

Monmouthshire Select Committee Minutes

Meeting of Economy and Development Select Committee held at Remote Meeting on Thursday, 25th February, 2021 at 10.00 am

Councillors Present

County Councillor P. Pavia (Chairman)
County Councillors: A. Davies, D. Evans, R. Roden and B. Strong

Also in attendance County Councillors: R.J. W. Greenland and P. Murphy

Officers in Attendance

Frances O'Brien, Chief Officer, Enterprise
Cath Fallon, Head of Economy and Enterprise
Hazel Ilett, Scrutiny Manager
Jonathan Davies, Acting Assistant Head of Finance

Steve Robinson (Atebion)

APOLOGIES: County Councillors: D. Blakebrough and M. Feakins

1. Chair's Welcome

The chair advised the committee that at today's meeting, we would discuss how to improve our strategic procurement function with Steve Robinson, the Managing Director of Atebion Solutions, following an extensive review. He explained this has been a significant priority for the scrutiny committee over the past 18 months. He welcomed committee members, the executive members and guests to the meeting explaining that we would begin with introductions prior to holding a moment's silence to reflect on the sad passing of a long standing valued and committed member of this select committee, Councillor David Dovey. The chair addressed the committee by saying;

"I have been really fortunate to have worked with David over many years and to have come to know him so well. He was my next door neighbour in terms of wards and as chair of this committee, I'm honoured to have had the known David and to have received advice from David and other committee members, David having had previous experience in business outside of the public sector. That has been invaluable to me both in terms of improving my own knowledge, but also in our work as a committee. I'm heartbroken to be honest and I am really going to miss David as a friend and a mentor. I would like us to take a moment's silence to reflect on David's passing".

"Thank you councillors and officers. I know many of you worked very closely with David and are equally feeling this loss and we send our thoughts to Stephanie and Spencer and all of David's family at this very difficult time".

2. Declarations of Interest

The committee agreed to record any declarations of interest as and when appropriate in discussing the reports.

3. Public Open Forum

There were no members of the public expressing an interest in addressing the committee.

4. Procurement: Progress report on the Review of Procurement Policy

Cath Fallon, Head of Enterprise and Community Animation at Monmouthshire Council and Steve Robinson, Head of Procurement at Cardiff Council and Managing Director of Atebion introduced themselves to the committee. They explained that the proposal being brought to the committee for discussion was for Monmouthshire and Cardiff Councils to collaborate on strategic procurement, as part of Monmouthshire's budget proposals for 2021/22. Members heard that the review was conducted by Atebion, which is the trading arm of Cardiff Council's procurement services. The review highlighted the limited capacity within Monmouthshire, with a small team comprising a procurement officer and a procurement manager. It suggested there was limited capacity for these officers to influence behaviours relating to the £100 million 3rd party annual spend or to influence how that spend delivers the council's priorities in terms of innovation, economic, social and environmental considerations, as well as cultural, wellbeing, value for money and efficiency, governance and risk management considerations.

The review initially recommended increasing capacity by employing 3 category specialists and a business systems analyst, but it was felt that the review didn't extend far enough to help us undertake the business transformation that would help us spend more wisely, improve our procurement governance and therefore reduce our risk. We want to be at the forefront in responding to national changes such as the introduction of the new socio economic duty for councils and also consider new ways to measure the social value of our contracts and how we can increase the benefits to the community through local employment and apprenticeship opportunities, adding value to local businesses and supply chains.

We have stepped up our ambitions as a council on the social justice agenda, by looking at how we tackle the major issues such as poverty and homelessness and ahead of the new socio-economic duty, by thinking about how we can promote equitable prosperity and reduce inequalities and by examining our strategic decisions to ensure we are taking the socio economic disadvantage into account.

In a strategic procurement context, we feel there is a real need to have a much stronger focus on local wealth creating opportunities, particularly from an enterprise and local development perspective. We would like to enable more opportunities for local companies to bid for contracts through 'meet the buyer events' and to break down the contracts in order to make them more accessible and to look to safeguard our local employment and generate more job opportunities for local residents.

We also need to give a focus to the circular economy in terms of decarbonisation and considering reuse and recycling and also our foundational economy in terms of enabling and enhancing our local supply chains, our local hospitality sector, our local care sector and our local retail sector by strengthening our support to them.

The proposal we are bringing to members today is that in taking into account the findings of the review, we agree to enter into a mutually beneficial collaboration with Cardiff Council, initially for a 3-year period, but should this be successful, moving to a rolling contract. The councils would be working collaboratively in the discharge and provision of procurement services and this would involve delegating our procurement functions to Cardiff Council on behalf of both councils for the 3-year period. There would still be the flexibility within the contract to undertake procurement ourselves.

The advantages for us are that we would benefit from a bigger team and from the technical capability and expertise that Cardiff Council can bring with their exemplary work, having transformed procurement in Cardiff and having played a key role in developing collaboration in strategic procurement at a regional and national level. Their experience in developing strategy has benefitted at a Wales level and yet we also have something to offer in terms of sharing our wider good practice and moving forward, we can look to focus on 'whole life cost' and undertaking a thorough analysis of spend. This is a cost covering proposal as opposed to income generation which should be of mutual benefit to both councils. In terms of our recent leadership of the INFUSE programme, which will consider Public Sector Skills Innovation, of which procurement will be a part, we will be linking into the South East Wales Procurement Network, so this is a timely opportunity.

In terms of our current position, we have undertaken a full options appraisal. If we don't do anything, we would remain in the current position where we are under resourced and not benefitting from the wider opportunities. If we retain the service in house and invest in more staff, the costs are borne solely by us and we wouldn't be in the position to benefit from the expertise of an award winning team, to benefit from increased capacity, to improve our contract management and reduce our off contract spend. The open procurement option wouldn't enable us to realise the benefits already mentioned in terms of knowledge, skills and expertise, certainly not in the same way as the cost-covering proposal to work with Cardiff Council.

The total cost is £319k per year over the 3-year period, which actually only equates to 0.3% of the Council's annual 3rd party spend. As explained in the report, this can be partly met through our existing budget but presents a £207k additional pressure. We are asking for your support to enable us to move forward to seek agreement from the cabinet and in the meantime, we will be looking to produce a delivery plan to bring back to scrutiny to ensure we meet our objectives and are held to account for those.

Steve Robinson from Cardiff Council introduced himself, outlining his extensive experience in the field of Procurement, having worked for former South Glamorgan Council and now Cardiff Council since 1998, heading its procurement service for 12 years. As a professional accountant, he advised he is head of head of the procurement network for Wales and that he leads Cardiff's trading company Atebion. Steve explained that he led this review, but was able to bring the many experiences of working with local authorities in England to the fore and that this is important because it offers the opportunity to share best practice through collaboration.

Steve highlighted that some of the work Monmouthshire has undertaken around social care is fantastic and that there is learning to be gained from Monmouthshire also. He explained that Cardiff has undertaken a lot of work around the wider social economic

agenda and the 'living wage' and also on social value. Steve advised that the knowledge and experience Cardiff can bring will be helpful, but there is a clear need to ensure there is a fit with the context and aspirations of Monmouthshire. He explained that it will be fundamental to set a clear strategy and direction to guide what will be undertaken, because it cannot simply be about creating new posts. In Cardiff, over the last 6 or 7 years, a student placement programme where students spend a year with the authority's procurement team, builds skills and expertise in the team and that this long term investment delivers long term rewards.

Steve explained that the proposal is to recruit 3 additional posts into the Cardiff team to support the work across both councils, as it was felt unfair to both councils if the additional work was delivered using the existing capacity. By recruiting the posts into the wider team rather than ring-fencing posts would provide greater resilience for both councils and would enable sharing the expertise. We have always felt there was a need for good quality expertise and a key discussion within the WLGA national group is how we can build knowledge and capacity within Local Government, so that we don't need to go to external consultants. Hopefully this has provided useful background information.

Member Challenge:

- *All of the committee have recognised the significant benefits to be gained by improving our procurement function. Some of us have business experience but I think we all realise there are substantial benefits to be gained here. We realise there are insufficient resources to deliver what our team would like to do and we recognise that our system data is difficult to navigate ~ we couldn't interrogate it to identify patterns of spend. These were the 2 things we wanted to address and I feel this proposal addresses this. I still have concerns however about our ability to analyse data. The report refers to the need to focus on wealth creating opportunities and not solely focussing upon cost. I understand that having had experience of this, but I think it's important we do not lose sight of the pennies to ensure we are not exploited and that's where the ability to analyse the data is important. We are making a significant investment and we need to see a Return on Investment and a specific matrix by which we can measure this to demonstrate and evidence the return on investment to the taxpayer. I'm not seeing this within the report.*

Cath – We do recognise the need to monitor progress to demonstrate the benefits and we have agreed to develop an annual plan to be reviewed by this committee and senior leadership and we will ensure this aligns to the priorities and that there is matrix to support it.

Steve – It's crucial to understand what you spend, who you spend it with and how it aligns to suppliers and localities. Don't worry too much that you are not where you are with this, as I've been working with another Council on the same issue, but that will be one of the first key pieces of work we will do, as this will be key to driving changes. In Cardiff, we update the leadership team quarterly on insights and performance to help them be aware of what their performance looks like and getting that governance and risk piece right is fundamental but so is ensuring we deliver on the social and economic wellbeing. Some councils can expect big change from easy wins but those are largely done. You drive value through longer term understanding what you are

spending. The WLGA have led on developing the TOMS framework which is a framework for social value measurement that allows for an unlocking of social value through its integration into procurement and it's helpful because it gives a very visible evidenced based view of social value. We've introduced TOMS into our tenders and we can look at how we start to introduce that into your tenders, but contract management is key. We've just started in Cardiff to employ a new approach to contract management which is a developing area for us and we've done the hard work around that which we can bring to you. Hopefully you can get a sense of the practical things we can do.

Scott – The only thing I would pick up on was originally the concept of Centres of Excellence and Cardiff is that Centre of Excellence. They have had the opportunity to procure a huge range of significant projects that Monmouthshire hasn't. The challenge back to elected members is around our understanding 'whole life costing'. For some services, we can realise where we can drive costs out, but for some, we can't as you have to balance the social inputs, Wellbeing of Future Generations, ethical supply chains and spending locally.

Thanks for the responses, I'm very impressed with your honesty. What it does highlight is we were right to prioritise this as an item for detailed scrutiny. The resource and the data are the important aspects and I feel very encouraged by what we have heard today.

- *Thanks for your answers to our questions. In terms of the specific nuts and bolts and bearing in mind your previous answer, what would you see as the measure of success of this programme should it come to fruition? Would we see a reduction in cost and if so would there be figures put into the contract where there had been an expectation of cost reduction?*

In terms of reduction in cost, it's interesting, as we did a 'category management programme' in Cardiff and off the back of that piece of work, we delivered a £ million reduction in general fund spend. However, I hate the idea of giving procurement a savings target as it tends to drive the wrong behaviours. For example, work with another Council who has been given a savings target is highlighting debate between which department it is a saving for. I believe it is the role of the procurement function to support the directorates who are the budget holders to support their attempts to save money. As we tend to have unit pricing, it is likely to be fairly similar but real value will come through working with directorates to drive changes in their spending through challenging them to do things differently. This is how cost reduction in your services will come through.

Scott – For items such as stationary, yes, we should look to drive costs down but when we are talking about social care, we need to secure supply and at the moment, we have people working on minimum wage and we want continuity in staff, so driving costs down would not be appropriate. What we would want is to offer a wider package to these staff.

- *In terms of the review you have done so far, did you look at comparative costs in any categories in the contracts in Monmouthshire and in Cardiff in terms of benchmarking?*

In terms of comparative benchmarking, it isn't always helpful as it can disguise differences in local workforce issues, geography of authorities ~ for example, in delivering social care in a rural authority. Benchmarking can therefore be problematic when you cannot compare like for like.

- *On the assumption that we go ahead with the proposal, are the skillsets off the MCC Staff the right ones to work with Cardiff as it currently stands?*

Steve – If you are referring to Scott and Sue, yes, I have absolute confidence. We have strong relationships and have worked together over many years. We are strongly aligned in our passion for what procurement should look like. Sue is a strength within the team and will be an integral part of the team whilst we are getting to know Monmouthshire.

Scott – Sue and I have over 12 years of experience but we feel there is a need for specific training for the main expenditure players in the Council.

- *Does the private sector work in a target driven way? How different is this to how a local authority operates?*

The biggest difference is really the sheer diversity of what we buy compared to the private sector. They may buy a single product whereas we buy a huge range of products and services. In Cardiff, we've taken the principles of the private sector but have tailored it to work for the public sector. We have 3 teams in Cardiff: one that looks after procurement for social care, for people and this encompasses housing also, one for the environment and operational services and then a corporate team that picks up everything else. Within those teams, there are individuals who lead on specific areas and they are expert in the areas they lead. We have brought the knowledge from the private sector but our approach does need to be different. We think carefully about what products we need and then look at what the market can offer. In terms of recruitment, there is a real difficulty in recruiting good procurement officers and in my experience, most candidates have a background and experience of working in local government procurement because the way in which the private sector works is so different. This arrangement that we hope to enter into will help us strengthen that professional expertise.

- *Murphy – I am really reassured with what I have heard and I'm looking forward to the approach and working in collaboration.*
- *Scott picked up on the training of people in different directorates and I completely recognise that. Scott also talked about ethical procurement and from personal experience, I have witnessed how that has not always been applied, with dire consequences for companies who have been forced into administration solely because of the focus on price and not quality, so this debate has highlighted that there's a lot more to procurement than price.*
- *In our pre-meeting, we did talk of our initial concerns but we feel that our questions have been answered and we feel reassured.*

- *You alluded to various points of review. We are mindful that we are a scrutiny function and we don't want to operationalise ourselves but could we possibly have an input in shaping the governance process. The linked factor is the contract management and understanding where there break clauses are should the councils want to do something different. Given that this contract will span over 2 administrative terms, can you just explain what you have in place to address that and can you outline what you think would be useful future monitoring arrangements for this committee?*

Cath – We are currently putting together the delegation programme and the 12-month review point will be the break clause in the contract. In terms of the future monitoring plan, Scott will develop that and we will bring that to you and I would suggest that 6 monthly points would be helpful for us. Scott has some key indicators we can look at built around the priorities and having listened to your concerns, it feels like we are on the same page.

Steve – I'd like to reassure members that I'm very passionate about what I do for anyone I work with and I approach it with the same degree of passion as the work for my own authority, so if we enter into this arrangements, there is a total commitment to give you the very best we can.

- Cabinet Member Councillor Greenland ~ One question that remains in my mind relates to the effect on local businesses and Scott has indicated that there should be more opportunities opened up for local businesses through this joint arrangement than previously. What I'd like to know is whether in the review, will we know if Monmouthshire businesses have had more business as a result of the collaboration or less? Will we be able to evidence a net effect on Monmouthshire businesses? I am very happy the scrutiny committee are involved in this and am pleased they will scrutinise this on an ongoing basis.

Steve, one of the things we are reporting on quarterly in Cardiff is local spend in Cardiff, the region and Wales as a whole. We have already reviewed the initial baseline data for Monmouthshire and also looking at a slightly broader footprint by looking at businesses just over the border. We will however develop a set of key performance measures which will cover everything from one-off contract spend to social justice value and micro business spend. So getting the data is important, but it's the insights we glean from the baseline starting point and tracking that through to progress, making sure there aren't any unintended consequences is important.

Scott – One of the interesting dilemmas for us is that one of the key things in the matrix is spend within Wales, but positioned where we are geographically, it's Avon and the border that count too as people live there and work here vice versa and I'm constantly having those discussions with Welsh Government.

Chair's Summing Up:

This has been a priority area for us. We knew there were substantial benefits to be gained, not just in delivering the corporate plan but also WFG goals and shaping culture internally and I've like to think we are forward looking and innovative. The

experience Cardiff can offer us in terms of seeing how departments spend will allow us to transform our culture. This model will bring greater knowledge sharing. With the current resources, we feel maintaining status quo is not an option. Councillor Davies has made a very pertinent point about is having the right data upon which to analyse our activities. We've touched on Return on Investment, not just for the council but also for justifying to the Monmouthshire taxpayer and what success will look like. In terms of scrutiny and governance arrangements, we will build 6 monthly into our Forward Work Programme. If members have additional thoughts about shaping the monitoring piece, let us know. So in terms of the report's recommendations, Cabinet has identified the funding for this and there has been wide support from the committee this morning, so we agree those and we agree to receive 6 month updates.

5. Economy and Development Select Committee Forward Work Plan

We have had to postpone our LDP workshop this week as the health board is unable to attend. The next one is on 9th March.

Our Next meeting is LDP. We'd also like to look at the Business and Enterprise strategy and we'd like to table the Council's 'Plan on a Page' to identify topics for the forward direction to help us shape our work programme.

We'd like to table an update on Employment and Skills and the work with business, apprenticeships and the Kickstart programme. Also we need to table an update on Mon Life.

6. Council and Cabinet Work Planner

7. To confirm the minutes of the previous meeting held on 21st January 2021

8. To confirm the date and time of the next meeting as 22nd April 2021