

Democratic Services

Lewis House, Manvers Street, Bath, BA1 1JG

Telephone: (01225) 477000 *main switchboard*

Direct Line: 01225 394411

Web-site - <http://www.bathnes.gov.uk>

Date: 19 July 2016

E-mail: Democratic_Services@bathnes.gov.uk

To: All Members of the Resources Policy Development and Scrutiny Panel

Councillor Sarah Bevan
Councillor Bob Goodman
Councillor Christopher Pearce
Councillor Jasper Martin Becker
Councillor Colin Barrett
Councillor Chris Dando
Councillor Andrew Furse

Chief Executive and other appropriate officers
Press and Public

Dear Member

Resources Policy Development and Scrutiny Panel: Wednesday, 27th July, 2016

You are invited to attend a meeting of the **Resources Policy Development and Scrutiny Panel**, to be held on **Wednesday, 27th July, 2016** at **4.30 pm** in the **Council Chamber - Guildhall, Bath**.

The agenda is set out overleaf.

Yours sincerely

Michaela Gay
for Chief Executive

If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.

This Agenda and all accompanying reports are printed on recycled paper

NOTES:

1. **Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Michaela Gay who is available by telephoning Bath 01225 394411 or by calling at the Guildhall Bath (during normal office hours).
2. **Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays notice must be received in Democratic Services by 4.30pm the previous Friday)

The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must be received in Democratic Services by 4.30pm the previous Friday). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Michaela Gay as above.

3. **Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Michaela Gay as above.

Appendices to reports are available for inspection as follows:-

Public Access points - Reception: Civic Centre - Keynsham, Guildhall - Bath, The Hollies - Midsomer Norton. Bath Central and Midsomer Norton public libraries.

For Councillors and Officers papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Rooms.

4. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator

The Council will broadcast the images and sound live via the internet www.bathnes.gov.uk/webcast An archived recording of the proceedings will also be available for viewing after the meeting. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

5. **Attendance Register:** Members should sign the Register which will be circulated at the meeting.

6. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.

7. Emergency Evacuation Procedure

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are sign-posted.

Arrangements are in place for the safe evacuation of disabled people.

Resources Policy Development and Scrutiny Panel - Wednesday, 27th July, 2016

at 4.30 pm in the Council Chamber - Guildhall, Bath

A G E N D A

1. WELCOME AND INTRODUCTIONS

2. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 6.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is **a disclosable pecuniary interest** *or* an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN

6. ITEMS FROM THE PUBLIC OR COUNCILLORS - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS RELATING TO THE BUSINESS OF THIS MEETING (Pages 7 - 10)

1. Mr Gait will make a statement to the Panel regarding 'The Efficient Use of Resources'. *The statement is attached.*

2. Susan Charles (WWISE) will make a statement to the Panel regarding warm water exercise – swimming pool in Bath. *The statement is attached.*

7. MINUTES - 25TH MAY 2016 (Pages 11 - 14)

8. PROCUREMENT STRATEGY - THINK LOCAL (Pages 15 - 46)

The Strategic Procurement Team is supporting the Cabinet Member for Finance & Efficiency to review and update the Council's "Think Local" Procurement Strategy. The Council will launch a revised 3 year strategy in 2017/2018 and is seeking the views of the Resources Policy Development & Scrutiny Panel.

9. USE OF CONSULTANTS AND AGENCY STAFF - UPDATE ON TASK AND FINISH GROUP (Pages 47 - 62)

Officers were requested to update the Panel on the use of Consultants and Agency staff. A number of questions were asked by the Panel held on 16th March 2015 and an update was requested following the May 2015 elections.

10. COMMERCIAL ESTATE (Pages 63 - 72)

The Resources Policy Development and Scrutiny Panel have requested an update on the review discussions underway with BNP Paribas.

11. CABINET MEMBER UPDATE

The Cabinet Member will update the Panel on any relevant issues. Panel members may ask questions on the update provided.

12. PANEL WORKPLAN (Pages 73 - 76)

This report presents the latest workplan for the Panel. Any suggestions for further items or amendments to the current programme will be logged and scheduled in consultation with the Panel's Chair and supporting officers.

The Committee Administrator for this meeting is Michaela Gay who can be contacted on 01225 394411.

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Thank you Chair.

I am the Chair of Somerset Care & Repair which includes B&NES Care and Repair. We have worked successfully on several projects in B&NES since taking on the HIA contract on 28th August 2009.

One of these contracts was the Handyperson Services & Minor Adaptations (Hospital Discharge) Extended Research Project. This was a pilot project that was tendered in 2011 under the reablement funding made available from Central Government. It was awarded to us, despite stiff opposition, in part due to the success of our HIA work within B&NES. The pilot was extended several times until the end of March 2016. After a retendering exercise it was then awarded to West of England Care and Repair.

I must stress that we have been told that B&NES has complied with the Public Contract Regulations 2015 in awarding this contract to West of England Care and Repair and that I am not challenging that decision.

I believe that, in its Scrutiny role, this panel is able to investigate the actions of this Council to ensure that this Council learns from its mistakes and thus ensure that, in future, it uses its resources more efficiently.

My concerns arise from our work on the above project which aimed to reduce the expensive and unnecessary bed blocking in Bath hospitals.

I believe that this panel should investigate three issues:

1: A pilot project is designed to evaluate a given approach to determine what worked well, what could be improved and assess the likely costs and benefits so that a proper tender document can be produced for subsequent work.

Why was there was no such evaluation for this pilot before it was retendered?

2: In 2015 we received a memo stating "I notice that you receive an annual grant from B&NES/CCG, however I have been unable to locate any further information regarding these monies."

How is it possible for B&NES to pay money to a contractor without knowing why?

3: In December last year an email was sent stating that the above contract would be extended from 31/03/2016 and when we received this we planned the use of our resources based on that extension. In February we were informed that the contract with us would be terminated.

Could this Panel provide effective guidelines for real partnership working at B&NES so that B&NES resources and the resources of their partners are used effectively?

If you would like any further information I would be happy to meet any panel members at any time. In addition, I would like to invite all of you to visit our offices in Shepton Mallet where you can see our Independent Living Showroom and hear about what we are doing to help people live independent and fulfilling lives through our HIA work and through work to return empty properties to use in the rest of Somerset. We would also be able to discuss the very successful work that we have done in B&NES. I would also be able to explain why it has taken five months to be able to present these concerns to a public meeting at B&NES.

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WWISE Network presentation to Resources Policy Development and Scrutiny Panel– July 27th 2106

In 1996 the warm water pool at Bath Leisure Centre was closed with very little warning which prompted an enormous outcry with demonstrations and a petition of over 3000 signatures plus media coverage over several years against the closure.

In 2004 BANES Active Lifestyles Team set up the Remedial Swimming Consultative Group when the temperature in the main pool was capped & it was following this that they funded the WWISE Network to gather information about the extent of the need. It soon became evident there was a pressing need in a number of demographic groups especially older children & adults which could not be catered for within the current facilities.

Two years ago, when a new operator was being sought by the Council to run the BANES leisure facilities, we attended the 4 relevant Select Committees, Cabinet & Full Council as well as the Health & Wellbeing Board & CCG. All supported the concept of a warm water pool being included in the Leisure Centres, and it was following this that we were invited to talk to the consultants & officers negotiating the contract. They were also in favour of it the pool being included in any refurbishment.

It was with dismay therefore that in March we found it had not been included in the contract so was not in the new design when it was displayed to the public. We had met with GLL the week before and they had asked us to meet with the architect & designers – no date has yet been given for this meeting despite daily phone calls over the course of a month.

We presume an agreement was drawn up and put to GLL before the contract was signed but - somewhere along the line the concept of a warm water was dropped despite all the support within the Council. GLL is an efficient company running over 200 leisure facilities but it seems they were not made aware of the local need – a serious breakdown in communications.

A second warm water pool is included in the plans for the Bath Leisure Centre but at 60 – 90cm/2 – 3ft deep is too shallow for young people & adults. An additional 30 – 40cm /1 – 1.5ft in depth is all that is needed and this could be quite achievable in the space available.

We know there are constraints on the Council's budget but we are assured that the conditions under which GLL were awarded the contract was that they would raise the capital needed to invest in the leisure facilities in return for the income. While some of this capital is coming from GLL & Sport England, the remainder is a loan from the Council to be repaid over the term of the contract, so outside the Council's current budget.

We are sure the Council would want to be seen to be following their own Health & Wellbeing Strategy, their excellent Fit for Life Strategy, their Childrens' & Young Peoples' Plan as well as complying with their Protocol for Decisions Making, Equalities Policy & Pledge to Young People

This is a once-in-a-lifetime opportunity to ensure a warm water suitable for everyone is included in the refurbished Leisure Centre ensuring equal access for all and we ask that the design as it is proposed is revisited by the Council & GLL.

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BATH AND NORTH EAST SOMERSET

RESOURCES POLICY DEVELOPMENT AND SCRUTINY PANEL

Wednesday, 25th May, 2016

Present:- Councillors Sarah Bevan (Chair), Bob Goodman (Vice-Chair), Jasper Becker, Colin Barrett, Andrew Furse and Joe Rayment (in place of Chris Dando)

1 WELCOME AND INTRODUCTIONS

The Chairman welcomed everyone to the meeting.

2 EMERGENCY EVACUATION PROCEDURE

The Chairman drew attention to the emergency evacuation procedure.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillor Dando sent his apologies and was substituted by Councillor Joe Rayment.

Councillor Pearce sent his apologies.

4 DECLARATIONS OF INTEREST

The Panel noted that Councillors Barrett and Goodman are Avon Pension Fund members but that this would not prevent them from participating in discussion on item 8 'Pensions Board'.

5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN

There was none.

6 ITEMS FROM THE PUBLIC OR COUNCILLORS - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS RELATING TO THE BUSINESS OF THIS MEETING

There was none.

7 MINUTES

The Panel confirmed the minutes of the previous meeting as a true record and they were duly signed by the Chairman.

8 PENSIONS BOARD

Jeff Wring – Head of Audit West gave a presentation to the Panel which covered the following points:

- The Local Government Pension Scheme;
- Membership;
- Value of the Fund;
- Assets and liabilities;
- Investment portfolio;
- LGPS national governance structure;
- National governance framework;
- Local Pension Board;
- Terms of Reference – Structure of Board;
- Focus of the Board – Code of Practice 14;
- Pension Board – Year 1 Summary;
- Pension Board – Year 2 Work Plan

Panel members asked the following questions and made the following points:

In response to a question from Councillor Furse regarding membership of the board, the officer explained that there is an open recruitment process with job description and criteria.

Councillor Furse asked about breeches and fraud – the officer explained that a breach would have to be significant to be reportable and this had never occurred to date.

Councillor Barrett asked if the Government can access the pension fund and also if outsourced services employees can join (eg. academy staff). The Strategic Director responded that the Government cannot access the Pension Fund but would like to influence the way funds are invested. He also explained that academy non-teaching staff regularly join the Pension Fund.

Councillor Goodman asked if 78% funded is a good level and what level would be a worry. The Strategic Director explained that this level is acceptable and that the key is a sustainable recovery plan which is in place.

Councillor Becker noted the elaborate system of controls and stated that BHS had a Pensions Board and is this structure similar. The officer explained that there is a difference between private and public pension schemes. He assured the Panel that the Avon Pension Fund is one of the best Local Government Schemes. The Strategic Director confirmed that the Local Government scheme is a national scheme, underpinned by secure funding streams and unlike many public sector schemes its liabilities are mainly funded by investments.

Project Brunel Update – the Strategic Director gave a short introduction to this project, he explained that this Government directed initiative is at a crucial stage. The Project concerns the pooling of funds and the business case is being worked on by PWC. He informed the Panel that there will be a report to Council probably in September to further update members.

Panel members asked the following questions and made the following points:

Following a query from Councillor Furse, the Strategic Director explained that the pension funds stay separate, it is the investments that are pooled.

The Chair thanked the officers.

9 DIGITAL STRATEGY

Angela Parratt – Head of IT gave a presentation to the Panel which covered the following points:

- The Developing Digital Programme;
- Programme Vision;
- Our Digital Design Principles;
- Business Needs – why Digital? (An Efficient Business; Customer and Community; Prevention; Economic Growth)
- What we have achieved already (Digital communications; social media; Intranet; PCC Website; External Website)
- One Council Review Programme;
- Achievements to date (eg Tell Us Once policy);
- The Digital Programme – what does it look like, what will it do

Panel members asked the following questions and made the following points:

Councillor Barrett referred to some feedback issues he has had with Council Connect and asked how the new digital approach will be better. The officer explained that a core design piece of the system will be the user experience. Councillor Barrett cautioned that the approach will only be good if it is well maintained and it must be user friendly. The Strategic Director for Resources Andrew Pate explained that simplicity and ease of use would be the key.

Councillor Rayment asked if Apps are sustainable in the future as people may have storage issues. The officer explained that a solutions architect is being consulted and a choice of channels will be available.

Regarding staff use of their own devices, The Strategic Director explained that where employees need a device for their job, the Council will provide but where a member of staff wants to use their own phone for convenience then they would be able to do so but would not be reimbursed for data.

Councillor Furse stated the importance of accuracy of the system and keeping it updated. The officer noted the comment and explained that hundreds of applications are used and with the new system a 'golden record' can be produced and used in all of the service areas. The Strategic Director explained that this is an opportunity to further join things up and cut down the systems used.

Councillor Barrett asked how much the setting up and maintenance costs of the digital approach would be. The Strategic Director explained that this is a draft programme at present so the budget is not yet confirmed but it would be in the next 3 months when it becomes a strategy. The aim is to help the Council save significantly.

Councillor Barrett asked how secure the system will be. The officer explained that the Council achieves high public sector security standards.

Councillor Barrett asked how Bath Hacked get their information. The officer explained that the Council have an open data policy on some aspects of data and would share it with such organisations. Bath Hacked uses publically available data.

The Panel **agreed** to note the report. The Chair will consult Panel members on what they think might be missing from the programme and whether they would like annual updates on progress.

10 CABINET MEMBER UPDATE

The Cabinet Member for Efficiency and Resources, Councillor Charles Gerrish updated the Panel on what he and his senior officers are currently working on:

- The HR Review – many positives and some learning aspects;
- Property officers are currently looking at investments;
- Proposals are being developed to make the Council Tax Benefit scheme more efficient;
- Adult Care Review – due to be briefed in June and will report back to the Panel;
- The Council has appointed Ernst & Young (EY) as its financial advisor and partner;
- The Property Company is now formally established.

The Panel noted the update.

11 PANEL WORKPLAN

The Panel noted the future workplan with the following suggested additions:

- Council Tax Benefit Review (July or September)

The meeting ended at 6.35 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council		
MEETING/ DECISION MAKER:	Resources Policy Development & Scrutiny Panel	
MEETING/ DECISION DATE:	27th July 2016	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	“Think Local” Procurement Strategy 2013-2017	
WARD:	All	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 : “Think Local” Procurement Strategy 2013-2017</p> <p>Appendix 2 : Review of Progress against Action Plan</p> <p>Appendix 3 : “Think Local” Dashboard 2015/16</p>		

1 THE ISSUE

- 1.1 The Strategic Procurement Team is supporting the Cabinet Member for Finance & Efficiency to review and update the Council's "Think Local" Procurement Strategy. The Council will launch a revised 3 year strategy in 2017/2018 and is seeking the views of the Resources Policy Development & Scrutiny Panel.

2 RECOMMENDATION

- 2.1 The Panel is asked to note the report and feedback comments to allow the Cabinet Member for Finance & Efficiency to develop a revised strategy for 2017-2020.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 The Procurement Strategy is delivered within existing budgets.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 The Council has to comply with the Public Contract Regulations 2015 and a wide variety of other legislation which is highlighted within the Council's Contract Standing Orders.

5 THE REPORT

- 5.1 In 2013 the Council launched a new Procurement Strategy (See **Appendix 1**) with the following objectives

- (1) To prioritise Social Value for our community. This means targeting opportunities for the local economy, providing for a sustainable future and supporting the vulnerable.
- (2) To always aim to think innovatively and work across organisational and service boundaries. This means identifying opportunities with partners and a one-council approach to our sourcing needs.
- (3) To always aim to deliver value for money to the taxpayer. We will provide clarity on expectations, be commercial in our approach and drive efficiency and benefits out of our systems.
- (4) To use intelligent information and analysis to understand our market place and create a workforce with the right capacity and skills to exploit this knowledge for our community.

- (5) To provide a fair, consistent and proportionate framework of governance, rules and guidance to enable us to be transparent and accountable for our decisions.

5.2 All strategy documents are aspirational and the 'Think Local' Procurement Strategy set some very high aims for the Council which it has in general achieved. **Appendix 2** identifies progress against the action.

5.3 The key achievements are:-

- (1) Increasing the use of local supplier from 28% in 2013 to 40% in 2015. This helps re-circulate money in the local economy
- (2) Increasing the use of SME's from 52% in 2013 to 61% in 2015

5.4 These achievements have been built on:-

- (1) Implementing a Social Value Policy & Toolkit
- (2) Developing new Contract Standing Orders that reflect the Council's "Think Local" Policy as well as the Public Contract Regulations 2015 and the Lord Young reforms
- (3) Professionalising the Procurement team and providing a comprehensive training programme to upskill staff across the Council
- (4) Regular "meet the buyer" events to support the local business community in bidding for Council work

5.5 There are things that can still be improved in particular:

- (1) We need to provide further support around Social Value. Suppliers of all sizes are still struggling with the concept and the Council is still not maximising the non-financial benefits that can be obtained.
- (2) We need to develop a consistent contract management framework across the Council that reflects both supplier relationship management (the soft skill) and contract administration. We are developing a proportionate framework that reflects best practice.
- (3) We still need to improve the process for developing the Council's Commissioning Intentions. We have undertaken a number of workshops with Directorates that will allow us to develop the process.

5.6 In 2014 the LGA launched the National Procurement Strategy. In many ways B&NES was ahead of the game with its "Think Local" Strategy and has influenced the shaping of national strategy as a member of the South West Procurement Board. There would be benefits in aligning with the National Procurement Strategy, whilst ensuring local priorities are still met.

5.7 There are a number of issues on the horizon that we need to consider:

- (1) Regional devolution
- (2) The impact of Brexit
- (3) The impact of schools converting to Academies
- (4) Changes in technology (P2P processes)

Contact person	Richard Howroyd
Background papers	National Procurement Strategy
Please contact the report author if you need to access this report in an alternative format	

“Think Local” Procurement Strategy – Action Plan			
		Implementation	Comments
Economic, Environmental and Social Wellbeing			
Stronger communities will be built through the development of sustainable solutions.	<p>Economic, Environmental and Social considerations will be included in Service contract evaluation criteria and in other contracts wherever appropriate.</p> <p>Guidance and training will be provided to Commissioners and Service Providers on how this can be achieved including examples of the range of added value options that might be included in bids.</p>	Fully	The Council has established a Social Value Policy and Toolkit which is now integrated into the Council’s revised Contract Standing Orders which were adopted in December 2015
Economic, Environmental and Social wellbeing needs will be established and prioritised.	Research will be undertaken so that appropriate guidance can be given to staff when constructing tender documentation and evaluating bids	Fully	As above.
Improvement needs are understood well defined and communicated	A continuous programme of engagement with service users, stakeholders, potential providers and all other parties involved will be undertaken. This will help ensure that all aspects of social value are appropriately addressed.	Partial	Whilst there has been strong engagement with all stakeholders; many bidders are still struggling to articulate social value in their bids.
Collaboration and Consolidation			
Ensure the purchasing power of	All Commissioners and Procurers are	Fully	Some good examples across

“Think Local” Procurement Strategy – Action Plan			
		Implementation	Comments
the Council is maximised	required to consider options for collaboration in the local B&NES area. Where the local market place is unable or cannot deliver a product or service then we should consider collaborating with other external buying organisations, especially in the South West.		the Council, including leading on a number of social care DPS arrangements
Sharing workloads, ideas and best practice	<p>Responsibility for undertaking projects will mostly be delivered by a „virtual team“ of commissioning and procurement staff working across services.</p> <p>This virtual team will periodically come together as part of a corporate group and review opportunities for internal collaboration and the sharing of resources.</p>	Fully	<p>The Procurement Team has been restructured to facilitate new ways of working.</p> <p>This is supported by two key IT systems, ProContract (e-procurement) and Atamis (spend analysis)</p>
Similar requirements across services to be consolidated where appropriate	Category management principles will be applied to methods of working. This will avoid duplication of resources, maximise improvement opportunities and service value.	Fully	Category management is used where appropriate.
Collaboration with other Sectors	Efforts to be focussed cross sectors, i.e. Universities and Utilities, where combined working will deliver improved opportunities in the local economy. The Bath and North East Somerset appointed Partnership Manager will	Fully	Close working with Partners in Procurement and the West of England LEP to promote opportunities.

“Think Local” Procurement Strategy – Action Plan			
		Implementation	Comments
	ensure governance arrangements are effective and mutual benefit is obtained by any participating agencies.		
Cost Reduction and Control			
Improve operational efficiency and make collaborative working easier.	<p>Ways of exchanging data between buying organisations and with suppliers will be explored.</p> <p>Processes will be reviewed to ensure the time and effort required by suppliers to bid for work for more than one organisation is reduced.</p>	Fully	<p>All processes are compliant with PCR 2015</p> <p>Innovations established such as NEPRO to reduce burden on some categories of suppliers.</p>
The wide variation in price/quality evaluation criteria will be reduced and the right emphasis made on Social Value.	<p>Standard price and quality weightings will be introduced as a starting point, however in all cases these can be varied up or down depending on the sector and need;</p> <p>As a guideline the weighting proportion should be 50% price and 50% quality for contracts in the care sector and 60% price and 40% quality for all other contracts;</p> <p>Quality criteria include a range of technical characteristics, customer service, innovation, product and service standards and Social Value.</p>	Fully	All reflected in revised CSO's and other guidance provided to staff.

“Think Local” Procurement Strategy – Action Plan			
		Implementation	Comments
	<p>It will be expected that Social Value, i.e. recognising the local economic, environmental and social improvements that can come from each procurement, such as new jobs, apprenticeships and reducing carbon footprint, should as a guide be a minimum of 20% of all marks within any price/quality model;</p> <p>The new gateway processes will allow the right challenges to be made to ensure the appropriate weighting is agreed and approved.</p>		
Best value to be obtained consistently throughout the life of the contract.	Although the relative weighting of price versus quality will be lower in the case of some contracts, it will continue to be a requirement for staff to take a “commercial” approach to commissioning.	Fully	All reflected in revised CSO’s and other guidance provided to staff.
Adherence to contract terms	Contract management skills will be enhanced across the Council through increased training and the sharing of best practice. This will help to ensure contractors work jointly with the Council to continuously improve services.	Partial	In process of developing a contract management toolkit which will be supported by a training programme.
Knowledge and Skills			
Business relationship management	The Corporate Commissioning and Procurement Service will work with	Fully	New structure in place with clear reporting lines.

“Think Local” Procurement Strategy – Action Plan			
		Implementation	Comments
	service areas to agree respective responsibilities to ensure there is mutual understanding of requirements.		
Using the commissioning and procurement framework	Usage will be kept under continuous review to ensure best practice is followed and the benefits of improved technology are harnessed	Fully	The framework is built into CSO's and ProContract
Usage of other available support systems and technology	The use of improved procurement technology and other commissioning tools and templates will be monitored through a rigorous compliance process. This will draw attention to any lapses and indicate any necessary corrective action	Partial	Currently reviewing this area in terms of end to end Purchase to Pay process.
Need for an on-going procurement training programme to support officers undertaking commissioning and procurement.	<p>Training will be accessible as a corporate training event delivered periodically according to need, be backed up with on-line learning.</p> <p>Individual support covering operational procedures will be delivered face to face by the Corporate Commissioning and Procurement Service and will be backed up with on-line learning resources. All staff will be required to achieve a level of commissioning and procurement competence before using the Councils</p>	Fully	<p>The Procurement Team have delivered a number of training programmes including EU Procurement and an ongoing training programme “How to keep procurement of your back”</p> <p>Staff are now only allowed access to procurement systems following specific training.</p>

“Think Local” Procurement Strategy – Action Plan			
		Implementation	Comments
	<p>e-procurement systems. Full access to systems will only be given once training is successfully completed.</p> <p>A regular analysis of Staff Training needs will inform the nature and content of the training programmes and these will be periodically refined, amended or otherwise adjusted to suit training needs.</p>		Specific training needs are also being identified, in particular around lesser used procurement routes (for example competitive dialogue and DPS)
Support for local service providers	A mixed economy of service providers will be actively sought, in order to help build capacity locally and contribute to the development and capability of third sector and small and medium enterprises	Fully	Regular supplier engagement events across the B&NES area as well as service specific events.
Engagement with the Council’s citizen and business communities to provide training, support and market development.	Misplaced perceptions about barriers to trading with the Council will be overcome through a programme of listening and engagement to ensure any concerns are addressed.	Fully	Regular supplier engagement events across the B&NES area as well as service specific events.
Transparency and Accountability			
Approach to procurement and commissioning to be consistently applied	The adoption of a standard commissioning and procurement framework model will ensure processes follow a consistent standard	Fully	The framework is built into CSO’s and ProContract
Commissioning intentions to be freely available	All service areas will provide a forward looking annual update on their future programme of commissioning and	Partial	This has proved to be very difficult. We are just about to publish an updated

“Think Local” Procurement Strategy – Action Plan			
		Implementation	Comments
	<p>procurement activity and this will be published on the Council’s website.</p> <p>The gathering of this information centrally will help ensure an appropriate level of professional input is given to support the implementation of these plans and provide transparent information to service providers and other Relevant Bodies who may wish to exercise their right to challenge the way in which the Council delivers its contracts.</p>		Commissioning Intentions.
Encouraging service improvement ideas	<p>All service areas will be encouraged to listen and engage with their potential providers and be prepared to receive ideas on how services may be improved. In this way good ideas can be implemented quickly and thus save organisations the time and effort of following the full regime of the right to challenge process.</p>	Fully	Regular supplier engagement events across the B&NES area as well as service specific events.
Transparent processes to be followed	<p>Training programmes and guidance provided on the Framework will emphasize the importance of following procedures. This will ensure that the Council complies with its obligations to be transparent in all of its commissioning and procurement processes.</p>	Fully	This has formed a key element of the training provided to staff.

[« Go to Dashboard List](#)

Procurement Team - 'Think Local' - All

Find a dashboard...

Edit

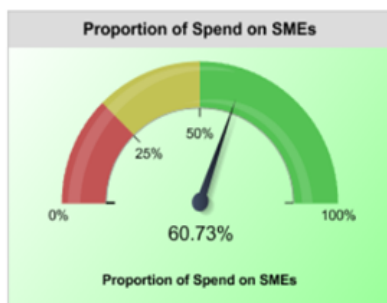
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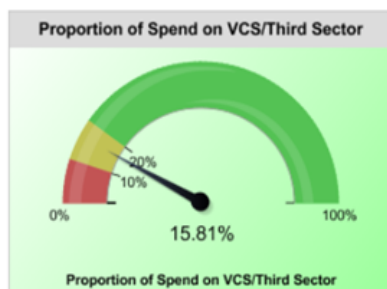
All reports are based on expenditure in the Previous FY unless otherwise stated.

Size



Proportion of spend on SMEs, based on suppliers where company size is known

Sector



Proportion of spend on VCS/Third Sector, based on suppliers where company sector is known

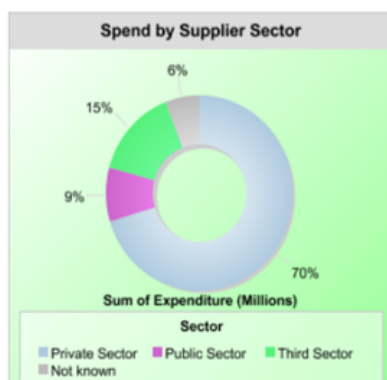
Location



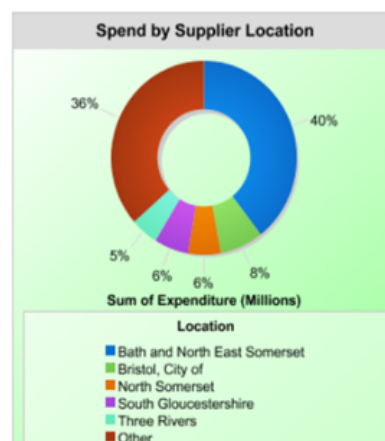
Proportion of spend on Local Suppliers, based on suppliers where location is known



"Other/Not known" includes public sector and organisations not matched to DUNS. Click for breakdown by Category



Click for breakdown by Supplier Sector and Size



Procurement Strategy 2013 - 2017

Delivering Social Value for our Community

Page 27



Making Bath & North East Somerset an even better place to live, work and visit



"Our new strategy for Procurement is 'Think Local'. By helping to develop the local economy we can make significant improvements to the economic, environmental and social wellbeing of the communities we serve. Carbon footprint will be reduced and we will be supporting our own

small and medium enterprises. We will get value for money for the £190M we spend on goods, works and services every year."

**Councillor David Bellotti,
Cabinet Member for Community
Resources**



The ground floor north wing of the Guildhall will open summer 2013 as a co-working hub for local businesses. These innovative arrangements will provide a springboard for developing even closer links with the local business community.



The redevelopment of the previous council office site in Keynsham provides new shops, a library and new council offices. On completion of the project, the council will condense its office space from 12 buildings to just four. The move will significantly reduce running costs, while the Council will reduce carbon footprint in its buildings by up to 70%. As part of the agreement with the Contractor a ‘Meet the Buyer’ event was held and around 50 new opportunities for local people were created such as work experience placements, graduate and apprentice placements, new jobs, training and qualifications.

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Procurement Strategy 2013 – 2017

1. Introduction

Bath & North East Somerset Council strives to deliver excellent services to local people and make our area *the* place to live, invest, and visit in the UK. We realise that by helping to develop the local economy we will make significant improvements to the economic, environmental and social wellbeing of the communities we serve. Our strategy is therefore to first 'think local' in relation to the goods, works and service we procure.

There are significant financial challenges the Council and its partners must overcome and to achieve this we will require sensible management of our budget and effective engagement and partnership working with local providers and organisations.

The Council spends around £190M each year on commissioning goods, works and services and in meeting the challenges we face it will move to a more localised approach with citizens and customers at the centre of what we do. Citizens are becoming empowered with identifying and specifying what services they need and as such we will need to provide a mixed economy as a provider and commissioner of services. Reduced resources necessitate changes to the way officers work across all services and these changes will require more consistency to enable the adoption of best practice and increased synergies from a common approach to commissioning and procurement.

The increasingly regulated environment in which the Council operates requires greater emphasis on training

so that officers are aware of best practice, the constraints within which they can work and when and where to seek expert help. The Council also has an important role in helping service providers understand the complexities of public sector procurement. Building capacity through training and skills development is a key theme of this strategy.

Transparency continues to be a key government objective. Legislative requirements now include consideration to be given to a wide range of measures such as; localism, including the right to challenge, the right to buy, equalities, freedom of information, sustainability and carbon reduction issues. EU procurement rules are also in the process of change. More direct engagement and consultation with our local communities and a more open approach to innovating methods of service delivery will be clear imperatives in the foreseeable future.

Consistent, efficient commissioning and procurement across the Council will require good communication and a one-council approach between Council services. Co-ordinating this work necessitates strong relationship management skills and a recognition that categories of expenditure cut across service area boundaries. Business Relationship management and new technology will play a key role in identifying new opportunities, where support is needed and where collaborative projects will deliver local benefits.



2. Strategic Plan

This strategy covers the period 2013 – 2017 and sets out how the Corporate Commissioning and Procurement support function will help to achieve the Council's corporate improvement objectives.

We will do this based around five key principles

i Economic, Environmental and Social Wellbeing

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'We will prioritise Social Value for our community. This means targeting opportunities for the local economy, providing for a sustainable future and supporting the vulnerable'

What outcomes will this deliver? -

- Priority for local suppliers who will be targeted to bid for Council business;

- Support to stimulate local jobs, growth and economic development for SME's, i.e. new co-working hub for small business in the guildhall;
- Sustainable solutions sought to address local needs;
- To be fair and non-discriminatory and give support to groups and communities judged to be vulnerable;
- Decisions on major initiatives to be based on whole life costs that take account of longer term impacts, i.e. reducing our carbon footprint;
- Consultation with service users, stakeholders and potential providers to ensure 'social value' is measurable and understood



The local community have benefited from a £42 million investment in Writhlington School. The School was recognised as the best new-build secondary school in the country in 2012 by the British Council for School Environments.

ii Collaboration and Consolidation

‘We will always aim to think innovatively and work across organisational and service boundaries. This means identifying opportunities with partners and a one-council approach to our sourcing needs’

What outcomes will this deliver? -

- Working as one-council with cross service categories to manage needs more effectively and not as single silos;
- Working in partnership with other public sector organisations and local businesses in the B&NES area to widen cross-service opportunities;

- Working collaboratively throughout the South West in sectors where the local market place either cannot provide a service or has not yet fully developed;
- Wider cross sector working will be facilitated through the use of integrated teams to reduce costs;
- Rationalising our national supplier base and reducing our contract management and processing costs and focussing on relationships of value at a local level;
- Consolidating our contracts, reducing costs and using more collaborative arrangements, especially in the local market place;
- Thinking innovatively with our partners to become an ‘intelligent’ client and drive continuous improvement throughout the supply chain.



Supporting local partners with our new one stop shop

iii Cost reduction and control

‘We will always aim to deliver value for money to the taxpayer. We will provide clarity on expectations, be commercial in our approach and drive efficiency and benefits out of our systems’

What outcomes will this deliver?

- Pro-actively add value by managing our key relationships with partners and suppliers and adopt a commercial attitude to delivering benefits from our contracts;
- Common and consistent price/quality evaluation models will be adopted with de minimis limits set for specific categories of work and social value;

- Reducing processing costs, increasing management control and enhancing intelligence through improved and increased use of technology;
- Targets for cashable and non-cashable savings to be built in to each initiative and monitored against evidence based plans.



‘We will use intelligent information and analysis to understand our market place and create a workforce with the right capacity and skills to exploit this knowledge for our community’

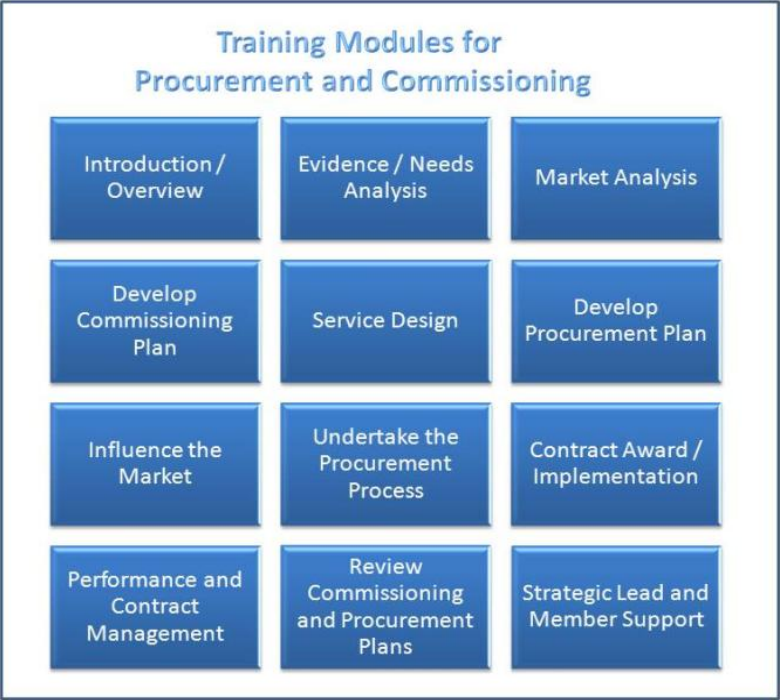
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What outcomes will this deliver?

- We will be able to understand what our local economy and the national market place can deliver and where it needs to be stimulated to encourage growth;
- We will be able to analyse our spend against existing categories and market places using new technologies to identify new opportunities to achieve savings and growth;
- All procurement and commissioning staff will be required to have a richer understanding of our community and the local economy and how to support it. They will be given the opportunity to undertake enhanced training to improve skills and capacity, ensure they have a sound understanding of how

the local economy works and a good grasp of the marketplaces which serve community needs;

- The structure of the Procurement and Commissioning support service will be enhanced to bring together representatives from each of the main spending groups across the Council into a virtual team with split reporting lines to both the corporate centre and the service specific Directorate;
- This ‘matrix management’ arrangement will have the dual benefit of increasing the capacity of the core team, whilst allowing staff to retain service specific knowledge through continuing to spend time in their respective service areas.



v. Transparency and Accountability

‘We will provide a fair, consistent and proportionate framework of governance, rules and guidance to enable us to be transparent and accountable for our decisions’

Page 35

What outcomes will this deliver? -

- We will introduce a new Commissioning and Procurement framework which will bring a fundamental change to the way in which contracts are developed awarded and managed. At the heart of the process we will be listening and engaging with our community to ensure we support the Councils vision;
- The framework will provide opportunities to regularly refresh staff understanding of best practice. It will be web based to enable easy and efficient ways to understand processes that need to be adopted consistently, to ensure compliance with new and increasingly complex legislation;
- Three new gateways will be introduced to provide check points for review and approval before significant Council resources are committed;

- Governance arrangements will provide an opportunity for input from elected members at an early stage so that political considerations may be taken into account and accountability to citizens can be demonstrated;
- Transparency to the public is enhanced through the publication of our Commissioning Intentions each year and free access to opportunities to win Contracts and Services from the Council through our web based systems;
- Free E-Tendering will be provided to businesses and full transparency on the process for contracts awarded will also be freely available for anyone to view via the Council’s Contract portal;
- ‘Dashboard reports’ will be created and enhanced to capture key procurement and commissioning performance measures and reported corporately.



3.Commissioning and Procurement Framework

At the centre of this strategy is a framework for officers and members to follow. It will require evidence based decision making, based on active listening and engagement with stakeholders. When measuring value for money, social, economic and environmental benefits are now factored into decision making to enable a real emphasis on supporting the local economy.

Overview of process:



The Framework is the standard process followed by all officers when commissioning goods works and services for the Council. The cycle is broken down into four key stages underpinned by a central requirement to continuously listen and engage throughout the process. Gateways also form part of the process allowing decision makers to authorise the initiation of Commissioning and Procurement projects, the outline plan and the decision to award contracts

1. **Analyse** - understanding the priorities, values and purpose of the activity, the needs to be addressed and the environment in which the commissioned activity will operate
2. **Plan** - identifying the gaps between what is needed and what is available, and planning how these gaps will be addressed within available resources.
3. **Secure Services** - ensure that the services needed are delivered as planned, to efficiently and effectively deliver the priorities, values and purpose set out in the commissioning strategy
4. **Deliver and Review** – Manage contracts intelligently and deliver the benefits of the arrangements. Carry out reviews of the delivery of services and assess the extent to which they have achieved the purpose intended.

‘Think Local’ Case Study – B&WCE

The Council played a key role in helping a group of people interested in the provision of renewable energy set up Bath & West Community Energy as a community benefit society. It raised £722,000 through a community share issue from more than 200 investors, who each invested at least £500, and £750,000 through a conventional loan.



If we had followed a traditional procurement route none of these local benefits would have been delivered

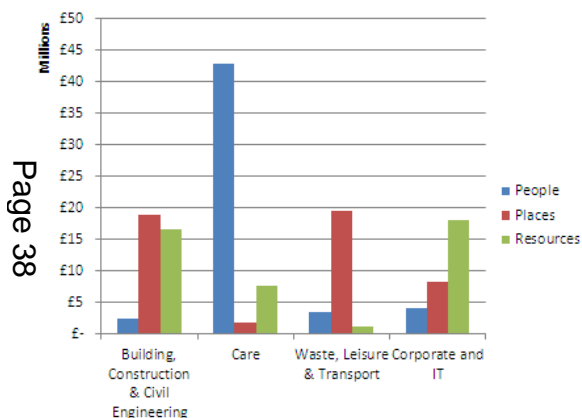
It used the money to install solar panels capable of providing 612kW of energy, which can be sold to energy companies. The scheme qualifies for the feed-in tariff, the government incentive that encourages renewable energy in the UK.

This arrangement and the on-going support from the Council has directly enabled or contributed to:

- *The installation of Solar PV roofs on 5 local schools and 1 rugby club, reducing their energy costs and carbon emissions;*
- *BWCE securing their first £1million loan from Scottish & Southern Energy (SSE);*
- *Launch of BWCE first community share offer for PV projects, which went on to raise £720K – at the time the highest amount raised for PV investment via community shares;*
- *BWCE being awarded ‘Best Community Initiative’ at the Regen SW Green Energy Awards in 2012;*

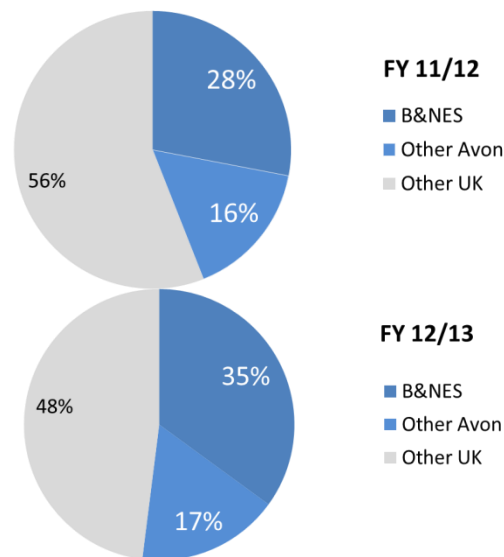


What does the Council spend its budgets on?



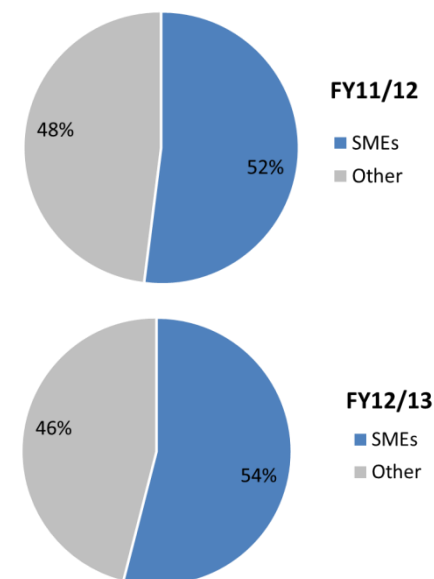
Distribution of the Council's £190m budget spent each year on supporting our local communities. The Council is determined to protect priority front line services whilst maximising opportunities for introducing greater efficiencies in managing these budgets.

What proportion of Council business is awarded to local suppliers?



The value of business won by local suppliers is increasing year on year and this trend is set to continue. In 2013 around 40% of all B&NES suppliers were locally based.

What proportion of business is awarded to SME's?



Small and medium enterprises represent the largest share of the Council's supplier base and the proportion is increasing. In 2013, 54% suppliers were designated as SME's.

4 Making it happen

‘Critical to the success of this strategy will be leadership and commitment to make it happen. We will support senior managers and members through the new processes and adopt a culture of continuous improvement’

4.1 Leadership engagement:

- 4.1.1 Cabinet, Strategic and Divisional Directors will be required to use the new processes, which will be controlled through new gateways. This will ensure best practice is followed within each of the portfolios, especially for ‘significant projects’ (project significance determined by total value or risk assessment).
- 4.1.2 The three new gateways for approval and review will allow for early engagement by Cabinet Members, users and stakeholders. This will ensure corporate control over the whole framework is managed effectively, to enable the key principles outlined in the strategy to be delivered;
- 4.1.3 This will allow Common approval processes to be structured into the commissioning and procurement cycle
- 4.1.4 Gateways will be controlled by a group of Divisional Directors who will meet to review and approve all new significant procurement projects to ensure Council resources are appropriately prioritised;

- 4.1.5 Regular reviews of project progress and delivery against proposals will be required with responsible officers held to account for actions taken.

4.2 Responsible Officers

- 4.2.1 The use of the commissioning and procurement cycle is mandatory for any contract or commission. However it will be enforced in full for any initiative above £100,000 or where risks and opportunities to the local Community are judged to be significant.
- 4.2.2 Local suppliers must be approached first for quotations for any commission below £25,000. This limit will be subject to review.
- 4.2.3 Responsible Officers will be encouraged to ensure the documentation and processes used are proportionate and relevant. To assist this, templates within the framework indicate essential elements for inclusion together with discretionary items dependent on the level of expenditure and risk. A proportionate approach based on risk is therefore expected.
- 4.2.4 Commissioning intentions will be communicated, registered and published in advance and suitable project support for strategic procurement activities will be determined (including the benefits of collaborating with other buying organisations).
- 4.2.5 Responsible Officers are required to complete basic training in the use of commissioning and procurement tools prior to gaining a ‘licence to procure’.

- 4.2.6 The training needs assessment process initiated prior to the start of this strategy will be used to inform the range and content of commissioning and procurement training that will be delivered over the period covered by the strategy. This will be refreshed on a regular basis to ensure training remains relevant to user needs.

4.3 Use of Technology

- 4.3.1 Contract letting and ordering procedures have been standardised to eliminate obsolete work practices including paper based bid processes and verbal/nonstandard ordering. Procurement technology and finance systems are used to drive compliance and ensure these changes happen.
- 4.3.2 'Procure to pay' systems and work on integrating the Financial Management System into procurement process will continue over the period covered by this strategy as will improvements to purchasing card systems and their usage.
- 4.3.3 Only those officers trained and meeting basic competency requirements will be able to take responsibility for letting contracts / make use of procurement systems (to be known as 'licence to procure' – see above).
- 4.3.4 Interoperability with other south west organisations in relation to their financial and procurement systems will be explored and developed. This will allow for existing

systems to be deployed and retained but common data to be entered and extracted.

- 4.3.5 The importance of driving up the quality of data to improve data analysis capability (both input and output) is recognised and this will continue to be a key area for development.
- 4.3.6 The existing Information Management monitoring and case allocation software will be adapted to provide an electronic monitoring system for any expressions of interest received in relation to the 'Right to Challenge' legislation.

5 *How will we measure whether the strategy is working?*

5.1.1. A series of targets designed to measure the effectiveness of the Council's procurement and commissioning strategy will be agreed within the first six months and then monitored quarterly through the Corporate Performance Management framework;

5.1.2. Performance against these targets will be reported to agreed timeframes and actions will be taken or modified as necessary in order to ensure the strategy successfully delivers the actions identified above;

5.1.3. Examples of proposed targets include:

- Increase in percentage of council contracts being awarded to local businesses;
- Value of savings delivered both in terms of monetary value and social value for the community;
- Location and type of organisations that have been awarded contracts, and their proportionate share of business tracked over the following three years;
- Order compliance (corporate contracts used, orders raised in advance of invoice, off contract expenditure) and other governance considerations;
- Number of officers trained and licenced to use the procurement system;

- Consolidating number of national suppliers and contracts;
- Number of SME's both locally and nationally;
- Payment speed and more safer and secure payment systems;
- Delivery of benefits from contract management arrangements and achievement of savings targets;
- Specific procurement and commissioning data broken down by category and over the Council

6 *Actions plans to deliver the strategy*

	Driver	Actions to be taken
1.	<i>Economic, Environmental and Social Wellbeing</i>	
1.1	Stronger communities will be built through the development of sustainable solutions.	<ul style="list-style-type: none"> Economic, Environmental and Social considerations will be included in Service contract evaluation criteria and in other contracts wherever appropriate. Guidance and training will be provided to Commissioners and Service Providers on how this can be achieved including examples of the range of added value options that might be included in bids.
1.2	Economic, Environmental and Social wellbeing needs will be established and prioritised.	<ul style="list-style-type: none"> Research will be undertaken so that appropriate guidance can be given to staff when constructing tender documentation and evaluating bids
1.3	Improvement needs are understood well defined and communicated	<ul style="list-style-type: none"> A continuous programme of engagement with service users, stakeholders, potential providers and all other parties involved will be undertaken. This will help ensure that all aspects of social value are appropriately addressed.
2.	<i>Collaboration and Consolidation</i>	
2.1	Ensure the purchasing power of the Council is maximised	<ul style="list-style-type: none"> All Commissioners and Procurers are required to consider options for collaboration in the local B&NES area. Where the local market place is unable or cannot deliver a product or service then we should consider collaborating with other external buying organisations, especially in the South West.
2.2	Sharing workloads, ideas and best practice	<ul style="list-style-type: none"> Responsibility for undertaking projects will mostly be delivered by a 'virtual team' of commissioning and procurement staff working across services. This virtual team will periodically come together as part of a corporate group and review opportunities for internal collaboration and the sharing of resources.

	Driver	Actions to be taken
2.3	Similar requirements across services to be consolidated where appropriate	<ul style="list-style-type: none"> Category management principles will be applied to methods of working. This will avoid duplication of resources, maximise improvement opportunities and service value.
2.4	Collaboration with other Sectors	<ul style="list-style-type: none"> Efforts to be focussed cross sectors, i.e. Universities and Utilities, where combined working will deliver improved opportunities in the local economy. The Bath and North East Somerset appointed Partnership Manager will ensure governance arrangements are effective and mutual benefit is obtained by any participating agencies.
3.	Cost Reduction and Control	
3.1	Improve operational efficiency and make collaborative working easier.	<ul style="list-style-type: none"> Ways of exchanging data between buying organisations and with suppliers will be explored. Processes will be reviewed to ensure the time and effort required by suppliers to bid for work for more than one organisation is reduced.
3.2	The wide variation in price/quality evaluation criteria will be reduced and the right emphasis made on Social Value.	<ul style="list-style-type: none"> Standard price and quality weightings will be introduced as a starting point, however in all cases these can be varied up or down depending on the sector and need; As a guideline the weighting proportion should be 50% price and 50% quality for contracts in the care sector and 60% price and 40% quality for all other contracts; Quality criteria include a range of technical characteristics, customer service, innovation, product and service standards and Social Value. It will be expected that Social Value, i.e. recognising the local economic, environmental and social improvements that can come from each procurement, such as new jobs, apprenticeships and reducing carbon footprint, should as a guide be a minimum of 20% of all marks within any price/quality model; The new gateway processes will allow the right challenges to be made to ensure the appropriate weighting is agreed and approved.

	Driver	Actions to be taken
3.3	Best value to be obtained consistently throughout the life of the contract.	<ul style="list-style-type: none"> Although the relative weighting of price versus quality will be lower in the case of some contracts, it will continue to be a requirement for staff to take a 'commercial' approach to commissioning.
3.4	Adherence to contract terms	<ul style="list-style-type: none"> Contract management skills will be enhanced across the Council through increased training and the sharing of best practice. This will help to ensure contractors work jointly with the Council to continuously improve services.
4.	Knowledge and Skills	
4.1	Business relationship management	<ul style="list-style-type: none"> The Corporate Commissioning and Procurement Service will work with service areas to agree respective responsibilities to ensure there is mutual understanding of requirements.
4.2	Using the commissioning and procurement framework	<ul style="list-style-type: none"> Usage will be kept under continuous review to ensure best practice is followed and the benefits of improved technology are harnessed
4.3	Usage of other available support systems and technology	<ul style="list-style-type: none"> The use of improved procurement technology and other commissioning tools and templates will be monitored through a rigorous compliance process. This will draw attention to any lapses and indicate any necessary corrective action.
4.4	Need for an on-going procurement training programme to support officers undertaking commissioning and procurement.	<ul style="list-style-type: none"> Training will be accessible as a corporate training event delivered periodically according to need, be backed up with on-line learning. Individual support covering operational procedures will be delivered face to face by the Corporate Commissioning and Procurement Service and will be backed up with on-line learning resources. All staff will be required to achieve a level of commissioning and procurement competence before using the Councils e-procurement systems. Full access to systems will only be given once training is successfully completed. A regular analysis of Staff Training needs will inform the nature and content of the training programmes and these will be periodically refined, amended or otherwise adjusted to suit training needs.

	Driver	Actions to be taken
4.5	Support for local service providers	<ul style="list-style-type: none"> A mixed economy of service providers will be actively sought, in order to help build capacity locally and contribute to the development and capability of third sector and small and medium enterprises
4.6	Engagement with the Council's citizen and business communities to provide training, support and market development.	<ul style="list-style-type: none"> Misplaced perceptions about barriers to trading with the Council will be overcome through a programme of listening and engagement. to ensure any concerns are addressed.
5.	Transparency and Accountability	
5.1	Approach to procurement and commissioning to be consistently applied	<ul style="list-style-type: none"> The adoption of a standard commissioning and procurement framework model will ensure processes follow a consistent standard
5.2	Commissioning intentions to be freely available	<ul style="list-style-type: none"> All service areas will provide a forward looking annual update on their future programme of commissioning and procurement activity and this will be published on the Council's website. The gathering of this information centrally will help ensure an appropriate level of professional input is given to support the implementation of these plans and provide transparent information to service providers and other Relevant Bodies who may wish to exercise their right to challenge the way in which the Council delivers its contracts.
5.3	Encouraging service improvement ideas	<ul style="list-style-type: none"> All service areas will be encouraged to listen and engage with their potential providers and be prepared to receive ideas on how services may be improved. In this way good ideas can be implemented quickly and thus save organisations the time and effort of following the full regime of the right to challenge process.
5.4	Transparent processes to be followed	<ul style="list-style-type: none"> Training programmes and guidance provided on the Framework will emphasize the importance of following procedures. This will ensure that the Council complies with its obligations to be transparent in all of its commissioning and procurement processes.

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Guildhall, Bath, BA1 5AW



Bath & North East Somerset Council		
MEETING/ DECISION MAKER:	Resources Policy Development & Scrutiny Panel	
MEETING/ DECISION DATE:	27th July 2016	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	Use of Consultants & Agency Staff – Update on Task & Finish Group	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1: Opportunities to control and reduce overall spend on Temporary Workforce		

1 THE ISSUE

- 1.1 Officers were requested to update the Panel on the use of Consultants and Agency staff. A number of questions were asked by the Panel held on 16th March 2015 and an update was requested following the May 2015 elections.
- 1.2 The Head of Strategic Procurement & Commissioning has been working with Councillor Barratt to look at issues he raised at the meeting, in particular around the discrepancy in Agency staff spend reported to the Panel compared with the data published by 'Bath Hacked'
- 1.3 The Head of Strategic Procurement & Commissioning has undertaken a further review of the use of agency staff via the Council's neutral vendor arrangement.

2 RECOMMENDATION

- 2.1 The Panel is asked to note the report.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 The use of agency staff forms an important part of workforce planning. In 2015/16 the Council spent £3.8m on agency staff via the neutral vendor contract.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 The Council must comply with the Agency Worker Regulations in using Agency workers.

5 THE REPORT

5.1 At the Panel meeting held on the 16th March 2015 Councillor Barratt was concerned that there was a large discrepancy between the information published by 'Bath Hacked' and the information provided to the Panel.

5.2 The Head of Strategic Procurement & Commissioning has worked with Councillor Barratt to review and reconcile the information. The key issues identified were:-

- a) 'Bath Hacked' data covered more than one year's data therefore we were not comparing like with like.
- b) There were a number of coding errors incorrectly describing suppliers as providing agency staff when this was not the case. For example there are payments relating to rail electrification, park maintenance, legal expenses, school escorts and reimbursement of salaries to other Council's that have been incorrectly coded.
- c) Whilst there was an element of "off contract" agency spend (i.e. not via the Council's neutral vendor contract) it amounted to approximately 7% of spend in both 2013/14 and 2014/15. This is not unreasonable as there will always be specialist requirements that cannot be met through our normal contractual arrangements.

5.3 Finance staff and service areas have been given further guidance to improve coding of expenditure, but it should be noted that the coding may have already been corrected.

5.4 A further review of agency staff expenditure has been undertaken with the assistance of the Head of Human Resources and Organisational Development, Comensura (The Council's Neutral Vendor) and Councillor Barratt to ensure we are obtaining best value from the arrangement.

5.5 The conclusion is the arrangement works well but there are a number of actions we can take to improve management of agency workers and challenge whether they are required:-

- a) Review legacy and long term assignments
- b) Establish new extension controls for individual assignments
- c) Conversion of agency workers to permanent/fixed term contracts
- d) Increase scrutiny and challenge of usage
- e) Greater understanding of market conditions

5.6 **Appendix 1** provides a detailed analysis of spend via the neutral vendor arrangements and includes some best practices that we are considering adopting.

5.7 A detailed breakdown of information has been shared with Divisional Directors to allow them to review agency spend relating to their service areas.

5.8 Strategic Procurement and HR are working with the Place Recruitment Group to examine some of the practical considerations around the implementation of some of the actions. This will take into account the following caveats:-

- a) Some expenditure will be linked to specific capital projects with no revenue savings available to the Council
- b) There are national shortages of qualified staff in certain areas that cannot be resolved with quick fixes. The Council has specific projects to recruit engineers and qualified social workers

5.9 In addition to the review of agency staff a further review the use of consultants and specialist professional services is currently being carried out.

Contact person	<i>Richard Howroyd 01225 477334</i>
Background papers	<i>None</i>
Please contact the report author if you need to access this report in an alternative format	

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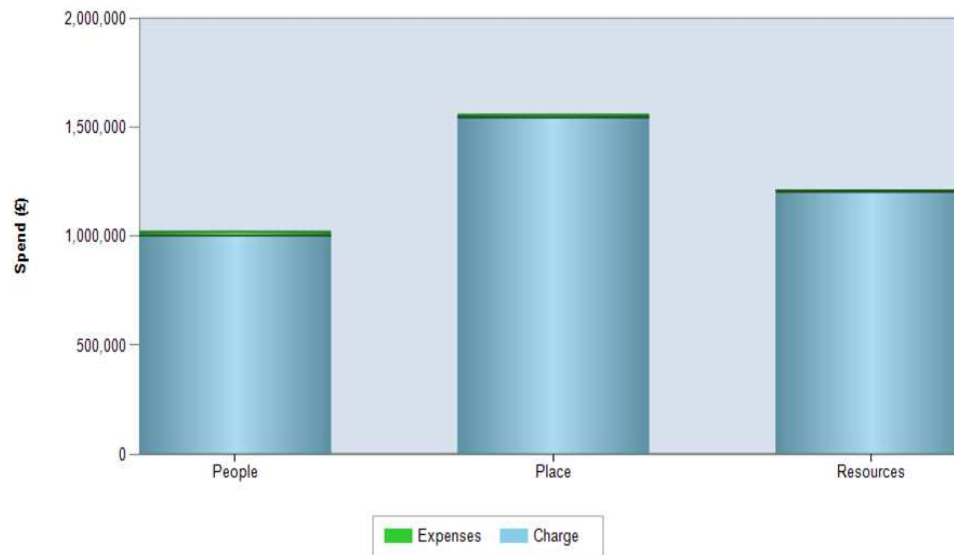
Opportunities to control and reduce overall spend on Temporary Workforce

Contents

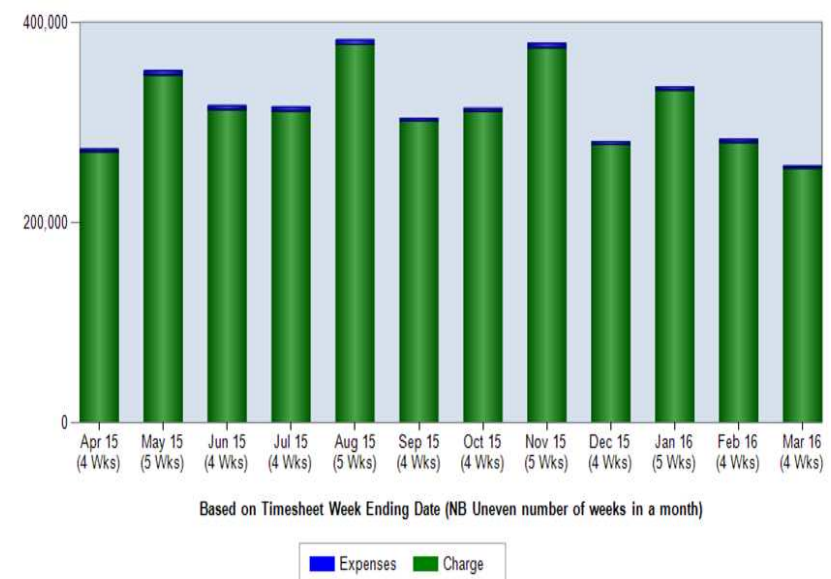
- Current Situation
- Legacy Assignments
- Extension Control
- Convert to Perm/Fixed Term
- Scrutinise and Challenge all usage
- Understanding Market Conditions
- Case Study

Current Situation

Spend Year To Date By Division (Apr 15 - Mar 16)



Spend Year To Date Over Months



Spend By Division (Apr 15 - Mar 16)

	Charge	Expenses	Spend
People	£1,002,847.20	£17,787.18	£1,020,634.38
Place	£1,544,195.83	£12,256.12	£1,556,451.95
Resources	£1,203,448.13	£8,863.93	£1,212,312.06
Total	£3,750,491.16	£38,907.23	£3,789,398.39

Current Situation

Spend By Justification (Apr 15 - Mar 16)

	Charge	%	Expenses	%	Spend	%
Holiday Cover	£280,839.16	7.5%	£68.63	0.2%	£280,907.79	7.4%
Long Term Sick	£153,021.41	4.1%	£867.01	2.2%	£153,888.42	4.1%
Maternity Leave	£180,808.02	4.8%	£1,870.25	4.8%	£182,678.27	4.8%
New Position	£42,205.35	1.1%	£988.20	2.5%	£43,193.55	1.1%
Parental Leave	£14,574.86	0.4%	£750.70	1.9%	£15,325.56	0.4%
Planned Peak	£574,664.00	15.3%	£3,854.68	9.9%	£578,518.68	15.3%
Project Work	£597,481.90	15.9%	£8,429.62	21.7%	£605,911.52	16.0%
Replaced Permanent Post	£1,411,819.75	37.6%	£17,670.98	45.4%	£1,429,490.73	37.7%
Secondment Cover	£152,955.02	4.1%	£1,113.15	2.9%	£154,068.17	4.1%
Short Term Sick	£188,185.17	5.0%	£1,728.81	4.4%	£189,913.98	5.0%
Temp Load	£153,936.52	4.1%	£1,565.20	4.0%	£155,501.72	4.1%
Total	£3,750,491.16	100.0%	£38,907.23	100.0%	£3,789,398.39	100.0%

Spend By Job Category (Apr 15 - Mar 16)

	Charge	%	Expenses	%	Spend	%
Admin and Clerical	£371,558.10	9.9%	£282.21	0.7%	£371,840.31	9.8%
Engineering and Surveying	£804,209.68	21.4%	£16,934.63	43.5%	£821,144.31	21.7%
Executive - Interim	£310,255.33	8.3%	£450.80	1.2%	£310,706.13	8.2%
Facilities and Environmental Services	£142,022.90	3.8%	£561.88	1.4%	£142,584.78	3.8%
Financial	£106,632.23	2.8%	£450.40	1.2%	£107,082.63	2.8%
Housing Benefits and Planning	£200,704.70	5.4%	£279.56	0.7%	£200,984.26	5.3%
Information Technology	£108,704.21	2.9%	£63.90	0.2%	£108,768.11	2.9%
Legal	£176,558.43	4.7%	£2,372.93	6.1%	£178,931.36	4.7%
Management	£20,303.87	0.5%	£72.00	0.2%	£20,375.87	0.5%
Manual Labour	£520,772.99	13.9%	£0.00	0.0%	£520,772.99	13.7%
Marketing	£140,246.68	3.7%	£111.25	0.3%	£140,357.93	3.7%
Social and Healthcare Qualified	£782,979.02	20.9%	£17,327.67	44.5%	£800,306.69	21.1%
Trades and Operatives	£65,543.02	1.7%	£0.00	0.0%	£65,543.02	1.7%
Total	£3,750,491.16	100.0%	£38,907.23	100.0%	£3,789,398.39	100.0%

Current Situation

- Supplier agency margins are among the lowest in the marketplace
- Many roles require market supplements due to national shortage of candidates
- Pay rates governed by AWR for lower paid roles
- Negotiations on Supplier margins and Candidate Pay will yield very little savings
- True savings to be obtained by reducing usage (volume of hours) and reducing overall reliance on temps.

Legacy Assignments

- Initiatives – Identify Long term assignments.
- Actions – Scrutinise and challenge managers
 - Have they tried to recruit?
 - Have they attempted to convert the worker to perm?
 - When was the last time they went to market?
 - Is there a Business Case?
 - Why are there Maternity Cover/Holiday Cover/Short term demand assignments still in place after 2 + years
- Risks – Minimal. Nothing ventured nothing gained! Worst case, they remain as temps. Best case they are converted to perm or the assignment is ended and not replaced
- Blockers – Perception and lack of mandate. Misunderstanding of the goal by the User group. Not possible in Social Care Qualified

Current assignment durations ▾	Count of Assignment Number
A) 0-3 months (0-90 days)	40
B) 3-6 months (91-183 days)	40
C) 6-9 months (183-274 days)	22
D) 9-12 months (275-365 days)	17
E) 12-18 months (366-548 days)	11
F) 18 months - 2 years (549-730 days)	6
G) 2-3 years (731-1096 days)	4
I) 4-5 years (1462-1825 days)	2
k) 6 years plus (2192 + days)	2
Grand Total	144

Legacy Assignments

40 assignments over 9 months in duration by Job Title	Count of Assignment Number
D) 9-12 months (275-365 days)	17
Admin Officer 1 - DBS Required (Grade O)	1
Admin Officer 1 - No DBS (Grade O)	1
Driver (LGV/Specialist) (Grade N)	1
Finance Officer Customer Services (Grade M)	1
Gardener/Groundsman (Grade P)	2
Refuse Loader (Grade Q)	10
Revenues Officer - Customer Services (Grade N)	1
E) 12-18 months (366-548 days)	11
Admin Assistant 2 - No DBS (Grade P)	1
Driver (LGV/Specialist) (Grade N)	1
Gardener/Groundsman (Grade P)	2
Legal Administration Officer (Grade O)	1
Recycling Advisor (Grade P)	1
Refuse Loader (Grade Q)	2
Regeneration - Development Officer (Grade M)	1
Social Worker - Childrens 2 (Grade J)	1
Technical Officer (Grade M)	1
F) 18 months - 2 years (549-730 days)	6
Admin Officer - Procurement (Grade N)	1
Assistant Engineer (Grade K)	1
Cleansing Operative (Grade Q)	1
Project Liaison Officer - Regeneration (Grade K)	1
Social Worker - Adults 2 (Grade J)	1
Trading Standards Officer (Grade K)	1
G) 2-3 years (731-1096 days)	4
Clerk Of Works (Grade L)	2
Highway Engineer (Grade K)	1
HR and Payroll Admin Coordinator (Grade P)	1
I) 4-5 years (1462-1825 days)	2
Project Co-ordinator (Grade L)	1
Technical Officer (Grade M)	1
k) 6 years plus (2192 + days)	2
Pre Comensura (Legal)	2

40 assignments over 9 months in duration by 'Reason for Hire'	Count of Assignment Number
D) 9-12 months (275-365 days)	17
Holiday Cover	12
Long Term Sickness	1
Planned Peak	2
Replacement for Permanent Leaver/Vacant post	2
E) 12-18 months (366-548 days)	11
Holiday Cover	4
Planned Peak	1
Project Work	2
Replacement for Permanent Leaver/Vacant post	4
F) 18 months - 2 years (549-730 days)	6
Maternity Leave	1
Project Work	1
Replacement for Permanent Leaver/Vacant post	3
Secondment Cover	1
G) 2-3 years (731-1096 days)	4
Planned Peak	1
Project Work	2
Replacement for Permanent Leaver/Vacant post	1
I) 4-5 years (1462-1825 days)	2
Short Term Sickness/Absence Cover	2
k) 6 years plus (2192 + days)	2
DO NOT USE - Current Temp Load	2
Grand Total	144

Extension Control

- Initiatives – Govern and control who can extend assignments. Build in an internal approval process (Business Case) to be signed off by Service Lead.
- Actions
 - Assignments only extended by single point of contact.
 - Limit length of assignment to 3 months max.
 - Every 3 months, if the manager wishes to extend, they have to submit Business Case.
- Risks – More difficult to attract to certain roles with small length of assignment offered.
- Blockers – Administrative burden. Resistance from User group and Team managers.

Assignments active in March 2016.																				
Job Title and number of extensions	Number of extensions																			
	Zero	1	2	3	4	5	6	7	8	10	11	12	14	15	20	Grand Total				
Admin Assistant - Child Protection (Grade O)						1										1				
Admin Assistant 1 - No DBS (Grade Q)			1													1				
Admin Assistant 2 - DBS Required (Grade P)		2														2				
Admin Assistant 2 - No DBS (Grade P)	1		1													2				
Admin Officer - Procurement (Grade N)										1						1				
Admin Officer 1 - DBS Required (Grade O)	2	1	1													4				
Admin Officer 1 - No DBS (Grade O)				1												1				
Admin Officer 2 - DBS Required (Grade N)	3	2														5				
Assistant Engineer (Grade K)				1												1				
Benefits Processor (Customer Services) (Grade N)		2														2				
Best Interests Assessor (Grade K)			1													1				
Building Services Manager (Grade L)									1							1				
Building Surveyor (Grade J)		1														1				
Business Implementation Officer (Grade L)	1															1				
Business Manager Highways (Grade K)						1										1				
Cashier (Grade LW)	4															4				
Cleansing Operative (Grade Q)	2	2	2							1		1				8				
Clerk Of Works (Grade L)					1	1										2				
Communications Officer (Grade N)	1															1				
Community Sustainability Officer (Grade M) MKT			1													1				
Driver (LGV/Specialist) (Grade N)	5	1	1													7				
Driver (Non-LGV) (Grade P)	1															1				
Enforcement Officer (Grade M)			1													1				
Environmental Information Officer (Grade N)			1													1				
Estates Surveyor (Grade J)					1											1				
Finance Officer (Grade M)						1										1				
Finance Officer Customer Services (Grade M)		1														1				
Finance Officer Social Care (Grade N)								1								1				
Gardener/Groundsman (Grade P)	5			1		1		1				2			1	11				
Highway Engineer (Grade K)	1					1										2				
Homesearch Advisor (Grade M)		1														1				
HR and Payroll Admin Assistant (Grade Q)																1				
HR and Payroll Admin Coordinator (Grade P)	3	1				1					1					5				
Independent Reviewing Officer CIC (Grade I)				1												1				
Legal Administration Officer (Grade O)				1	1											2				
Operations Technician - Networks (Grade N)						1										1				
Parks/Grounds Staff (Grade P)			1													1				
Pension Fund Accountancy Assistant (Grade M)	1															1				
Pre Comensura (Legal)								1							1	2				
Project Co-ordinator (Grade L)							1									1				
Project Liaison Officer - Regeneration (Grade K)					1											1				
Project Manager (Grade K)		1														1				
Receptionist / Clerical Officer (Grade Q)	1															1				
Recycling Advisor (Grade P)	1		1						1							3				
Refuse Loader (Grade Q)	37	6	1													44				
Regeneration - Development Officer (Grade M)						1										1				
Revenues Officer - Customer Services (Grade N)		1	1	1												3				
Senior Developer (Grade I)	1															1				
Senior Estates Surveyor (Grade I)							1									1				
Senior Procurement Consultant (Grade K)												1				1				
Service Desk Analyst (Grade O)					1											1				
Service Manager Highways and Parking (Grade 6A)			1													1				
Social Care Deputy Team Manager (Grade I)	1	3			1											5				
Social Worker - Adults 2 (Grade J)							1									1				
Social Worker - Childrens 2 (Grade J)	5	1		3	1											10				
Team Manager - Highways & Traffic (Grade G)			1													1				
Technical Officer (Grade M)			2											1		3				
Technical Support Officer (Grade O)	1			1												2				
Trading Standards Officer (Grade K)				1												1				
Transport Planner (Grade L)			1													1				
Tree Inspector (Grade M)					1											1				
Grand Total	77	26	19	11	9	8	4	5	1	2	1	3	1	1	1	169				

Convert to Perm / Fixed Term

- Initiatives – Explore the opportunity of taking workers on Perm/Fixed Term rather than continuing to use as temps. Free transfer after 13 weeks.
- Actions – Explore any assignments that have been in place for over 13 weeks
 - assess opportunities to transfer
 - Establish a policy that at completion of 13 weeks, where possible and appropriate the worker is converted to perm.
- Risks – Possible disengagement of agency suppliers however they have the clause (opposite) in their contract
- Blockers – Market conditions in certain roles and categories will make this more difficult

2.5 Temp to Temp, Temp to Perm and Introduction Fees

Comensura shall not pay any introduction fee to the Supplier should any Temporary Worker secure employment with a Customer (including the post in which the Temporary Worker is temporarily engaged) where the worker applies for a job in response to an advertised vacancy (either internally/externally advertised), and no such fee shall be invoiced to Comensura by the Supplier. Comensura will provide, on request, evidence of advertising arrangements to the Supplier.

Supplier confirms that no commission or other fee shall be payable by Comensura in the event that employment is offered to any Temporary Worker where the individual concerned has worked for the Customer for more than thirteen (13) weeks (whether continuous or not) in any twelve (12) month period.

As an alternative to paying the temp to perm fee Comensura may notify the Supplier that it wishes to retain the Temporary Worker for an extended period of hire. Such extended period of hire shall equate to the difference between the number of weeks spent on Assignment and thirteen (13) weeks. During the extended period of hire the Supplier shall supply the Temporary Worker to Comensura on terms no less favorable than prior to the commencement of the extended period of hire and at the end of the period the Temporary Worker shall transfer free of charge.

2.6 The temp to perm fees shall be as follows and shall be calculated as a percentage of the Temporary Worker's projected gross remuneration which would be paid for the first year of work with the Customer:

For all categories of Temporary Workers

Length of Service	Temp to Perm Fee (%)
0- 4 weeks	12.5
5-9 weeks	7.5
10-13 weeks	2.5
14 weeks and above	no fee payable

2.7 In the event that any Temporary Worker supplied by the Supplier to the Customer is recruited by another Supplier who then begins supply to the Customer, no introductory fee whatsoever will be payable by the Customer to the Supplier.

2.8 Fees will only become due within 30 days of written request by the Supplier.

Scrutinise and Challenge all usage

- Initiatives – Scrutinise and Challenge every order and every assignment extension
- Actions – Create a culture where an Agency worker is used only in exceptional circumstances.
 - Examine the redeployment pool.
 - Examine secondment.
 - Make managers consider every other option before using Agency worker and always concurrently advertise to recruit if the permanent position is vacant.
- Key questions; Why are there admin roles that have been in post for 2-3 years+? Why are there roles that were initially justified as Holiday/Short term that are still in place?
- Risks – Additional admin burden. Potential disengagement of Agency Supply Chain.
- Blockers – Establishing the culture and mandate is the biggest issue. Managers tend to have a perception that temps are an easy way-out of a predicament

Understanding Market Conditions

- Initiatives – Identify hard to fill roles or areas that are likely to require agency support
- Actions – Undertake work to prevent agency from having to be used.
 - Establish links with local / national Universities.
 - Workforce Planning to understand gaps in workforce
- Risks – Longevity of project. Takes time to come to fruition. With Qualified Social care as an example, the requirement is often immediate, although workforce planning can be used to source via other means if you know you will most likely have an issue
- Blockers – Time. In theory, using temps is an instant solution (although often can present more issues). Growing-your-own or recruiting to perm can take much longer.

Number Of Hours For Last 12 Months (Apr 15 - Mar 16)

	Total Hours	Weeks in Period	Average Hours Per Week	Equivalent FTEs (37 Hours)
People	40,134	52	772	20.9
Adult Care and Health Service Delivery	11,655	52	224	6.1
Adult Care, Housing and Health Commissioning	1,625	26	62	1.7
Adult Social Care	315	10	32	0.9
Children and Young People Specialist Services	837	18	46	1.3
Children and Young People Strategy and Commissioning	1,801	52	35	0.9
DD Children, Young People and Family Support	14,480	52	278	7.5
DD Strategic Planning Service	803	24	33	0.9
Environmental Services	560	16	35	0.9
People and Communities Department	398	22	18	0.5
Strategy and Commissioning	226	10	23	0.6
Support Service	7,434	52	143	3.9
Place	93,928	52	1,806	48.8
DD Development and Regeneration	738	23	32	0.9
DD Environmental Services	73,485	52	1,413	38.2
DD Planning and Transport Development	11,171	52	215	5.8
DD Project Management	3,669	52	71	1.9
DD Tourism, Leisure and Culture	49	3	16	0.4
Development and Major Projects	1,362	50	27	0.7
Environmental Services	3,454	52	66	1.8
Resources	49,154	52	945	25.5
Council Solicitor	8,239	52	158	4.3
Customer Services	314	10	31	0.8
DD Finance	6,294	52	121	3.3
DD Improvement and Performance	1,038	31	34	0.9
DD Property and Facilities	11,586	52	223	6.0
Finance	2,558	49	52	1.4
Head of Audit Risk and Information	1,742	40	44	1.2
Head of Revs and Bens and CAP	8,227	46	179	4.8
Property And Facilities	2,200	48	46	1.2
Resources and Support Services	6,276	52	121	3.3
Strategy and Performance	679	33	21	0.6
Total	183,215	52	3,523	95.2

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Bath & North East Somerset Council	
MEETING/ DECISION MAKER:	Resources Policy Development & Scrutiny Panel
MEETING	27 July 2016
TITLE:	Commercial Estate Strategic Review
WARD:	All
AN OPEN PUBLIC ITEM SESSION	
List of attachments to this report: Appendix 1 – Discussion note - BNP Paribas Real Estate Review	

1 THE ISSUE

- 1.1 The Resources Policy Development and Scrutiny Panel have requested an update on the review discussions underway with BNP Paribas. There was an initial presentation to the Resources PDS on 20 January 2016.
- 1.2 This update is provided in the form of a note of discussions as set out in Appendix 1 to this report. BNP Paribas Real Estate act as the Council's Specialist Adviser and Critical Friend in relation to the Commercial property portfolio.

2 RECOMMENDATION

- 2.1 The Panel is requested to note the update report attached in Appendix 1 and provide comments about the next steps to the portfolio holder.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 None as a direct result of this report.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 None

5 THE REPORT

5.1 The report is set out within Appendix 1 of this report.

6 OTHER OPTIONS CONSIDERED

6.1 None

7 CONSULTATION

7.1 Monitoring Officer; s151 Officer.

8 RISK MANAGEMENT

8.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

Contact person	Andrew Pate – Strategic Director, Resources Ext 7300 Derek Quilter – Divisional Director – Property & Project Delivery Ext 7739 Richard Long – Head of Property Ext 7075
Background papers	<i>None</i>
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DISCUSSION NOTE - BNP PARIBAS REAL ESTATE REVIEW COMMERCIAL ESTATE STRATEGIC REVIEW

This appendix is a summary of discussions with BNP Paribas who are the Council's critical friend and external adviser for the commercial estate strategy.

Background

The Estate comprises approximately 220 assets valued at c£250m, the majority of which are retail premises located in Bath city centre. The Estate makes a significant contribution of c£15m pa to the revenues of the Council.

Discussions with BNP Paribas have considered:

- The progress made in achieving the strategic review
- The emerging asset management strategy to dispose of surplus and underperforming assets to invest in the core estate
- The utilisation of BNP Paribas Real Estate and the benefits that the private sector can bring
- Areas of improvement including resourcing levels or alternative means of resourcing key activities

It was noted that *"the Council has over the past 9 months moved towards a smarter way of looking at its property assets by adopting a whole council approach. For example:*

- *the Estate is contributing to the objectives of ADL, the Council's residential development company, and*
- *local independent trader tenants are regarded as contributing to the wider economy and hence the achievement of corporate objectives".*

Property Market Uncertainty

The discussions are taking place at a sensitive time and it was also noted that:

- Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, and the decision taken to exit, the commercial property investment and letting markets in the UK have been disrupted. These circumstances are unprecedented.
- Since then there has been little or no empirical evidence of market activity, resulting in a reduced level of certainty that can be attached to forecasts of how the market might perform in the future.

In view of this BNP advised that we should have *"less confidence than usual in the probability of the property occupier and developer markets performing in a way that you currently expect. The consensus of commentators appears to be that there may be a softening in rental growth and a spike in yields".*

Our advice is submitted on the assumption that there will be no significant disruption to the markets having an impact on the performance of the Estate.

We would recommend that you regularly review your financial appraisals in respect of any developments from which you are anticipating future income”.

The Strategic Review

The Council’s strategic review sets targets for the commercial estate as follows: to increase the net income from the Estate by £1.250m by 2019-20.

A	B	C	D	E	F	G
	Current Estimated Income	Growth in rental income from current Estate	Reductions in SSB	Acquisition s	Total Estimated Income for the Year	Increase
2015-16	£15,335,180					
2016-17	£14,868,592	£905,381	£43,775	£0	£15,817,748	£482,559
2017-18	£15,767,292	£248,469	£30,038	£0	£16,045,799	£278,507
2018-19	£16,097,205	£25,000	£26,120	£312,814	£16,461,139	£363,934
2019-20	£16,469,189	£0	£54,240	£70,760	£16,594,189	£125,000
Totals		£1,178,850	£154,173	£383,574		£1,250,000

The following is a summary of each aspect of this with comments from BNP Paribas.

Growth in rental income from current Estate

A total increase in income of £1,188,500 by 2018-19 is derived from transactions at 15 properties.

Comment: “There is a high degree of certainty that this income will be received because it is derived from contracted transactions. The market would regard the majority of it as “business as usual” income derived from the re-letting of vacant properties with the balance derived from asset management initiatives pursued by Property in respect of individual properties”.

Reductions in SSB (service supported borrowing costs)

This additional saving is achieved by selling property and using the proceeds of sale to write down existing debt secured against the Estate thereby reducing the capital financing charges. The majority of the assets identified for sale are a number of residential units over.

Comment: “There is a high degree of certainty attaching to this projected reduction in debt servicing and consequential increase in net income because the Council is effectively the end buyer and house prices are unlikely to fall in Bath over the plan period”.

Additional capital could be generated from long lease restructures, currently identified as a source of income in Column E and addressed below.

Acquisitions

We have been asked to focus particularly on this initiative.

Comment. *“The decision to retain capital receipts for re-investment in the Estate was a major step forward in your ability to rebalance the Estate. The estate has effectively moved from being a closed estate to a trading estate”.*

It is proposed that the additional income required in 2018-19 will be derived from the following initiatives.

The acquisition of income producing investment properties

A more active approach to the management of the estate is already taking place with a gradual rebalancing of the estate to secure greater diversification whilst generating additional income.

Comment. *“The decision to retain capital receipts for re-investment in the Estate was a major step forward in your ability to rebalance the Estate. The estate has effectively moved from being a closed estate to a trading estate”.*

The plan is for there to be a series of acquisitions funded by short term or longer term borrowing. If there is to be an offsetting capital receipt within (say) 3 years a short term rate can be used. It should be noted long term rates are also at unprecedentedly low levels.

Comment: *“For the reasons set out below we believe there is a high degree of uncertainty attaching to this additional income.*

We have identified a number of constraints that will adversely affect your ability to achieve this target.

- *You have advised us that you are legally constrained from buying investment property outside the B&NES area. This is a severe constraint because the stock of good quality non-retail investments in B&NES is relatively limited. With industrial and distribution warehouse rents forecasted to outperform retail by a significant margin over the next five years, we might well be recommending you to focus on these two sectors. Unfortunately the stock of modern well let industrial and distribution warehouse stock in B&NES is very limited. By contrast there are good opportunities within the Avonmouth area in adjoining Bristol.*
- *Competition for prime property investment stock is intense with relatively poor odds of succeeding in open bidding situations. A strategy of actively seeking out property investments to acquire off and on market will require a dedicated suitably experienced internal resource (which you do not currently have) and supported by external investment agents”.*

The Council is in an unusually advantageous position because it is able to borrow 100% of the total acquisition costs at very low capital financing costs with no fees or costs as compared to the private sector where the Loan to Value Ratio could be typically 60 to 70% for a good quality asset with bank, legal and valuation fees in addition to higher lending margins.

Acquisition of Intermediate interests

It is proposed that Income will also be generated by buying out long leaseholders and taking the benefit of additional rack rented income.

Comment: "Long leaseholders sometimes approach the Council as freeholder to re-negotiate the terms of their ground lease with a view to extending the term to 125 years or to negotiate a surrender of the long leasehold interest. The result is usually the generation of marriage value."

The resulting marriage value would be shared between the Council and long leaseholder either by way of a capital sum or a re-gearing of the ground rent. It is not in the interests of the Council to re-gear the ground rent because your auditors have advised you that rent from new/re-gearred long leases cannot be treated as income, thus potentially preventing such additional income from contributing to the income target.

We therefore believe there is a high degree of uncertainty attaching to this additional income because it relies upon the desire of the long leaseholder to negotiate and may in any event not be possible under current accountancy rules if part of the consideration to be received is rent".

Development

The Council has a series of planned developments for regeneration purposes in the Enterprise Area many of which are funded through City Deal. The devolution deal offers the opportunity for these projects to be supported by strong guarantees of funding from government. There are also proposals to generate income by taking the role of developer in aspects of the regeneration using the in house project delivery skills that exist in the combined Property & Project Delivery Division.

Comment. "You have provided us with confidential information regarding the construction of an office building which is pre-let to an occupier. The contribution to net income should come on stream after the Review period but demonstrates the potential to grow the rental income through targeting investment in development projects".

The Emerging Asset Management Strategy

BNP Paribas have set out below their proposed work

"We have worked with Property to identify a number of work-streams to be pursued in order to achieve the above objectives.

- 1. Realise capital receipts from the sale of non/low-income producing assets or lease re-gears in order to write down the debt already incurred in buying assets.*
- 2. Identify under-performing assets for sale in order to build a cash war chest for re-investment in better, preferably non-retail, quality stock thus reducing future management/repair costs and achieving a re-balancing of the portfolio. Alternatively, advantage could be taken of opportunity purchases which would consolidate your ownership.*

3. *Engage positively with your top 45 tenants who pay 50% of your rents with a view to securing that income into the future.*
4. *Develop AMPs for the key retail locations in Bath and your office and industrial stock.*
5. *Identify non-retail investment stock within B&NES (or beyond if legally possible) that would constitute suitable purchases and seek to secure purchases off market.*
6. *When you are in a position to enter the market to acquire replacement assets, build relationships with active property investment agents.*

You have provided us with 5 suggested property management led work streams covering the following topics. Completion of each work stream is expected within the next six months.

- *Development of commercial estate asset management plans*
- *Produce and review a list of potential commercial disposals*
- *Introduce a new flexible form of lease*
- *Establish a framework for the appointment of letting agents*
- *Management of key tenants”*

The Utilisation of BNP Paribas Real Estate

BNP Paribas were appointed in 2013 to the role of Critical Friend and Specialist Adviser. The challenge being faced then, as now, is the same challenge faced by local authorities up and down the country, namely how to harness private sector experience with the in house expertise without handing over the business lock, stock and barrel.

The role is seen as bringing advice and challenge to the process of generating increased levels of revenue and capital income with particular emphasis on achieving the optimum mix of the Estate and the generation of increasing levels of rental income. It is more about working with Property to challenge, shape and develop strategies to achieve this key objective than working for Property.

Central to the relationship is trust. You are entrusting us with highly sensitive commercial data, whilst we are sharing confidential market intelligence. This cannot be done without each trusting the other to respect that confidentiality.

The advantages of working with a company like BNP Paribas Real Estate, or an equivalent organisation, as critical friend were set out by them as part of our discussions:

“Property [would] have daily access to a vast range of expertise and knowledge, the following being a few examples:

- *Access to national retail market intelligence allowing Property to target those national retailers actively looking to acquire premises in Bath as well as those looking to leave*
- *Access to national investment market intelligence including upcoming sales and access to major property owners*

- Access to our Research department
- Access to industry experts in asset management and property management techniques
- Access to Valuation experts providing support on valuation techniques, specialised valuations and the regulatory background

This wider national intelligence is then blended with our local knowledge of your property holdings and our involvement in the local/regional property markets.

The value of having easy and direct access to private sector specialists cannot be under estimated”.

Areas of Improvement

BNP Paribas summarised for us some areas of improvement. Their comments are:

“The initiatives now incorporated in the Strategic Review are most definitely a step forward towards the step change required if the Estate income is to be maximised over the review period.

The further initiatives required will require additional in and out house suitably experienced resource if the income is to be maximised.

We have identified the following areas for improvement.

- *Encourage all asset managers in Property to take advantage of the skills and market knowledge available within BNP Paribas Real Estate and to engage with “best in class” private sector property portfolio asset managers to raise awareness of current best practice*
- *Accelerate and expand the asset management initiatives required in order to extract maximum income from the Estate*
- *Prepare a comprehensive written strategy supported by a range of measurable, time scaled targets for income growth and cost reduction, supported by the asset management initiatives”.*

Summary of Conclusions

The following are BNP Paribas conclusions:

“Much has been done to take a more holistic view of the Council’s property assets and to enhance the performance of the Estate.

- *The Strategic Review is most definitely a step forward towards the step change required if the Estate income is to be maximised over the Review period.*
- *The decision to retain capital receipts for re-investment in the Estate was a major step forward in your ability to rebalance the Estate.*
- *Steps have been taken to reduce the running costs of the Estate*
- *Property have been active in the consideration of one off income generating initiatives and opportunities to acquire new property.*

- *There is a high degree of certainty over the Growth in Income projections (Column C).*
- *There is a high degree of certainty over the proposal to increase net income through the reduction of SSB (Column D)*

However, much remains to be done.

- *There is a high degree of uncertainty over the proposals to grow income through acquisitions supported by short term borrowing (Column E) with no evidence that there are £15m of non-income producing assets required to pay down that debt. We will work with your officers to model an alternative approach utilising long term borrowing.*
- *There is also a high degree of uncertainty over the proposal to grow income during the Review period through commercial property developments. The pre-let office development referred to above is planned to contribute additional income from 2020-21 onwards.*
- *It is essential that the Estate strategy is completed to ensure that existing income is protected and that additional income is extracted from the Estate through a range of measurable time-scaled achievable targets. These must be supported as soon as possible by a range of strategic and tactical Asset Management*
- *Urgent consideration should be given to reviewing the Estate objectives in order to clarify the role some assets are expected to play (e.g. local independent trader tenants) to ensure that the performance of the Estate can be measured against realistic bench marks.*
- *The global income forecasts should additionally reflect the Net income, ensuring that initiatives to reduce running costs, internal fees and debt funding are properly reflected.*
- *Additional suitably experienced resource is needed in the short and long term if the required step change is to be realised. There is an opportunity for BNP Paribas Real Estate to support Property by providing some short term resource”*

Following comments received at PDS Resources there is to be further discussion with the Cabinet Portfolio Holder to ascertain how to develop the strategy and also how to involve external expertise such as that provided by BNP Paribas.

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RESOURCES PDS FORWARD PLAN

This Forward Plan lists all the items coming to the Panel over the next few months.

Inevitably, some of the published information may change; Government guidance recognises that the plan is a best assessment, at the time of publication, of anticipated decision making. The online Forward Plan is updated regularly and can be seen on the Council's website at:

<http://democracy.bathnes.gov.uk/mgPlansHome.aspx?bcr=1>

The Forward Plan demonstrates the Council's commitment to openness and participation in decision making. It assists the Panel in planning their input to policy formulation and development, and in reviewing the work of the Cabinet.

Should you wish to make representations, please contact the report author or Michaela Gay, Democratic Services (01225 394411). A formal agenda will be issued 5 clear working days before the meeting.

Agenda papers can be inspected on the Council's website and at the Guildhall (Bath), Hollies (Midsomer Norton), Civic Centre (Keynsham) and at Bath Central, Keynsham and Midsomer Norton public libraries.

Ref Date	Decision Maker/s	Title	Report Author Contact	Strategic Director Lead
27TH JULY 2016				
27 Jul 2016	Resources PDS	Use of Consultants and Agency Staff - Update on Task and Finish Group	Richard Howroyd Tel: 01225 477334	Strategic Director - Resources
27 Jul 2016	Resources PDS	Procurement Strategy - Think Local	Richard Howroyd Tel: 01225 477334	Strategic Director - Resources
27 Jul 2016 Page 74	Resources PDS	Commercial Estate	Richard Long, Derek Quilter Tel: 01225 477075, Tel: 01225 477739	Strategic Director - Resources
14TH SEPTEMBER 2016				
14 Sep 2016	Resources PDS	Business Rate Retention - Impact of Government Changes	Tim Richens Tel: 01225 477468	Strategic Director - Resources
14 Sep 2016	Resources PDS	Council Tax Support Review	Tim Richens Tel: 01225 477468	Strategic Director - Resources
14 Sep 2016	Resources PDS	Training and Development	William Harding, David Trethewey Tel: 01225 477203, Tel: 01225 396353	Strategic Director - Resources

Ref Date	Decision Maker/s	Title	Report Author Contact	Strategic Director Lead
14 Sep 2016	Resources PDS	Communications	Jonathan Mercer, David Trethewey Tel: 01225 477449, Tel: 01225 396353	Strategic Director - Resources
ITEMS TO BE SCHEDULED				
	Resources PDS	Equalities and Performance Impacts of Strategic Spending Review	David Trethewey Tel: 01225 396353	Strategic Director - Resources
	Resources PDS	Digital Strategy - Annual Update	Angela Parratt Tel: 01225 396576	Strategic Director - Resources
The Forward Plan is administered by DEMOCRATIC SERVICES : Michaela Gay 01225 394411 Democratic_Services@bathnes.gov.uk				

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