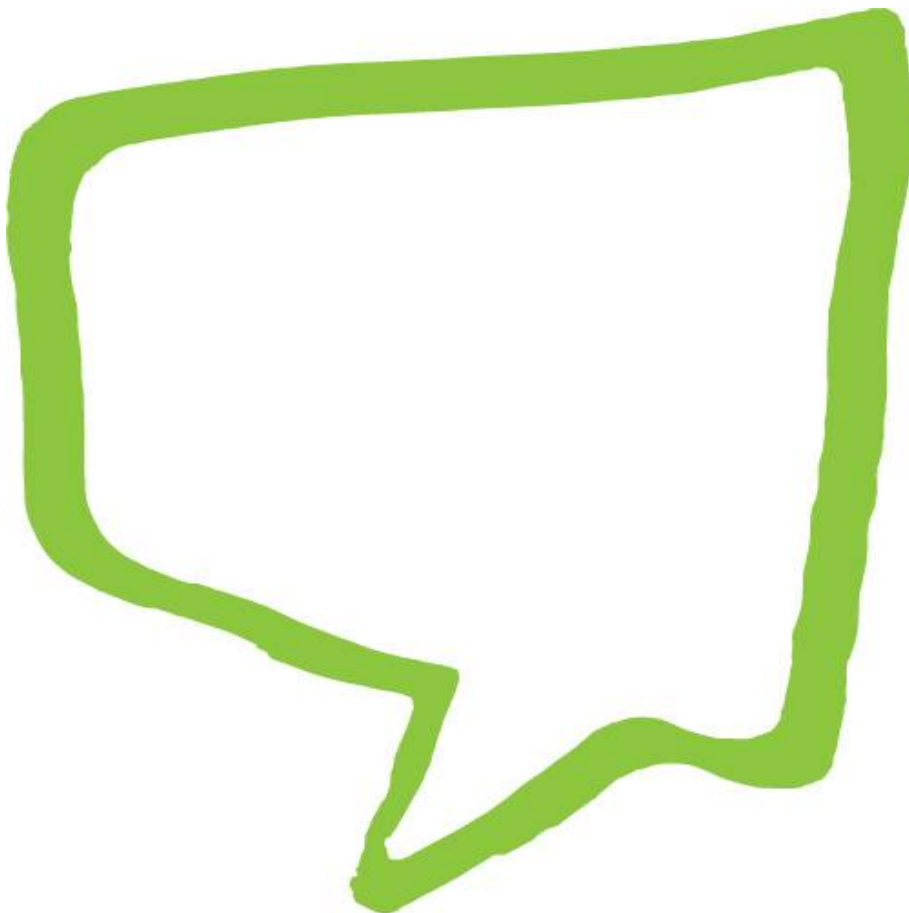


Commissioning and Procurement Review

Wirral Metropolitan Borough Council

Audit 2008/09

December 2009



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Introduction

- 1 The Local Government and Public Involvement in Health Act 2007 introduces a clear focus on local public sector partners working together to provide better outcomes for local communities. A key means of delivering these better outcomes will be through the use of commissioning and procurement.
- 2 Commissioning and procurement are terms without commonly accepted definitions across the public sector. The terms are currently used differently both across and within sectors, and on occasions are used interchangeably. For the purpose of this review, the definitions of commissioning and procurement will be those used in the Audit Commission's 2007 report 'Hearts and Minds: Commissioning from the Voluntary Sector'.
- 3 Commissioning is defined as the entire cycle of assessing the needs of people in a local area, designing services and then securing them.
- 4 Procurement is defined as covering the specific activities within the commissioning cycle that focus on the process of buying services, from the initial advertising through to the final contract arrangements.
- 5 In all sectors, commissioning and procurement are critical mechanisms for delivering value for money (VfM) and sustainable outcomes for communities. Collaboration, partnerships and shared services are becoming more commonplace and while they offer more potential for value for money, there are considerable risks.

Background

- 6 The 2005 Corporate Assessment stated in respect of Wirral that "the approach to modern procurement is becoming more established, with a good revised procurement strategy very recently agreed; there is considerable activity by the corporate procurement unit to develop the contribution that procurement makes to improvement and efficiency."
- 7 The annual audit and inspection letter issued in March 2008 referred to two issues in respect of procurement. Firstly, issues had arisen regarding tendering compliance with EU procurement directives identified during the audit of four final ERDF claims. The second reference was in respect of the Council tendering exercise for the award of the schedule of rates contracts, particularly in respect of the electrical maintenance contract.
- 8 The Use of Resources assessment 2007/08 found some good examples of procurement in Wirral as it continues to enhance its procurement practices and deliver savings both through its own services and also through working with other authorities across Merseyside. However, the use of resources assessment 2008/09 will be more focussed on achievement of outcomes that focus on quality services and supplies, respond to local need and deliver sustainable outcomes and value for money.

Scope and objectives

- 9 The scope of this review is on procurement and commissioning as defined in the background section above.
- 10 We have examined the corporate arrangements for procurement during the period to 31 March 2009, then tested their application using two tracers from within specific services.
- 11 Our work has included the following.
 - The extent to which the Council has a clear vision of intended outcomes for local people which shapes its commissioning and procurement, and is based on an ongoing understanding of needs.
 - Examined the extent to which local people, partners, staff and suppliers were involved in the commissioning of tracer services.
 - Whether improvements to customer experience, quality and value for money have resulted from the procurement exercises reviewed.
 - The extent to which the Council has redesigned services and maximised the use of IT alongside the procurement exercises reviewed.
 - The extent to which the Council understands the supply market and uses this information in the decision making process.
 - Examined the extent to which the Council adheres to its procedures and evaluates options for procuring services and supplies.
 - Evaluated the Council's understanding of the competitiveness of services and achieves value for money while meeting wider social, economic and environmental objectives.

Audit approach

- 12 We have interviewed key staff within the corporate procurement team and managers within relevant service departments.
- 13 We have selected two contracts: one from highways and one from social care services and examined the working paper files.
- 14 We have taken into account any relevant evidence from other inspectorates. For example, the Care Quality Commission assesses commissioning adult social services in its Annual Performance Assessment.

Key messages

- 15 The Council has invested resources to continue to develop its corporate arrangements for procurement and is actively involved in both regional and sub-regional collaborative ventures. Procurement has resulted in financial savings but it is too early to fully assess the impact on sustainable outcomes for local people. There is a need to drive procurement forward more to maximise the benefits across the organisation.
- The Council has a high level awareness of intended outcomes for local people based on an understanding of needs which shapes its commissioning and procurement. At a more detailed level opportunities exist to develop the involvement of stakeholders in the commissioning and procurement of services.
 - There is mixed involvement of local people, partners, staff and suppliers in commissioning and procurement.
 - Improvement in customer experience, quality and VfM has either not been fully evaluated or more time is needed for the benefits to materialise.
 - Redesign of services and use of IT is being used alongside procurement. There has been significant investment in ICT by the Council which provides the platform for e-procurement. However, the system is under-utilised and therefore the benefits are not being maximised.
 - The Council has an adequate understanding of the supply market and uses this to inform procurement strategy and tendering. This should be enhanced once a new system for sourcing and contract management is implemented. Wirral is the last council in the Merseyside collaboration to implement the system.
 - Although the Council has generally put in place a sound framework of policies and procedures these are not always followed or fully comprehensive.
 - The Council evaluates options for procuring services and supplies. Corporate Procurement Procedures incorporate best practice techniques, including option appraisals.
 - The Council is developing its understanding of the competitiveness of services and VfM while meeting wider social, economic and environmental objectives.

Main conclusions

- 16 The Council has put in place corporate arrangements that provide a sound foundation for basic procurement practice across the organisation. Resources have been invested by the Council to develop its arrangements for procurement. This has increased capacity through the creation and subsequent development of a Corporate Procurement Unit (CPU). The CPU has led the implementation of a Corporate Procurement Strategy (CPS), supported with detailed procedures and guidelines. The Council also has other guidelines relevant to the governance of procurement, such as policy on Code of Conduct by officers and Conflict of Interest procedures.
- 17 However, there is a need to drive procurement forward more to maximise the benefits across the Council, including schools. The Procurement Strategy is not supported with an action plan with milestones to provide the basis for effective performance monitoring. Hence there is no clear basis for effectively monitoring delivery of the CPS.
- 18 Also, commissioning and procurement are currently seen as separate and therefore not fully integrated. This is a missed opportunity to align commissioning with procurement to produce synergy which should ultimately help to achieve better outcomes for service users and improved VfM. The CPS should include a clear link between commissioning and procurement activity to ensure consistency.
- 19 The Council evaluates options for procuring services and supplies. Corporate Procurement Procedures incorporate best practice techniques such as Gateway Reviews. Also, price and quality evaluation models are routinely used to award contracts, which is a sound basis for decision making. Other techniques such as option appraisals and whole life approach are also routinely used. This ensures options for procuring goods and services are identified and reviewed.
- 20 The Council is actively involved in both regional and sub-regional collaborative ventures, facilitated through the Improvement and Efficiency Partnerships. This provides the opportunity to take advantage of joint procurement initiatives and sharing of intelligence, with consequential financial savings and other benefits. Significant financial savings are envisaged from this work, for instance £8m is expected to be delivered during 2008-2011 by the Merseyside Collaboration. To date, savings of £20m has been achieved by Merseyside authorities through collaborative procurement working.
- 21 The Council has an adequate understanding of the supply market and uses this to inform procurement strategy and tendering. Collaboration through the Improvement and Efficiency Partnerships will provide access to electronic solutions for sourcing and contract management, such as the 'Due North' initiative. Once implemented this will provide access to regional wide contracts which should result in substantial financial savings. There are also other benefits, such as enhancing the Council's existing knowledge of the supply market and providing access to data for benchmarking. Wirral is one of the last councils in Merseyside to implement 'Due North'. However, this has recently been brought forward from April 2010 to December 2009.

Main conclusions

- 22 The 'Due North' initiative will also enable existing and potential suppliers to have better access to contract opportunities. This will support the Council's objective of sustainable procurement. Also this initiative and others such as the 'Construction Employment Integrator' are designed to encourage the use of local labour, which directly links to the Council's priorities. To date, the achievement of targets relating to local labour content within relevant contracts has been mixed.
- 23 More needs to be done to align collaboration work with the development of the CPS, to clearly show how procurement activity will be addressed in the medium to longer term. This will help to embed collaboration work within day to day procurement activity, thereby helping to ensure the Council's resources are effectively managed, with efficiencies maximised and overlap minimised.
- 24 The Council has a high level awareness of intended outcomes for local people based on an understanding of needs which shapes its commissioning and procurement. The Sustainable Community Strategy (SCS) is kept up to date with priorities intended to reflect the inequalities and diversity of local communities. The Council's Corporate Plan is developed using a needs analysis and is aligned with the SCS. The objectives in the Corporate Plan are cascaded to departmental plans which broadly inform delivery and commissioning activity. Also, the Procurement Strategy has been mapped against the Council's priorities to ensure alignment.
- 25 At a more detailed level opportunities exist to develop the involvement of stakeholders in the commissioning and procurement of services. Our detailed work found mixed involvement of local people, partners, staff and suppliers in commissioning and procurement. Strengthening involvement of stakeholders would ensure the links between corporate priorities and procurement are sound. Also it should help to formulate timely performance measures which can subsequently be used to monitor delivery of outcomes. The Council will then be better able to demonstrate improvement in customer experience, quality and ultimately VfM.
- 26 Post contract evaluation of envisaged benefits is part of routine procurement procedures. This should demonstrate improvement in customer experience, quality and VfM. However, this needs to be more robust and used consistently. Our detailed work found improvement has either not been fully evaluated or more time is needed for the benefits to materialise.
- 27 Although there is evidence of procurement resulting in financial savings and better services for local people there remains significant opportunity to improve performance. Greater focus on delivery of sustainable outcomes and better VfM is required, rather than purely financial savings. As stated above clearer deliverables need to be identified during the commissioning and procurement of services to provide a sound basis for subsequent evaluation of outcomes for local people and VfM.

- 28** Redesign of services and use of IT is being used alongside procurement. There has been significant investment in ICT by the Council which has provided i-procurement functionality as part of implementing the 'One Business' Oracle based system. This provides the platform for the Council to obtain the many benefits of e-procurement, such as corporate contracts and lower transactional costs. Also, ICT facilitates redesign of processes which can result in better services and efficiencies. Our detailed work confirmed the Council is using procurement to support service redesign, both back office and customer facing. Also, better use of ICT alongside procurement is being used to bring about improvement and deliver savings.
- 29** However, the i-procurement system is under-utilised, hence the benefits are not being maximised. Analysis of expenditure shows too much procurement is processed outside the system. More work is needed to ensure compliance and reduce spend where no order has been raised or manual systems have been used.
- 30** Although the Council has generally put in place a sound framework of policies and procedures these are not always followed or fully comprehensive. Our work found some examples where there was non-compliance, such as notes of meetings not being recorded during tender exercises. Also, some procedures lacked clarity eg separation of duties relevant to in-house bids.
- 31** The importance of compliance with procurement procedures and governance more generally needs to be strengthened to ensure the Council promotes the right culture. This is necessary to ensure the risk of external challenge is managed and the benefits of procurement initiatives are not put at risk. Compliance with procedures alongside robust governance are fundamental requirements of effective procurement. Weaknesses could jeopardise the achievement of benefits resulting from good procurement.
- 32** Operational departments such as social care, technical services, and leisure undertake a significant proportion of procurement within the Council using their own purchasing staff. There are 44 nominated Purchasing Co-ordinators based in seven departments who undertake this work. This can have an adverse effect on consistency and compliance with procedures. There is a significant volume of payments where no order has been created or manual systems used. The role of CPU regarding compliance with procedures and governance is not clear and where appropriate needs to be strengthened.
- 33** The Council is developing its understanding of the competitiveness of services and VfM while meeting wider social, economic and environmental objectives. Competitiveness of services and achievement of VfM is assisted by tendering procedures using quality as well as price to determine contract award. Also this is reinforced by post contract reviews to ensure financial and non-financial benefits are delivered.

Main conclusions

- 34 Expenditure continues to be collected using a proprietary database tool. This is helping to improve the consistency of data which should assist benchmarking, and support performance management and checks on compliance with procedures. There has only been relatively limited benchmarking of procurement to date, albeit with evidence of savings eg benchmarking of franking machines has delivered £80k. By strengthening the use of benchmarking the Council will be more able to evaluate the competitiveness of services and demonstrate achievement of VfM.
- 35 A policy on sustainable procurement has been approved by Cabinet and is being implemented as part of routine procurement procedures. Also, the Council is aware of equality and diversity issues and is taking action on an incremental basis to incorporate this agenda into routine procurement procedures and practice.

Detailed report

The review has focussed on the following areas.

- Procurement strategy.
- Corporate procurement arrangements.
- E-procurement.
- Collaboration.
- Training.
- Highways and Engineering Services Procurement Exercise (HESPE).
- Assistive technology.

The following section identifies the main issues and findings in these areas.

Procurement Strategy

- 36** The Council has an approved Corporate Procurement Strategy (CPS) but it is not clear how implementation will be monitored. The CPS was approved by Cabinet in December 2003. The strategy has since been updated in October 2005 and September 2008 when the current strategy was approved. This covers the period 2008-2011. The updated strategy is designed to move the procurement activity of the Council forward to achieve efficiencies and savings. However, it is not clear from the strategy how this will be achieved. A key weakness of the Council's strategy is not being supported with an action plan and milestones. Hence there is no clear basis to monitoring delivery of the CPS effectively.
- 37** Despite this the Procurement Strategy provides for monthly progress reports to the Director of Finance (DoF), and monthly reporting of relevant performance indicators (PIs) within the performance management system along with progress against 'Procurement Key Priorities'. Also, there is provision for quarterly reporting of progress to the Corporate Improvement Group (CIG), and six-monthly reporting to Committee detailing the number and type of contracts which have been let and progress against the key priorities. Some but not all of these reporting requirements are being satisfied. Also, there is less focus on procurement through the CIG than in the past when the Strategic Procurement Board operated. However, the current arrangement may be more cross cutting. Reporting and monitoring arrangements need to be re-visited to ensure responsibility for monitoring delivery of the CPS is clear and effective.
- 38** The Council is aware of intended outcomes for local people at a high level. The Sustainable Community Strategy (SCS) is kept up to date with priorities intended to reflect the inequalities and diversity of local communities. The Council's Corporate Plan is developed using a needs analysis and is aligned with the SCS. The objectives in the Corporate Plan are cascaded to departmental plans which broadly inform delivery and commissioning activity.

Detailed report

- 39 Also, the relationship between the Council's Corporate Objectives and Procurement Objectives has been set out in the current CPS to demonstrate alignment. Also, the strategy is based on best practice eg takes account of the sustainability agenda. The CPS refers to the government's procurement agenda but this is not mapped across and therefore may not be fully aligned.
- 40 Also, the current Procurement Strategy does not have an effective link to commissioning. The two themes are currently seen as separate rather than recognising the potential synergy between commissioning and procurement. Future updates of the CPS need to provide clarity on the Council's approach, with a view to helping deliver better outcomes for service users and VfM. This should include facilitating closer working between CPU and commissioning activity.
- 41 CPU has worked more closely with DASS and Children's Service more recently. This has helped to integrate corporate procurement and commissioning activity and provide a greater focus on governance and commercialism. Both DASS and Children's Services have their own Contracts Teams.
- 42 Reference to the Third Sector is included in the Procurement Strategy approved by Cabinet. This is seen as a first step for the Council with further development ongoing. A similar approach is being used for equalities eg the Head of Procurement will be doing training for equalities as part of a wider equalities assessment within the Council. This follows a task group on equalities and diversity in procurement, which resulted in a policy that Equality Impact Assessments be conducted on all relevant procurement contracts.
- 43 The Procurement Strategy includes expanding the scope of Prince 2 and includes the principles of Gateway Procedures, where appropriate, for high cost and/or high risk procurement projects. Options appraisals are highlighted as key elements of procurement within the Procurement Strategy. This helps to ensure options for procuring services and supplies are identified and reviewed. Our detailed work confirms these techniques are being adopted in practice.
- 44 Post contract monitoring is stated as essential in the Procurement Strategy. The use of output specifications is designed to put the onus on the contractor to take responsibility for the end product, and Best Value clauses in contracts mean that the contractor is responsible for a continuous improvement in service. However, there is no specific requirement to undertake formal post contract evaluation reviews to ensure the benefits of procurement exercises are delivered.
- 45 The development and use of performance measures are promoted as part of the Procurement Strategy. It is intended that procurement PIs be used for regional and sub-regional benchmarking. Performance information will be used to improve and measure procurement outcomes and reported on accordingly. These arrangements are still in the course of being implemented and developed.

Recommendation

- R1** Update the Corporate Procurement Strategy (CPS) to address the following.
- Create an action plan with milestones to drive the implementation of the strategy and provide the basis of subsequent performance monitoring.
 - Ensure procurement and commissioning are aligned to optimise outcomes for service users and deliver better VfM, and facilitate closer working between CPU and commissioning activity.
 - Map the CPS against the government's procurement agenda to ensure alignment.
 - Ensure there are robust performance measures for subsequent performance reporting, including delivery of sustainable outcomes and VfM.
 - Specify the requirements for reporting progress and responsibility for monitoring implementation of the CPS.
 - Require robust post contract evaluations to be undertaken, for contracts over a pre-determined value, to ensure envisaged benefits are delivered.

Corporate procurement arrangements

- 46** The Procurement Strategy states that the corporate procurement function will be developed to act as the centre of expertise in procurement, and support a structured approach to education, training and development for all members and officers with procurement responsibilities. Also to underpin the strategy with operational procedures and guidance documents that reflect good practice, provide sufficient flexibility to ensure best value, provide adequate control and are communicated to all those involved in procurement. This has been achieved by developing a suite of policies and procedures with supporting guidelines and placing these on the intranet/internet. The Council also has other guidelines relevant to the governance of procurement, such as policy on Code of Conduct by officers and Conflict of Interest procedures.
- 47** The Leader of the Council is the lead member for commissioning and procurement and acts as champion. This helps to ensure there is support for procurement related matters. The Director of Finance (DoF) has responsibility for the development and delivery of the CPS.
- 48** Resources have been invested by the Council to develop its corporate arrangements for procurement. Up to 2003 the Council used the Wirral and North Wales Purchasing Consortium. When this organisation was disbanded some of the staff transferred to Wirral Council. Also, the current Head of Procurement joined the Council in November 2003. This was in line with a recommended 'way forward' proposed by the Institute of Public Finance (IPF), who had been commissioned to provide advice to the Council. At this stage the Corporate Procurement Unit (CPU) was primarily responsible for providing support rather than operational. Since then the department has increased resources and developed their role eg corporate contracts are 'owned' by the CPU.

Detailed report

- 49 The CPU was made responsible for delivery of the Procurement Strategy at the same time as the strategy was approved in 2005. CPU has been developed over time from an initial four staff to now 16 with a mix of specialist, qualified staff and trainees. The department has also been restructured and merged with Payments to form the Procure to Pay Section within Finance department. This has been done alongside implementation of the Oracle procurement and payments system.
- 50 Operational service departments still undertake a significant proportion of the procurement activity within the Council using their own purchasing staff eg social care, construction and leisure. Over time CPU have been able to exert more influence over purchasing in service areas. This was helped approximately three years ago when all Chief Officers were instructed to circulate relevant reports through the Head of Procurement before going to committee. This has helped CPU to be more aware but there is still an issue over advice and guidance by CPU, regarding what is deemed mandatory by service departments. The role and authority of CPU across the Council needs to be clearer. This would help to address fundamental issues such as responsibility for creation and retention of tender documentation e.g. to enable the Council to refute challenge from external bodies, such as contractors who question award of contract decisions.
- 51 Equality and diversity issues are specifically contained within the Procurement Strategy and human rights to a lesser extent. The use of partnership working is also taken into account within the Strategy.
- 52 Equality and Diversity in Procurement was reported to Cabinet in April 2009 which shows the Council is aware and taking incremental action to ensure these themes are incorporated into its procurement procedures.
- 53 Sustainability and whole life approach are included in the Procurement Strategy. Also the Council has adopted a policy on sustainable procurement as part of its contract procedures. The policy which was approved at the end of 2004 is supported by sustainable procurement objectives and guidance notes. The Corporate Procurement procedures include a Supplier Questionnaire as part of the tender process. Section 9 of the questionnaire, paragraph F, covers Environmental Matters. This includes relevant questions other than impact of CO2. The information is used within the quality part of the tender evaluation.

Recommendations

- R2** Clarify the role and authority of CPU regarding provision of advice and guidance to service areas.
- R3** Clarify responsibility for creation and retention of contract documentation, pre and post contract award.
- R4** Continue to embed sustainable procurement, alongside the development of equality and diversity within procurement procedures and practice.

E-procurement

- 54 The implementation of the 'One Business' Oracle based system provided both i-procurement and i-payment functionality across the Council. This included the introduction of on-line catalogues which have been developed over time. The implementation of i-procurement required processes to be redesigned as services moved from using various systems to one single corporate ICT system. As a result the new system provided the opportunity for more consistency. To assist the change a Purchasing Co-ordinator role was created. They can raise non-catalogue orders using the system, in addition to designated 'requisitioners' who can order items using the on-line catalogues.
- 55 The rollout of 'One Business' has provided the platform to obtain the many benefits of e-procurement. However, it is recognised that the Council needs to get better at using the system. The level of take-up ie use of the Oracle e-procurement system is below expectation and therefore the benefits are not being maximised.
- 56 There are 44 Purchasing Co-ordinators based in seven departments. This can have an adverse effect on consistency and compliance with procedures. An analysis of transactions highlights there is a significant volume of payments to suppliers where no orders have been created or manual systems are still being used. To address this corporate control over the co-ordinator function is proposed, starting with a pilot scheme in Finance. The date of the pilot has not yet been agreed. All non-compliant areas will be identified and, where appropriate, incorporated into the on-line catalogue process. Other areas of high volume non-catalogue spend will be targeted and contracts put in place. This should address 'maverick' spend in Finance. The results of the pilot will then be considered in relation to the rest of the Council.
- 57 Spikes Cavell is an online database containing expenditure data that is used as a standard analysis tool. The 'Observatory' as the database is known delivers tools, intelligence and procurement data needed to reduce costs, realise collaboration opportunities, improve contract compliance, and drive continuous improvements in spend and supplier management. This is intended to help realise the benefits of reduced maverick purchasing, increased use of corporate contract arrangements, and transactional savings from use of electronic catalogues.
- 58 To date only limited benchmarking has been undertaken by CPU such as fuel, car leasing and mobile phones. Positive outcomes have been achieved in milk and bread, furniture, first aid supplies and franking machines eg saving of £80k pa.
- 59 Two years of financial data has been collected using the Spikes Cavell database with 2008/09 available soon. This will provide increasing volumes of accurate and consistent data covering comparable years. This should help to increase the level of benchmarking of performance eg year on year, and enable comparison with other authorities in the region and sub-region.

Detailed report

- 60** A report on procurement co-ordination and control by the Procure to Pay Section issued to the CIG on 22 July 2008 highlighted the need to increase the level of transactions through the i-procurement system. Also, the level of 'maverick' spend ie outside authorised contracts and multiple suppliers was reported to the CIG on 14 May 2008. This highlighted the need for further work to increase the level of orders/spend processed through the i-procurement system. Under-utilisation of the system is still an issue.
- 61** Internal Audit has raised issues with recommendations for improving the use of i-procurement as part of their routine audit work in DASS.
- 62** There is a clear expectation in the Procurement Strategy that effective strategies will be in place to enable, support and encourage schools to become informed, effective purchasers of services. Also, the Council will ensure that the procurement skills of schools are developed and supported, promoting their capacity to choose, buy and evaluate services independently and effectively within the context of Best Value.
- 63** Schools do not make use of the Council's e-procurement system. This follows a pilot exercise in some primary schools during November 2007. This concluded that the technical issues were so significant that to overcome them would require a comprehensive review of the technology used in schools. However, a joint evaluation with Sefton Council is currently in progress to assess the possible use of the OPEN (Online Procurement for Educational Needs) e-procurement system.

Recommendations

- R5** Routinely monitor expenditure to ensure orders, wherever appropriate, are processed using the Oracle procurement system to ensure the benefits of using e-procurement are maximised across the Council, including schools.
- R6** Investigate and take relevant action, where appropriate, to address expenditure which has not been processed through the Oracle procurement system.
- R7** Establish targets for the utilisation of Oracle to form the basis of performance monitoring to help maximise the use of e-procurement.
- R8** Continue to develop benchmarking as a tool for improving procurement and basis of monitoring performance.

Collaboration

- 64** The Council is actively working in partnership with other relevant bodies across Merseyside and the wider region. This is helping to increase procurement capacity and secure VfM. However, there needs to be greater clarity over the role of collaboration as a means of using procurement to deliver efficiency and other benefits to the Council.
- 65** The North West Improvement and Efficiency Partnership (NWIEP) and Merseyside Improvement and Efficiency Partnership (MIEP) are supporting procurement collaboration, including funding, across relevant bodies including Wirral Council. The collaboration has resulted in additional resources to concentrate on joint procurement initiatives.

- 66** The regional wide partnership includes 47 bodies supported by the MIEP sub-regional body. Progress to date and future plans at a regional and sub-regional level are not fully incorporated into the CPS. Collaboration should be reflected in the next refresh of CPS to help embed this within day to day procurement activity, thereby ensuring the Council's resources are effectively managed, with efficiencies maximised and overlap minimised.
- 67** Collaboration originally commenced in 2004 when Wirral and four other Merseyside councils formed the Merseyside Procurement Group (MPG). Other authorities such as fire have now joined the group which has been renamed Merseyside Authorities Procurement (MAP). Progress was initially facilitated by the North West Centre of Excellence and subsequently by NWIEP and MIEP. The MAP members including Wirral are represented at NWIEP and MIEP by Knowsley Council. Wirral's Chief Executive is the portfolio holder for procurement on NWIEP.
- 68** Major pieces of work are being undertaken, for instance implementing the 'Due North' platform with regional wide contracts eg consultancy contracts. This should also provide greater understanding of the supply market to build on the Council's existing knowledge. Wirral are one of the last councils in the sub-region to implement 'Due North' with rollout planned for April 2010. However, 'Go Live' has now been brought forward to 1 December 2009.
- 69** The 'Due North' initiative will also enable existing and potential suppliers to have better access to contract opportunities. This will support the Council's objective of sustainable procurement. Also this initiative and others such as the 'Construction Employment Integrator' are designed to encourage the use of local labour, including 'hard to reach' people. This directly links to the Council's priorities. To date, the achievement of targets related to local labour content within relevant contracts awarded by Technical Services has been mixed.
- 70** Cashable savings are one of the key deliverables of the procurement collaboration. For the period 2008-2011 the Merseyside sub region has a saving target of £108m which is expected to be delivered from procurement. During this period £20m has been submitted by the collaboration for projected procurement savings. This is related to local initiatives and other sources such as the Office of Government Commerce. Of this amount £8m is reported as directly attributed to the Merseyside Collaboration. To date, savings of £20m has been achieved by Merseyside authorities through collaborative procurement working.

Recommendation

- R9** Clarify the financial and other benefits of collaboration, including impact on the Council's procurement arrangements, including resources. This should be used to inform the CPS and to monitor progress and delivery of outcomes.

Training

- 71 During 2008/09 procurement staff attended various courses covering a range of training requirements. This included 27 corporate courses such as Prince 2, equal opportunities and diversity, health and safety, staff induction etc. Professional training was provided to nine staff members along with training related to continuing professional development. Relevant training has also taken place within Children's Service, DASS, and Technical Services.
- 72 Three supplier events have been held this year either locally or regionally eg 'Boost your Business'. A further two events are planned, including training as part of the implementation of 'Due North'.
- 73 Procurement Co-ordinators have been provided with training as part of the initial roll out of the Oracle system. The need for refresher training should be considered to ensure users are fully utilising the benefits of the system, in addition to reinforcing compliance with procedures.
- 74 There has been limited training regarding procurement for members. Also there has only been limited interest in the Procurement Strategy by members. It is recognised that training needs to be increased to achieve greater member involvement in procurement.

Recommendations

- R10 Consider providing refresher training to users of the i-procurement system to ensure the full benefits of the system are utilised, in addition to reinforcing compliance with procedures.
- R11 Provide relevant members with training regarding procurement.

Highways and Engineering Services Procurement Exercise (HESPE)

- 75 The HESPE contract provides the Council with an opportunity to improve services at the same time as delivering financial savings. The tender process has employed best practice techniques and contemporary contracting practice. It is too early to determine if the envisaged benefits will be realised although procedures are being refined to ensure this is monitored.
- 76 The Council's objectives and priorities have been specifically recognised as part of the HESPE procurement process. This is to ensure the new contract contributes to the achievement of the Council's aims going forward. The new contract is intended to make best use of available resources and achieve an enhanced and responsive customer focused service. The contract covers various aspects of maintenance work on highways, drainage and coastal infrastructure. It is too early to confirm that the contract is delivering improvement to customer experience, quality and VfM.

- 77 An important part of the HESPE procurement process has been the consolidation of various packages of work delivered through a number of contracts into one single contract. This was intended to provide more competitive contract pricing, along with internal efficiencies resulting from streamlined contract management arrangements. Relevant budgets have been reduced to reflect anticipated financial savings resulting from the new contract which commenced in April 2009.
- 78 A Project Initiation Document (PID) has been used to provide a structured basis for managing the HESPE procurement process. Also, Gateway Reviews have been undertaken throughout the project to ensure the process was in line with best practice and identify lessons learnt. Gateway Reviews were previously used on the revised environmental waste services contract.
- 79 The HESPE procurement exercise has taken account of various potential contract strategies. This was the basis of the decision to move from a traditional contract to a partnering form of contract. An outline business case was prepared along with other supporting documentation, including an options appraisal. External consultants were employed to ensure a comprehensive review was undertaken, including taking into account the arrangements used by other councils.
- 80 Where relevant consultants have continued to be used to supplement lack of capacity within the Council. Additional external resources have been used during the early stages of the procurement process and subsequent tender exercise following agreement of the contract strategy. Also consultancy support is being used during the early part of the contract management stage following commencement of the contract. This requires the ordering, delivery and management of services to be redesigned.
- 81 The HESPE tender exercise included a comprehensive quality element in addition to consideration of cost. Method statements were used to assess the quality of bids, including use of ICT to provide a better customer service, plus use of innovation and technology to drive continuous improvement.
- 82 Expressions of interest leading to submission of tenders were received from a number of external contractors. An in-house bid was also submitted by the Operational Services Department (OSD). A price and quality 'model' was used to evaluate the tenders received. A 70 per cent cost and 30 per cent quality split was used to support the award of contract decision. The winning bid from Colas was clearly better than the others in terms of both cost and quality.
- 83 Governance was given specific attention during the HESPE process. For instance a reporting hierarchy was created to link the Project Team to members via a Project Board. Internal Audit were commissioned to undertake reviews of the process and made permanent members of the Project Team. Detailed procedures were also created such as separate arrangements for evaluating the cost and quality elements of tenders. Also specific governance arrangements were approved by Cabinet for the in-house bid. However, our work has found examples where procedures lacked clarity eg separation of duties relevant to the in-house bid or there was non-compliance eg notes of meeting not being created. Compliance with procedures and robust governance are fundamental requirements of effective procurement. This is necessary to ensure the risk of external challenge is managed. Weaknesses could jeopardise the achievement of benefits resulting from good procurement.

Detailed report

- 84** Risk management has been undertaken as part of the HESPE procurement process. Also, risk management has been rolled forward to the contract management stage following contract award. Both high level risks and detailed commercial risks are being addressed. These risks are to be routinely reported to the Colas/Wirral Partnering Board meeting which is held on quarterly basis. Detailed risk management issues are considered at the monthly Colas/Wirral Liaison meeting.
- 85** The performance of the HESPE contract in providing a responsive service to meet statutory obligations and customer requirements is to be monitored and driven through the Performance Management Framework with Key Performance Indicators (KPIs) under four headings: Planned Work, Reactive Work and Emergency Response, Contract Management and Customer Focus.
- 86** The first five KPIs come into effect from the 1 July 2009 and cover reactive elements, emergency works, Priority 1 and 2 work. These PIs will be monitored in detail each week and then feed into the monthly Liaison Meeting with the contractor. Other PIs are subsequently to be developed as part of contract management. This should ensure there is a focus on improving relevant highway condition Best Value/National Indicators. At present it is too early to determine whether the contract will deliver the envisaged improvements.
- 87** Colas are to be invited to give a presentation on the first six months of the HESPE contract to the Sustainable Communities Overview and Scrutiny Committee.
- 88** A benefits realisation process is an integral part of the HESPE procurement exercise. A procedure has been drafted to ensure there is a formal methodology in place for measuring the delivery of anticipated benefits during the life of the contract. An external consultant is providing additional capacity during the initial contract management stages.
- 89** Part of this work includes firming-up the project objectives to establish measurable targets to enable a robust evaluation of benefits to be undertaken. Ownership of specific aspects of the benefits realisation programme is also being assigned. This includes action by the client, where applicable, to enable Colas to deliver benefits eg upgrade of ICT systems, timely agreement of budgets and specification of works by the Council to enable jobs to be planned and packaged efficiently by Colas.

Recommendations

- R12** Ensure the HESPE contract is routinely evaluated to ensure the financial and other benefits are delivered over the life of the contract. Ensure attention is given to the role of the client, in addition to the contractor, to ensure benefits are delivered.
- R13** Continue to develop risk management as part of the contract management arrangements for the HESPE contract, in particular risk associated with delivery of financial and other benefits.
- R14** Ensure the performance management arrangements for the HESPE contract are fully implemented.
- R15** Strengthen the governance arrangements relevant to procurement activity and ensure compliance, in particular clarify roles and ensure full compliance with policies and procedures.

Assistive technology

- 90 The Assistive Technology contract is not clearly linked to the key priorities of the Council at corporate level or the DASS transformation programme at service level. However, the initiative is clearly in line with government policy. A review of financial savings resulting from using this technology has been undertaken but outcomes for service users have not been fully evaluated to date.
- 91 The Assistive Technology service provides telecare to enable service users to remain independent. This was initially funded for two years by the Preventive Technology Grant between 2006-2008 but is now funded through the mainstream DASS budget. Also, the Assistive Technology contract is partly funded by Wirral PCT. Furthermore a request for funding from Merseyside Fire & Rescue Service (MF&RS) has been made to cover a potential over-commitment of the budget.
- 92 Procurement strategy options were considered as part of the Preventive Technology Plan 2006/08. The extent to which partners were involved in the commissioning process are not clear. Also, there is no evidence of involvement by service users.
- 93 An options appraisal has been undertaken for the Assistive Technology procurement in the form of a project evaluation in 2007. This helps to demonstrate the Corporate Procurement Strategy regarding use of options appraisals is followed in practice. Also, the Assistive Technology contract makes reference to Human Right, Equal Opportunities & Information which is also part of the Procurement Strategy.
- 94 A good response was received to the invitation to tender. However, of the 24 providers who expressed an interest only four submitted completed tenders. A scoring mechanism was used to assess the tenders. The winning bid was first for quality and second for price but with the best overall weighted score. The contract is for a three year period commencing 1 April 2008. However, the contract was only formally signed retrospectively in September 2008.
- 95 The impact of the Assistive Technology project was reviewed along with lessons learnt within the Project Evaluation in 2007. During the contract progress reports have been presented to Senior Leadership Team (SLT) within DASS to enable the Assistive Technology project to be monitored. Also, a cost benefits analysis has been undertaken to support assumptions regarding notional savings. However, it is not clear what service redesign has resulted from the project.
- 96 Reports to SLT include details of service 'take-up'. This shows that the rate of installation has exceeded targets. Also, efficiency hypothesis in the proposals for the service have been reviewed. This has been based on outcome evaluation forms completed by ordering officers. Much of the evaluation is based on notional savings and professional opinion rather than an exact science. Despite this performance reports have been able to identify on a case by case basis some actual savings i.e. preventing increases or supporting reductions in individual care packages. However, a number of factors have mitigated against being able to provide comprehensive evaluation of savings, such as data not being entered on the SWIFT IT system used by DASS, and SWIFT not being able to report on potential savings i.e. services that have not been provided as a result of telecare.

Detailed report

- 97** A cost/ benefits evaluation has been undertaken which concludes that proposed potential efficiencies to the Health & Social Care system of approximately £470k by the end of 2011 will be achieved in the first year (2008/09). However, the outcomes for service users have not been evaluated which is a key weakness. As a result we are unable to determine whether customer experience and quality have improved. Therefore it is unclear whether financial savings have also resulted in better VfM.
- 98** Performance measures should have been determined during the procurement exercise in order to provide a basis to monitor the delivery of outcomes. This should seek to demonstrate achievement of VfM while meeting wider social, economic and environmental objectives.

Recommendations

- R16** Ensure all relevant contracts make provision for performance measures to subsequently monitor the delivery of outcomes. This should include outcomes for service users in addition to financial savings in order to demonstrate VfM, while meeting wider social, economic and environmental objectives.
- R17** Review the delivery of financial and other outcomes resulting from the current Assistive Technology contract.

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Agreed Date
14	<p>R1 Update the Corporate Procurement Strategy (CPS) to address the following.</p> <ul style="list-style-type: none"> • Create an action plan with milestones to drive the implementation of the strategy and provide the basis of subsequent performance monitoring. • Ensure procurement and commissioning are aligned to optimise outcomes for service users and deliver better VfM, and facilitate closer working between CPU and commissioning activity. • Map the CPS against the government's procurement agenda to ensure alignment. • Ensure there are robust performance measures for subsequent performance reporting, including delivery of sustainable outcomes and VfM. • Specify the requirements for reporting progress and responsibility for monitoring implementation of the CPS. • Require robust post contract evaluations to be undertaken, for contracts over a pre-determined value, to ensure envisaged benefits are delivered. 	H	<p>Corporate Procurement Manager</p> <p>Chief Executive</p> <p>Corporate Procurement Manager</p> <p>Corporate Procurement Manager</p> <p>Corporate Procurement Manager</p> <p>Corporate Procurement Manager</p>	<p>Agreed</p> <p>Agreed</p> <p>Agreed</p> <p>Agreed</p> <p>Agreed</p>	<p>Will amend CPS to show baseline and set milestones to achieve priorities to measure performance.</p> <p>This will be taken forward through COMT</p> <p>Match Government agenda with CPS to ensure alignment and identify progress.</p> <p>We will identify performance measures and reporting protocols to incorporate within the CPS.</p> <p>To be reviewed and reinforced.</p> <p>Include benefits realisation process within CPS for high value, high risk projects and monitor to ensure compliance.</p>	31 December 2009

Appendix 1 – Action plan

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15	R2 Clarify the role and authority of CPU regarding provision of advice and guidance to service areas.	H	Director of Finance	Agreed	Written instructions will be issued.	31 December 2009
15	R3 Clarify responsibility for creation and retention of contract documentation, pre and post contract award.	H	Corporate Procurement Manager	Agreed	In concert with R2 above, Corporate Procurement to oversee, produce checklists and retain central files.	31 December 2009
15	R4 Continue to embed sustainable procurement, alongside the development of equality and diversity within procurement procedures and practice.	L	Corporate Procurement Manager	Agreed	In progress.	31 December 2010
17	R5 Routinely monitor expenditure to ensure orders, wherever appropriate, are processed using the Oracle procurement system to ensure the benefits of using e-procurement are maximised across the Council, including schools.	H	Corporate Procurement Manager	Agreed	Action plan to include identification of non system transactions and bringing onto system were appropriate. Measure progress against target.	31 June 2010
17	R6 Investigate and take relevant action, where appropriate, to address expenditure which has not been processed through the Oracle procurement system.	H	Corporate Procurement Manager	Agreed	In concert with R5.	31 March 2010
17	R7 Establish targets for the utilisation of Oracle to form the basis of performance monitoring to help maximise the use of e-procurement.	H	Corporate Procurement Manager	Agreed	In concert with R5 and R6.	31 December 2009
17	R8 Continue to develop benchmarking as a tool for improving procurement and basis of monitoring performance.	M	Corporate Procurement Manager	Agreed	In progress, CIPFA/KPMG Benchmarking Club. Progress other areas through Merseyside/Northwest IEPs.	30 June 2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Agreed Date
18	R9 Clarify the financial and other benefits of collaboration, including impact on the Council's procurement arrangements, including resources. This should be used to inform the CPS and to monitor progress and delivery of outcomes.	M	Corporate Procurement Manager	Agreed	Progress with Merseyside partners and report. To be incorporated within the CPS and action plan.	31 December 2009
19	R10 Consider providing refresher training to users of the i-procurement system to ensure the full benefits of the system are utilised, in addition to reinforcing compliance with procedures.	L	Corporate Procurement Manager	Agreed	In progress, fourth training course since September 2009 and continuing timetable for 2010 being produced	31 December 2010
19	R11 Provide relevant members with training regarding procurement.	L	Corporate Procurement Manager	Agreed	Within action plan for CPS.	31 December 2010
21	R12 Ensure the HESPE contract is routinely evaluated to ensure the financial and other benefits are delivered over the life of the contract. Ensure attention is given to the role of the client, in addition to the contractor, to ensure benefits are delivered.	M	Head of Streetscene & Waste Services	Agreed	The delivery of the qualitative and quantitative benefits for the contract as set out in the Benefits Management Strategy approved by the Colas Wirral Partnering Board in February 2009 will be monitored via formal Annual Review reports to the Council's Cabinet and Overview & Scrutiny Committee and supported by a formal OGC Gate 5 Benefits Realisation Review in summer 2010.	With immediate effect
21	R13 Continue to develop risk management as part of the contract management arrangements for the HESPE contract, in particular risk associated with delivery of financial and other benefits.	M	Head of Streetscene & Waste Services	Agreed	Risk management arrangements have been strengthened as part of the revised Partnership Management and Governance Arrangements approved by the Partnering Board in November 2009 and risk reports to the Partnering Board now include explicit links to the Benefits Management Strategy.	With immediate effect

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Agreed Date
21	R14 Ensure the performance management arrangements for the HESPE contract are fully implemented.	M	Head of Streetscene & Waste Services	Agreed	The Performance Management Framework for the contract approved by the Colas Wirral Partnering Board in February 2009 is monitored via regular Liaison and Partnering Board meetings and forms part of the Benefits Management Strategy to be monitored formally on an annual basis as described in R12	With immediate effect
21	R15 Strengthen the governance arrangements relevant to procurement activity and ensure compliance, in particular clarify roles and ensure full compliance with policies and procedures.	H	Director of Technical Services/ Corporate Procurement Manager	Agreed	In concert with R2 above, Corporate Procurement to strengthen arrangements and ensure compliance in collaboration with Internal Audit.	31 December 2009
23	R16 Ensure all relevant contracts make provision for performance measures to subsequently monitor the delivery of outcomes. This should include outcomes for service users in addition to financial savings in order to demonstrate VfM, while meeting wider social, economic and environmental objectives.	M	Director of Adult Social Services Corporate Procurement Manager	Agreed Agreed	New contracts for Residential/Nursing, Personal Support and Supported Living to be developed in 2010, to focus on outcomes and better value. Corporate Procurement to produce guidance, policies and procedures for departments and, monitor through the electronic contracts management process	31 December 2010 30 June 2010
23	R17 Review the delivery of financial and other outcomes resulting from the current Assistive Technology contract.	M	Director of Adult Social Services	Agreed	Contract evaluation completed in 2009 in terms of outcomes and efficiencies. This will now be benchmarked against national pilots - with proposal to submit a joint 'Invest -to-save bid' across Health and Social Care to be completed by January 2010.	31 January 2010

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