

BUDGET & FINANCE SCRUTINY COMMITTEE

Minutes of the meeting of the Budget & Finance Scrutiny Committee held on Tuesday, 15th November 2011 at 6.00p.m. in the Scrutiny Meeting Room, Civic Offices, Telford

PRESENT: Councillors R. Sloan (Chairman), K. Austin, R. Evans, C. Mollett, S. Reynolds, C. Turley.

Also Present: Councillor W. McClements, Cabinet Member Resources & Service Delivery; Sarah Bass, Strategic Procurement Service Delivery Specialist; Andy Challenor, Community Engagement and Equalities Manager; Stephanie Jones, Scrutiny Group Specialist; Tracy Clarke, Scrutiny Officer.

BFSC-15 MINUTES

RESOLVED – that the minutes of the meeting of the Budget & Finance Scrutiny Committee held on the 12th October 2011 be confirmed and signed by the Chairman with an amendment to record apologies from Cllr. Adam Stanton.

The Chairman thanked members for their work at the previous meeting in agreeing comments on the 100 Day budget which he felt had presented a balanced view and would stand the Committee in good stead for scrutiny of the budget proposals. The Chairman had presented the Committee's report to Cabinet on 10th November.

BFSC-16 APOLOGIES FOR ABSENCE

Councillor Adam Stanton, Co-optee Mr. R. Williams.

BFSC-17 DECLARATIONS OF INTEREST

None

BFSC-18 APPOINTMENT OF VICE CHAIRMAN

The Chairman invited nominations for a Vice Chairman. Cllr. Reynolds was proposed by Cllr. Turley, seconded by Cllr. Austin and elected by a majority of the Committee.

RESOLVED that Cllr. Reynolds be appointed as Vice Chairman of the Budget & Finance Scrutiny Committee.

BFSC-19 PROCUREMENT

The Strategic Procurement Service Delivery Specialist outlined the key points from the report on Savings Through Procurement which had been provided to the Committee. The report was set in the context of the Council's restructure and the need to make savings.

The new structure of the Corporate Procurement Team included 1 Strategic Procurement Service Delivery Specialist, 3 qualified and experienced Procurement

Officers and 2 part-time administrators. This was in keeping with a previous scrutiny report which had recommended strengthening procurement skills in the central team.

The aim was to look at all aspects of procurement corporate-wide, from small items such as stationery to large projects such as the Southwater developments, to see what efficiencies could be made. A Procurement Task Force (PTF) had been set up to champion effective and efficient procurement across the Council. The PTF was Chaired by the Head of Governance and made up of Service Delivery Managers from each service area, representatives from legal and audit and supported by the Corporate Procurement Team.

The PTF met monthly and was action-driven. The PTF had a number of objectives which were set out in the report:

- Ensure continued efficient and effective procurement activities in their service areas
- Report actual savings as they are realised
- Share information on current negotiations to reduce costs and any challenges faced
- Provide detailed information on how current contracts are being managed
- Take the lead in supplier management where contracts pass over a number of areas
- Identify procurement and negotiation training and skills gaps for officers
- Look for opportunities to aggregate spend and put corporate contracts in place
- Look for opportunities to cancel contracts where provision can now be managed in house.
- Look for opportunities to avoid procurement all together by use of existing local and regional arrangements, shared services or innovative service provision

The Senior Management Team had identified specific proposals to deliver savings from procurement as:

2012/13	£2.2m
2013/14	£890k
2104/15	£500k

The PTF had been formed in September 2011 and the report highlighted the key areas of work:

- Reviewed contractual relationships with our top 60 suppliers and suppliers paid over £100k in the last financial year to ensure that these contracts provide value for money and, where practicable, to negotiate improved rates or create capacity and flexibility allowing more services to be delivered at the same cost. Contracts worth over £500k p.a. had been reviewed last year, and contracts worth £100k-£500k were now being reviewed. Negotiations with suppliers had identified a number of quick wins on corporate contracts.
- Worked with the Improvement and Efficiency Partnership to health check the approach and indentify potential opportunities not yet accessed, including an energy audit, and work on commissioning in adults' and childrens' care.
- Developed a comprehensive contracts monitoring document which will feed into the Contracts Register and be a key source document to monitor savings and

manage all contracts over £50k in the Council and feed into the transparency agenda.

- Worked to change the procurement culture to ensure best value for all contracts from specification through to contract management.
- Adopted a market category approach for reviewing social care contracts rather than supplier specific.

Staff training had also been identified as an issue for further development. There is a large amount of information on the intranet to support staff but this needed revisiting to highlight the key documents people need to do their daily job. The team was developing “Savvy Buyer” training for staff to improve buying and supplier management techniques and to get the message across that every £1 matters. A contracts, grant and SLA register would be in place by Christmas.

Procurement was a standard agenda item at Senior Management Team and Policy Review meetings so progress was monitored at a senior level by members and officers.

Following the report, members asked a number of questions:

- *From the review of the top 60 suppliers, can you give some examples of where contracts have been re-negotiated to make savings or get better services?*
EU regulations prohibit re-negotiation of contract prices, but we are looking at how to minimise inflationary price uplifts and how to drive a better level of service from existing contracts. £13k per month has been saved on the ICT contract by upgrading the platform. The brewery contract has moved to a cheaper brand to lower unit prices and increase profit on sales. The commissioning team in adult care is working with care providers in Shropshire Partners in Care to look at more flexible working and how to maximise resources.
- *How do you link into the Co-operative Commission sub-group which is looking at procurement?*
The procurement team has been brought into the sub-group and is working with businesses in the Co-operative Commission on outward facing work such as defining how the council procures and when a grant would be issued opposed to a contract, how forms can be made less bureaucratic to enable small companies and voluntary sectors to bid easily, if developing a central point which manages grants would be good idea. The sub-group is briefed on the work of the PTF.
- *How many corporate contracts are there?*
There are about 12 covering goods bought Council-wide such as cleaning, hotel booking, stationery, postal services and personal hygiene. These are managed by the procurement team to get best value. For example, where staff have identified an item that could be bought more cheaply from an alternative supplier, we would contact the approved corporate supplier to find out whether they could match the lower price.
- *Are any new corporate contracts or aggregated purchasing being considered?*
The new Agresso system enables us to run detailed reports to monitor expenditure across all areas of the Council and to identify what staff are buying

and which suppliers are being used. This will enable us to identify common areas of spend where purchasing could be aggregated or corporate contracts established. The PTF includes service delivery managers from all service units to facilitate and co-ordinate this.

- *How rigorously are corporate contracts enforced and how is off-contract spend monitored?*
Spend analysis reports are run off Agresso to identify off-contract spend and staff buying off-contract are challenged. If the other supplier is cheaper, we contact our approved supplier and ask them to match the competitor's price.
- *Does the Corporate Procurement Team have the authority to enforce compliance with corporate contracts?*
We tend not to have to do enforcement because once the issue is raised, staff comply with contracts on a voluntary basis. The Head of Governance as chair of the PTF reports to the Senior Management Team every week, so if there are any issues they are picked up by the relevant Head of Service who then reports back to staff in their service area. An e-team site is being developed for staff involved in buying, although this cannot include commercially confidential information.
- *Have any contracts been cancelled and if so were any penalties incurred?*
The IT contract has moved to a one month termination due to the number of licences required for the churn of staff. The annual repair contract has been cancelled and repair and maintenance has been moved in-house. The possibility of moving some adult care in-house is being explored. The "Savvy Buyer" training will ensure that staff fully evaluate the need for the service before buying.
- *Is there still an issue with the turn around of supplier invoices? This can be critical for small businesses relying on cash-flow.*
There were initial bedding-in problems with Agresso but reports are run on all outstanding invoices and the position is improving. There has been a comprehensive staff training programme and bulletins for staff on Agresso. The Council has a five day turnaround target for invoices which is an important pledge to businesses.
- *Is the level of complaints from schools reducing?*
Half are embracing the new system and half are not. There was an issue with the timing of the implementation of Agresso as it happened just before the school summer holidays, but we are working to support all schools to ensure they have the key skills. We have run refresher training for administrators and have received good feedback from this. The number of issues has reduced significantly over the last 3-4 weeks. Schools pay the Council for financial services and we need to demonstrate best value. The Head of School Improvement is working with the schools to look at setting up cluster groups to support better value joint procurement.
- *The procurement savings targets are very ambitious – is £2.2m in 2012/13 realistic?*
The £2.2m savings proposal is a challenging saving but the bigger the saving, the more money there will be for front-line services. In the budget, non-staff savings

will be categorised in four ways to show where the saving has been made: increased income, operational efficiencies, service changes and procurement. The issue will be to realise the savings in time for next year's budget.

– *Can we put performance gateways into small contracts?*

Contract under the EU threshold (£156k) can be negotiated and we look at deliverables against the contract. EU regulations can be seen as frustrating because they do not allow for negotiation on prices. We need to lobby MPs to lobby national government to reach a memorandum of understanding within the EU so that authorities can negotiate without being challenged.

At the end of the discussion it was **agreed** that the Committee would continue to monitor savings on procurement.

BFSC-20 BUDGET ENGAGEMENT

The Community Engagement and Equalities Manager tabled two reports: a discussion note on the budget strategy equality impact analysis and engagement process, and a summary of the individual savings proposals which had been selected for impact analysis and service user engagement.

It was essential that rigorous equalities impact assessments were carried out on proposed services changes where the changes may affect any of the 9 characteristic protected groups under the Equalities Act. Other authorities had been subject to judicial review under the Equalities Act to challenge the legal process for making decisions about service changes which would unfairly disadvantage protected groups.

The Government Equalities Office had suggested a number of principles (derived from case law) which should underpin an impact analysis, and adhering to these would lessen the likelihood of judicial review. The principles were set out in the report as:

- Impact analysis should be proportionate to the decision being made and should begin at the start of the decision making process.
- Decision makers need rigorous and accurate advice and analysis from officers.
- A properly detailed evidence based analysis of the issues and supporting information is essential. An impact analysis will not be adequate if it considers the issues only at a broad level, does not draw attention to specific impacts, or fails to consider the alternative approaches that could alleviate, or at least mitigate, the impact of the decision.
- The decision maker cannot devolve responsibility; they must have access to all of the information.
- Lastly, decisions and impacts should be reviewed within a given timescale or trigger.

The budget savings pro forma had required managers to identify the impact of proposals on service users. Additional screening and more detailed work had been done by the Community Engagement and Equalities Team with lead officers to identify further equalities implications and requirements for impact assessments

and/or service user engagement. A list of the individual savings proposals for next financial year's budget requiring impact analysis/service user engagement had been drawn up and agreed by Policy Review. The list was tabled for members to consider. This included the individual proposal, the outcome of the equalities impact assessment (and comments) and the scope of required service user engagement.

Impact Assessments would be carried out and reported to Cabinet in December with the budget proposals. An overall impact analysis would be done in January 2012 to identify the impact of the combined savings proposals.

The individual proposals identified for further assessment/consultation were in Care & Support, Environmental Services, Highways & Transport and Leisure & Libraries.

The timetable for engagement with service users did not in all cases fit with the timeframe for consultation on the budget and would be done alongside the implementation of the service which would require a longer timescale. The scoping exercise identified the required level and timetable for service user engagement which would focus on how to mitigate the impact of the savings.

Following the presentation, there was a discussion about the reports. Members pointed out that the budget would be agreed at full Council in March 2012 which was before longer-term consultation on key services, such as the charging policy, had taken place. Members wanted to know what would happen if the consultation showed that the cuts made to the service needed to be reviewed when the budget had already been set, and whether the fact that the longer-term consultation had not taken place before the savings proposals were agreed would expose the Council to a risk of challenge.

Members were told that the scoping exercise had been carried out to understand the proposed savings and where there was a need to consult. Impact assessments and where possible service user engagement was being carried out during Phase 2 (October-December) to feed into the budget proposals. There would be continued service user and wider public engagement during Phase 3 (December-February). However, some services (such as personalisation) required more detailed consultation with service users which could not be done within the tight timescale for setting the budget. However, the engagement process would focus on reducing and mitigating any negative impacts of service changes within the agreed funding level. It was highlighted that consultation is not a one-off exercise and would be on-going. Savings for 2013/14 would be identified early on so that consultation could start early. The most important thing at this stage was to complete the impact analyses to identify any potential negative impacts. Information would be analysed and reported by the end of the week.

Members agreed that scrutiny has a key role to play in ensuring consultation is done properly.

BFSC-21 FORWARD PLAN

The next meeting would be held on Thursday, 5th January 2012 to review the budget proposals.

Members agreed that the Small Business Loans Fund would be added to the work programme and that the savings suggestions was not an immediate priority and would be left until later on next year.

Chairman:

Date: