



Budget Panel

Wednesday 2 December 2009 at 7.30 pm

Committee Room 4, Brent Town Hall, Forty Lane,
Wembley HA9 9HD

Membership:

Members

Councillors:

Mendoza (Chair)

V Brown (Vice-Chair)

Butt

Cummins

Gupta

Van Kalwala

First alternates

Councillors:

Detre

Corcoran

Coughlin

Bessong

Leaman

Beswick

Second alternates

Councillors:

H M Patel

Motley

Crane

C J Patel

Anwar

Jones

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The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
1 Declarations of personal and prejudicial interests	
Members are invited to declare, at this stage of the meeting, any relevant financial or other interest in the items on this agenda.	
2 Deputations	
3 Minutes of the previous meeting	1 - 6
4 Matters arising	
5 Environment & culture budget issues	
The Director of Environment and Culture will attend the meeting to provide a presentation for members on current budget issues facing this service area.	
6 Structure & Staffing Review Implementation	7 - 12
On 13 October 2009 the Budget Panel received a presentation on Brent Council's Improvement and Efficiency Strategy. The projects outlined in the strategy were designed to reconfigure the way the Council provides services to the public, at the same time as achieving substantial efficiencies. As part of its Budget Scrutiny role the Budget Panel asked for information on the progress of the Structure and Staffing review to be brought before them.	
7 Strategic Procurement Review	13 - 18
On 13 October 2009 the Budget Panel received a presentation on Brent Council's Improvement and Efficiency Strategy. The projects outlined in the strategy were designed to reconfigure the way the Council provides services to the public, at the same time as achieving substantial efficiencies. As part of its Budget Scrutiny role the Budget Panel asked for information on the progress of the Strategic Procurement Review to be brought before them.	

8 Date of next meeting

The next meeting of the Budget Panel is scheduled to take place on 13 January 2010.

9 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Democratic Services Manager or his representative before the meeting in accordance with Standing Order 64.



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.
 - Toilets are available on the first and second floors.
 - Catering facilities are on the first floor near the Paul Daisley Hall.
 - A public telephone is located in the foyer on the ground floor, opposite the Porters' Lodge

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MINUTES OF THE BUDGET PANEL

Wednesday 11 November 2009 at 7.30 pm

PRESENT: Councillor Mendoza (Chair), Councillor V Brown (Vice-Chair) and Councillors Butt, Cummins, Gupta and Van Kalwala

ALSO PRESENT: Councillor Lorber (Leader), and Councillors Dunwell, John and Wharton (Lead Member, Children and Families)

1. **Declarations of personal and prejudicial interests**

None declared.

2. **Deputations**

None received.

3. **Minutes of the previous meeting**

RESOLVED:

that, subject to recording the closing time of the meeting as 9.20 pm (amended from 8.20 pm), the minutes of the previous meeting held on Tuesday 13 October be approved as an accurate record of the meeting.

4. **Matters arising**

None raised.

5. **First reading debate on the 2010/11 to 2013/14 budget**

The Chair welcomed Councillor Lorber, Leader of the Council, who introduced the Executive's draft report *Priorities of the Executive*. Councillor Lorber informed the Panel that the budget was always a challenge, with work starting as soon as the previous one was approved. The Council faced internal and external challenges, but the underlying principle was to achieve continuous improvement, provide better value and ensure that services to local residents were the best they could be. The Council's improvement and efficiency agenda, including the planned move to a new Civic Centre, was an opportunity for positive work on efficiency and the creation of one Council. The administration had set itself the objective of helping local residents by freezing council tax, and efficiency was also focussed on this.

Duncan McLeod (Director, Finance and Corporate Resources) introduced the draft budget report setting out the financial forecasts for the next four years. The budget gap for 2010/11 had decreased since the July 2009 meeting of the Executive, mainly because the assumptions around inflation had changed. The reduced level of inflation also affected the Council's projected pay award and the medium-term financial strategy. It was hoped to achieve a surplus from the 2009/10 budget, although this would be difficult. Services were already identifying savings as part of the managing the current budget, and where these were permanent changes, ongoing benefits for future years would be provided. The greatest scope for closing the remainder of the budget gap lay in the implementation of the improvement and efficiency strategy. This was the type of approach being followed by every public and private sector company in the country, given the economic conditions. There

were particular budget pressures on Children and Families as a consequence of the continuation of the recession, and there had been an increase in demand for housing benefit. Officers would be looking to verify figures and take a view on any additional resources that needed to be put into the budget. This would take place in the next two to three months.

Duncan McLeod added that an additional pressure would be caused by the government's proposed change in funding of concessionary fares, and the report would need to be amended to reflect this. While there was a relatively large increase in the amount schools in Brent would receive, this did not appear as part of the Council's overall budget requirement, and was treated separately from spending on other services. An announcement was expected in relation to the Housing Revenue Account, and the report would be updated when this was known. The proposed level of capital spending was at a level similar to that in the current budget, but it was a question of how it would be allocated. The Council was awaiting a decision on Building Schools for the Future (BSF), which would be key to the formation of a long-term programme to address school capital needs.

Duncan McLeod drew members' attention to the timetable for finalising the budget, pointing out that there would be three further Budget Panel meetings before the Executive made its decisions on the budget on 15 February 2010.

Asked about the current assumption that there would be no increases in fees and charges under the Council's control, Duncan McLeod informed the Panel that some charges would increase because they were statutory. There were options for members to increase charges and a report on this would go to the Executive in February 2010.

In answer to a question on the effect of the upturn in the housing market on income from land charges, Duncan McLeod reported that the Information Commissioner had recently ruled that requests for information around land charges could not be charged for under the Environmental Information Regulations, but that the Council was nevertheless required to provide the service. Duncan McLeod reported that the Local Government Association (LGA) was seeking a ruling on this, but that the issue was unlikely to be resolved before the budget was set.

In response to comments that some of the festivals organised by the Council, for example, the Eid Festival and Black History Month, were not providing good value for money, Councillor Lorber agreed that the Eid Festival needed improving, and informed the Panel that the possibility of a month of celebration of Eid, as opposed to a single festival, was currently being explored.

Asked whether there was anything with which he was dissatisfied since coming to power in 2006, Councillor Lorber informed the Panel that the recession had clearly not been helpful, and the initial shock of the dispute with the PCT had had a devastating impact on health services to local people, as well as an ongoing financial impact. However, nothing had diverted the administration from its overriding strategy of focussing on the environment and young people. He looked forward to the future and the challenges and opportunities to improve the way the Council provided services. The financial environment was frustrating and would not be easy in the future, whoever won the next General Election. The improvement and efficiency strategy was therefore crucial. Councillor Lorber pointed out that the budget gap did not differ greatly from those in the recent past, and that the Council needed to be ambitious in making the organisation as efficient as possible. The move to the Civic Centre would not only save up to £2m as a result of the move

from 14 leased properties, but also act as a catalyst to generate substantial efficiency savings beyond the property costs. In addition, the West London Partnership was in the process of tendering to seek to make existing contracts as productive as possible and improve services to residents. There were also a number of other projects in the Council's improvement and efficiency action plan, which was a four-year programme.

Responding to a question of whether there was disappointment at the level of savings achieved by the *invest to save* strategy, Phil Newby (Director, Policy and Regeneration), informed the Panel that some of the *invest to save* programmes in Children and Families had achieved planned savings, but he acknowledged that in some areas there had been problems. However, the concept would be pursued. Indeed, the whole improvement and efficiency strategy was predicated on it, and the Council was already getting better at managing this process.

Asked whether the current method of drawing up budgets was fit for purpose, Councillor Lorber told the Panel that the current approach, in line with the improvement and efficiency strategy, was to look at and improve services, while in the past there had been the option of either cuts or growth, without a full understanding of the implications. A prime example of the approach of looking at services and improving them at a lower cost was the meals on wheels service, which was now providing a better choice of good quality meals and costing £250,000 less than previously.

Duncan McLeod added that setting budgets had become more straightforward since the introduction of three-year settlements, but that a situation had arisen where issues were being considered at the margin, with savings targets having been set and offset against growth. The Panel itself had noted that most of the budget was not being scrutinised, and this was perhaps why it had become difficult to achieve savings targets. A fundamental analysis needed to be carried out of exactly what money was being spent on, and the recession had provided the driver to do this.

Responding to a question about staff morale in the context of the structure and staffing review, Councillor Lorber informed the Panel that a series of roadshows had been organised to explain the improvement and efficiency strategy to staff. Staff understood the situation in which the Council found itself. They could see what was happening in the wider world and understood the need for improvement and efficiency. The proposed reduction of around 300 full-time posts – 10% of the workforce – was to be carried out over four years. With staff turnover currently at 16%, it should be possible to achieve the reduction without recourse to large-scale compulsory redundancies. Duncan McLeod added that he had attended two sessions with staff in Finance and Corporate Resources the previous week, and that staff accepted the need for change. While there was some concern about jobs, it was believed that the reduction could be implemented without compulsory redundancy. Staff would be involved in the changes and their skills would be expanded as a result. In general, the mood was upbeat. Asked about the level of staff morale in streetcare, Duncan McLeod reported that he did not have this information currently, but would be attending a service planning day the following week.

Asked about the impact on the 2010/11 budget of a possible income shortfall in the current year, Duncan McLeod informed the Panel that one of the main areas of shortfall was the parking account, which was around £1m down on the budgeted figure, partly as a result of a reduction in illegal parking and possibly also as a result

of increased charges. Another area of likely shortfall was that of planning fees. The overall gaps would need to be calculated and assessments made nearer the time.

Answering a question about the level of balances, Councillor Lorber reported that the level was similar to that reported at a similar stage in previous years. It was likely that the various departments and units charged with getting overspends under control would emerge with balances similar to or better than those budgeted. Duncan McLeod added that he believed this would happen, but that if there were any overspends, they would indeed have an impact on the level of balances for next year.

The Chair thanked Councillor Lorber for attending the meeting and answering questions from members.

RESOLVED:

that the draft reports to Council on the 2010/11 budget first reading debate be noted.

6. **Children and Families budget issues and service transformation**

John Christie (Director, Children and Families) gave a verbal presentation on current budget issues and service transformation in the Department of Children and Families. Touching on the issue of staff morale, discussed under the previous agenda item on the 2010/11 budget first reading debate, John Christie reported a mixed picture. While staff were affected by change and external pressures at an already difficult time for social care and social workers nationally, there was also an element of positive thinking, and the results of the Council's staff survey showed that the level of satisfaction at working in Brent had increased slightly. John Christie was positive about the *invest to save* programmes and the focus on child protection and the prevention of abuse, and was encouraged by the results of the staff survey. He was confident that the Building Schools for the Future (BSF) bid would be successful, and had been encouraged by the feedback so far.

Responding to members' comments on the situation at Copland Community School, John Christie informed the Panel that the first priority had been to stabilise the school. An Interim Executive Board (IEB) had been appointed and disciplinary action had been taken against the relevant staff, who had either resigned or been dismissed, with further action to come. The Council now needed to review what had happened and learn lessons. The situation had arisen as a result of a combination of things, for example, the permitted independent auditing arrangements and the submission of returns that did not declare certain payments. As soon as the Council had the information that something was amiss, it had taken action. A report would be written on what had happened, and this would cover the issue of governance and interests.

Turning to the budget, John Christie reported that, while Council revenue had been squeezed on the whole, the Dedicated Schools Grant (DSG) had grown, and the schools had agreed to use £750,000 of the DSG to fund the employment of Common Assessment Framework (CAF) officers for the next year.

John Christie reported a general increase in social care activity, with a rise – as follows – in child protection referrals under section 47 of the Children Act 1989:

2006/07	2007/08	2008/09	2009/10
2763	3100	3434	5456 (projected).

The number of section 47 enquiries over the same period was:

2006/07	2007/08	2008/09	2009/10
528	720	830	900 (projected).

The number of children subject to child protection plans was projected to rise to 230 in 2009/10. While the number of looked after children showed a downward trend, other regulatory aspects had increased, and this had combined with increasing demand in the wake of the Haringey inquiry.

The cost of social care placements over the same four-year period, was as follows:

	2006/07	2007/08	2008/09	2009/10
budget	£14.4m	£16.2m	£16.3m	£16.3m
actual	£18.4m	£18.2m	£17.6m	£18.5m

The effect of the *invest to save* strategy was demonstrated by calculations, which showed that, without it, the actual figures would have been as follows:

	2006/07	2007/08	2008/09	2009/10
	£18.4m	£19.2m	£19.9m	£20.5m

The overall budget figures, as follows, showed that expenditure was being contained, and had gone down in real terms:

	2007/08	2008/09	2009/10	2010/11
	£59.605m	£59.923m	£59.002m	£58.862m

Asked about budgeting for the future, John Christie drew the Panel's attention to the increasing proportion of young people in the borough, the increase in the birth rate and movement into the borough. Increased awareness of social care issues had also led to increasing numbers of referrals. For example, there had been a large increase in domestic violence referrals by the police, in part as a result of increased awareness from training they had undergone. It was difficult to predict demand for social care, although it was known from experience that demand tended to peak after an event such as the Haringey inquiry. The Council had already put an extra £1m into social care, and increased the number of social workers. Audit and quality control had been strengthened, and the number of placements was monitored regularly. Specialist staff had been appointed to review cases with staff, and they reported that things were as good as they could be in what was a difficult area of making the judgement whether to place a child in care.

The issue of savings needed to be balanced with coping with increased demand. Estimates were being made of the gap between the amount proposed in the budget and what was needed to cope with predicted demand.

While a 2009/10 overspend of £2.5m in had been predicted in May 2009, this had now been reduced to a predicted £400,000. The department was working on reducing it further, but success would depend on the cost of placements. Two main areas of concern were the underlying issue of covering the budget for children with disabilities with virements from other areas, and the future impact of the Southwark judgement by the House of Lords, which had ruled that looked-after child status should extend to 16 and 17-year olds. The impact of this judgement was a national issue, with the cost previously met by central government now falling to local government. It affected all local authorities, and would cost between £800,000 and

£1.6m. While there had been no financial impact so far this year, it was clear that there would be in 2010/11 and beyond.

The department would therefore be bidding for an extra £600,000 for the children with disabilities budget, £1.4m to cover the cost of social care placements and £800,000 in 2010/11, rising to £1.6m in 2012/13, to cover the impact of the House of Lords judgement.

The department was still working on the *invest to save* strategy, which was a gold project in the Council's improvement and efficiency action plan. While the *invest to save* programme had been revised and recalibrated, some justified growth was needed to respond to the pressures identified.

One area the department was still working on was to increase the number of in-house Brent foster carers. John Christie informed the Panel that he had commissioned an independent review on why this had not been successful so far. Asked about the assessment process for foster carers, John Christie acknowledged that it was difficult and challenging for applicants, but it was important that the right people were recruited. Brent was competing for foster carers with other boroughs and independent fostering agencies. The issue for carers was not just the financial reward, but also the support package provided, which Brent wanted to improve.

Responding to questions about the shortage of school places in Brent, John Christie reported that the BSF bid and academies programme were key elements of providing secondary school places. The big issue was the increasing demand for primary school places. While the government had announced funding of £20m nationally to meet demand in the current year, Brent had not qualified, because the threshold was 15% growth, while Brent's had been 12.5%. The situation was being dealt with by opening extra classes and introducing temporary classrooms. Year on year the authority had managed to contain demand, but the real pressure would come over the next few years. Councillor Wharton (Lead Member, Children and Families) added that the peak would be in 2013, largely as a result of the increase in the birth rate.

Asked why the gymnasium behind the Gwenneth Rickus building had not yet been developed, John Christie informed the Panel that the refurbishment would cost £500,000 and that the department could not afford this in the current financial climate. However, alternatives and more cost-effective solutions would be sought.

The Chair thanked John Christie for his very clear and forthright presentation and for answering questions from the Panel.

RESOLVED:

that the verbal presentation by the Director of Children and Families be noted.

7. Date of next meeting

The Panel noted that the next meeting would take place on Wednesday 2 December 2009 at 7.30 pm.

The meeting closed at 9.15 pm

A MENDOZA
Chair



Budget Panel 2nd December 2009

Report from the Director of Policy & Regeneration

For Action

Wards Affected:
ALL

Structure & Staffing Review Implementation

1.0 Summary

- 1.1 On 13th October 2009 the Budget Panel received a presentation on Brent Council's Improvement and Efficiency Strategy. The projects outlined in the strategy were designed to reconfigure the way the council provides services to the public, at the same time as achieving substantial efficiencies.
- 1.2 As part of its Budget Scrutiny role the Budget Panel asked for information on the progress of the Structure and Staffing review to be brought before them.

2.0 Recommendations

- 2.1 That members examine and comment on the Structure & Staffing Review.

3.0 Detail

- 3.1 On 13th October 2009 the Budget Panel received a presentation on Brent Council's Improvement and Efficiency Strategy. The projects outlined in the strategy were designed to reconfigure the way the council provides services to the public, at the same time as achieving substantial efficiencies. The projects are divided into gold, silver and bronze depending on their strategic importance and their ability to deliver savings. Savings targets and timescales have been included.
- 3.2 As part of its work the Budget Panel was keen to look take a more in-depth look at the Structure and Staffing review gold project. Graham Ellis Director of Business Transformation will be attending the meeting.

- 3.3 The Improvement and Efficiency action plan sets a savings target of £8.5 million for this project which is due to be completed by the end of 2012. The attached document provides the Budget Panel with an overview of information contained in the project inception document.
- 3.4 Members will recall that they have already identified some of the risks to implementing the action plan and they may wish to explore these in relation to this project. These include:
- The pace of change
 - Effective project management
 - Capacity
 - Staff engagement

4.0 Financial Implications

4.1 None

5.0 Legal Implications

5.1 None

6.0 Diversity Implications

6.1 None

7.0 Staffing/Accommodation Implications (if appropriate)

7.1 None

Background Papers

Contact Officers

Phil Newby, Director of Policy & Regeneration
Phil.newby@brent.gov.uk

Jacqueline Casson, Senior Policy Officer
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Summary of Structure and Staffing Review

The following is a summarised version of the business case for this Gold Project set out in the Improvement and Efficiency Strategy. It outlines the rationale for the project, what service improvements and efficiencies it will deliver and how it will deliver these.

The Project Champion is: Gareth Daniel, Chief Executive and the Project Manager is: Tracey Connage, Assistant Director (HR)

Rationale and Context

As a key part of delivering the Improvement and Efficiency Strategy, the Council commissioned PriceWaterhouseCoopers in summer 2009 to examine an approach to staffing and organisational structures that would help us to address the wide ranging challenges that we face as an organisation. These include the current economic recession and increasing demand for services against a backdrop of diminishing resources and a need to deliver services more efficiently and effectively.

The work focussed largely on internal Brent processes. This was benchmarked against best practice authorities. Findings showed:

- The Council needs to decide upon an 'evidence' and 'needs'-based staffing 'establishment' and be able to set a rational control on growth
- The Council should agree a set of organisational design principles which suits our future needs
- There is an opportunity to streamline management structures and remove narrow spans of control (the small ratios of managers to staff) and multiple layers of management
- There are significant opportunities for process efficiencies. This is due to the relatively small proportion of Full Time Equivalent posts (FTE) resources engaged in 'front line' service delivery (29%) compared with over 70% FTE resources engaged in enabling front line delivery and other back office functions

There is also an opportunity to remove duplication and waste where FTEs across multiple teams in the council are allocated to back office functions such as commissioning, procurement and managing contracts, strategy, policy and research. Driving efficiency through these core processes will deliver substantial benefits both financially and to the customer. These core process changes need to simplify, standardise and potentially share these functions more effectively.

Aims, Outcomes and Impact

The Structure and Staffing Review Gold project aims to ensure that the organisational structure of the council (in relation to staffing), meets and reflects the council's future needs more effectively, building on the recommendations of the recent PricewaterhouseCooper Structure and Staffing Review. This project will be supported by Human Resources, the Policy and Regeneration Unit and other units and will impact on many if not all of the projects in the wider Improvement and Efficiency transformation programme.

Key issues to be addressed by this project include:

- Reducing the workforce by a minimum of 10% over 4 years
- Reducing the layers of staffing and broadening the ratio of staff to managers
- In-depth reviews of departmental structures and staffing
- Monitoring/encouraging other Gold, Silver and Bronze projects to contribute to this work
- Ensuring downsizing is done in an intelligent, rational and creative way with minimal impact on frontline jobs and services, but
- Ensuring that both front line and support services are properly scrutinized

The key outcome to be achieved from this project is to transform Brent's Organisational Design, to address the current silo structures and ways of working, and develop a clearer and more integrated One Council structure that meets the needs of Brent's residents more effectively.

This will be achieved through the articulation of a clear, agreed and funded Establishment which will allow for a more strategic approach to staffing rather than allowing ad hoc growth of the organisation in a way that is financially unsustainable, inefficient and difficult to monitor.

Service Improvements and delivery timescales

The tangible service improvements that will be delivered by this project are:

- Reducing the workforce by a minimum of 10% over 4 years from 3100 FTEs to 2800 FTEs
- Reducing the layers of staffing and broadening the spans of control from 1:3 to 1:6
- Realign service delivery and back office FTE ration from 29:71 to 50:50. (We will ensure that downsizing is done in an intelligent, rational and creative way with minimal impact on frontline jobs and services whilst avoiding the 'cult of the frontline' error which means only support services get properly scrutinized)

Non cashable benefits delivered by the successful conclusion of this project will be:

- Cultural – One Council ethos embedded throughout organisation / improved performance
- A clearer and flatter organisational structure with more consistent layers of management and clearly demarcated management responsibilities
- Stronger corporate support functions to enable professionals to focus on their professional role (in line with the Business Support Review)
- Increased organisational capacity to prioritise roles and services and flexibly deploy staffing resources and reduce duplication of functions
- Increased flexibility to allocate resources to multi-agency work
- Organisational ability to anticipate and adapt to future shifts in policy and service demand
- Reduced and avoided costs from ad hoc recruitment which currently cannot be monitored

The project will start in December 2010 and the tangible benefits of this project will be realised by March 2014

Delivering Efficiency Savings

Our expectation is that the majority of savings will come through other Gold, Silver and Bronze projects. Therefore, activities associated with the Structure and Staffing Review project will derive a minimum of £5million in savings but with the aim of securing substantially larger savings over time. Many of these savings will, however, be captured under other projects. The £5million minimum includes savings from all Gold projects and some Silver and Bronze projects, including 'Assessing Brent Customers', 'Brent Business Support' and 'Excellent Procurement', each of which are projects in their own right and are recording these savings separately. In the same way, savings from Spans of Control will be distributed between the difference service area's Gold projects e.g. 'Adult Social Care Transformation', 'Children's Services Transformation' and the 'Waste and Recycling Review', as well as other service reviews.

Similarly, the target of a workforce reduction of 300 FTE, set out by the PWC recommendations, includes FTE efficiencies that will be made through other projects, and as such, will be included in the outputs from this project.

Considered Option

The current working intention is to opt for a 10% reduction in workforce to be carried out in an intelligent and planned way.

Scope

The project will cover:

- Reducing the workforce by a minimum of 10% over 4 years
- Reducing the layers of staffing and broadening the spans of control
- In depth reviews of departmental structures and staffing
- Monitoring other Gold, Silver and Bronze projects and evaluating their recommendations to ensure compliance with the organisational design principles set out by this project.
- Ensure downsizing is done in an intelligent, rational and creative way with minimal impact on frontline jobs and services
- Ensuring that both frontline and back office enabling services are effectively scrutinised

The project will not cover:


- Reward, remuneration and performance issues
- Whilst the Business Support Function is part of the Organisational Design set out by this project, setting up this function will be in the remit of the Business Support function Gold project
- Reshaping customer contact, which will feed into this project as part of Organisational design but not be developed by this project.

This project will not cut across the Terms of Reference of other Improvement and Efficiency Projects. However, it will need to have a monitoring and progress chasing role to ensure that they are consistent with the agreed staffing and structure model and organisation design principles established by this project.

Delivery

The actions required to deliver this project are:

- Development and clear articulation of an organisational design model and design principles.
- Introduction of budgeted staffing establishment with appropriate control measures
- A service by service review of Staffing and Structures using this model.
- Consolidating the project plans of other projects where staffing reviews are planned, to ensure that timescales are appropriate and aligned. This will ensure that there is no duplication of reviews that Staffing and Structure Review principles are built into planned activities and that disruption to Council services, staff and performance is minimised. Once project timescales for other projects are known, a project plan reflecting this will be developed

	<p style="text-align: center;">Budget Panel 2nd December 2009</p> <p style="text-align: center;">Report from the Director of Policy & Regeneration</p>
For Action	Wards Affected: ALL
Strategic Procurement Review	

1.0 Summary

- 1.1 On 13th October 2009 the Budget Panel received a presentation on Brent Council's Improvement and Efficiency Strategy. The projects outlined in the strategy were designed to reconfigure the way the council provides services to the public, at the same time as achieving substantial efficiencies.
- 1.2 As part of its Budget Scrutiny role the Budget Panel asked for information on the progress of the Strategic Procurement Review to be brought before them.

2.0 Recommendations

- 2.1 That members examine and comment on the Strategic Procurement Review.

3.0 Detail

- 3.1 On 13th October 2009 the Budget Panel received a presentation on Brent Council's Improvement and Efficiency Strategy. The projects outlined in the strategy were designed to reconfigure the way the council provides services to the public, at the same time as achieving substantial efficiencies. The projects are divided into gold, silver and bronze depending on their strategic importance and their ability to deliver savings. Savings targets and timescales have been included.
- 3.2 As part of its work the Budget Panel was keen to look take a more in-depth look at the Strategic Procurement Review gold project. Terry Osborne, Borough Solicitor will be attending the meeting.

- 3.3 The Improvement and Efficiency action plan sets a savings target of £7.5 - £15 million for this project which is due to be completed by the start of 2011. The attached document provides the Budget Panel with an overview of information contained in the project inception document.
- 3.4 Members will recall that they have already identified some of the risks to implementing the action plan and they may wish to explore these in relation to this project. These include:
- The pace of change
 - Effective project management
 - Capacity
 - Staff engagement

4.0 Financial Implications

4.1 None

5.0 Legal Implications

5.1 None

6.0 Diversity Implications

6.1 None

7.0 Staffing/Accommodation Implications (if appropriate)

7.1 None

Background Papers

Contact Officers

Phil Newby, Director of Policy & Regeneration
Phil.newby@brent.gov.uk

Jacqueline Casson, Senior Policy Officer
Jacqueline.casson@brent.gov.uk

Summary of Strategic Procurement Review

The following is a summarised version of the business case for this Gold Project set out in the Improvement and Efficiency Strategy. It outlines the rationale for the project, what service improvements and efficiencies it will deliver and how it will deliver these.

The Project Champion is: Terry Osborne and the Project Manager: Alison Matheson

Rationale and Context

- Organisational Overview and existing arrangements

Procurement at Brent is a highly devolved activity with minimal use of collaborative contracting and framework agreements. Procurement activity is currently carried out by the Corporate Procurement Unit (9 FTE) and an additional 145 FTE engaged in procurement, commissioning and contract management activity across the council (PricewaterhouseCoopers report (August 2009)). Both the One Council procurement review (December 2008) and the PwC review highlighted areas of duplication of procurement activity and made recommendations regarding areas which should be reviewed such as: staffing, strategy and overall procurement approach

- Contribution to key objectives

Implementation of the review of the recommended areas will offer greater emphasis on achieving savings through procurement and, in particular, a more focussed and uniform approach to the procurement of services, commodities and utilities. It will address the requirement for analysis of need, market conditions and options available. It will ensure that adequate and appropriate commissioning strategies are in place in all areas. Decisions will be taken strategically regarding collaborative work and alternative procurement solutions with consideration of whole council benefits and cross-council information about markets, financial and other factors that could impact on a range of contracts. Procurement activities will be managed by appropriately trained staff.

The PwC report suggested that the current model for procurement is unlikely to drive best value and a systematic and rigorous review of procurement spend will drive out significant savings, in particular from four initiatives:

- Category management

Driving continual savings across all spend by using the best framework contracts, benchmarking and market testing of contract unit prices, wider use of e-procurement tools and existing e-marketplaces created by other buying organisations.

- Re-scoping of services & demand management

Fundamental review of what is bought and why, which assumes a re-prioritisation of spend and active management of the way we specify and schedule services and goods.

These first two areas will allow us to access and reduce large areas of our expenditure with third party suppliers

- Review & renegotiate contractual spend

Commercial review/ negotiation of large and/or complex contracts and identifying areas of decreased value for money (increased supplier costs/contract scope creep/poor performance) as well as new cost benefits

- Redefining the buying landscape

Reduction in the number of the current buying organisations and active collaboration/ aggregation of spend and market management.

Aims, Outcomes and Impact

The development of a consistent, value conscious approach to procurement and commissioning activities across the council. Implementation of the appropriate structure to evaluate and support major purchasing decisions.

- **Current Problems**
 - Devolved procurement approaches
 - Duplication of procurement effort
 - Procurement strategy should address Community, Equalities and Sustainability in greater detail
 - Need for greater focus on cost management in procurement projects and contract management
- **What we will do**
 - Implement a more strategic, category management approach to procurement activity creating a unified, cost management approach to procurement throughout the organisation
 - Independent staffing review of procurement activity across the council to inform decisions regarding the appropriate procurement structure
 - New strategies will be drafted to address Community, Equalities and Sustainability needs, together with an updated core strategy to define the change to category management procurement
 - Rolling expenditure and contract category reviews will be conducted regarding existing contracts. These reviews will assess whether contracts are delivering in accordance with terms and conditions, and delivering value for money and identify any additional cost benefits which could accrue to the Council. The quality of contract management will be reviewed and training needs identified. End of contract life reviews will feed lessons learned into new contract tenders.
 - Full procurement options reviews will be conducted at the start of key procurement projects (determined by cost or strategic importance). The options review will consider the external market conditions, in-house vs. outsourcing issues, collaboration potential, procurement approach and contract type and contract specification and anticipated outcomes. These

reviews will deliver an additional degree of commerciality to our procurement activity and will inform the setting of savings targets for new procurement projects.

Service Improvements and delivery timescales

- This project will implement a more strategic, category management approach to procurement activity through a Category Management Strategy creating a more unified, cost management approach to procurement throughout the organisation. This will deliver £6.3million in savings over 4 years (2010-2014)
- It will increase the number of aggregated contracts let and deliver £1million in savings over 4 years (2010-2014)
- It will consolidate staff in an appropriate procurement staffing structure to provide a cohesive, council-wide approach to procurement without duplication of resource. This will result in £2.7million in savings over 2 years (2011-2013)
- It aims to deliver a 20% increase in the number of contracts awarded collaboratively with external partners
- Top ten markets identified and market management strategies and action plans in place by 2014

In addition, the intangible benefits of delivering this project are:

- Alignment of whole council procurement approaches to the council's corporate strategy and service objectives
- Pro-active longer term planning, as whole-council interlinked expenditure is reviewed
- Ability to ensure that key areas of legislation/drivers are uniformly applied across all our procurement processes e.g. equalities/diversity, sustainability
- Key strategic procurement decisions are taken in a high-level cross-council forum
- The utilisation of cross-functional teams with appropriate participation by the relevant service on the implementation of procurement projects arising from category reviews
- Pro-active longer term planning, as whole-council interlinked expenditure is reviewed

The project will start in 2010/2011 and the tangible benefits of this project will be realised by March 2014

Delivering Efficiency Savings

- Total savings of £1.014 million in 2010/2011
- Total savings of £2.03 million in 2011/2012
- Total savings of £2.93 million in 2012/2013

Savings related to in-contract value for money reviews have not been included in these figures because they are yet to be defined.

A range of options have been considered and the concluding preferred course of action is as follows:

1. Reviewing the staff involved in procurement activity

Review staffing structure – Determine most appropriate staffing levels and structure to support a cohesive, unified approach to procurement across the organisation. Deliver cost reductions highlighted above and minimise the risk inherent in a fragmented procurement

2. Change the council's procurement approach to one based on category management

Switch to category management approach – Benefits include: Cost due to aggregation of demand and spend, collaborative working, long term planning, Risk reduction due to use of cross-functional teams addressing all relevant issues and the establishment of a high-level decision making board.

3. Review the procurement strategy

Update core strategy and create sub-strategies related to Community, Equalities and Sustainability ensuring that key areas of legislation/drivers are uniformly applied across all our procurement processes and that community partners are able to benefit from appropriate procurement opportunities

Scope

This project will cover:

- Procurement strategy: general strategy, sustainability, community and equalities
- Processes and resources: category management, project management, training, tendering and evaluation, Value for money review of existing contracts. Staffing and structure review of procurement roles and responsibilities
- Collaborative working: building capacity and regeneration, customer engagement, contracting with partners
- Guidance and decision making: strategic procurement group, contract management guidelines, review of contract management and monitoring arrangements

This project will not cover:

- Grant based agreements and procedures

Delivery

The key and immediate actions required to deliver the project are:

- Define Expenditure/Contract Category methodology in consultation with service areas
- Draft revised procurement strategies (Core, Equalities. Sustainability and Community) in consultation with internal and external stakeholders
- Develop forward plan to target new contract/re-tender savings and in-term contract reviews and appoint external provider for reviews
- Scope specification for staffing review, engage external provider