovation and empowerment.....to reduce the impact of the budgetary challenge and invest in services for citizens.
- Through the recently established Commercialism Board we will seek to achieve this by:
  - Focussing on High Income Opportunities – Identify areas of high commercial opportunity, agree the ambition regarding growth/surplus, monitor and drive the achievement of commercial business plans – leading to cashable savings.
  - Unblocking Barriers - Unblock issues and barriers to achieving commercial success across the organisation – leading to an infrastructure and practices that facilitate successful commercialism.
  - Embedding Across the Organisation - Oversee the development of an innovative, empowered commercial culture across the organisation – leading to commercial initiatives being developed and implemented by staff across the organisation.
  - Enabling Innovation and Assessing New Opportunities - Operate as a ‘think tank’ and decision making forum for areas with high risk/potential to move in to new ground – including decisions on how services should be delivered (i.e. in-sourced, JV, mutual or outsourced) – leading to robust and effective business cases being produced around innovative approaches.
- Some key milestones include:
  - The appointment of a Head of Commercialism (December 2016)
  - The introduction of a Commercialism Board to provide governance and direction, together with agreement of Terms of Reference setting out priorities and objectives.
  - The identification of key areas of potential and an approach/strategy for each of the key areas to maximise commercial potential (i.e. Property, Car Parking, Cityserve, Fostering, Services to Schools, Parks, Trade Waste and Advertising and Sponsorship).
  - The advertising market has generally been buoyant with the portfolio and revenue showing growth year on year and this is set to continue with the expansion of the S19 contract. Performance does however, remain subject to market forces and in particular the recent uncertainty around Brexit..
  - The establishment of the approach to be taken to identify the financial potential in each of the above areas and develop a plan to realise potential over 5 years from 2017/18.
  - The implementation of initial projects to deliver cashable savings subject to approved business cases (inc. Maximising use of Dollman St, Car Parking in Parks, Development of

approach to Commercial Property, Library of Birmingham/Birmingham Rep Partnership)

- Membership of the Commercialism Board includes: Chief Operating Officer - Transformation – Chair and Sponsor, Deputy Leader, Cabinet Member for Value for Money and Efficiency, Cabinet Member for Clean Streets, Recycling and Environment, Corporate Director - Place, Corporate Director - Economy, Corporate Finance, Legal Services, Director for Commissioning and Procurement, Head of Commercialism

### 4.3 Cityserve

#### 4.3.1 Background

Cityserve is England's largest Local Authority school meal provider proudly providing first class catering services to children within Europe's largest Local Authority. Working with around 300 Schools, all of whom, have their own respective delegated authority to choose any service provider they like. We currently serve 70,000 children's meals every school day. Additionally Cityserve provide Cleaning Services to around 230 schools and make available a Peripatetic Caretaking Services to all Birmingham schools. This amounts to some 450 individual contracts and Service Level Agreements with schools in Birmingham. Their mantra is that they pride themselves on the principles of feeding children, not shareholders. They follow true social principles and civic values and do not make profits from children and never will. In the last 2 years the business has seen around 90 schools convert to Academy status, however Cityserve has retained 95% of these as customers, despite the urge from larger Multi Academy Trusts to "test the market".

Cityserve has encountered turbulent times over the past 5 years due to uncertainties surrounding its long term future. The service was a legacy remnant of the old Direct Services Organisation (DSO) and as such was set up to provide ancillary services directly to schools and children's centres throughout Birmingham. In 2012 Capita were instructed to undertake a viability study into Cityserve's traded activities, which resulted in a recommendation for Cityserve to be placed into an Alternative Delivery Model (ADM). An "Options Appraisal" provided outcomes ranging from investment to decommissioning. In July 2014 a Head of Service was appointed with a remit to improve the business and prepare it for disposal into an ADM. In September 2014 a completely new, commercially focussed Senior Leadership Team and set about improving the business. Additions to the business include a development kitchen, which allows the Chefs and pupils to come together in a 'hands on' environment to learn about the importance of good nutrition. Students create new food concepts, recipes and menus that they want, which are then made School Food Plan compliant. Also being established is a training suite which will deliver sector specific training and development programmes for the workforce.

#### 4.3.2 The Marketplace.

The school catering business is extremely competitive with both local, National and Multi-National companies all vying for business across the UK. In Birmingham particularly, competition is strong due to the geographical footprint of the market being consolidated within Greater Birmingham. The school catering business was made more attractive for the private sector September 2014 when the Conservative/Liberal coalition Government introduced the Universal Infant Free School Meal (UIFSM) scheme. This was seen as a "cash-cow" for private sector caterers, who targeted large Primary Schools, knowing that the Government were paying the school £2.30 per child, per school meal (the average meal

price in Birmingham at the time was £1.95).

The combination of high volume and comparatively high margin/yield meant that the landscape was ripe for a price war to flourish. Cityserve were forced to reconsider its business strategy, as its overheads meant that it could no longer compete on price within the education catering market. Cityserve refocused on its Civic values by putting children at the very centre of everything they do. It offered its customers an improved quality of product, an ability to negotiate to provide a bespoke contract and an opportunity to manage contracts through relationship, whilst continuing to deliver “best value for money”.

Business is now won and retained through their strong values and relationships, Client engagement is strengthened by putting children first and improving the health and well-being of every child they feed. Cityserve has had some contract losses along the way, although the majority of these were lost at the very moment a school decided to put their services out to public tender. They found that the majority of schools were not aware of the “Hamburg” rule, where schools are not compelled to put their respective services out to tender, if they resolve to engage a Public Sector body to provide the services.

In some cases where a commercial return from the business couldn't be secured schools were 'allowed' to move away. This was often the case where a school was desperate to save costs and chose their preferred caterer from a cohort of companies who are competing purely on price. In all of these cases described, Cityserve chose not to work with people who do not want to work with them and therefore these contract losses are a result of a “managed outcome”, as opposed to a genuine business loss.

#### 4.2.3. Cleaning and Caretaking

With respect to the Cleaning strand of the Cityserve portfolio, it has proven difficult to remain competitive as this area of the business relies upon contracts being mainly awarded on price. There is in fact only marginal opportunity to realise any trading surpluses in this type of businesses, mainly due to the high payroll costs and the budgeted expectation to deliver on significant savings targets. In some cleaning contracts up to 95% of income is being paid out in payroll costs alone, this leaves very little room for trading surplus. This is in contrast to the Catering business, where payroll costs account for around 54% of income.

The Caretaking business is a very small area of interest for Cityserve and currently represents just under 1% of total turnover. Given the right focus and investment, the potential for growth in this market is significant, as some of the basic functions of the janitorial business can provide much higher net yield opportunities for the right business model. The peripatetic caretaking services within Birmingham schools are currently provided either directly by the schools themselves, private contractors, or Cityserve. There is an opportunity for cleaning and caretaking services to be packaged together and sold into the school as one contract, delivering managerial benefits to schools, as well as making greater use of a common payroll for the provider.

#### 4.2.4. Future Direction

We will, as part of the Commercialism Board's programme be exploring the opportunities available to ensure the continued support for Cityserve to place it in the most sustainable and commercially advantageous position. This may mean enabling it to have far more commercial agility than it currently has.

#### 4.3. Corporate Digital Mail Centre

Birmingham City Council's Shared Services Centre operates a market leading digital mail centre at Dollman Street. The centre provides a commercial printing and mailing service, supplying these services to public and private sector bodies mainly within the West Midlands.

The Shared Services Centre team has capitalised on the Council's unique position as the only local authority with sufficient postal volumes to negotiate a 'Downstream Access' (DSA) postage agreement with the Royal Mail. The contract effectively offers the Council, and its customers, access to first class postal delivery at second class postage prices. Building on this contract, which offers a 40% reduction when compared to the cost of first class postage, the Council has invested in state of the art equipment to develop the service so that it continues to meet its customers' needs. The launch of the hybrid mail service in January 2017 followed 2 years of extensive market research by the team themselves to ensure the product was competitively priced whilst retaining the quality of delivery on which the Council had built its reputation.

The service processes 15m mail items for the Council and a client base of 22 organisations that spans local authorities, police, fire services and the health sector. The immediate benefit to the Council of the Royal Mail contract was £750k pa reduction in expenditure on postage.

Clients are able to request printing and fulfilment of external mailings at highly competitive rates from their desktops, reducing their print and postage costs. The Hybrid mail solution has been developed in partnership with Altodigital, an existing strategic supplier of equipment to the Council and is now available to directorates to reduce the resources and costs involved in mailing service users.

The current DSA mailing provision provides physical mail processing for the following local authorities and public sector customers.

- Coventry City Council
- Stafford Borough Council
- Stafford County Council
- Lichfield District Council
- Cannock Chase District Council
- North Warwickshire Borough Council
- Warwick District Council
- Stratford District Council
- Bromsgrove District Council
- Redditch Borough Council
- Wychavon District Council
- Shropshire County Council
- Solihull Borough Council
- Wyre Forrest District Council

Other Organisations include:

- West Midlands Police
- West Midlands Fire Service

- Sandwell Homes
- West Midlands Pension Fund
- City Save
- University Technical College
- Birmingham Metropolitan College

Mailing services are provided to a range of other organisations and private sector clients on an ad hoc basis for bulk mailings and the service continues to have a strong sales pipeline for both mailing services and Hybrid Mail.

The administration charge levied is set to retain clients and their volumes through the BCC account but they ensure that they cover running costs and developing the service. Over the last 6 years, the growth of the commercial service has generated up to £220k in external income which the Council has invested in new equipment to grow the business further.

#### 4.4. Energy Company

I am supporting Cllr Lisa Trickett, the Cabinet Member for Clean Streets, Recycling and Environment to establish a BCC fully licensed supply Energy Company. The UK's energy system is transitioning to a more decarbonised and modernised infrastructure. In parallel, there is widespread recognition that the energy market fails consumers and there is significant and growing interest in the creation of local authority-owned energy companies. The Council commissioned Cornwall Energy to complete an options appraisal and outline business case for a BCC energy company. A Programme Board was established with relevant service areas and chaired by the Cabinet Member for Clean Streets, Recycling and Environment.

Following completion of the options appraisal and OBC the board approved the recommendation to proceed to the development of a full business case for the most appropriate licence option to deliver BCC's ambitions – fully licensed supply.

A Business Development Manager has now been recruited to complete the FBC by September 2017. The FBC will be taken to Cabinet for approval before establishing the company. It is anticipated that a non-domestic energy supply will be in place by April 2018, with domestic supply following on soon after.

The energy market is a highly regulated industry and BCC will need to be fully compliant throughout market entry and operation. Costs to establish and operate the energy company are also significant, although financial modelling to date demonstrates that the company can become financially sustainable and can generate a revenue stream to support energy efficiency and generation activity that in turn can produce further revenue streams.

The FBC and associated strategies and plans will provide a detailed analysis of the financial and legal issues to be considered, as well as an appropriate risk minimisation strategy.

#### 4.5. Member Advice Sessions

I am reconsidering the Cabinet Member information and advice sessions that I established as they have been very poorly attended, to date only four Councillors have turned up, 3 Labour Councillors and 1 Conservative Councillor. Although I do engage with fellow Councillors both at meetings and outside I would welcome any suggestions from this committee as to how we might improve on the existing arrangements to maintain good communications on matters of mutual interest.

## 5. **Executive Decisions Taken** (CM for Value for Money and Efficiency as a signatory)

### 5.1. Cabinet – October 2016 to 23 March 2017

- BCC ICT & Digital Strategy - Investment Programme
- Service Birmingham Revenue Contract
- ERDF Property Investment Programme (PIP) Full Business Case
- 15 Birmingham Smithfield Development
- Remodelling Telecare - Public Report
- Regional Framework for Supported Accommodation for 16-18 year olds
- Planned Procurement Activities (November 2016 – January 2017) and Quarterly Contract Award Schedule (July 2016 – September 2016) – PUBLIC
- Snow Hill Growth Strategy
- Driving Housing Growth and supporting young people into employment through the BMHT Development Programme
- Schools Private Finance Initiative & Building Schools for the Future Savings Review
- Planned Procurement Activities (December 2016 – February 2017)
- Commissioning Strategy for Construction Related and Facilities Management Services (currently provided by Acivico)
- Revision of The Social Value and the Birmingham Business Charter for Social Responsibility
- Birmingham Cycle Revolution: Progress Update and Forward Programme
- MIA - Internal Care Re13 Tender Strategy for the Sale of the Kick Start Residual Loan Portfolio view - Learning Disability Short Breaks FBC
- Commissioning of Arts Activities 2017-18
- Waste Depots Modernisation Programme Phase 1 - Full Business Case
- Planned Procurement Activities (January 2017 – March 2017)
- Ashted Circus - Full Business Case and Contract Award
- Specialist Forensic Mental Health Step Down Residential Rehabilitation Service – Procurement
- Bus Lane Enforcement Tranche 1 - Full Business Case
- Elms Farm Primary School – Full Business Case & Contract Award
- Planned Procurement Activities (February 2017 – April 2017) and Quarterly Contract Award Schedule (October 2016 – December 2016)
- Pension Arrangements for staff transferred out of Cityserve following outsourcing by a City Council School
- Housing Investment Programme 2017 to 2020
- Planned Procurement Activities (March 2017 – May 2017)
- Birmingham Living Wage Policy Review and Revision
- Land Appropriations to Support Housing Growth
- Social care Framework Agreement – Commissioning Strategy and Permission to Consult
- Provision of transport Services – contract extension
- Planned Procurement Activities (April 2017 - June 2017)

### 5.2. Cabinet Member/Chief Officer (Oct 2016 to 23 March 2017)

- Story Wood School - Roofing Replacement
- Planned maintenance works to replace time and condition expired asset at Welford

#### Primary School

- Contract Extension - Sproc.Net
- Aston Advanced Manufacturing Hub: Landscaped Buffer
- Strategy / Contract Award - Pension Advice in Relation to the NEC Group
- Provision of Additional Primary Places at Bellfield Infant School to meet Demographic Growth - FBC and Capital Grant Award
- Provision of Additional Places at St Thomas More Catholic Primary Scholl – FBC and Capital Grant Award
- Extension of Third Sector Grants – Housing Related Support and Day Care Opportunities
- Extension of Third Sector Grants – Housing Related Support, Advice and Guidance
- Administration of Blue Badge Scheme - Contract Extension
- Provision of a Food Purchasing Agent Service (P0309) – Contract Award
- Refurbishment of Properties at Melbourne Avenue and Porchester Drive, Newtown for Short Term use as Temporary Accommodation
- Centenary Square Public Realm Improvement Scheme
- PDD Southside - Hurst St Proposed Permanent Traffic Restrictions (Phase 2)
- Supply of Fuel - Contract Award
- Creation of an Urban Boulevard - Birchfield FBC and Contract Award
- Family Support Services in Handsworth Wood & Aston, Nechells Children's Centre Localities - Contract Award
- LGF Longbridge Connectivity Project - Revised Financial Appraisal and Contract Award for Highway Infrastructure Schemes
- Public BCR Lichfield Road Main Corridor Ph 1B Highway Scheme FBC and Contract Award
- Variation of Lease and nursery extension to the Birmingham Crisis Centre - Contract Award
- Award Report: Regional Framework for the Provision of Supported Accommodation for 16-17 Year Olds
- Planned Maintenance Project to Remedy Structural Defects to Boiler House at Redhill Primary School and Associated Heating Works – FBC and Contract Award
- Provision of Additional School Places : Kings Heath Primary School – Full Business Case and Contract Award
- Refurbishment of Properties at Kensington Street, Markford Walk, Melbourne Avenue and Porchester Drive, Newtown for Short Term Use as Temporary Accommodation – Full Business Case

Councillor Majid Mahmood  
Cabinet Member for Value for Money and Efficiency

## Learning Review – Changes to Procurement Delegations in 2016

In February 16 Council Business Management recommended and in March 16 Council approved changes to the Procurement Governance Arrangements (PGA) which are summarised as follows:

1. The scheme of delegations under which the PGA may be operated by Chief Officers (CO) for the approval of tender strategies and contract awards for revenue spend has the maximum level of £10m, increased from £2.5m. These are progressed and the delegations granted by Cabinet via the Planned Procurement Activity Report (PPAR).
2. Where no viable alternative solution exists, a contract extension may be authorised by a CO where the contract does not provide for any further extension, up to the value of 500k or a period of 6 months. This is in order to allow for the contract to continue for the time required to complete a new procurement.
3. If estimated contract value is over £10m or TUPE of BCC staff applies then the strategy report will require approval by cabinet and the general principle will be applied to delegate to the appropriate CO to award a contract following the procurement and production of an ~~award~~ report.
4. A set of tolerances on contract value and length are set out in the PGA which permits up to 20% variance or £500k, whichever is the lower.
5. For use of external frameworks a new mechanism to combine strategy and award reports.

The general purpose was to reduce the number of reports going to cabinet and to simplify, increase delegations to officers and thereby accelerate and “lean” procurement decision making.

### **Implementation and Outcome**

In the 10 months and 9 cabinets since implementation there have been 65 items appear on the Planned Procurement Activity Report (PPAR) representing a total value of £105m. (Full details are available on request). All of these have been delegated by cabinet for subsequent CO decisions.

- 52 items of individual value less that £2.5m – total value £45m
- 13 items of individual value between £2.5m and £10m – total value £60m

**Birmingham Audit** conducted an audit of the effectiveness of the introduction of these changes which resulted in a level 2 “Green” outcome. The key findings were:

1. We did not identify any instances where officers were operating outside of Cabinet delegated powers or had exceeded their officer delegated powers.
2. We identified instances where contracts had expired but the service continued to be provided without there being a formal contract in place, albeit they were not corporate contracts or of significant value.
3. The top issues for management are that Officers need to adequately plan ahead for procurement so that the procurement rules are followed and best value achieved.
4. We have identified some areas where the PGA process could be streamlined and efficiencies made through better use of IT.

**Recent Councillors questions** relating to expired contracts asked how many occasions in each of the last 3 full financial years and the current year to date, have procurement 'decisions' been approved (either by Cabinet, Cabinet Member and Chief Officer, or Delegated Authority) after the contract has already commenced?

The following table details the number of decisions approved under CO delegated authority after the contract has started. We have not found any executive decisions where approval is after the contract has started nor have we or Audit found any delegated decisions where the level of delegated authority has been exceeded:

Year	Total Number of CO Decisions	CO Decisions after Contract start date
2013/14	58	1
2014/15	56	2
2015/16	61	8
2016/17 to date	59	12
Total	234	23

Analysis of the number of contracts that commenced before the authorisation has shown:

Decision Type	Comment
20 of the 23 decisions were for the award of a contract extension following the approval of single contractor negotiations by the same decision maker as for the award.	The decisions enabled a timely reaction to ensure continuity of service under terms and conditions beneficial to the Council. The procurements were all undertaken properly with rigour and correct governance. The vast majority of the delays were a matter of 2-3 weeks and under a month.
2 decisions were the award of a contract calling off a collaborative framework agreement to extend a current arrangement.	As above
Only 1 decision was for an award of a contract following a procurement process.	The timing of the delegated authority meeting with subsequent sign off did not meet with the urgent commencement of the contract.

Improved application, control and compliance to the Procurement Governance Arrangements has provided increased visibility of decisions made after the contract commencement so these can be addressed and in future reduced.

It is acknowledged that this recent increase is not ideal but the mitigation is that it was necessary in order to maintain continuity of service, the external services provided are on terms and conditions beneficial to the Council and there was no loss to the Council.

## **Capital Gateway - Programme Business Cases**

Whilst the Capital Gateway approval framework does not form part of the PGA, Procurement has supported the council wide initiative to increase the use of Programme Business Cases as opposed to individual Business Cases. This programme business case type approach is suitable where there are a number of similar projects to be taken forward in a defined time horizon. Two examples of significant programmes that have been taken forward using this approach are:

- A 'Lean' model has been trialled as part of the construction projects for school builds by EDSI. A Programme Full Business Case was included at a value of circa £21m covering 7 projects
- Following the approval of the ICT&D strategy a Programme Business Case for investment in 18 projects with spend in year of £35.4m and over the programme period £41.7m was approved.

This approach has given the following enhanced benefits from previous approaches.

1. One cabinet report at the outset setting out a full programme has enabled delegation of all individual Full Business Cases to COs.
2. This aligns with the Improvement Panel requirement to de-clutter Council processes
3. Vastly reduces the work involved by officers and time taken to get decisions
4. It is rarely possible to accurately predict the full cost of capital projects at the outset of programmes. This approach may, if suitable, also allow increased flexibility across schemes such that budget virements across the programme can also be delegated to COs within defined tolerances.
5. Drive down costs by giving potential contractors sight of a number of pipeline projects.
6. To provide a strategic view of a programme to identify any synergies, efficiencies and savings opportunities.

## **Next Steps**

- Continue to apply the PGA and increase understanding and adherence across the Council
- Particular focus will be to prevent expiry of existing contracts before a new procurement has been implemented or where circumstances prevent this to ensure any required extension is authorised in time.
- The opportunity for Programme style Business Cases on capital schemes will continue to be investigated and exploited, in conjunction with project officers and City Finance.

## **Update**

1. Following our analysis of the 12 late reports in Q3 of 2016/17 we have confidentially advised those responsible for the delays of the correct process and have identified the cause and are seeking to address underlying issues
2. We have written to seek the support of each directorate from:
  - The Chief Officer/SD
  - The democracy and governance leads
  - The directorate compliance officers and

- The lead for the Centres of Excellence for Commissioning and Contract Management
3. We will publish a quarterly compliance report showing the number of late reports per directorate – commencing April 17 to also include most recent quarter.
  4. We have held a meeting with Directorate Governance Leads and the following actions have been identified
    - Use of electronic signatures – We have explored whether there are real barriers to introducing electronic signatures more widely to expedite approvals
    - Escalation of required governance approvals if not cleared in five days
    - Sharing of current contract information within the Group to support leads being able to pursue timely reporting
    - Ensured the use of correct report templates and increased knowledge of governance process by communicating links to document library
    - A process has been implemented to ensure that governance leads are aware of SCNs that have been approved so that contract award documentation is produced in a timely manner.
    - Weekly meetings arranged with People governance team to closely monitor compliance
  5. Produced baseline information on compliant/non-compliant reports for publishing in April 2017

Signatories to the Birmingham Business Charter since June 2016

<b>Company</b>	<b>Cert No</b>
Birmingham Community Development Scheme Ltd	324
Birmingham Youth Empowerment Project CIC	325
Lichfield Tarmacadam Ltd	326
JCDecaux UK Ltd	327
Anglia Fostering Agency	328
Perpetual Fostering	329
Solihull Roofing Services Ltd	330
National Fostering Agency (NFA Midlands)	331
New Chapters FosterCare Ltd	332
Clifford House Fostering	333
Fosterplus	334
Orange Grove FosterCare Ltd	335
Foundation Fostering	336
Fostering Solutions	337
Pathway Care (Midlands) Ltd	338
St Paul's Community Development Trust	339
Excel Fostering	340
Birmingham Mind	341
Ashdurn Limited	342
Five Rivers Child Care Ltd	343
Family First Fostering	344
Child Care Bureau Ltd	345
Children Always First	346
Father Hudson's Society	347
The Children's Family Trust	348
Foster Care Link	349
FosteringMatters	350
Match Foster Care Ltd	351
Freedom Fostering Limited	352
Ikon Fostering	353
Swiis Foster Care Limited	354
Abacus Fostering	355
TACT West Midlands	356
Family Care Fostering Limited	357
Sunbeam Fostering Agency	358

Compass Fostering Central Limited	359
Ideal for All	360
Liquid Personnel	361
RLC	362
DLA Piper UK LLP	363
Complete Roofing Systems Limited.	364
Regional Foster Placements	365
ABC Fostering	366
UK Fostering Ltd	367
Active Care Solutions	368
Familyplacement.com	369
Nexus Fostering	370
Jay Fostering	371
Parallel Parents Ltd	372
Birmingham Community Healthcare NHS Trust	373
Wates Living Space	374
Home Group Ltd	375
Friendship Care and Housing	376
BID Services	377
Voice Fostering	378
Flick Solutions Limited	379
ASL Electrical Ltd	380
Bevan Brittan LLP	381
Advanced Personnel Management Group (UK) Ltd	382
Prospects Services	383
Panesar Builders UK Ltd	384
Sport Birmingham (Birmingham Sport & Physical Activity Trust)	385
Dawsonrentals Materials Handling Equipment Ltd	386
Compass Disability Services	387
Euroshowers UK Limited	388
Close Circuit Security Services Limited	389
RW Services Contractors Limited	390
Erris Builders Ltd	391
NSL	392