

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Overview and Scrutiny Committee

**DATE:** 10<sup>th</sup> January 2019

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**WARD(S):** All

### **PART I** **FOR COMMENT & CONSIDERATION**

#### **CONTRACT MANAGEMENT – OVERALL POLICY AND REPAIRS, MAINTENANCE AND INVESTMENT CONTRACT**

1. **Purpose of Report**

To provide the Overview and Scrutiny Committee with an update on Slough Borough Council's (SBC) contract management procedures and the progress made by the new Repairs, Maintenance and Investment (RMI) service partner in their first year.

2. **Recommendation**

- a) The Committee is recommended to note the contents of this report.
- b) Given the timescales of reporting to Committee, officers respectfully request that members note that the RMI report is an indicative report to be reviewed by the RMI Strategic Management Board at its meeting on 24<sup>th</sup> January.
- c) The Committee is recommended to receive twice yearly strategic overview of contractual performance of the RMI partnership, from April – March to fit with budget monitoring and financial reporting for both partners. A summary report to be provided in May 2019 for 2018/19.

3. **The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan**

3a. **Slough Joint Wellbeing Strategy Priorities**

The efficient procurement and management of contracts at SBC underpins the delivery of the Strategy's priorities, namely:

- Protecting vulnerable children
- Increasing life expectancy by focusing on inequalities
- Improving mental health and wellbeing
- Housing

### 3b. **Five Year Plan Outcomes**

Contract management also supports SBC's work across all outcomes, namely:

- Slough children will grow up to be happy, healthy and successful
- Our people will be healthier and manage their own care needs
- Slough will be an attractive place where people choose to live, work and stay
- Our residents will live in good quality homes
- Slough will attract, retain and grow businesses and investment to provide opportunities for our residents

### 4. **Other Implications**

#### (a) **Financial**

The expenditure on contracts at SBC is outlined in Section 5 of this report. The specifics regarding the RMI contract are also given here, and in Appendix B of the report.

#### (b) **Risk Management**

There are no recommendations in this report which require risk management. The proposals for future scrutiny of contract management are outlined in Section 2 of this report.

#### (c) **Human Rights Act and Other Legal Implications**

There are no Human Rights Act or other legal implications connected to this report.

#### (d) **Equalities Impact Assessment**

The compilation of this report has not required an Equalities Impact Assessment.

### 5. **Supporting Information**

- 5.1 At its meeting on 13<sup>th</sup> September 2018, the Overview and Scrutiny Committee took an item on contract management. This covered the audit undertaken by RSM regarding policies in the area SBC had been operating, the changes for future policy that were proposed as a result of the audit and SBC's commitment to implement these. As a result, this agenda item was commissioned, which will cover the following areas:

- The progress made on the policies specified by the RSM Audit Action Plan
- The Contract Management Framework supporting this
- How the RMI contract has seen these policies in practice

- 5.2 Contract management, as part of the overall Commercial Strategy, has been considered by CMT which has approved the strategy and the creation of a new corporate commercial function. The Commercial Strategy is at Appendix A.

5.3 A summary of progress made delivering the internal audit recommendations is as follows:

Recommendation	Progress	Next steps
Create a corporate contract management framework	Complete	New corporate team implements the framework across SBC
Ensure contracts' register is up to date	Complete and continuing	Ensure internal discipline reporting changes and updates to the procurement team is maintained.
Categorisation of contracts	The categorisation model has been agreed and forms part of the commercial strategy.	New corporate commercial team applies the model to all existing and future contracts
Create a three year forward procurement plan	Work continues but requires additional resource.	The new corporate commercial team will be the owners of the three year plan.
Carry out a spend analysis to identify all off-contract and rogue	Not yet commenced.	The new corporate commercial team will routinely carry out spend analysis and take appropriate action.
Design and seek approval for a new governance structure and process	Complete, as reflected in the commercial strategy.	Implement as part of the new corporate commercial team.
Create a corporate contract management team	Proposals for a new commercial function – to incorporate all commercial elements including procurement and contract management – have been agreed by CMT and are being implemented	Complete the creation of the new team and implement the commercial strategy
Creating a learning and development package for staff	Options are under consideration include those provided by the Chartered Institute of Procurement and Supply and The International Association of Commercial Contract Management.	Agree a learning and development programme with HR and roll out across SBC.
Consideration of adoption of a contract management software system	Further consideration of a software system will be undertaken once the steps set out above are completed.	Await completion of recommendations above.

### **Contract Management Framework**

5.4 CMT agreed to adopt the national Audit Office Good Practice Contract Management Framework, published in December 2016. This is incorporated in the Commercial Strategy.

5.5 Similarly, the contract categorisation model was agreed by CMT and forms part of the Commercial Strategy.

## **Hybrid Approach**

- 5.6 The internal audit report also considered the alternative approach to managing contracts, whether through a centralised, de-centralised or hybrid model.
- 5.7 CMT agreed to adopt the hybrid approach and this is reflected in the contract categorisation and governance model, set out in the Commercial Strategy.

## **The Repairs, Maintenance and Investment (RMI) Contract**

### **Initial Position at Start of Contract**

- 5.8 When the 15 year Interserve contract was approaching its end, it was clear that due to the significant passage of time, the contract was no longer fit for purpose and it was therefore timely to undertake a holistic review of the contracted services and take the opportunity to look at different ways for the council to deliver its repairs, maintenance and investment services for its housing stock. Through extensive consultation with key stakeholders including members, staff, tenants and leaseholders, a number of issues were identified, including:
- Unclear lines of responsibility and accountability between departments (e.g. housing, property services)
  - Contract described as “self governing” with inadequate quality checks
  - Budget control compromised with 90% of all invoices raised without purchase orders against Council Financial Regulations
  - Inadequate IT platforms, reporting tools and processes with data sitting with the contractor - little or no data provided on repairs performance;
  - A specification and contract that was dated and ill-suited to the council’s current needs, did not focus on outcomes and was too rigid in practice;
  - Insufficient weight given to the management and recovery of recharges;
  - A lack of additional services on offer to tenants and a lack of transparency on service charges;
  - A lack of information on Landlord’s Statutory Compliance;
  - An absence of ‘asset intelligence’; the evaluation of repairs data to inform pro-active maintenance, capitalisation of repairs and identification of stock obsolescence.
- 5.9 A revised scope of services was therefore agreed, together with a delivery model that would achieve the ultimate aim of developing a practical solution that would also provide a good strategic fit with the Council’s 5 year plan and its wider future plans.
- 5.10 Following a comprehensive procurement exercise, including a two stage competitive dialogue process and presentations to residents and Members, Osborne Property Services Limited (Osborne) were appointed in June 2017 as the Council’s service partner for an initial contract term of 7 years with a potential maximum of 3 further years. The contract was live from 1<sup>st</sup> December 2017.

### **Improvements Made by New Partnership**

- 5.11 The report attached at Appendix B is an indicative report of the ‘first year’ of operation (1<sup>st</sup> December 2017 – 30<sup>th</sup> November 2018). Members are asked to

respectfully note that the report is to be reviewed by the RMI Strategic Management Board at its meeting on 24<sup>th</sup> January and a final report for 2018/19 will be available in May 2019.

- 5.12 The report highlights the challenges faced in the first year and the improvements, performance and service delivery by Osborne and a summary of the Partnership's forward plan. Some key features of the contract that have supported improvements from the previous provider include;

- **Co-location** – In accordance with industry best practice, the contractual agreement required that the SBC client team co-located with its service partner. Osborne and the RMI client team are co-located at Hawker House, with Osborne as Head Lessee. This has facilitated close transparent partnership working, supported by a robust governance structure. Benefits include, more efficient and timely decision making and a contract governance process which does not rely upon telephones/emails but focuses on face-to-face discussion to deal with matters as they arise.

Hawker House has also presented an opportunity for innovation for the council, where other teams have been able to co-locate alongside the client team, meeting the aspirations of the council's flexible working policy whilst enhancing locality working in the borough.

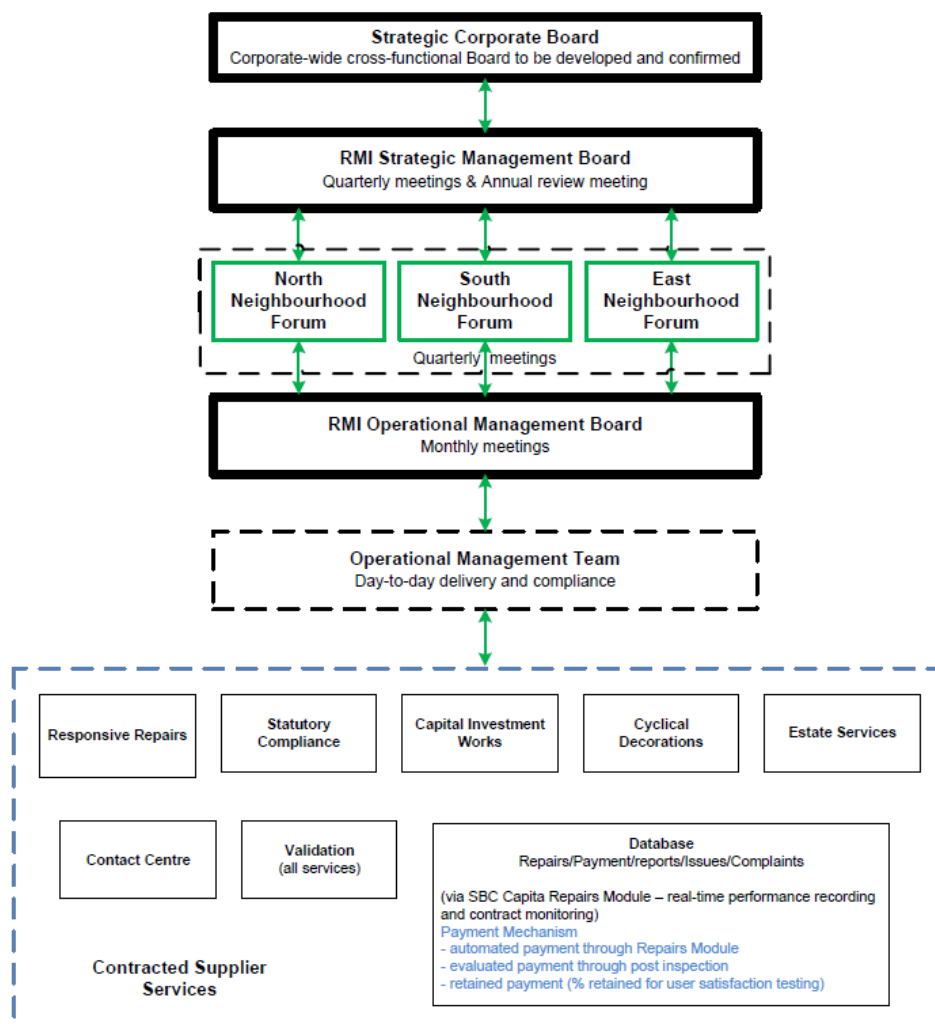
- **Payment Mechanism** - Purchase orders raised and Contract Administrator instructions issued before any works are undertaken by Osborne. A payment process comprising a monthly application for payment from Osborne and agreed timescales for review by the client team to issue certificates of payment detailing the invoice amount that SBC have agreed to pay. Issues identified and resolved within contracted time parameters and addressed before invoices are raised, for example, the challenges identified at an early stage with the caretaking service and the subsequent adjustment to payments made due to the reduction in service in some areas. Due to the detailed verification processes in place to support applications for payment, all activities undertaken are evidenced by Osborne to progress the certification process. The client team also undertake 10% quality assurance checks of works completed. It should be noted that the client team have made deductions of £70k against failure to meet performance in accordance with contractual requirements in the first 6 months of the 2018/19 financial year. This will be subject to review in March 2019 in accordance with the contract and pending enhancement of service delivery necessary payments may be made.
- **IT Interface** - The payment process is further enhanced by a fully functional live IT interface where all repairs information and associated invoices are readily available on Capita. Journal transfers are made at the point of payment of invoices providing full visibility of budget position across all cost centres, ensuring rigid budget control at all times. In addition the IT interface enables SBC to have data at hand to deal with enquiries from residents or to log repairs. The interface also enables reports and trend analysis of data (further information in the report attached) and information to populate the service charges module in Capita removing the reliance upon manual processes adopted with the previous provider.

## Governance

- 5.13 The Governance of the contract and how it is managed on a day-to-day basis is a key requirement of SBC's ambition for strong and robust contract management and with the Interserve contract described as "self-governing" it was imperative that lessons were learned and industry best practice followed. This has included the personnel involved in the procurement also engaged in contract management. Including professional post graduate contract management qualification and expertise from consultants in the absence of the council ability to appoint to the client team structure as job evaluations have been significantly below market expectations, resulting in two failed recruitment attempts (see point 5.16 below).
- 5.14 The Governance structure for the RMI Partnership is documented in Schedule 2 of the contract and was specifically tailored to meet the expectations of strong governance and contract management set by the Contract Administrator (CA), John Griffiths, Service Lead for Housing Development and Contracts. The contract manager has delegated responsibility on behalf of the CA to issue instructions and orders to Osborne and take day-to-day decisions. The contract governance and monitoring officer is responsible for managing the governance of the contract and keeping all records in order.

The diagram below shows how the governance is set up.

RMI Contract Operational Governance Structure



5.15 The governance structure is made up as follows:

a. Operational Management Teams (aka Sub-Groups)

- Responsible for monitoring and managing day-to-day operations, including health and safety, safeguarding and quality assurance
- The sub-groups are chaired by the lead client team officer and membership comprises of representation from neighbourhood teams and Osborne, ensuring ownership and accountability.
- Terms of reference are agreed and groups meet monthly (sometimes more frequently when additional engagement to manage service delivery is necessary)
- Minutes and joint summary reports are produced for the Operational Management Board following each meeting, highlighting issues, new risks, decisions required, delivery of milestones
- Currently there are 9 subgroups:
  - Commercial
  - Performance
  - Statutory Compliance
  - Repairs, Voids, Caretaking & Cleaning
  - Capital Investment
  - Customer Experience
  - IT
  - Social Return on Investment
  - Communications

b. \*Operational Management Board (OMB)

- Responsible for receiving reports from the sub-groups, reviewing the risk register, making and recording operational decisions on the agreement register, resolving issues and managing overall service delivery, partnership relationships, budget management and forward planning and innovation.
- Chaired by the SBC contract manager, with client team representative and the Account Director, Operations Director and Performance and Improvement Manager from Osborne. Pending reports received from the sub groups further attendees are invited for specific agenda items.
- Terms of reference are agreed and minutes produced and reports and agendas prepared for the Strategic Management Board including an annual review report, preparing notices for contract variation.
- Decisions may be escalated to the CA and Managing Director (MD) of Osborne. Both the SBC contract manager and Osborne Account Director regularly meet with the CA and MD respectively, who in turn will receive updates and reports from OMB and discuss any areas of escalation.

c. Neighbourhood Forums

- Forums are arranged quarterly in each neighbourhood by the neighbourhood managers who also chair the forums.

- The SBC contract manager and the Osborne Account Director attend each forum and present performance information and share information about activity in the local area.
  - These forums require further development but are a key facet of the governance as each neighbourhood will have different needs and the forums provide an opportunity to meet with Osborne and share feedback. As part of Social Return on Investment, Osborne undertake specific projects in each neighbourhood and the forums provide an opportunity to develop and shape projects and activities.
- d. \*Strategic Management Board (SMB)
- Meets quarterly, responsible for reviewing the partnership, ensuring services are being delivered in accordance with the contract, providing a strategic overview, resolving any disputes and consider the annual review presented by OMB.
  - Membership comprises from SBC, the Contract Administrator, Director for Regeneration and Commissioner for Housing. Osborne are represented by The Managing Director, Account Director and Operations Director.
  - The board will consider government changes in legislation and SBC policy objectives which may impact on delivery of services
  - Review year on year improvement targets and actions plans and work towards transition to a revised strategic payment and performance model
- e. Strategic Corporate Board
- The vision for this board is being developed by SBC as part of the contract management framework. John Griffiths, Contract Administrator, envisioned that such a body should be set up to ensure the council's major contracts are effectively aligned and where possible, working collaboratively so there is a seamless continuum of services in the borough. By building this into the governance arrangements Osborne have made a commitment to be part of such a forum.

\*SBC representation on these groups are being reviewed as part of the SBC restructure of Housing Services and Neighbourhood Services announcement on 2<sup>nd</sup> November.

## 5.16 Client Team Recruitment

Following the recent announcement of change in structure to Housing Services and Neighbourhood Services, a revised structure and JDs have been prepared for HR evaluation to appoint a permanent client team and a specialist recruitment agency has been procured to support the council. The current client team of consultants has been invaluable in ensuring the contract has got off to a good start and contract management best practice is embedded, the value of this specialist skill cannot be underestimated and provides valuable lessons for the council. However, it is important that a permanent team is appointed as early as possible and the council recognises that having the right skills to manage contracts effectively is paramount to maximising VFM and quality service provision.



## 5.17 **Lessons Learned**

The Service Lead and Contract Administrator, John Griffiths, recognises that a number of lessons have been learnt from procurement, through to mobilisation, the bedding in period, to date. As such, a lessons learned workshop has been arranged in January 2019, which will be facilitated by Clare Priest, Strategic Programme Management Office Manager and attended by key contributors to the procurement exercise, mobilisation and key officers supporting the contract since 1st December 2017. Documenting the lessons learned will provide a valuable resource for future programmes of work to procure, mobilise and manage a contract in its first year of operation.

## 6. **Comments of Other Committees**

This report has not been considered by any other committees of SBC. The views of Overview and Scrutiny Committee at their previous item on the matter on 13<sup>th</sup> September 2018 are discussed in Section 5.1.

## 7. **Conclusion**

Good progress has been made in developing the commercial strategy and implementing the recommendations of RSM audit report. The outcome of the first year of the RMI partnership shows good service delivery and a robust forward plan has been prepared to drive service improvements in the year ahead.

## 8. **Appendices Attached**

- |     |   |  |
|-----|---|--|
| 'A' | - | Slough Borough Council Commercial Strategy           |
| 'B' | - | RMI Partnership Report (Draft) (Dec 2017 – Nov 2018) |

## 9. **Background Papers**

Agenda Papers and Minutes,  
Overview and Scrutiny Committee 13<sup>th</sup> September 2018

Slough Borough Council

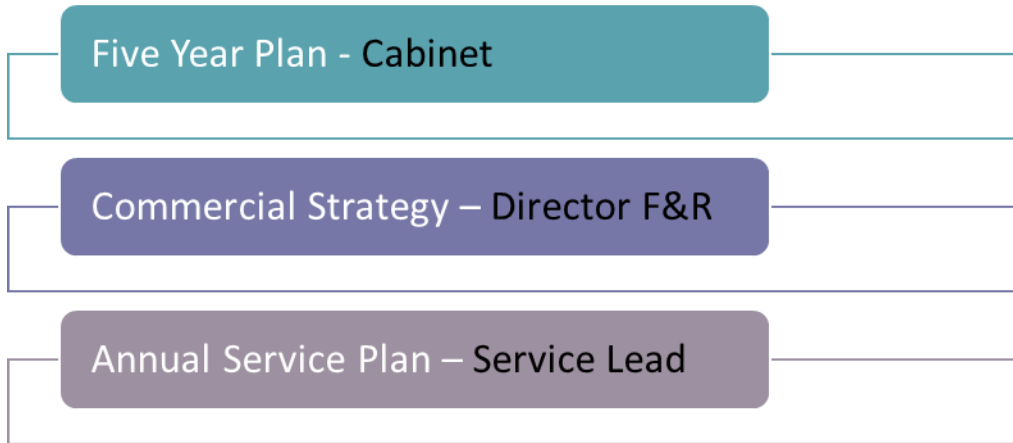
# Commercial Strategy 2018

final version

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## 1. Strategic aims

1.1 The Commercial Strategy 2018 exists within a clear hierarchy from the highest-level strategy to actual delivery:



1.2 The scope of this Commercial Strategy covers the following areas / activities:

- Procurement and contract management
- New business
- Profit and loss accounts and the application of triple bottom line principles to all existing and proposed traded or charged for activities, including new business
- The creation, operation and closure of all commercial vehicles such as companies, limited liability partnerships and joint ventures
- Learning and development approach to build and sustain commercial skills in the council.

1.3 The aim of the Commercial Strategy is to:

- Support the SBC transformation programme and Five Year Plan
- Ensure all current and future contractual arrangements deliver the maximum possible value in social and financial terms for the residents and businesses of Slough.
- Create new opportunities and deliver new ventures to create value in social and financial terms.
- Create a commercial culture and practice amongst SBC staff that supports these aims, support the delivery of existing services and related outcomes and provides additional job satisfaction, constructive challenge and opportunities for career development.
- Support the Council's key strategic aims more broadly

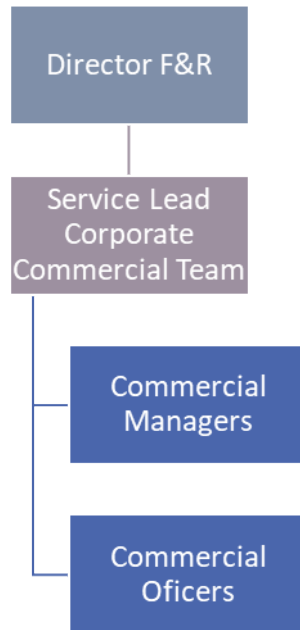
## 2. Governance and accountability

2.1 Proportionate governance arrangements are essential to make sure that commercial decision making and associated operational, financial and risk management are all carried in out in an effective and controlled manner.

- 2.2 Members and officers have critical roles to play in helping deliver the strategy and ensuring governance and accountability measures are relevant, proportionate and are complied with.
- 2.3 The roles of members and officers are reflected in their respective constitutional roles. For members, this is largely their role on full council, the scrutiny process and through the decision making of Cabinet, Cabinet Members and other committees.
- 2.4 Given the volume and complexity of the Council's commercial activities, reflected in this Commercial Strategy, the number, complexity and speed of decision making required in the future suggests that the creation of a new committee should be considered, the Cabinet Commercial Committee. Subject to agreement, it is proposed that certain executive functions should be delegated to this committee. See Appendix One for proposed details. This is in addition to current constitutional arrangements (which are unchanged) concerning matters such as procurement decisions.
- 2.5 Membership of the Cabinet Commercial Committee would be in the gift of the Leader and would comprise of no fewer than three Cabinet Members. Officers will advise the Committee and as a minimum this will include the Director of Finance and Resources, the Monitoring Officer, the Service Lead, Commercial and the Commercial Companies Manager.
- 2.6 Officers carry out their roles in delivering this strategy under the leadership and management of the Corporate Management Team and through the usual management arrangements at departmental and service level.
- 2.7 The requirements of this document align, as closely as possible, to the existing constitutional requirements of SBC. For example, officers' and members' codes of conduct and spend authorisation limits apply to all activities described.

### 3. Delivery of the Strategy / Executive Summary

The Council has created a new corporate commercial team to work with all service areas in fulfilling each of the themes of this strategy. The team is led by a Service Lead who reports directly to the Director of Finance and Resources. The team will also take direct responsibility and accountability for some contracts and commercial activities as agreed in the service's annual service plan and as instructed by their Director.



The key functions of the corporate commercial team are:

#### 3.1 Procurement and contract management

- Implementation, development and management of the contract management framework and governance processes;
- Ensuring constitutional and legal requirements relating to procurement and contract management are met
- Managing contract risk at strategic, operational and tactical level
- Providing contract management training and development
- Taking a lead role in supporting, developing and planning for contract management from the commissioning stage for all future re/procurements.

#### 3.2 Developing new and existing business (taking into account 3.3 below)

- Applying commercial expertise to existing charged for services to minimise cost of delivery and maximise quality
- Helping services to create business cases for new and existing businesses
- Encouraging all staff to bring forward ideas for savings and income generation
- Evaluating these ideas and developing them, where appropriate, into outline business cases.
- Once approved, supporting the development of more detailed business cases, business launch and migration to business as usual.

- Running a monthly P&L review for charged for activities, examining previous month's performance against forecasts (see 3.3 below)
- Keeping abreast of developments in commercial approaches and activities in the public sector and in Slough as a place
- Leading and advising the council on major commercial opportunities and investments

### **3.3 Triple bottom line accounting**

- Working with Finance to establish a true profit and loss account for each charged for service, incorporating corporate overheads on the cost side.
- Working with Finance to ensure allocation of corporate overheads truly reflect the actual costs incurred in the service activity.
- Working with the services in evaluating the social impact of service delivery and developing measures that can be tracked over time.
- Working with SBC colleagues to ensure the environmental impacts are captured, where possible to align with the council's carbon reduction plan and environmental quality initiatives.
- Keeping up to date with developments in this area locally and internationally and developing as a centre of expertise for SBC and beyond.

### **3.4 Commercial vehicles: companies, partnerships and joint ventures**

- Acting as expert advisers on the formation, operations and closure of all commercial vehicles, such as limited companies, partnerships and joint ventures.
- Ensuring that any proposals for the creation of a new commercial vehicle are justified in commercial terms, are tax efficient, lawful and authorised in a manner consistent with the Constitution.
- Identifying all existing commercial vehicles and making sure appropriate governance and reporting mechanisms are in place.
- Acting as a central point of administration for all records relating to commercial vehicles
- Coordinating and meeting statutory reporting requirements to organisations such as companies house, HMRC, the Charity Commissioners etc as appropriate.

### **3.5 Training and development**

- Working with HR colleagues to identify training and development needs across SBC in respect of the commercial matters set out in this strategy
- Designing and delivering, or sourcing, opportunities to meet the training and development needs.
- Tracking and evaluating the benefits of the training and development provided.
- Develop and maintain a schedule of employees and their individual commercial skills and capabilities to allow them to act as a point of informal advice and guidance in the role of commercial champions.

## **4. Procurement and Contract management**

### **4.1 Procurement**

The council's procurement strategy is informed by the National Procurement Strategy for Local Government in England 2018, published by the Local Government Association. The strategy focuses on three key themes:

- showing leadership
- behaving commercially
- achieving community benefits

In addition to the themes, the strategy identifies four enablers:

- developing talent
- exploiting digital technology
- enabling innovation
- embedding change

The Procurement Strategy may be found at Appendix Two and a straightforward checklist / aide memoire may be found at Appendix Three

4.2 The Council's Constitution sets out the processes to be followed for procurement in the Contract Procurement Rules and the Procurement Operating Procedures. These documents may be found at Appendices Three and Four respectively.

4.3 In respect of contract management, SBC have adopted a contract management framework, based on the National Audit Office Good Practice Contract Management Framework of December 2016, see Appendix Five.

4.4 The Framework sets out a series of requirements in 11 areas:

- Planning and guidance
- People
- Administration
- Managing relationships
- Managing performance
- Payments and Incentives
- Risk
- Contract development
- Supplier development
- Supplier relationship management
- Market management

4.5 The corporate commercial team will work with service areas and put into place processes and support that ensures the requirements of this framework are met.



## **5. New business opportunities**

- 5.1 Any new business opportunity that requires investment or re-allocation of existing resources above a certain value needs to be supported by a business case. The decision on whether to support a new business case will be made in accordance with the existing scheme of delegation of spending in the SBC Constitution.
- 5.2 All staff are encouraged to come forward with new business ideas and a corporate scheme, Supporting Great Ideas facilitates this. The scheme evaluates high level ideas and supports the most promising ideas by helping the originator create an outline business case. These are then prioritised in terms of potential profit and speed of deployment. Once an outline business case has been created, it is assigned a sponsor from SLT. See Appendix Six and Seven for details
- 5.3 CMT will consider new business cases monthly.
- 5.4 The response to new business cases will generally be Go, Stop or Wait. Wait is important to make sure that potentially viable business cases are not dispensed with if the timing is wrong or if a revised proposal would be viable.
- 5.5 The business case will be expected to address a comprehensive range of issues including (but not limited to):
  - The value proposition
  - The market
  - The competition
  - Capability, capacity and credibility
  - Costs and revenue, including break-even point
  - Risks and risk management
  - Appropriate trading vehicle
- 5.6 Responsibility for the portfolio of investment in new business cases rests with the Director of Finance and Resources. The Director will need to ensure a balanced approach is taken to risk and opportunity, considering the whole range of business cases underway or in contemplation.
- 5.7 The performance of each business case will report to the monthly P&L review, run by the corporate commercial team. The strategic position on new and current business cases will be reported to CMT periodically.
- 5.8 It is important to keep the performance of each business case under close monitoring. Failing business cases need to be shut down quickly and successful ones need to be supported, where possible, to increase growth and profits rapidly.
- 5.9 Once the new business opportunity has been established as a viable and ongoing concern, the performance of the business will be transferred to business as usual, being managed as part of the relevant departmental operations and budgets.

## **6. Triple Bottom Line Accounting**

Triple Bottom Line Accounting, or TBL, is a concept that was developed by John Elkington in the mid 1990s. TBL seeks to go far beyond the traditional accounting approach that focuses solely on financial matters and instead seeks to include social and environmental impacts as well. The benefits are that the three dimensions are considered along side each other ensuring that decision making, reporting and future planning take into account all relevant data.

Although TBL was developed originally for the private sector, it works at least as well, if not better, in the public sector where social impact is a fundamental purpose of providing public services. Initially, TBL is being applied to services provided for which a charge is made.

The units of measurement are, by necessity, going to be different for each element:

- Financial elements are expressed in numerical, currency terms.
- For the social elements, measures will be developed and be relevant to each service and then be categorised under the Five Year Plan outcomes (see below).
- The environmental element is captured where possible to align with the council's carbon reduction plan environmental quality initiatives.

### **6.1 Financial**

The financial elements are relatively straightforward and take into account revenues and costs to arrive at a net figure. This provides a gross position before central overheads are applied, which then provides a net position.

It is important to note that payment for services breakdown into three areas:

- Charges set by statute
- Charges calculated on no more than a cost recovery basis
- Charges where a profit may be made

The charges are normally set by Cabinet in an annual Fees and Charges report. For future years, consideration needs to be given to delegating the setting of charges where a profit can be made to directors, in consultation with the relevant Cabinet Member, to allow more agility and responsiveness to market conditions.

### **6.2 Social**

The SBCs Five Year Plan sets out very clearly the social ambitions of the council and it is right that the TBL approach reflects how individual services contribute to the Plan in each aspect:

- Outcome 1 – Slough children will grow up to be happy, healthy and successful.
- Outcome 2 – Our people will be healthier and manage their own care needs.
- Outcome 3 – Slough will be an attractive place where people choose to live, work and stay.
- Outcome 4 – Our residents will live in good quality homes.
- Outcome 5 – Slough will attract, retain and grow businesses and investment to provide opportunities for our residents

The Social element of our TBL reports will set out how each outcome is supported by the service in question. Where possible, a measure of this contribution will be defined and this can then be tracked over time.

### **6.3 Environmental**

There will be some cross-over between the social impacts and the environmental ones. The environmental impact of operational service delivery should also be taken into account. For example energy usage and use of materials and equipment that have an impact on the environment. The council already run a range of programmes and initiatives designed to minimise environmental impacts and these should be referred to where relevant. Measures should be developed to show how service impacts change over time. This will, in turn, be able to contribute to a wider position for the council.

## **7. Commercial Vehicles**

### **7.1 Choice of commercial vehicles**

Local government commercial activity in respect of charging and trading is subject to a range of statutory requirements. In some circumstances the Council must use a limited company through which to trade and in others it has the choice whether to do so or not.

7.2 In all cases there are tax implications (VAT and Corporation Tax for example), potential implications for staff and for local businesses. Advice should always be sought from commercial, legal and tax specialists before a decision on which vehicle to use, if any, is made.

7.3 A brief guide to local authority trading is at Appendix Eight

### **7.5 Creation of commercial vehicles**

Before a new commercial vehicle is created, a number of matters must be addressed, including:

- the objectives of the business
- The investment and other resources required to achieve those objectives.
- What options for delivering this are – including benefits and dis-benefits of each
- An assessment of the best option
- What form the commercial vehicle should take
- A consideration of the taxation and potential State Aid issues
- Consideration of the impact of Brexit
- How the vehicle will achieve cost reductions for the Council
- How the vehicle will generate cash for reinvestment in the Council rather than just profits for reinvestment in the Commercial vehicle's growth.
- An initial business plan (ideally no less than 5 years) and a matching financial cashflow forecast including how start-up will be funded (including any risks the business may face and how significant these risks are, and the expected financial results of the business and projected dividend payments to the Council, together with any relevant outcomes that the business is expected to achieve
- Evidence, normally backed by legal opinion, that the option is not ultra vires
- The Business Plan will be rigorously scrutinised and any Business Plan that does not demonstrate a clear understanding of the requirements set out in Appendix Seven is likely to be rejected.

Providing that the issues above are addressed satisfactorily and the commercial vehicle is given the go-ahead, further matters must be addressed:

- Who and how the commercial vehicle will be staffed – internal staff seconded (on a full, part-time or occasional basis) or direct employment
- When the vehicle provides services to the Council, a detailed service level agreement.
- Clear Statement of cost recovery arrangements to a level that would be expected if the services were being procured from a third party.

- Clear statement of which costs of setup will be funded by SBC and which will be attributed to the commercial vehicle.
- Clear explanation of how the commercial vehicle will generate surplus cash to be returned to the Council in the form of dividends or stock splits and what level of reinvestment of profits is expected.
- Explanation of the risks to the Council's reputation which may arise from the commercial vehicle's operation and how they will be managed
- Assets – where will the commercial vehicle operate from, what IT will it use, what data does it need etc – see using assets section below. What consideration the commercial vehicle will pay for their use.
- Financial arrangements – any loan or capital, who the commercial vehicle will bank with, accountancy, VAT and corporation tax considerations, insurances etc.
- Clear statements of the controls that SBCC will require the commercial vehicle to put in place, and any audit processes that SBC may require
- Media & Communications – how will the messages be communicated, how will you get to your customers, how will they contact you etc. The relationship between SBC Customers and any other commercial vehicle customers, and a clear role/responsibility understanding between SBC and the commercial vehicle .

## **7.6 Administration of commercial vehicles**

7.7 The Council has appointed an officer to be responsible for the administration and coordination of all companies and limited liability partnerships, the Commercial Companies Manager.

7.8 The Commercial Companies Manager is responsible for maintaining all commercial vehicle documents, records, registers, decisions, resolutions and related matters and for ensuring these are kept in a readily accessible format.

7.9 The Commercial Companies Manager is also responsible for all legal requirements relating to filing information at Companies House and HMRC and that associated payments are made, such as confirmation statements and annual accounts, VAT and corporation tax returns and payments.

7.10 The Commercial Companies Manager is an adviser to the Cabinet Commercial committee and works closely with the boards of the companies and partnerships in which the Council has an interest.

7.11 The current companies, partnerships and joint ventures in which the Council has an interest are at Appendix Nine

## **7.12 Appointment to commercial vehicles**

7.13 Whilst it is within the gift of the Cabinet Commercial Committee to make appointments to the boards of commercial vehicles, it is important that appointees are able to demonstrate their competence to fulfil the role to which they are appointed.

7.14 As part of the commercial training and development programme, the Service Leads for corporate commercial and HR will define the minimum competencies required to be appointed to a commercial board, a means of assessing whether appointees meet this standard and a supporting learning and development programme to help appointees meet the standard and maintain their competencies over time.

7.15 The HR Service Lead will also offer advice and guidance, on a case by case basis, where SBC staff are seconded to commercial vehicles or work as part on a joint or dual employment basis.

### 7.16 Commercial operations

7.17 Commercial vehicles will be required to satisfy SBC in respect of several issues as part of their normal operations. These include:

- Ensuring appropriate indemnities and insurance policies are in place
- Compliance with relevant legislation such as the Companies Act, the Bribery and Corruption Act, the GDPR etc
- Ensuring procurement by any Teckal company must comply with the Public Procurement Regulations
- Satisfying SBC audit requirements
- Identifying and managing conflicts of interest
- Accounting standards and practice, in particular social value requirements
- Use of and payment for SBC corporate services such as IT, HR, Payroll, Finance etc
- Legal advice
- Tax and VAT advice

Each commercial vehicle will also be required to provide reports to the Cabinet Commercial Committee on the following basis as a minimum:

Description	Frequency	Content
Updated three-year business strategy	Annually	<ul style="list-style-type: none"><li>- Alignment to shareholder strategies</li><li>- Long term goals</li><li>- Performance targets and measures</li><li>- Long-term Performance reports</li><li>- Structure and personnel</li><li>- Risk management</li><li>- Conflicts of interest management</li></ul>
Annual business plan	Annually	<ul style="list-style-type: none"><li>- Executive Summary</li><li>- Business Description</li><li>- Performance targets and report</li><li>- Market Analysis</li><li>- Organisation Management</li><li>- Sales Strategies</li><li>- Funding Requirements</li><li>- Financial Projections</li><li>- Risk management</li><li>- Conflicts of interest management</li></ul>
Performance reports	Quarterly	<ul style="list-style-type: none"><li>- Performance against targets</li><li>- Risk management</li><li>- Conflicts of interest management</li></ul>

The Commercial Companies Manager calls for and collates these reports.

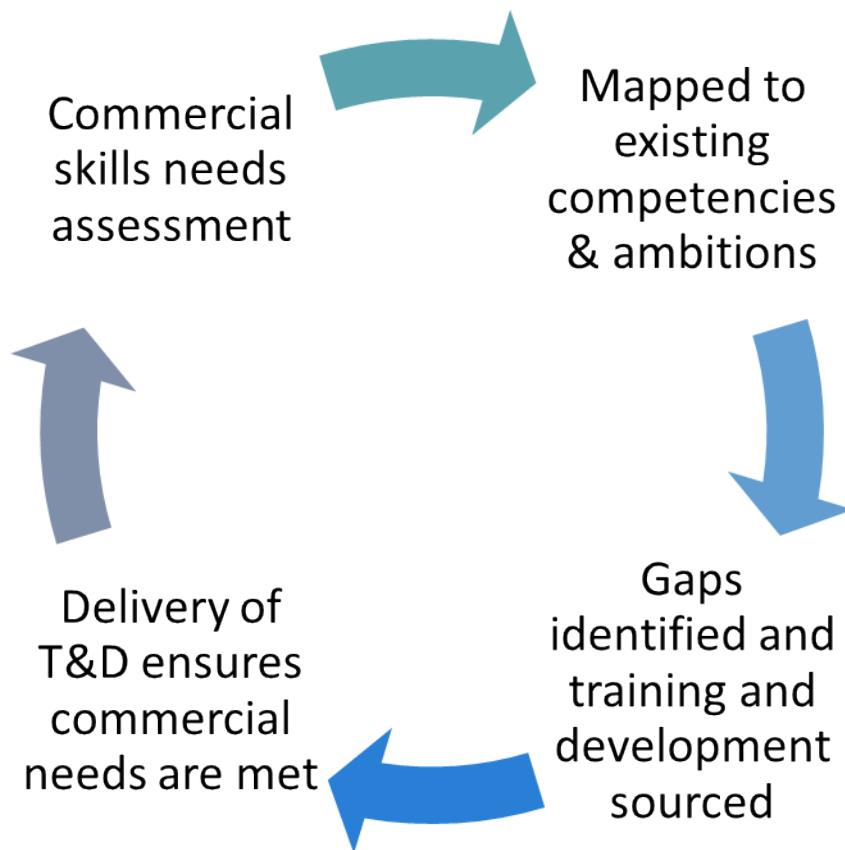
## 8.0 Learning and Development

8.1 Working with colleagues from HR, Finance and other parts of the council, the corporate commercial team will create a training and development plan to allow the council to meet its current and future needs in respect of commercial skills and capabilities.

8.2 Periodically, a needs assessment will be carried out to identify the commercial skills and capabilities required to deliver Service plans and the council's wider strategies and priorities. These will be mapped against staff competencies and their individual ambitions. Appraisals will be useful in this respect.

8.3 Both individually and in aggregate with other staff, a clear set of training and development requirements will be identified.

8.4 Commercial staff and SBC colleagues will then design and deliver / source appropriate training and development activities.



## **Appendix One – Cabinet Commercial Committee**

### **Commercial Committee, Constitution and Terms of Reference**

**Members:** 3 voting Councillors.

**Quorum:** 3 Councillors

**Political proportionality:** not applicable.

**Co-opted Members:** None

**Substitute Member:** Nominated Substitute who must be a Cabinet Member

**Committee's Advisers:** Director of Finance and Resources, Monitoring Officer, Commercial Companies Manager and external advisers, with relevant expertise, as the committee see fit.

#### **1. Constitution**

1.1 This is a Cabinet Committee with powers to discharge executive functions delegated to it by the Leader as set out below.

1.2 To undertake the shareholder functions of any company in which the Council holds shares or Partner functions in any partnership or limited liability partnership.

#### **2. Membership**

2.1 Three councillors. A nominated substitute member shall act in the absence of one of the Committee Members. The Director of Finance and Resources, Monitoring Officer, Service Lead Corporate Commercial team and the Commercial Companies Manager will attend the Committee as advisers.

#### **3. Voting**

3.1 In the event of an equality of votes, the decision will be referred to Cabinet.

#### **4. Decision Making Powers**

- a) To approve the creation of new companies or partnerships
- b) To approve the dissolution of companies or partnerships
- c) Appointment and removal of directors of companies / LLP boards including non-execs
- d) Delegations of authority to company / LLP boards
- e) Agreeing requirements for articles and shareholders' agreements
- f) Agreeing partnership agreements for LLPs
- g) Agreeing long-term business strategy proposals
- h) Agreeing annual business plans
- i) Approval of company or partnership purpose, brand and values
- j) Approval of company or partnership communication strategies and differentiation from SBC
- k) To approve and periodically review the Council's Commercial Strategy and associated plans
- l) To receive the accounts of any company or partnership in which the Council holds shares or has an interest.
- m) To receive reports of the activities of any company or partnership in which the Council holds shares or has an interest.
- n) To undertake any of the shareholder functions of any company in which the Council holds shares.
- o) To undertake any of the partner functions in any partnership of which the council is a party.
- p) Commercial investment decisions
- q) Financing by SBC including working capital and loans



## **Appendix Two – Procurement Strategy**

### **1.0 Introduction**

This procurement strategy is part of the overall Slough Borough Council Commercial Strategy 2018. Procurement and contract management affects the majority of Council expenditure and it is essential that during all stages, procurement and contract management are approached in a considered, deliberate and strategic manner.

That said, there are strong and important links to other commercial considerations and this strategy should be considered in the wider commercial and organisational context.

### **2.0 National context**

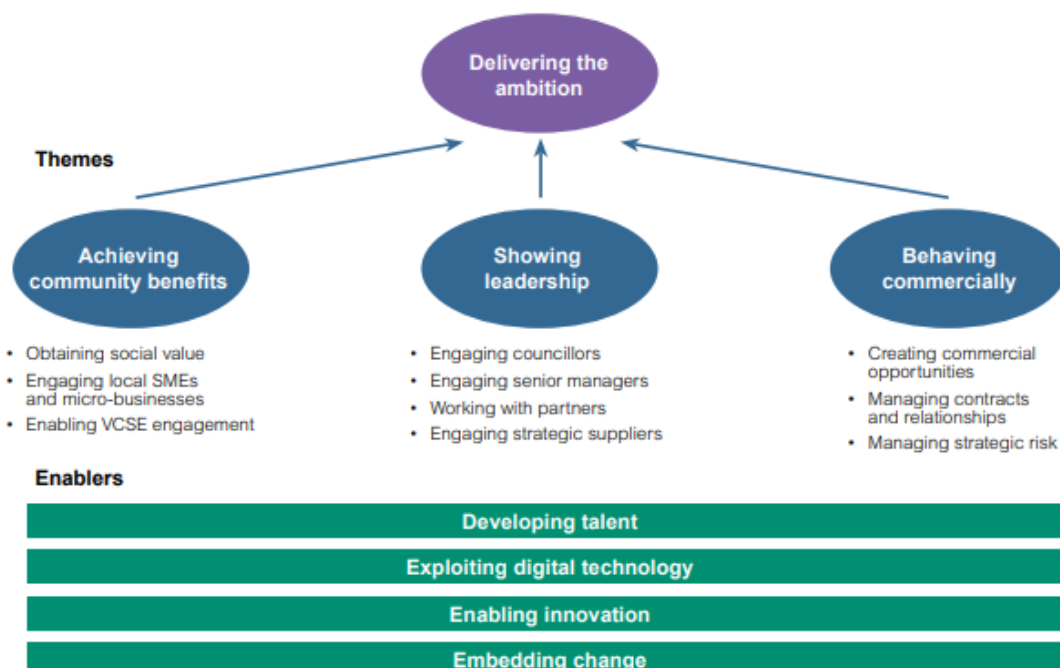
This strategy deliberately follows, and heavily borrows from, the Local Government National Procurement Strategy 2018 (published on 4<sup>th</sup> July 2018). Not only because this new strategy is eminently useful and adaptable to the Council's requirements, but also because it sets out a clear position for the supply side market, one with which they will be familiar. As Slough builds on its status as a nationally important centre for economic growth and innovation, suppliers need to understand with clarity what the Council, as a buyer, expects. This strategy seeks to set out these expectations.

### **3.0 Organisational context**

The Council has decided to create a new corporate commercial team (see section 3 of the Commercial Strategy 2018). This team has responsibility for delivery of the wider Commercial Strategy as well as this Procurement Strategy.

### **4.0 Themes**

The Council's ambitions are defined in the Five Year Plan. The Procurement Strategy and wider Commercial Strategy both explicitly align with these outcomes, as they should.



## 5.0 Showing Leadership

**Councillors** set the council vision and strategic priorities and must be satisfied that the procurement and commercial arrangements for their delivery are robust. Councillors make key decisions, particularly in major projects, and maintain oversight of the performance of key contracts, agreeing corrective action where necessary. Councillors need to be fully engaged in these roles. Councillor engagement needs to be supported through training, good procurement and commercial advice and reporting arrangements.

**CMT** value and benefit from procurement and commercial advice at the early stages of major projects. This is a two-way process requiring action by senior managers on the one hand and by procurement and commercial advisers on the other.

**The council** works as a single team to design and implement solutions for public services and commissioners/budget holders, and commercial and procurement advisers work together as part of that team.

**The council** takes a strategic approach to the management of relationships with the most important suppliers (otherwise known as Strategic Supplier Relationship Management). This activity should be carried out across departments and is most effective when done across the entire organisation.

## 6.0 Behaving Commercially

**Creating commercial opportunities** refers to how an organisation promotes revenue generation and value creation through the way it plans its major third party acquisitions (works, services and goods); reviews its business options (make or buy); engages with, and influences, markets and potential suppliers; seeks to support and encourage innovation; and promotes the development of new ideas and solutions to service delivery. The commissioning process will normally precede these activities and sometimes will overlap. Careful coordination and planning is essential.

There are many ways in which commercial opportunities can be created through the strategic management of the commercial cycle and the services and assets delivered through the contracts it creates. Commercialisation is a broad and important subject to the Council. The Commercial Strategy is complimentary to this strategy in this respect. This strategy is confined to how procurement activities should contribute to helping identify and create commercial opportunities

Our ambition is to work collectively to identify and exploit new commercial opportunities through market shaping and shared working with development partners and service providers. We see staff innovation and knowledge/information utilisation as a commercial opportunity.

**Forward planning** will be undertaken across the organisation for all strategic contracts. Opportunities to create new revenue streams is considered by all departments and for all relevant expenditure categories. All parties are encouraged to contribute ideas for revenue generation in the forward planning process. Forward planning for contracts will form an integral part of the organisation's budget setting and expenditure forecasting process.

**Options appraisal** includes seeking commercial opportunities and / or collaborative contracting with others in the sector as well as the creation of new models for delivering services. Procurement is an integral aspect of options appraisals. Again, the commissioning process will normally precede these activities and sometimes will overlap. Careful coordination and planning is essential.

**Market and supplier research** is used to shape and determine the content and timing of the procurement process used. Findings are also used to contribute to the risk management process and options appraisal process. Procurement is an integral aspect of market and supplier research and analysis.

**Tendering** is a commercial process and documentation must be prepared to make it attractive to take part and is focused on innovation and opportunities. Innovation is an important factor in the tendering process and should be scored at the evaluation stage. Tenders must have a legal / commercial balance so as to be focused on attracting the best bids. The commercial team must be involved from the planning phase onwards.

**Performance reporting** will include commercial and social benefits achieved as well as savings across the whole organisation. The commercial team will produce summary reports for CMT and elected Members monthly. An annual report for the Leadership team and potential delivery partners covering achievements and aspirations will be created.

### **Managing Contracts and Relationships**

The Commercial Strategy sets out the Council's approach to contract management through the Contract management Framework. The framework covers 11 areas:

- Planning and guidance
- People
- Administration
- Managing relationships
- Managing performance
- Payments and Incentives
- Risk
- Contract development
- Supplier development
- Supplier relationship management
- Market management

Please see section 4 of the commercial Strategy 2018.

### **Managing Strategic Risk**

Managing strategic risk refers to the impact of an external event, passing of a statute or illegal activity upon business as usual, reputation and/or financial health of the organisation.

The occurrence of any risk, particularly when it could be foreseen, can have a devastating impact on the organisation's reputation and the lives of the people it serves, the quality of the services that it provides, and even its financial viability.

The Council must take a proactive approach to strategic risk management and therefore identify all vulnerable areas and put mitigating policies and plans in place.

**Risks relating to fraud and financial loss** need to be managed by having systems in place to target both financial loss and fraud with a proactive approach to issues such as irregular transactions, duplicate payments, and fake creditors/invoices.

**High risk suppliers and contractors** with supply chain vulnerabilities need to be identified. Active management of, and reporting against, high risk suppliers and their supply chains must take place.

All contracts where **modern slavery** might occur should be identified. Appropriate reporting measures and compliance checks must be agreed and implemented by appropriate contractors.

**External events** can pose significant risks. It is important to keep abreast of the news, central government briefings and take appropriate action, as and when required. Contingency plans must be in place for all high value / risk projects and alternative service provision options should be identified.

## **7.0 Achieving Community Benefits**

Social value refers to wider financial and non-financial impacts of programmes, organisations and interventions, including the wellbeing of individuals and communities, social capital and the environment. From a business perspective, it may be summarised as the net social and environmental benefits (and value) generated by an organisation to society through its corporate and community activities reported either as financial or non-financial performance (or both).

Social value is about improving economic, social and environmental wellbeing from public sector contracts over and above the delivery of the services directly required at no extra cost or where additional costs are visible and fully transparent.

Social value requirements will be applied to supplies, works and services above AND below OJEU thresholds. Requirements will be tailored to reflect size and scope of contracts and social value is embedded into all procurement routes where appropriate.

Individual named officer(s) will be given responsibility for managing and delivering social value across contracts, in line with SBC's approach to contract management. Relevant officers will be provided with social value training and resources to implement a social value strategy.

The social value inputs and outcomes obtained during procurement and contract management will align closely to the Council's Five Year Plan outcomes.

Social value requirements will be included in all tenders (contracts and frameworks). Relevant gateways and checks will be in place to ensure consistency in tenders, reflected in the Procurement Operating Procedures, along with processes to ensure lessons learnt and feedback are incorporated for continuous practice improvement.

Regular supplier summits will be held to build capacity and to seek market views. A market development plan will form part of the policy underpinning commissioning development. There will be a specific focus on the upskilling of local micro, small, medium sized enterprises, business and voluntary, community and social enterprise (VCSE) organisations.

A cabinet member will have direct oversight of social value performance. Social value will be embedded into commissioning and procurement practice, tools, resources and processes. Social value will be measured and reported on regularly.

## **ENABLERS**

### **8.0 Developing talent**

The Council will develop a planned approach to talent development in relation to future procurement and contract management workload including:

- Contracts pipeline
- Resourcing plan
- Competency framework
- Remuneration strategy
- Comprehensive training and development plan including provision for development of staff not currently in procurement or contract management roles
- Secondments to and from the private sector and VCSE sector

### **9.0 Exploiting Digital Technology**

The Council will purchase and implement a proprietary procurement and contract management application to allow effective forward planning of all procurement processes and to underpin sourcing and procurement decision making. Performance monitoring and communications will be underpinned by dashboards and diagnostic tools provided by the relevant application.

#### **10.0 Enabling Information**

Outcomes will be based on procurement and market making as the 'standard' way of doing things. Innovative procurement approaches will not just be applied to technology but also to established services. Innovation in procurement and contract management will be mainstreamed and procurement techniques such as innovation partnerships and pre-commercial procurements will be used regularly when they are appropriate.

#### **10.0 Embedding Change**

The change in approach to procurement, outlined in this strategy, will be comprehensively applied across multiple projects and departments. Senior leaders will recognise the importance of procurement and contract management and promote this as a way of leading and managing organisational change. Procurement and contract management are key drivers of organisational change and will be embedded at all levels in the organisation.

## **Appendix Two(a)**

### **Procurement Strategy Checklist**

Good procurement is all about getting the best possible deal for our residents and local businesses. One of the ways we do this is by asking colleagues to consider the issues in this check list.

By answering all these questions (where they are relevant) you will be well prepared and able to execute the project well.

#### **Purpose**

- What are you procuring and why?
- Is this the first time we've done any procurement work for these services? Or have we procured them before? If so, what did we learn?
- What do we want to achieve for our residents and by when should we do it?
- What do the people who use the current service tell us about it?
- Do the current users like the service as it is, or should we make it better next time?
- Was there anything else the users and other interested parties told us about the current service when we spoke to them?
- Could the services be done in-house or in a different way?

#### **Showing Leadership**

- Which Cabinet Member is responsible for the success of this procurement work? What do they want to achieve from it for residents?
- Which officer is responsible for the procurement process overall?
- What are the top three ambitious things this procurement work will achieve and by when?
- Tell us how this procurement will help the areas we've already agreed are top priorities:
- Outcome 1 – Slough children will grow up to be happy, healthy and successful.
- Outcome 2 – Our people will be healthier and manage their own care needs.
- Outcome 3 – Slough will be an attractive place where people choose to live, work and stay.
- Outcome 4 – Our residents will live in good quality homes.
- Outcome 5 – Slough will attract, retain and grow businesses and investment to provide opportunities for our residents.

#### **Achieving Community Benefits**

- How are we approaching the market with this opportunity to maximise community benefits?
- Are we talking to smaller, local suppliers and the voluntary sector to see how we can harness their innovation and skills?

- How many local businesses will have the chance to bid for the contract when we advertise it? And how can we make it easier for them to bid?
- How many local people could be employed on this contract when it's awarded?
- How many local people will have a chance to train in a skill or retrain, on this contract?
- Are we asking for bidders to commit to using the local supply chain?
- What other community benefits can be included which have a high value to Slough but low or zero cost to the bidders?
- Can we align community benefits we are seeking to existing corporate social responsibility programmes in bidders' organisations?

## **Behaving commercially**

### Resources

- How much money have we got to spend on these services over the next few years?
- Can we save money, compared to what we spend today?
- If we can, what are we going to do with the saving?
- Do we need to spend this money today to save more money in the future?
- Is the saving going towards the Council's overall savings target and if so, in which years?
- If we think the costs will go up, how are we going to find the extra money?

### Market & Commercial

- Who are the current supplier (if there is one) and what is their service like?
- Who are the local businesses that could bid for this work?
- What did potential suppliers say about this procurement opportunity when we told them about it? Were they excited or worried about it?
- Did all the suppliers say the same or did some suppliers tell us different things?
- What would put them off bidding for the contract and how do we address that?
- What are the main parts of the services we want delivered? Can we group services together so we get the best tenders back in and allow local businesses to bid?
- What is the best length of contract? What did the suppliers tell us about that?
- Are there any TUPE or pensions issues that need to be considered?
- How should we score the tenders? Should it be 60% quality & 40% price, or something different?
- Are we doing an EU/OJEU tender or a different one? If you're not sure, then check with the corporate commercial team

### Contract Management

- How will we make sure the supplier delivers everything we've asked for when the contract is awarded?

- What exactly are we measuring and how will that make sure that delivers what we need?
- How will the contractor be encouraged to perform well?
- How will we penalise the contractor if they don't do what they should?
- What do we know about contract management from the current service and how do we improve it?
- Who's going to manage the contract and the supplier when the contract is awarded?
- Does that person have the right skills and experience to do that or does the person need more training/experience now, before the procurement work starts?
- How can we make sure the contract stays relevant to users' needs and to our ability to pay?
- How much flexibility should we build in to the contract?
- Are there any things that, if the contractor does or does not do them, that would mean we should be able to end the contract?
- Towards the end of the contract, how will we make sure the current contractor continues to perform well?
- What do we need to put into place now that makes sure any change of contractor in the future is done with minimum disruption?

## **Project Management**

- Who's responsible overall for the procurement work and for making sure the Councils goals are achieved?
- How is this project going to be managed and by who?
- When does the procurement work need to start and finish by?
- When are we asking Councillors and/or Cabinet to make important decisions, we need to go through a lot of stages. Have we given ourselves enough time or do we need to start earlier?
- Who's talking to service users and other interested parties and when?
- Who's talking to Councillors to update them and when?
- How are we managing budgets and risks?



### **Appendix Three – Contract Procurement Rules**

Awaiting updated version from procurement team

#### **Appendix Four – Procurement Operating Procedures**

Awaiting updated version from procurement team

## **Appendix Five - Contract management framework, categorisation model and governance**

<b>PLANNING</b>
Area 1: Planning & Governance
1. Contract ownership, management processes and governance mechanisms are clear with defined roles and responsibilities. There is a clear contract management plan which involves appropriately senior people at each level.
Area 2: People
2. Contract management is adequately resourced in proportion to the importance of the contract and the skills make-up of the team reflects the nature of the contract. The team have the range of skills, capability and experience to effectively and efficiently discharge their roles and responsibilities and are appropriately performance managed.
Area 3: Administration
3. An up to date (annotated with relevant agreed changes) hard copy contract is stored, logged and easily accessible with an operating manual where appropriate. All relevant correspondence in relation to contract changes is stored and easily accessible.
<b>DELIVERY</b>
Area 4: Managing Relationships
4. The relationship between both parties is clear and well defined, responsibilities are documented, there are structural and informal communication routes that include other stakeholders outside the contract manager (users of the contract, technical experts etc).
Area 5: Managing Performance
5. There is a comprehensive performance management framework in place with meaningful metrics and suppliers receive regular and routine feedback on their performance both formal and informal.
6. Clear documented processes are in place for managing problems efficiently and effectively. There is clear documentation of any disputes and their resolution.
Area 6: Payment & Incentives
7. There are appropriate defined mechanisms and processes to ensure that payments are made to the supplier in line with the contract including validation such as spot checks on invoices.
8. There are defined mechanisms and processes that are managed to ensure appropriate incentives relating clearly to outcomes. Where open-book or similar financial/pricing mechanisms are used open-book accounts can be mapped to real accounting events and internal reports in the supplier organisation.
Area 7: Risk

9. There is a risk management policy and risks are subject to ongoing review and assessment in line with organisational risk management processes. There is clear understanding by both parties of who is best placed to manage risks.

## DEVELOPMENT

### Area 8: Contract Development

10. Contract management staff understand the contractual terms including contract extension (services and duration), termination warranties, indemnities, insurance, security and confidentiality and dispute resolution.

11. Clear documented processes and governance are in place to manage contract changes and any changes are communicated and understood by both parties.

### Area 9: Supplier Development

12. Processes are in place that clearly set out how supplier development activities will be planned, managed and governed. Clear processes for benefits measurement and capture are in place to ensure that supplier development is focused on continuous improvement and achieving value.

13. There is an understanding of what motivates and drives the supplier and development is aligned with the supplier's goals. Joint working or shared activities between the two parties benefit both. There are shared risk reduction programmes or activities and shared management activities to drive performance improvement.

### Area 10: Supplier Relationship Management

14. A supplier relationship management programme is planned and structured with appropriate governance and senior ownership. The programme considers all the supplier's interactions across the organisation. There is a focus on continuous improvement and capturing innovation with a clear sense of what value is to be generated for both parties.

### Area 11: Market Management

15. Market intelligence is used to maintain an understanding of the market and of alternative suppliers to inform benchmarking, contingency planning and strategies for future delivery. Exit planning and a strategy for when the contract ends is put in place in a timely manner and includes input from the contract manager.

16. The capacity and capability of potential suppliers is analysed. There is ongoing evaluation of emerging technologies and practices, and identification of opportunities from both immediate and parallel market sectors. Market making is undertaken where appropriate to stimulate competition and ensure that requirements can be delivered by the market.

## Categorisation Model

Criteria / Category	Low	Medium	High
Overall contract value	Less than £500,000	£500,000 to £1m	Greater than £1m
Political interest	Rarely of interest	Of interest if performance is poor	Often of interest, may be public facing and likely to impact on core strategic objectives
Impact on council business	Commodity products / services where poor contract performance is not critical and alternative suppliers are readily available.	More specialised products or services where poor performance will impact on council services and reputation.	Critical services or products where poor performance will have a severe impact on council services and reputation
Sourcing complexity	Acceptable alternative options are available. The goods and services are easy to specify without specialist knowledge. The impact on the Council's operations is low in the event of supplier change	Alternative options are readily available or can be developed. Drafting the specification may take some time which may need some specialist input. Business impact can be significant in the event of change.	Alternative options may be available, subject to complex decision making criteria and lengthy procurement process. Specification is complex and requires specialist support. Change impact can be extreme; therefore, exit and service transition needs to be managed robustly.
Contractual complexity	Simple, clear and transparent contracts based on standard terms and conditions.	Moderate complexity, may need legal support for interpretation.	Complex, multi-faceted contracts that need detailed understanding and high level of commercial knowledge and legal support.
Performance complexity	Performance and delivery can be objectively evaluated.	Some subjectivity in evaluating contract performance.	High subjectivity in evaluating performance, delivering complex services.

## Governance, structure and processes

The roles for corporate contract management have been identified using the RASCI methodology described as follows:

### **Responsible**

Those who do the work to complete the task. There is at least one role with a participation type of *responsible*, although others can be delegated to assist in the work required and are designated as *Supporter*.

### **Accountable**

The one ultimately answerable for the correct and thorough completion of the deliverable or task, and the one who delegates the work to those *responsible*. In other words, an *accountable* must sign off (approve) work that *responsible* provides. There **must** be only one *accountable* specified for each task or deliverable.

### **Consulted**

Those whose opinions are sought (sometimes subject matter experts) and with whom there is two-way communication. Cabinet members would also fit this category.

### **Informed**

Those who are kept up-to-date on progress, often only on completion of the task or deliverable; and with whom there is just one-way communication.

### **Supporter**

Those who assist the *Responsible* in completing tasks.

All contracts will be categorised into High, Medium or Low. The differing roles in respect of governance structures for staff and members in SBC are proposed as follows:

Roles / contract category	High	Medium	Low
Cabinet Member	Consult	Consult	Inform
CMT Member	Accountable	Consult	Inform
Service Leads	Responsible	Accountable	Accountable
Corporate commercial management Service Lead	Responsible	Responsible	Support
Commercial manager	Support	Responsible	Responsible
Subject matter expert (operational staff)	Support	Responsible	Responsible

Wherever possible, existing governance processes will be used to discharge the responsibilities of this model. For example, Cabinet briefings and reports, service area management team meetings and the Corporate Management team meetings. The existing financial standing orders will still apply, for example for contract value threshold authority levels.

The deployment and future development of the Contract Management Framework will supplement existing requirements of the Constitution. A gateway approach will be developed with appropriate sign off at critical stages that reflect the requirements of the Contract Management Framework.

## **Appendix Six – Supporting Great Ideas**

Essentially, Supporting Great Ideas (SGI) is an ideas generation scheme focussing on revenue generation and cost saving ideas.

Staff at all levels are encouraged to submit ideas through a carefully orchestrated internal comms campaign, supported by an engaging portal on the intranet.

All ideas submitted will be acknowledged and originators given a modest gift, although this will not be made known in advance.

The ideas will be reviewed and the most promising given support to develop an outline business case.

### **Outline business case**

- The high-level criteria for the outline business cases (OBC) are as follows:
  - The value proposition
  - The market
  - The competition
  - Capability, capacity and credibility
  - Costs and revenue, including break-even point and forecasts
  - Risks and risk management
  - Appropriate trading vehicle if required

### **CMT Sponsorship**

One of the challenges of any organisation is to tap into, cherish and develop ideas from staff. Many may have little formal power or authority but, by virtue of being involved daily with the delivery of services, have powerful insights and ideas for improvement.

Sometimes, new ideas can be squashed when exposed to the usual hierarchy. The SGI scheme proposes to address this by seeking direct CMT sponsorship for all OBCs and their originators. Managers in-between originators and directors will not, at this stage, have a role.

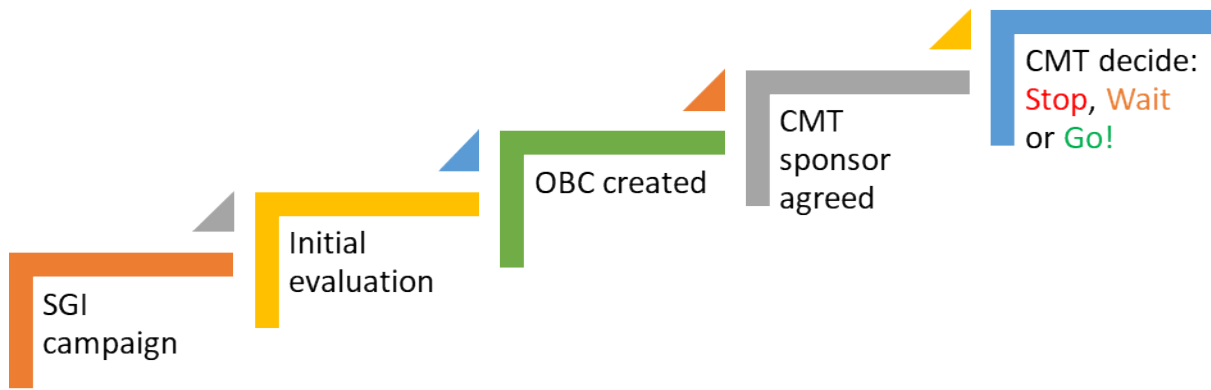
Once an OBC has a CMT sponsor, CMT will consider the OBCs monthly and follow a Stop, Wait or Go approach.

### **Stop, Wait or Go!**

- Stop is applied if CMT consider the OBC has one or more fundamental flaws that are incapable of remedying. The OBC ends here.
- Wait is applied if the OBC needs some more work in a particular area or if the timing is not helpful. For example proximity to other events, political climate or capacity of the council to deliver at that time. The OBC will be re-worked and CMT sponsorship and interest maintained for re-submission.
- Go is applied when the OBC stands up to CMT probing and other factors external to the OBC are well aligned: timing, capacity and so forth.



## Process – from conception to birth



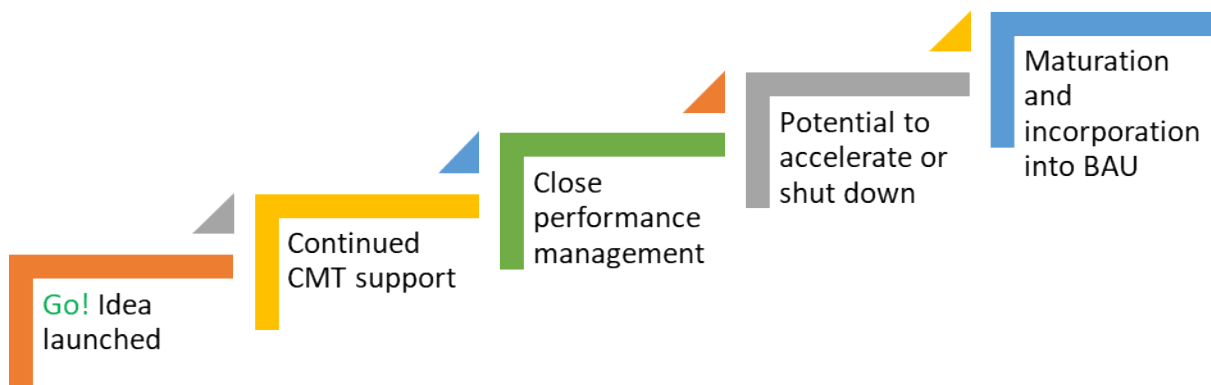
Responsibility for the early life of each OBC rests with the CMT sponsor.

The overall portfolio of investment in new business cases rests with the Director of Finance and Resources. The Director will need to ensure a balanced approach is taken to risk and opportunity, considering the whole range of business cases underway or in contemplation.

It is important to keep the performance of each business case under close monitoring. Failing business cases need to be shut down quickly and successful ones need to be supported, where possible, to increase growth and profits rapidly.

Once the new business opportunity has been established as a viable and ongoing concern, the performance of the business will be transferred to business as usual, being managed as part of the relevant departmental operations and budgets.

## Process – from birth to BAU



## Benefits

Apart from the obvious financial and reputational benefits, other benefits accrue.

Staff who have chosen to engage in the scheme are effectively a self-selecting group of people with an interest in savings and/or commercial revenue.

This cohort can be used for further projects and offered development and engagement opportunities as CMT see fit.

A focus on the willing is more likely to help stimulate longer term culture shift than alternative, all-staff, approaches and at a much lower cost.

## **Appendix Seven – Business case proforma**

### **NAME OF BUSINESS CASE**

#### **SUMMARY**

This business case seeks £x in order to deliver benefits of Y...

#### **1. Value Proposition**

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- What product/ services are we offering?
- Who is our target customer for this product or service?
- What is the specific benefit to the customer?
- What makes our offer unique?
- Why should they buy it from us and not our competitors?
- What's the Elevator Pitch?

#### **2. The Market**

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- Describe the market- who is it and where will we operate?
- Market sizing- total potential market
- Routes to market and business development - how will we market, promote and sell this?

#### **3. The Competition and competitor analysis**

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- Who are our competitors?
- What is their value proposition?
- How much do they charge?
- How will we compete – quality, price, convenience etc?

#### **4. Capability, capacity, and credibility**

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- Have we done this before?
- Are we good at it?
- Why do we think we can do this and be successful?
- Will we need to employ more staff or can we cover any extra work in another way?
- Does the SBC brand support this proposition?

#### **5. Cost, Revenue and cashflow**

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- What are the fixed costs?
- What are the variable costs?
- Have you included corporate overheads?
- What are your revenue sources and how are you forecasting this?
- What support in terms of cashflow will you need until your revenues will support the business?
- How much turnover do you need to hit the break-even point?

## **6. Risks and risk management**

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- What are the key risks – operational, financial and reputational?
- How will you manage and mitigate these?

## **7. Charging and Trading: legal position**

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- Do you need to use a commercial vehicle?
- What are the advantages or disadvantages of doing so?
- Have you taken advice on tax and VAT?

## **Appendix Eight – Local Authority Trading Powers**

<b>Statute</b>	<b>Description</b>	<b>Opportunity</b>	<b>Conditions</b>
<b>Local Authorities (Goods and Services) Act 1970</b>	Allows a local authority to supply goods or materials, or technical administrative or professional services to a public body (as defined in the Act) and charge for the supply	<ul style="list-style-type: none"> <li>➤ Can trade with other public bodies without setting up a company</li> <li>➤ Great opportunity to test the demand and to confirm if there is strong business opportunity for a commercialised service</li> <li>➤ Scope to generate a profit</li> </ul>	<ul style="list-style-type: none"> <li>➤ Trading can be limited due to other public bodies being subject to the public procurement rules</li> <li>➤ Can trade only with public bodies as defined in the Act</li> <li>➤ The Act defines which bodies are or can become Public Bodies for the purposes of the Act e.g. other Boroughs</li> </ul>
<b>Section 38 Local Government (Miscellaneous Provisions) Act 1976</b>	Allows the council to make any spare computer capacity it has available to others whether in the public or the private sectors. The facilities the council can make available are those for using the computer or of services provided by means of the computer.	<ul style="list-style-type: none"> <li>➤ The terms on which the computer capacity is made available are up to the council and the other party to agree but must be those which a commercial provider would be expected to agree</li> <li>➤ The spare capacity can be provided to anyone whether private or public sector</li> <li>➤ Scope to make a profit</li> </ul>	<ul style="list-style-type: none"> <li>➤ Limited to spare computer capacity</li> <li>➤ A public sector body may have to comply with the public procurement rules to purchase the services / spare capacity</li> </ul>
<b>Section 93 Local Government Act 2003</b>	Empowers the council to charge for discretionary services, i.e. services which it has power to provide but not a duty. This facilitates the provision of services to bodies other than public authorities for a charge	<ul style="list-style-type: none"> <li>➤ Can provide services to public sector</li> <li>➤ Can provide services to private sector</li> <li>➤ Can recover full costs</li> </ul>	<ul style="list-style-type: none"> <li>➤ The charge may only cover the council's costs and can not include any element of profit but can still be an advantage in so far as it helps off set general running costs and overheads.</li> <li>➤ Private bodies and individuals don't have to go</li> </ul>

			<p>through a public procurement process to acquire services</p> <ul style="list-style-type: none"> <li>➤ Public bodies would be subject to procurement rules. The fact that the service supplier may not be seeking a profit does not exempt the transaction from the public procurement rules</li> <li>➤ Cannot use this to charge for services that the council is required to provide to someone</li> </ul>
<b>Section 95 Local Government Act 2003</b>	Empowers the council to trade. Specifically, it can do for a commercial purpose anything it is authorised to do for the purpose of carrying out its ordinary functions	<ul style="list-style-type: none"> <li>➤ Can trade with public sector</li> <li>➤ Can trade with private sector</li> <li>➤ Can generate a profit</li> <li>➤ Private sector bodies can award contracts directly</li> </ul>	<ul style="list-style-type: none"> <li>➤ The powers can only be exercised through a company or a co-operative or Community Benefit Society</li> <li>➤ Public bodies who wish to purchase services would have to comply with the public procurement rules so could not simply award work to the company</li> <li>➤ The council and the Company's directors would have to comply with the Companies Act 2006.</li> </ul>
<b>Chapter 1 Part 1 of the Localism Act 2011</b>	The council can use this power to do things anywhere in the United Kingdom or elsewhere and for commercial purposes or otherwise for a charge or without charging. The council can use the power either for its own benefit or the benefit of its area or the people resident or present in its area but is not restricted to using the power only for those purposes. Specifically permits the Council to trade	<ul style="list-style-type: none"> <li>➤ Can trade with public sector</li> <li>➤ Can trade with private sector bodies</li> <li>➤ Can generate a profit</li> <li>➤ Can market directly to private sector bodies, who can award contracts directly</li> <li>➤ It is a power of first resort designed to</li> </ul>	<ul style="list-style-type: none"> <li>➤ Restricts the power to charge for discretionary services (i.e. in the same way as s93 LGA 2003 above does).</li> <li>➤ The power can only be exercised through a company or a co-operative or Community Benefit Society</li> <li>➤ Private clients don't have to go through public procurement, but other public authorities would</li> </ul>

		<p>limit restrictions placed by other statute or case law under previous statutes.</p> <p>➤ This legislation is aimed at enabling Councils to be innovative.</p>	
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## **Appendix Nine - companies, partnerships and joint ventures in which the Council has an interest**

### **Limited companies**

#### **James Elliman Homes Limited**

In January 2017 the council established James Elliman Homes (JEH) as a subsidiary housing company that aims to acquire, manage and lease existing properties in a manner that will provide an offering of homes for people facing particular difficulties in accessing suitable accommodation. This is done through a cross-subsidy provided from homes let at market rents. This company serves a wider social purpose and focuses on providing affordable homes to a wider range of people than those who have traditionally been council or housing association tenants. It assists the council to more easily discharge its responsibilities to homeless residents and others and in containing or reducing the instances and cost of expensive temporary accommodation such as bed and breakfast hotels. James Elliman Homes will also in the future aim to secure accommodation for specialist purposes such as providing accommodation for key workers and housing for care leavers.

#### **Herschel Homes Limited**

Herschel Homes (HH) was established by the council in January 2017 to focus on providing mainly new build properties for open market rent. The objective of introducing a group of subsidiary housing companies was to improve choice, increase quality, meet varying forms of housing need and generate an independent income stream for the council to offset reductions in central government funding and improve financial resilience of the council. This will also improve conditions in the private rented sector and the company will act as an exemplar of good practice in the management of private rented accommodation. This company is currently dormant. Herschel Homes has not yet started trading, pending the allocation of budgetary provision.

#### **Slough Asset Management Limited**

TBC

#### **Ground Rent Estates 5 Limited**

In March 2018 the council completed the purchase of Ground Rents Estates 5 Limited (GRE5) which owns the freehold of Nova House. The council announced its intention to purchase the company which owns the town centre block in 2017, after concerns were raised about the fire safety of the building in the wake of the tragedy at Grenfell Tower in London. The council showed clear and pro-active leadership by taking over responsibility for the building in order to ensure that residents are safe and feel safe.

### **Limited liability partnerships**

#### **Slough Urban Renewal LLP**

Slough Urban Renewal (SUR) is a joint venture partnership between Slough Borough Council and Morgan Sindall Investments Limited. The purpose is to help transform the borough for all who live and work here. The changes taking place will embrace and enhance all that Slough already has to offer. It is not just about creating iconic buildings, open spaces and connectivity. It is about creating even more opportunity, even more prosperity and an even better quality of life for everyone. Projects cover leisure, hotels and restaurants, residential, schools and offices.



Name	Date incorporated	Person(s) with significant control	Board membership
James Elliman Homes Limited	6 February 2017	Slough Borough Council	Four council officers: <i>Mike England</i> <i>Neale Cooper</i> <i>Stephen Gibson</i> <i>Colin Moone</i>
Herschel Homes Limited	6 February 2017	Slough Borough Council	Four council officers: <i>Mike England</i> <i>Neale Cooper</i> <i>Stephen Gibson</i> <i>Fourth director TBC</i>
Slough Asset Management Limited	22 December 2016	Slough Borough Council	Three council officers: <i>Joe Carter</i> <i>Neale Cooper</i> <i>Stephen Gibson</i>
Ground Rent Estates 5 Limited	14 November 2006 <i>(acquired by SBC on 7 March 2018)</i>	Slough Borough Council	Four council officers: <i>Mike England</i> <i>Neale Cooper</i> <i>Stephen Gibson</i> <i>Fourth director TBC</i>
Slough Urban Renewal LLP	16 October 2012	Slough Borough Council  Community Solutions For Regeneration (Slough) Limited	<i>TBC</i>