

Committee(s):	Date(s):
Efficiency and Performance Sub-Committee	8 th May 2013
Subject: Third Party Payments	Public
Report of: Chamberlain	For Information

Summary

This review of Third Party Payments involved an examination of transactions posted to CBIS for the three year period 1st April 2009 to 31st March 2012. (The CIPFA definition of Third Party Payments for accounting purposes is payments made to external bodies for services which a local authority provides to its citizens). The total value of payments made over this 3 year period is in the region of £104.5million which includes payments of £22.2million over three years in respect of the City's grant to the Museum of London.

As would be expected a wide range of suppliers were identified that are providing departments with services for which the City of London Corporation does not have the delivery capacity, for example, social care provision; or where a strategic decisions have been made source from external providers, including Council Tax collection and waste management. The focus of the review was to analysis the profile and nature of third party payments and understand those areas of spend which already have efficiency reviews planned or underway, or have already been recently subject to recent review. In some areas, these historical payment streams have fundamentally changed as a result of developments in the way services are delivered.

The Efficiency Board has concluded through detailed review and challenge that the majority of spend on services covered by these payments over the last three years have been or will be subject to review via the PP2P project, contract renewal negotiations, budget and policy initiative reviews, or are mandatory in nature or are recoverable. As part of this review of Third Party Payments, it was agreed that social care and residential care contracts being reviewed by the DCCS Commissioning Strategy should be brought within the overview of a new PP2P Category Board.

The remaining payments with a value of £5.5million over three years have been agreed for more detailed examination. The progress made from these more detailed reviews will be reported back to this Committee in the next 6 months. 2

Recommendation

Members are asked to:

- Note this report.

Main Report

Background

1. At the April 2012 meeting of the Efficiency & Performance sub-Committee it was decided that departmental scrutiny exercises on a rolling basis would be discontinued, although the option for Members to request reports from Chief Officers concerning value for money provided by their services would remain. It was agreed the in place of departmental scrutiny exercises themed reviews would be undertaken. These themes to be identified from a wide range of spending activities exercised across the City's departments. At the 28th May 2012 meeting of the Efficiency Board a range of spending areas was discussed including Third Party Payments and it was agreed that an initial examination of this area of spend should be undertaken.
2. The City of London utilises the CIPFA categorisation of expenditure and income for all transactions recorded in the City's accounts. The classification of Third Party Payments is services which the City is responsible to provide, for example, Council Tax collection, that are being provided by an external body, usually via a contract or partnership agreement. An initial high-level examination of Third Party Payments was made; this involved analysing transactions posted in CBIS by each City department into specific areas of spend, for example, Private Contractors; specific service providers and the value of payments made to them were identified; the justification for making the payments was obtained from Heads of Finance and service managers; the existence of current or planned review activity was ascertained; and any further examination of spend not included in current scrutiny exercises was considered.

Initial Analysis

3. Table One below includes details of Third Party Payments made over the three year period 2009/10 to 2011/12. Payments totalling £104.5million were made during that period; the majority of payments (£52.5million) were made to contractors for a wide range of services including Council Tax collection, waste collection services, and on and off street parking contracts. Department of Community and Children's Services payments (£17.9million in total) were for a range of social care payments including, accommodation, home help and supported living.

Table One: Initial Analysis of Third Party Payments 2009/10 to 2011/12

Payment Category	Total Three Years	2011/12
	£000	£000
Private Contractors (See Table Two)	20,100	6,420
Standard Contracts (See Table Three)	31,100	8,690
DCCS Payments (See Table Four)	17,900	5,410
Additional Contract Payments (see para 7)	1,000	363
Contract Performance Payments (see para 7)	300	123
Joint Authorities (See Table Five)	22,200	5,527
Other Bodies (excluding DCCS)(Table Five)	7,300	1,615
Landfill (Table Five)	2,100	259
Forensic Services (CoLP) (Table Five)	1,400	435
Other Local Authorities (excluding DCCS) (Table Five)	900	-
Recycling – mandatory payments (Table Five)	100	26
Winter Works (Table Five)	100	60
Total	104,500	28,928

Contract Payments

The City manages a variety of contracts for essential services. Table Two below provides a detailed analysis of private contractor payments for the financial year 2011/12. It also includes details of current review work that is being undertaken of these arrangements. The CIPFA categorisation of private contractor payments has been applied to any service provision where provision is discretionary in nature, for example car parking, related to indirect expenditure, such as security, and where part of the service is provided in-house, Council Tax and Business Rates collection management.

Table Two: Private Contractor Payments 2011/12

Service	Contractor	£000
Off St. Parking – payment collection	APCOA Parking UK	1,384
Off St. Parking System Maintenance	FCCA (UK)	38
The Guildhall School Security	The Shield Guardian Co.	59
On. Street Parking - enforcement and payment collection	Vinci Parking Services	2,400
Off St. Parking System and operation.	Zeag Parking Ltd.	148
Traffic Management	FM Conway*	38
Total subject to PP2P project review		4,067
Council Tax & Business Rates	Liberata UK	1,323
Report on contract to Finance Committee (May 2012)		1,323
Dental Scheme	Barbican Dental Services	114
Cycling Scheme	Cycle Scheme Ltd.	8
Fitness Facilities	Fitness First Clubs	18
Employees schemes – all costs recovered		140
Business Com. Support	Greater London Enterprise Ltd.	52
Youth Employment	East London Small Business & The Brokerage City Link	118
Policy & Development Initiatives		170
One off Payments	Various	720
Total Private Contractor Payments 2011/12		6,420

*Traffic Management payments - Contract ended in 2011/12. New contractor J.B.Riney

- The PP2P project includes contract negotiations on a wide range of services, including on and off street parking, elements of which are to be re-tendered later in 2013. The total value of private contractor payments subject to PP2P review work is £4,067m based on 2011/12 expenditure. The Council Tax and Business Rates collection contract

(£1,323m in 2011/12) will expire in October 2014 and a strategic review of the future provision of that service will be presented to Finance Committee on 21st May 2013. . All employees benefits scheme expenditure (dental care, cycle loans & gym membership), £140,000 in total, is recovered from participating employees via payroll deductions. The Policy & Resources Committee has approved a number of youth employment schemes totalling £170,000 in 2011/12. Payments to The Brokerage City Link included within this total (£101,000 in 2011/12) will be examined by the Financial Services Director to determine the tendering mechanism and outputs. The balance of payments (£720,000) is related to payments for services comprising relatively small one-off payments.

5. Expenditure classified by CIPFA as standard contract payments includes large service contracts provided to City residents and businesses. Table Three provides details of these payments and the date for re-tender.

Table Three: Standard Contract Payments 3 Year Period 2009/10 to 2011/12

Service	Contractor	Total Payments £000	Contract Expiry Date
Waste Collection	Cleaning Service Group	264	Previous Contractor
	MRS Enterprise	15,611	2019
Waste Disposal	Lombar Cleaning	351	Previous Contractor
	Cory Env. Ltd.	4,925	2025
Hazardous Waste	BIFA	233	Previous Contractor
	PHS Waste Management	419	2015
Markets Tenants Services	Countrystyle Group Ltd.	2,884	2017
Markets Tenants Services	ISS Facility Services	2,200	Previous Contractor
Public Toilets	JC Decaux/ Danfoe Ltd.	546	2015
Other Payments	Various	3,667	
Total		31,100	

6. The Hazardous waste contract with PHS Waste Management, which is due for renewal in 2015, is to be included within the PP2P project

contract review programme (contract payments totalling £652,000 over three year period). This contract is managed for on behalf of all London Boroughs. Other payments of £3,667m in total relates to additional services provided by existing contractors which were not included within agreed contract arrangements. (All subject to appropriate committee and delegated approval).

7. Additional payments were also paid to contractors classified as private contractors. These were similar in nature to the additional service payments made to standard contractors related to additional work undertaken outside the main service provision or performance payments in accordance with the contract Terms & Conditions. (£1,300,000 in total – all subject to appropriate committee and delegated approval).

DCCS Payments

8. The Department of Community and Children’s Services commissions a variety of services related to social care and education. Table Four provides an analysis of these payments and details of inclusion within current review exercises.

Table Four: DCCS Payments 2009/10 to 2011/12

Payment Type	Total Payments £000	Detail	Review Position
Accommodation	8,600	Residential Care	PP2P Category
Independent Schools	500	Special Needs	Mandatory Expenditure
Inter-Authority Recoupment	700	State Education	Internal Audit Review
Home Help	4,500	Outsourced	PP2P Category
Other Bodies	2,100	Adult Education	Internal Audit Review
Other Local Authorities	200	Social Care Provision	DCCS Commissioning Strategy
Subsistence	100		As above
Supported Living	800		As above
Travel	100		As above
Voluntary Associations	300	Various community projects	Further analysis by the Financial Services Director
Total	17,900		

Other Third Party Payments

9. The City makes miscellaneous payments to external organisations in respect of services where there is no internal capacity to provide the service, or Pan-London initiatives. Such as, the tenancy mobility scheme (£300,000 over three years), London Child Protection

Scheme (£160,000); and Registration of Births, Deaths and Marriages (£160,000). These payments and the current review position are included within Table Five.

Table Five: Analysis of Other Third Party Payments

Payment Type	Total Payments £000	Detail	Review Position
Joint Authorities	22,200	Includes £21million to Museum of London.	Subject to budget and policy reviews
Other bodies	7,300	Community improvement schemes – e.g. Education services from outside organisations, The Tower project, Community Partnership Toilet Scheme.	Subject to budget and policy reviews
Landfill Tax	2,100	No longer paid	
Forensic Services (CoLP)	1,400	Scientific evidence analysis	Framework agreements – detail to be reviewed by Director of Business Support
Other Local Authorities	900	Pan-London projects including Registrars	Registrars payments to be reviewed by Director of Business Support
Recycling	100	Mandatory payments to Waste Collection Companies	
Winter Works	100	Tree maintenance	To be reviewed by Director of Business Support
Total	34,100		

Conclusion

10. The majority of Third Party payments totalling £87.523m over a three year period have been, or will be subject to separate review. There are areas of spend totalling £5.500m in value over a three year period which, as a consequence of this review by the Efficiency Board, will be subject to further analysis and examination, with a view to ensuring that value for money is being achieved. The remaining £11.477m of payments is in respect of mandatory services, policy initiatives, recoverable costs and one-off payments where review work is not

appropriate or warranted. Table Six provides a summary of the review work undertaken and the remaining areas, not covered by this review work requiring further examination.

Table Six: Summary of Third Party Payments Review Status

Review Process	Total Value Over Three Years £000
PP2P Reviews	26,343
Contract Renewal Negotiations	30,480
DCCS Commissioning Strategy	1,200
Budget & Policy Reviews	29,500
Total Included in existing Review Initiatives	87,523
Mandatory Payments – no review required	600
Various one – off payments – no review required	7,847
Employee schemes – no review required	420
Policy & Development Initiatives – no review required	510
No longer paid	2,100
Total no further review required/appropriate	11,477
To be reviewed by Business Support Director	2,400
To be reviewed by Financial Services Director	300
Subject to Internal Audit Reviews	2,800
Total to subject to further review work	5,500
Overall Total	104,500

11. Those areas which will be subject to further work are detailed in Table Seven. It should be noted that the values of payments are indicative of the level of expenditure incurred during the three year period examined. Whilst they are based on total postings to Third Party Payment subjective headings in CBIS they are not intended to reflect actual expenditure shown in the City's accounts.

Table Seven: Details of areas subject to further review work

Review Area	Indicative Payments £000	Total £000
Forensic Services (CoLP)	1,400	
Other Local Authorities	900	
Winter Works	100	
To be reviewed by the Director of Business Support		2,400
Voluntary Associations	300	
To be reviewed by the Director of Financial Services		300
Inter- Authority Recoupment	700	
Other Bodies – Adult Education	2,100	
To be reviewed by Internal Audit		2,800
Total further review work		5,500

Jeremy Mullins
T: 020 7332 1279
E: Jeremy.mullins@cityoflondon.gov.uk