

Agenda Item No 6(c)

DERBYSHIRE COUNTY COUNCIL

CABINET

7 December 2017

**Report of the Strategic Director for Commissioning,
Communities and Policy**

**VALUE FOR MONEY BOARD
(COUNCIL SERVICES)**

1 Purpose of the Report

To inform Cabinet of progress and the approach being taken to establish a Value for Money (VfM) Board for the purpose of reviewing Council contracts.

2 Information and Analysis

The Council's commitment to ensure its decisions are accountable and transparent and can face external scrutiny in the current economic climate is aligned with its objective to establish a VfM Board to examine and review Council contracts. This objective was outlined in the Authority's Council Plan 2017-21, approved by Council on 17 September 2017, in support of delivery of the Council's strategic priority to "Work efficiently and effectively".

The primary function of the proposed VfM Board is to ensure the Council is receiving value for money from its contracts and in undertaking this role the Board will support the Council to achieve its strategic priorities, on behalf of the citizens of Derbyshire.

A draft terms of reference document which defines the purpose, remit, objectives and proposed membership for a Council VfM Board is included at Appendix 1.

As part of establishing a Board, it is proposed to form a small officer working group consisting of departmental procurement practitioners and key specialists to progress the proposals outlined in the draft terms of reference document. Final proposals and practicalities will be the subject of a further report to Cabinet. On approval of that report it is intended to schedule an initial VfM Board during the early part of the new financial year (2018-19).

3 Legal Considerations

The VfM Board will have an advisory, rather than decision-making, role. Its non-Council members will be required to comply with strict confidentiality arrangements, in keeping with the obligations of the Council members of the Board.

4 Other Considerations

In preparing this report the relevance of the following factors has been considered: - financial, prevention of crime and disorder, equality of opportunity; environmental, health, human resources, property, social value and transport considerations.

5 Background Papers

Files and supporting papers held in the Corporate Procurement Team, Finance and ICT Division, Commissioning, Communities and Policy Department.

7 Key Decision

No.

8 Call-in

Is it required that call-in be waived in respect of the decisions proposed in the report?

No.

9 Officer's Recommendation

That Cabinet notes the progress and approach being taken to establish a Council VfM Board.

EMMA ALEXANDER

Strategic Director for Commissioning, Communities and Policy

**Derbyshire County Council
Draft Terms of Reference**

Derbyshire Value for Money Board



Foreword

This report provides Elected Members, Council officers, suppliers and members of the public with an understanding of the context of the Council's proposed Value for Money Board (VfMB), its remit and objectives.

It sets out how the VfMB professional expertise and knowledge will be utilised to ensure that Council contracts deliver Value for Money (VfM) and cost savings, through the medium term period whilst supporting the Council's priorities.

Introduction

To support delivery of the Council's "Work efficiently and effectively" commitment in the Authority's Council Plan 2017-21, a VfMB is to be established with a remit to review Council contracts.

The VfMB will ensure that decisions on contracts and contract management are transparent, can face external scrutiny and comply with the Council's Financial Regulations.

Working across all departments, a VfMB will form part of the overall corporate governance structure with a remit to ensure that Council contracts are delivering VfM in terms of economy, efficiency and effectiveness.

Definition of Value for Money

The VfMB will support the Council in its commitment to being a well-managed, efficient and effectively run Council. In order for contracts to be evaluated by the VfMB it is essential that all Council staff involved in the procurement of services or who undertake contract management activities understand the Council's definition and criteria for evaluation.

Crown Commercial Services (CCS) guidance, who lead on procurement policy on behalf of the UK government, advise that all public procurement of goods and services, including works, must be based on VfM, having due regard to propriety and regularity. VfM is not about achieving the lowest initial price: it is defined as the optimum combination of whole life costs and quality.

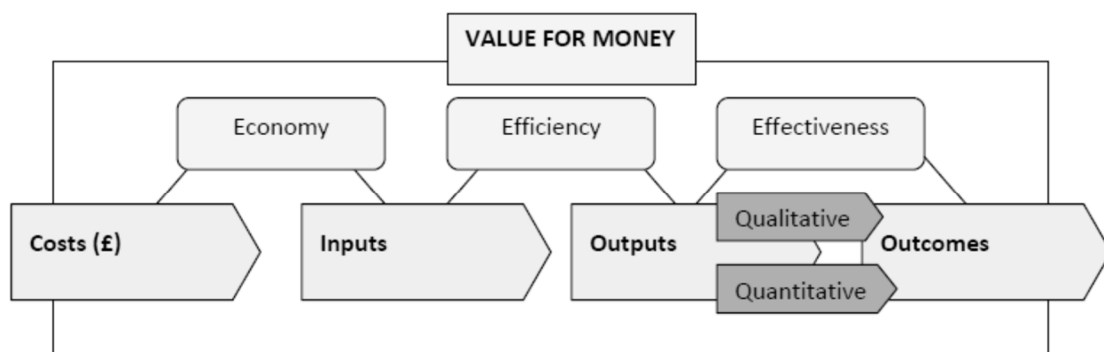
VfM is intrinsic to all Council contracts as described in the Council's Financial Regulations and is aligned with the principles of economy, efficiency and effectiveness as described below:

Covering the whole life cost of a contract, VfM is described in terms of the ‘three Es’ – economy, efficiency and effectiveness:

- Economy – minimising the cost of resources for an activity (‘doing things at a low price’).
- Efficiency – performing tasks with reasonable effort (‘doing things the right way’).
- Effectiveness – the extent to which objectives are met (‘doing the right things’).

Members of the VfMB will be responsible for ensuring the Council’s definition of VfM is applied to all the contracts it reviews using the proposed criteria specified and the evaluation model below:

Derbyshire VfMB Evaluation Model



Although not strictly VfM the VfMB may also, where appropriate, review contracts for social value considerations. As a Council, social value should be intrinsic to all of the services that we provide, commission and procure as this ultimately contributes to improving the lives of Derbyshire residents.

The Social Value Act 2012 came into force on 31 January 2013. The Act places a requirement on commissioners and procurement officers to consider the economic, environmental and social benefits of their approaches to the procurement of public services. Although the Act does not require social value to be considered in all contracts for goods, services and works, the Council considers the inclusion of social value requirements in all contracts in line with identified best practice elsewhere.

VfM Board Remit

The remit of the VfMB will be to ensure good corporate governance is developed and applied to all contracts, especially those linked to delivering Council priorities. It will establish clear ownership, roles and responsibilities for all contracts and take the lead in stressing the importance of contract management in achieving the Council's objectives.

In its advisory capacity the VfMB will help support the development of a corporate approach to good Supplier Relationship Management (SRM) and help to ensure that all contracts across the Council are reviewed and deliver VfM in terms of the Council's definition. In support of the VfMB, a Council Procurement Strategy covering the period 2018-21, is being developed which fully supports VfM and will be a key factor in delivering the VfMB's objectives.

As the Council enters more third-party supplier arrangements to provide VfM services, good contract management becomes increasingly important. It is about more than ensuring suppliers meet their contractual obligations. The VfMB will support the Council to identify and manage its suppliers' risks, and achieve savings and continuous improvement throughout the life of Council contracts. In its advisory capacity it will be responsible for providing guidance on the methodology for evaluating contracts for economy, efficiency and effectiveness

During 2016-17 the Council awarded over 250 contracts to third-party organisations amounting to a total value in excess of £200M. Due to the large number of third party contracts, the VfMB will only review a limited number of these at any single Board meeting.

Initially, it is proposed that the VfMB will meet quarterly with contract performance reports being produced on this basis and presented for review by the appropriate Strategic Director, contracting commissioner, or senior manager using the Council's APEX (Corporate Performance Management solution) report format. The contract performance reports should demonstrate VfM in both qualitative and quantitative terms so that a full picture of the contract can be reviewed by the VfMB. If required, managers should be supported by appropriate staff in an advisory role to provide professional expertise including:

- Procurement/Contract Management
- Legal
- Benefits realisation against the business case objectives
- Risk management

- Audit Services in a compliancy role
- Post implementation evaluation arrangements

In its advisory capacity the VfMB will review the contract reports and make recommendations to the Council. Where the VfMB has made recommendations, these contracts will be subject to subsequent reporting to the VfMB on the outcomes of the review at the next appropriate VfMB meeting.

Contract review criteria

The following is a suggested set of criteria which could be used for review by the VfMB. This will be finalised by an officer Task and Finish group and be the subject of a further report to the Council's Cabinet.

- Council contracts of high value or high risk (to be determined) will be subject to a VfMB contract performance review.
- Where a contract has been recently awarded and is subject to review, the initial review will be scheduled 12 months post award of the contract unless a contract exception is specified and agreed by the VfMB.
- Where a contract has been reviewed and VfMB recommendations made it may be necessary to review again to assess if the desired outcomes have been achieved.
- It may be necessary for the VfMB to review high value or high risk contract renewals or extensions.

VfM Board Objectives

In establishing the VfMB a number of high level objectives have been identified for the VfMB. The VfMB's primary function will be to ensure the Council is receiving VfM from its contracts and in performing this role support the Council to achieve its strategic aims and priorities that it shares with its partners, on behalf of the citizens of Derbyshire. The VfMB will also help to generate the resources to deliver the priorities and create a culture where transparency, involvement and accountability are welcomed and where challenge is seen as an essential and a positive part of improving outcomes.

Objectives

1. Acting in an advisory capacity the VfMB will provide leadership and form part of the overall corporate governance arrangements to ensure that all Council contracts are managed and deliver VfM as per the Council's definition of VfM.
2. To review all Council contracts of interest to the VfMB and provide recommendations if any are required to ensure the contract is providing VfM.
3. Support the development of a corporate approach to good contract management and Supplier Relationship Management (SRM).
4. Take note of, and review if required, any contract requiring renewal or extension to ascertain and ensure VfM is maintained.

VfM Board Membership

The VfMB will consist of a number of members including the Cabinet Member (Council Services) and Strategic Director for Commissioning, Communities and Policy, with volunteer external members recruited to advise from the voluntary sector and organisations such as the local Chamber of Commerce for their respective commercial expertise. All members of the VfMB will be required by law to complete a declaration of interest form to register their (and their spouse or civil partner's) disclosable pecuniary or personal interests to ensure that any contracts reviewed do not give rise to a conflict of interest.

VfMB Members

- Cabinet Member (Council Services)
- Strategic Director for Commissioning, Communities and Policy
- Member from the Chamber of Commerce
- Member from the Federation of Small Businesses
- Voluntary sector member
- External Audit representative

Due to the diversity of the contracts under review, officers presenting reports to the VfMB may require specialist advisors to attend the VfMB meetings. These advisors will have specialist subject knowledge of the contract areas under review and help support the VfMB when making contractual recommendations. Advisors may include Strategic Directors, contract managers, Procurement staff, Legal Services officers or other specialists.