For general release

REPORT TO:	SCRUTINY AND OVERVIEW COMMITTEE 8th September 2015
AGENDA ITEM:	8
SUBJECT:	OVERVIEW OF COUNCIL CONTRACTS
LEAD OFFICER:	Nathan Elvery, Chief Executive
CABINET MEMBER:	Councillor Simon Hall, Cabinet Member for Finance and Treasury
PERSON LEADING AT SCRUTINY COMMITTEE MEETING:	Sarah Ireland, Director of Strategy, Communities and Commissioning

ORIGIN OF ITEM:	This item is contained in the Committee's work programme
BRIEF FOR THE COMMITTEE:	The Committee seeks to review the procurement and commissioning strategies of the council to see how they expressly embed social value commissioning and procuring. Specifically Members seek information including: • A register of contracts including whether they are outsourced, the length of contracts with dates covered and a general indication of how key contracts are performing against performance criteria • Progress relating to the inclusion of social value criteria in council contracts, particularly in relation to apprenticeships and example wording in recent specifications and contracts

1. EXECUTIVE SUMMARY

1.1. Commissioning is an important tool in ensuring the overarching vision for the borough is achieved. Ensuring that the Council's has a robust and consistent approach to designing services, procuring providers and managing contracts is important because:

- The Council arranges over 500 types of service to its residents and 13,000 local businesses

- The Council spends about £400 million each year with organisations who deliver services on our behalf
- Over 1,000 organisations currently provide services on behalf of Croydon Council

1.2. This report provides detail regarding the Council's commissioning approach and examples of specific projects, including the social value benefits that have been achieved through improved commissioning practice.

1.3. For the purposes of this report, the focus is on revenue services and contracts, including those funded by the HRA. Capital spend will be the subject of a separate report due to Scrutiny and Overview Committee in November 2015.

2. OVERVIEW OF COUNCIL'S COMMISSIONING APPROACH
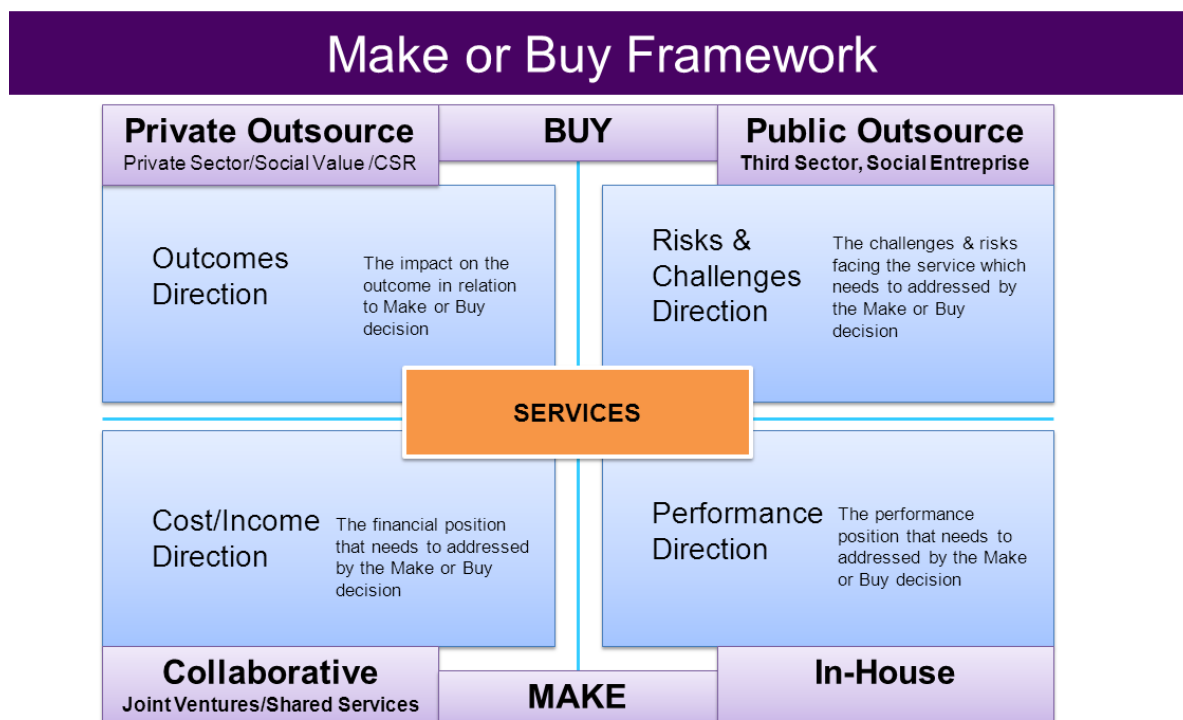
2.1. Commissioning cycle

2.2. The Council defines commissioning as deciding how to use the total resources available in order to improve outcomes in the most efficient, equitable and sustainable way. It is about more than just simply buying goods or services. It is about understanding local need and designing services that meet those needs whilst providing value for money for our council taxpayers. It incorporates a number of key activities as part of an overarching cycle including; needs analysis, service design, procurement (the buying of goods and services), the monitoring of contracts, the development of strategic relationships with suppliers and the development of local organisations or businesses to compete for procurement opportunities.
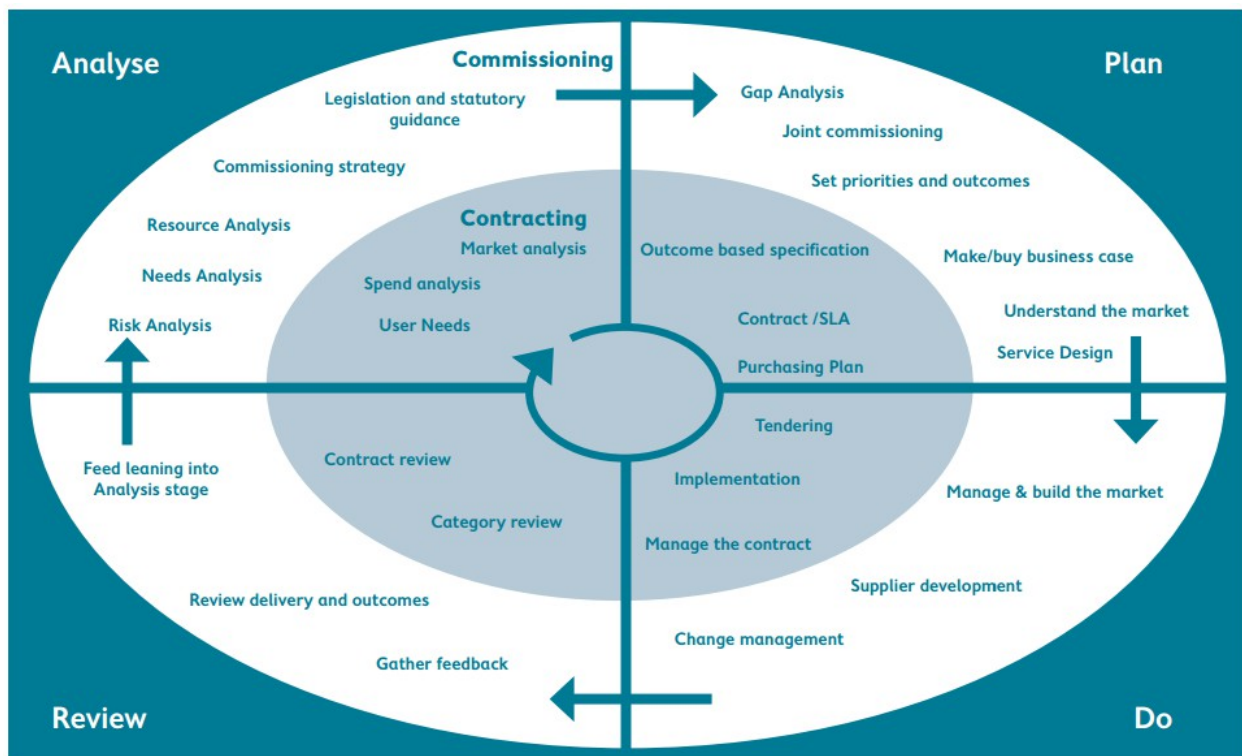
2.3.　The Council's approach is set out in its Commissioning Strategy.　Supporting the strategy there are a number of toolkits which provide practical guidance for commissioners, suppliers and partners.　These documents are available on the Council's website, with links provided in the web materials section at the end of this report.　To ensure the Council is able to embed the findings and recommendations of the Opportunity and Fairness Commission, the commissioning framework will be refreshed in January 2016.　This review will also provide an opportunity to incorporate the commissioning expertise the Council has acquired over the past three years, in particular around outcomes based commissioning and social value.

2.4.　**Make or Buy framework**

2.5.　In line with the Administration's commitment to consider in-house service provision and alternative delivery models, the Council has developed a Make or Buy framework.　This is based on a balanced approach to cost, risk, service performance and achievement of outcomes and provides a structured and consistent approach.　Through the framework the Council is able to undertake a detailed options appraisal to identify the optimal delivery model for individual services.　This will enable the Council to determine if service performance or achievement of outcomes could be improved through a new delivery model, at no or little increase to cost or risk.　However, should the options appraisal determine that an alternative delivery model would result in additional cost or risk, but with no improvement in outcomes or service performance, this analysis will enable the Council to make an evidence based decision regarding its commissioning intentions.

Make or Buy Framework

Private Outsource Private Sector/Social Value /CSR	BUY	Public Outsource Third Sector, Social Entreprise
Outcomes Direction — The impact on the outcome in relation to Make or Buy decision		Risks & Challenges Direction — The challenges & risks facing the service which needs to addressed by the Make or Buy decision
	SERVICES	
Cost/Income Direction — The financial position that needs to addressed by the Make or Buy decision		Performance Direction — The performance position that needs to addressed by the Make or Buy decision
Collaborative Joint Ventures/Shared Services	MAKE	In-House

2.6.　This approach has been adopted as part of the commissioning review for Facilities Management (FM).　As set out in the procurement strategy, agreed by

Cabinet in February 2015, the Council explored a range of options for recommissioning the service. The agreed option adopts a "lotting" approach, whereby the existing service, currently delivered through one contract, is broken down into smaller bundles of specific service deliverables. These lots include cleaning, building repairs and maintenance, and security. This approach is enabling the Council to to engage with a wider variety of potential providers and encourage smaller (and more local) businesses to participate. It also provides clarity around service specific supply chain opportunities, which further enables the local market to become involved in delivering services for the Council.

2.7. As part of the strategy, it was identified that the logistics lot was best delivered through an in-house service. This lot accounts for mailroom, reprographics, archiving and portering / floorwalking services and 'insourcing' will enable the Council to ensure that this aspect of the service is fully aligned with the changing shape of the Councils estate over the next few years. In addition, the overall management of FM services, including call centre activity, will be brought in-house.

2.8. The Council has also adopted this approach in reviewing the future arrangements for passenger transport services for children and young people with Special Educational Needs / Disabilities and vulnerable adults. Previously the Council's travel and transport services were not fully integrated. Accordingly, as part of the Croydon Challenge programme, officers are considering whether an alternative service delivery model for the management and provision of travel and transport services should be adopted in future. In addition, the Council wishes to review how clients access travel and what is the most effective and sustainable way to encourage independence and mobility, including the use of travel training, personal budgets and how transport logistics are organised.

2.9. However, the development of these options is at a very early stage and the comparative evaluation of the costs, benefits and risks of each will take some time and will be complex. Given the need for service continuity for clients and the complexities of developing new service models, it was necessary to secure ongoing contractual arrangements for passenger transport services. Accordingly, the Council has procured a framework which offers the maximum possible flexibility to adapt to any of the service delivery options that may be implemented by the Council in future. A framework arrangement offers no commitment of business to any service provider, thus ensuring the ability to reduce, restrict or terminate the provision of contracted passenger transport services if required.

2.10. In line with the Make or Buy Framework, the Council is seeking to improve outcomes and service performance for passenger transport, and has considered that in-house provision may achieve this within the same budget envelope as current provision delivered externally. As detailed above, given the complexity and sensitivity of the service, it was not appropriate to in-source all routes at this time as the Council has not undertaken a full evaluation of the options and this approach could be extremely disruptive to service users. Therefore, as part of the ongoing development work for the service, the Council has determined to 'in-source' provision of a small number of passenger transport service routes. This mixed economy of in-house and external provision will provide the Council with
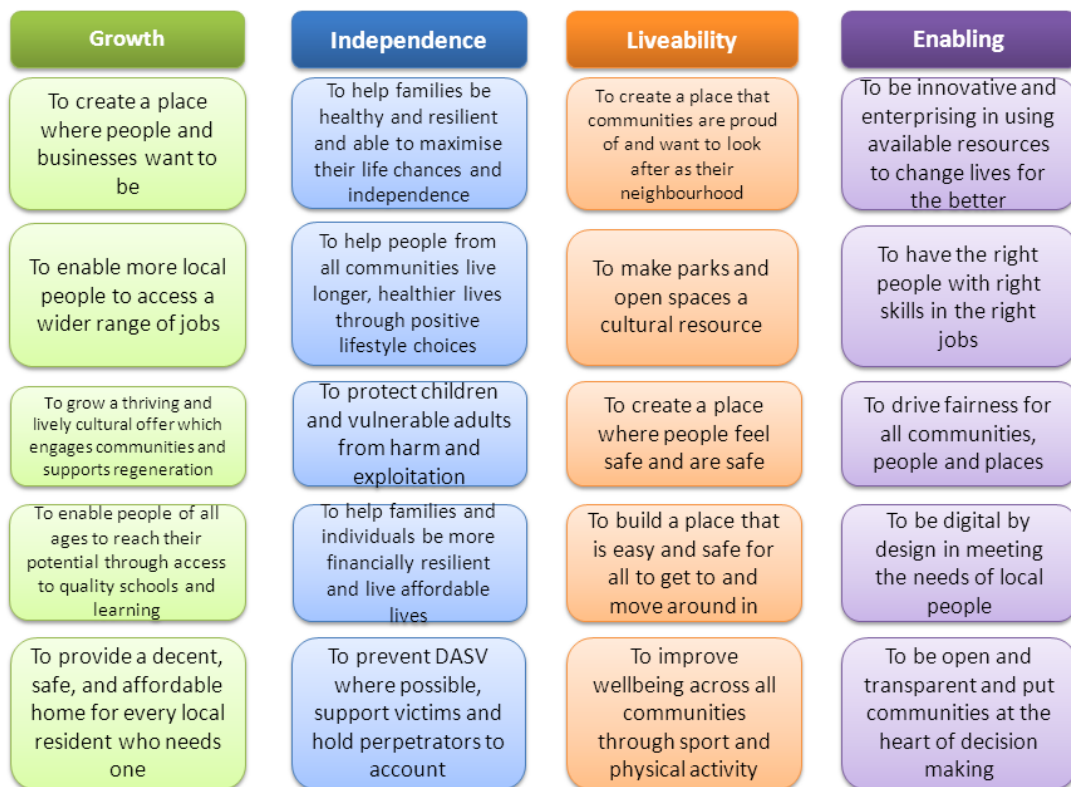
the opportunity to establish an evidence base which supports development of alternative delivery models, including evaluating the relative benefits and risks of in-house provision.

2.11. **Outcomes based commissioning**

2.12. In defining outcomes based commissioning, the Council has adopted the principles emerging within the health and social care sector. This describes the approach as any commissioning that directly links investment to achievement of outcomes, aiming to shift the emphasis from what services will be offered, to what outcomes will be delivered. By moving the focus to the impact for individuals or communities, the Council is able to work with providers and service users to collaboratively design innovative service solutions. Quality, safety and regulatory compliance can be ensured by specifying the standards expected, rather than pre-determining the solution required to deliver them.

2.13. The Council has adopted a framework, Ambitious for Croydon, which sets out the priority outcomes it is seeking to achieve. By ensuring that commissioning projects focus on these outcomes, there is increased opportunity for innovation, flexibility and responsiveness within services. This is particularly relevant for services which are procured from third parties, as it provides a commissioning mechanism for the expertise of providers to inform the contracted service model.

2.14. The Ambitious for Croydon outcomes are:

Growth	Independence	Liveability	Enabling
To create a place where people and businesses want to be	To help families be healthy and resilient and able to maximise their life chances and independence	To create a place that communities are proud of and want to look after as their neighbourhood	To be innovative and enterprising in using available resources to change lives for the better
To enable more local people to access a wider range of jobs	To help people from all communities live longer, healthier lives through positive lifestyle choices	To make parks and open spaces a cultural resource	To have the right people with right skills in the right jobs
To grow a thriving and lively cultural offer which engages communities and supports regeneration	To protect children and vulnerable adults from harm and exploitation	To create a place where people feel safe and are safe	To drive fairness for all communities, people and places
To enable people of all ages to reach their potential through access to quality schools and learning	To help families and individuals be more financially resilient and live affordable lives	To build a place that is easy and safe for all to get to and move around in	To be digital by design in meeting the needs of local people
To provide a decent, safe, and affordable home for every local resident who needs one	To prevent DASV where possible, support victims and hold perpetrators to account	To improve wellbeing across all communities through sport and physical activity	To be open and transparent and put communities at the heart of decision making

2.15. In partnership with the Croydon Clinical Commissioning Group, the Council is currently developing an outcomes based commissioning approach to delivery of health and social care services for the over 65s. The procurement strategy

setting out the detail of this project was agreed by Cabinet in September 2014. This recommends a whole systems approach to integrated commissioning and service delivery, taking a proactive and transformational position. The individual and their family will be at the centre of Croydon's health and care system, ranging from the promotion of good health and well-being, through early intervention and support and, when needed, the delivery of treatment and care services. Croydon's older people and their families should expect to experience seamless, joined- up care and health provision of consistent quality and high standard.

2.16.   The starting point for this programme was to ask service users and patients about the outcomes that mattered to them. This led to development of an outcomes framework, aligned to the Ambitious for Croydon outcomes, which can be used to incentivise providers to deliver services in a way that meets the outcomes local people want, to an agreed standard of care and at an affordable price. This approach will enable providers of services to use their expertise to design delivery models and solutions to achieve those outcomes.

2.17. **Social value**

2.18.   As part of the Commissioning Strategy, the Council has sought to embed social value as a key consideration in all commissioning projects, with the social value toolkit available to support commissioners. The Council has defined social value as 'a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits to society and the economy, whilst minimising damage to the environment'.

2.19.   Social benefit is the outcome of this process of achieving social value. These additional benefits can take almost any form, ranging from the very tangible, such as jobs for the long-term unemployed, or sub-contracting opportunities for small businesses, to softer, but equally important, benefits such as engagement with communities or groups of individuals who might otherwise feel entirely disengaged. Doing so also supports the Council's public sector equality and diversity duties. Defining social benefit is less important than securing it.

2.20.   The Council has taken a comprehensive approach to embedding social value within its commissioning practice. In particular, it is considered from the outset as part of the overall procurement strategy, which will identify clear social value benefits specific to the contract linked to the local priorities identified within the Ambitious for Croydon outcomes framework.

Social Value Benefits

Liveability
- Supporting the needs of local priority groups
- Supporting a greener borough

Independence
- Supporting and strengthening the community and community groups

Growth
- Supporting local employment and creating traineeships
- Supporting lifelong learning and skills
- Supporting local business growth

2.21.   A key example of this is within the reprocurement of the Council's Planned Maintenance and Improvement contracts for its housing stock. Throughout the project, social value has been a key consideration. The project has identified social value objectives which can be achieved through delivery of the contracts, with tenants as the main beneficiary of the social benefits to be secured:

- Supporting and maximizing employment for Croydon
- Creating accessible routes to employment and enhancing employability for local residents and students
- Supporting local businesses and local business growth
- Supporting the Croydon community
- Embedding and promoting good governance, and working with the Council and its strategic partners

2.22.   This has been embedded within the procurement process for the general building works contract, where a competitive dialogue route was chosen to ensure that the Council can utilise the expertise of the bidders to inform the solution offered for social value. At the pre-qualification stage, prior experience of delivering social value within contracts was a key selection criterion. This was continued through the invitation to tender stage, with dedicated dialogue sessions on the social value offer being proposed by each bidder and social value criteria weighted as 12% of the evaluation score.

2.23.   Once the contract has been let, delivery of social value commitments will be linked to contract performance, in the same way as operational delivery. This includes financial incentives for achievement of outcomes, and also penalties and contractual provision to terminate should there be failure to achieve the contracted social value benefits.

2.24.   By embedding social value within its commissioning practice, the Council has been able to secure a number of benefits within its contracts. For example, the Housing Responsive Repairs contract, delivered by Axis Europe, has secured ten apprentices and trainees per year, work experience opportunities, estate days, job fairs, DIY training for tenants and digital inclusion workshops for local people. As part of its contract for green spaces grounds maintenance, Quadron is recruiting a minimum of two apprentices a year from the local community and

offers training and work placement opportunities to local unemployed people. In addition it is seeking sources of external funding for local projects and delivering local activities to promote the understanding of conservation, wildlife and habitat protection.

2.25.   Given that the Council's social value approach includes a commitment to maximising local employment and supply chain opportunities, payment of the London Living Wage is being embedded in all contracts. Significantly, this has also been adopted in contracts where services are in traditionally low-pay sectors. London Living Wage is embedded within the new integrated framework for care and support, which provides the Council's contractual arrangements for domiciliary care for children and vulnerable adults, accounting for approximately £20m of social care spend annually. Additionally, in the current procurement for cleaning services, the Council has made payment of London Living Wage a contractual performance requirement.

2.26.   The opportunity to minimise environmental impact also forms a key consideration within the commissioning approach, and will be included within the social value benefits, as relevant to the specific service being procured. The ability to source goods and supplies locally may inform the way in which services are broken down into smaller bundles or lots, or establish expectations around the use of local supply chains within service delivery. Specific considerations may include material recyclability and use of renewable resources, higher environmental management standards, eco-labelling and other practical commitments to sustainability.

2.27.   Within the procurement process, tenderers will be asked to describe the measures they have in place to minimise the impact of their business on the environment and this will form part of the qualitative evaluation. For example, within the Planned Maintenance and Improvement contracts, there are a range of environmental opportunities arising including the contractors own environmental practices, on site waste reduction and recycling, and the opportunities to move towards more sustainable/environmentally friendly products and new technology over time. There was also a specific requirement that, where appropriate, contractors should bid for and obtain any relevant environmental funding (e.g. ECO funding) that can be used to further invest in environmental measures. As another example, within the Council's contract with Quadron, the company has invested in an environmentally friendly fleet, including several electric vehicles, and is specifically tasked with reducing its carbon footprint to assist the Council in reaching its challenging emissions targets.

2.28.   **Value Croydon**

2.29.   Value Croydon is the next step in the Council's social value journey. It is a programme aiming to maximise the social, economic and environmental wellbeing of the people in Croydon. The aim is to develop a borough wide strategic alliance to generate local economic progression and improve social outcomes. This is a structured and coordinated approach to maximise the social impact and benefits from commissioning projects, major development and regeneration partnerships, and employers based within the borough.

2.30.   This is about responsible businesses and organisations working together to invest in Croydon's residents and communities, with a clear focus on creating employment, stimulating business growth and supporting community resilience. Together these organisations form the Value Croydon strategic alliance.

2.31.   The Value Croydon strategic alliance will co-produce, coordinate and deliver a range of sustainable solutions as part of a broad social value programme, including:
*   skills and employability initiatives
*   local jobs and employment opportunities
*   contracting and supply chain opportunities
*   business skills and training courses
*   business consultancy support for local SMEs and organisations
*   capacity building support for local voluntary and community groups
*   community led projects

2.32.   **Customer and resident satisfaction**

2.33.   Clear customer satisfaction standards and performance measures are established for individual service areas, linked to Councilwide customer satisfaction performance indicators. There are a number of national frameworks which provide evidence of overall satisfaction with services, such as the Adult Social Care Survey and the Survey of Tenants and Residents. The Council routinely monitors and analyses this data as part of the performance framework which supports the Ambitious for Croydon outcomes. In addition, the Council analyses data regarding customer complaints, including segmenting by service area and complaint topics to identify specific trends and issues. This data provides a high level overview of customer satisfaction and, where issues are identified in particular areas, this will inform contract management discussions with the providers of relevant services.

2.34.   This is supplemented by provision of information related to each specific contract, where customer satisfaction indicators will form part of the overall contract performance framework established through the procurement process. These will routinely be linked to contractual levers such as penalty and termination clauses. Through delivery of individual contracts, a range of approaches to measure customer satisfaction may be adopted. Input measures around expected service standards may be included, such as customer contact response times, in addition to measures calculating overall satisfaction with services, such as surveys, feedback, and complaints data.

2.35.   For example, in social care, the personal outcomes that an individual is seeking to achieve will be identified through the assessment and support planning process. These may include outcomes such as having care and support which maximises an individual's independence, being able to have the social contact that an individual would like, having a care team who understand the individual's needs and priorities, and experiencing a good quality of life. Realising these outcomes is contingent upon delivering a high quality service and ensuring customer satisfaction. These personal outcomes form the basis of the specific call-off from the integrated framework for care and support and become a key

deliverable within the contract for services, with achievement measured as part of routine contract monitoring.

2.36.   In addition to measuring customer satisfaction, the Council recognizes the important role that residents and service users can play in shaping high quality and appropriate services. The Council's commissioning practice also encourages a full participatory role for residents and service users within the procurement process. For example, within the Planned Maintenance and Improvement project, six tenants and leaseholders were involved in evaluating both the pre-qualification questionnaires and the final tenders, as well as conducting site visits and contributing to dialogue sessions with the bidders. By ensuring tenants and residents had a clear role in evaluating customer requirements, the Council will commence the new general building works contract with clear customer satisfaction deliverables, strong contractual performance standards and confidence that the selected contractor has understood the priorities of tenants and leaseholders.

2.37.   **Contract management**

2.38.   A register of the Councils major revenue contracts is provided at appendix 1. This provides key information regarding the length of contracts, contract values, the name of the provider, break clause provision, extension options and whether the contract has adopted the Council's commitment to the London Living Wage.

2.39.   Additionally, in line with the Local Government Transparency Code 2015, the Council publishes details of contracts, commissioned activity, purchase orders, framework agreements and any other legally enforceable agreement with a value that exceeds £5,000, in addition to a searchable contracts register. This information is available online, as detailed in the web materials links at the end of this report.

2.40.   Contract management transformation is an important theme of the Council's Croydon Challenge programme, with the potential to make savings and improve outcomes for Croydon's residents and communities. The programme will develop a new model for contract management designed to incorporate the best practice identified nationally. The key principles and approach of the programme are aligned to four distinct areas of effective contract management:

- **Strategic contract management** – ensuring strategic alignment with changing need and local priorities, leading commercial negotiations and developing the supply market.
- **Contract management** – ensuring effective controls are in place to manage total costs, contractual changes, benefits realisation and the relationship with the supplier.
- **Contract performance monitoring** – regular monitoring and validation of costs and performance.
- **Service management** – day-to-day operational management and customer and stakeholder engagement

2.41. The Council is in the process of developing detailed options for the future operating model which will look to improve the focus on strategic and commercial contract management activity. The experiences of local authorities who have realigned their contract management focus towards a similar operating model have projected savings of 3-5% on total contract spend over the medium to long term. The council will first focus on its tier one contracts. Those are contracts which are valued at £1m annually, £5m lifetime value, or include high risk service areas. The total value of tier one contracts is £227m per annum and includes 34 contracts or frameworks across all departments.

2.42. The model will include the creation of a commercial contract management hub which will oversee high level contract management processes, deliver corporate oversight of contract performance and challenge our contractors to deliver the maximum value for money and achievement against outcomes. The model is expected to be in place and operational by January 2016.

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BACKGROUND DOCUMENTS:

Appendices
1. Tier 1 contract register

Web materials
1. Commissioning strategy and associated toolkits:
   https://www.croydon.gov.uk/business/tenders/commissioning/commissioning-strategy

2. Facilities Management procurement strategy:
   https://secure.croydon.gov.uk/akscroydon/users/public/admin/kabatt.pl?cmte=CAB&meet=33&href=/akscroydon/images/att4973.pdf

3. Passenger transport services framework award report:
   https://www.croydon.gov.uk/sites/default/files/articles/downloads/Cabinet%20Member%20key%20decisions%20made%20on%206%20May%202015_0.pdf

4. Outcomes based commissioning of health and care services for the over 65s procurement strategy report:
   https://secure.croydon.gov.uk/akscroydon/users/public/admin/kabatt.pl?cmte=CAB&meet=29&href=/akscroydon/images/att4278.docx

5. Planned maintenance and improvements procurement strategy report:
   https://secure.croydon.gov.uk/akscroydon/users/public/admin/kabatt.pl?cmte=CAB&meet=29&href=/akscroydon/images/att4295.DOCX

6. Integrated framework for care and support award report:
   https://secure.croydon.gov.uk/akscroydon/users/public/admin/kabatt.pl?cmte=CAB&meet=36&href=/akscroydon/images/att4185.docx

7. Transparency data: https://www.croydon.gov.uk/democracy/data-protection-freedom-information/dclg

8. Council contracts register: http://www.londoncontractsregister.co.uk/Organisations