
Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held at 11.30am in Committee Room 1 County Hall, Chelmsford, CM1 1QH on Tuesday, 25 February 2020

Present:

County Councillors:

M Mackrory (Chairman)

M Buckley

I Grundy (substitute)

M Hardware (up to 12pm)

M Maddocks

V Metcalfe (Vice Chairman)

J Moran

R Pratt

A Sheldon

M Steptoe

J Young (Vice Chairman)

1 Membership, Apologies, Substitutions and Declarations of Interest

The report on Membership, Apologies, Substitutions and Declarations was received and noted. Apologies for absence had been received from Cllr Garnett (for whom Councillor Grundy substituted).

2. Minutes

The draft minutes of the meeting held on 28 January 2020 were approved as a true record and signed by the Chairman.

3. Questions from the public

There were no questions from the public.

4. Procurement overview and update

The Committee considered report CSPC/03/20 comprising an update on ECC procurement practices.

The following joined the meeting to introduce the item and respond to questioning:

County Councillor Dick Madden (substituting for Cllr David Finch), Cabinet member for performance, business planning and partnerships.

Laura Lee, Head of Procurement (Place and Corporate)

Steve Ede, Head of Procurement (People)

At the invitation of the Chairman, Councillor Madden introduced the item and passed over to officers for the presentation. The full presentation can be found here. Key points included:

- (i) ECC manages 306 contracts with c1300 suppliers.
- (ii) The average value of a managed contract is £5.7m with a total cumulative value of £5.8bn.
- (iii) ECC is the only County Council endorsed by the Chartered Institute of Procurement and Supply (CIPS).
- (iv) ECC operates through the procurement/commission cycle model:
 - a. Step 1: Reviewing service – evaluating contract performance and category planning to help inform commissioning strategy.
 - b. Step 2: Going to market - carrying out sourcing/extension activity.
 - c. Step 3: Awarding contract – transition to new service.
 - d. Step 4: Managing contract - contract management and supplier relationship management throughout the lifetime of the contract.
 - e. Step 5: Repeat process from Step 1.
- (v) ECC has adopted a new 'best practice' approach based on work carried out through the recent Ringway Jacobs contract extension process. This includes a greater focus on Benchmarking, market insight, peer insight, options appraisal and internal independent scrutiny.
- (vi) Horizon scanning for new procurement exercises – members were invited to look over upcoming procurement exercises in Place, corporate and Adult Social Care.

During subsequent discussion the following was highlighted and/or noted:

- (i) The use of short term/one-off purchasing. It was noted that ECC has always, and will continue to, prioritise long term sustainable contracts for all of the good and services we use. This includes stationary, catering etc.
- (ii) Auditing procedure for smaller contracts under £100,000 in value. It was explained by officers that the central contracts management team would only have an overview role on these circumstances, with management taking place in the service itself.
- (iii) ECCs moral responsibility to ethically source providers, particularly in relation to paying UK taxes. Officers explained that ECC would carry out certain checks (convictions, compliance with the law etc.). Monthly checks are also carried out on all of ECC providers regarding their financial viability - to mitigate financial risk on the part of the authority. Specific checks around the amount of UK tax accompany pays would not be carried out.

- (iv) Rewarding social value in procurement exercises. Officers explained that ECC has in the past largely defined 'social value' as the number of apprentices a provider allows for. The formula for determining a successful procurement bid has been split 70 % according to price and 30% according to quality. In the future, ECC will be looking to think a little more reflexively about how procurement exercises define 'social value' – it is hoped that a future iteration of the procurement framework will reflect this.
- (v) Contract extensions. Members of the committee raised concerns around the timing of contract extension exercises. It was remarked that by the time contract extension processes start taking place, it is often too late to begin a large scale reprocurement exercise, should it be recommended. Members recalled findings from the RJ contract extension task and finish report as a prime example of this.
- (vi) The use of experts to properly inform reprocurement exercises. Members questioned whether or not ECC is reluctant to call in external expertise to ensure that procurement and reprocurement exercises are suitably informed and comprehensive – relying instead on internal expertise. Officers advised that external expert guidance was taken where necessary, but usually only when the service provided is perhaps too technical.
- (vii) The upcoming TCS Fujitsu contract. It was agreed by members that this should come to corporate scrutiny following cabinet in March.

Conclusion:

The Chairman thanked the Cabinet Member and officers for their update.

The following actions were **agreed** to be scheduled into the Work Programme:

- (i) An item on the Fujitsu TCS contract to be added to the work programme for the April or May meeting of CPSC.
 - QUESTION: How does ECC adequately assess the moral quality of organisations we procure with? Do we vet companies that enter bids to ensure that they are paying correct UK tax?
 - QUESTION: Are we adequately assured that we have the subject matter and technical expertise in house to assure the quality of contracts placed?

5. **Commercial Property Investment Strategy**

The Committee considered report CSPC/04/20 comprising an update on the ECC commercial investment property portfolio.

The following remained from the previous agenda item to introduce and support the discussion.

County Councillor Dick Madden, (substituting for Cllr David Finch), Cabinet member for performance, business planning and partnerships.

The following joined the panel to support the agenda item.

James Cook, Head of Finance, Major Programmes, Finance & Procurement.

At the invitation of the Chairman, Councillor Madden introduced the item and asked the officer to present. Key points included:

- (i) Previous update to CPSC in November.
- (ii) Original ambition £150m to be invested in commercial property.
- (iii) So far £33m had been invested in commercial property over 3 locations. The portfolio was balanced between retail, light industrial and office.
- (iv) These generate £1.8m p.a. gross rent
- (v) Engagement of external organisation to provide advice on future investment direction.
- (vi) Investment paused in 2019 due to uncertainty and changes in central legislation surrounding local government borrowing. The investment strategy is now pushing forward, with additional funds added from the sale of Essex Education services in 2019.
- (vii) There was an appetite to look within Essex to invest. This would allow the council to invest according to the councils economic development priorities.

The following were highlighted, and/or noted in subsequent discussion:

- (i) Officers had provided gross yield, but were unsure about the total net yield and the cost of external advisory consultants. The Cabinet Member assured members that these details would be provide outside of the meeting.
- (ii) Sustainability of yield. Members raised concerns around the sectors invested in, particularly the sustainability of retail income. Officers assured members that there was great confidence that ECC is managing the portfolio appropriately – with ongoing risk analysis to minimise falls in revenue. The portfolio itself is very diverse, including multiple sectors and our own housing portfolio.
- (iii) External advice. Members asked for assurances that officers were certain that the current advice being received was adequate to steer a future investment strategy. Officers assured members that the external consultants were providing advice only on the investment strategy itself, not specific investments.
- (iv) Risk sharing with consultants. Members were informed that there is no risk share in the contract itself. If, however, ECC was to

- receive bad advice on any matter then the organisation would carefully explore options to respond.
- (v) Social value of investments. Members enquired as to how, if at all, ECC measures the local community wealth building impact of commercial investment and factors this into eventual investment decisions.
 - (vi) Members remarked that, in districts where investment strategies had been successful, it's been through maintaining close relationships with district partners to ensure that each others interests are secure.

Conclusion

The Chairman thanked officers for their contributions.

The following questions were agreed by the committee to pass on to the Leader for response:

- when the time comes to re-evaluate the consultancy we receive from our advisors, will we be looking at Essex based companies who might know more about local investments and will the size of the company impact this?
- What is the net yield of our commercial investments?

6. Work Programme

The Committee considered and noted report CPSC/05/20 comprising the current work programme for the Committee.

Members discussed the potential to explore a joint working group with the place services committee to provide further scrutiny to the Ringway Jacobs highways contract.

Members discussed the potential to add an item on devolution to the work programme. Officers agreed to take this away as an action and explore when this might be most appropriate.

7. Date of Next Meeting

The next meeting would be on Tuesday 31 March at 10.30am.

There being no further business the meeting closed at 13.15pm.

Chairman