

Procurement in Hillingdon

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REASON FOR ITEM

At the last meeting of the Committee Members asked that officers produce a briefing paper on the procurement process within the Council. Unfortunately the Head of Procurement can not be in attendance at this meeting but will be happy if required to attend this Committee's meeting on 13 September 2011

OPTIONS OPEN TO THE COMMITTEE

1. The Committee is asked to note the report and that the Head of Procurement, if required will attend this Committee's meeting on 13 September 2011.
2. The Committee is asked to consider any other information or areas it may wish to raise with the Head of Procurement on Procurement.

Background

In 2008 the Hillingdon Improvement Programme (HIP) recognised the need to improve the Council's approach to Procurement. Under the leadership of Cllr Scott Seaman-Digby, an accelerated work programme was undertaken to rebuild the Procurement service. By February 2009 a fully staffed professional team was in place under the leadership of a Head of Service reporting into the Corporate Director of Finance & Resources.

In line with the structural changes to the Council introduced in 2011, the Head of Procurement reports to the Chief Finance Officer Paul Whaymand and the function is part of Central Services, led by Deputy Chief Executive and Corporate Director, Fran Beasley.

The Corporate Services & Partnerships Policy Overview Committee has requested this basic, descriptive briefing paper on Procurement in Hillingdon for the July POC.

Scope of Procurement

In its simplest form, procurement is the acquisition of goods and services. In reality, professional procurement is much broader and strategic than just purchasing the right thing at the right price.

In the context of the Council, the Procurement service is about ensuring robust control of external expenditure, understanding the business requirements, tendering and letting contracts in a compliant manner and enabling the management of supplier relationships in an effective and productive way.

Through this strategic approach to procurement the Council can demonstrate that it delivers the desired outcome for our residents at the best value for money.

Regulatory & Legal context

The European Union (EU) Directives set out the legal framework for public procurement activity. The EU Directives are implemented into national law in the UK by the Public Contract Regulations 2006 (as amended). The Regulations set out the procedures which must be followed by public sector contracting authorities (eg. Local Authorities) to ensure that public procurement is conducted in a fair, open and transparent manner.

The Council Constitution sets out in the Procurement & Contract Standing Orders how the Council conducts procurement activity to maintain compliance and probity. Based upon these Standing Orders, the Procurement team conduct tenders and seek approval for award of contracts. Approval to award a contract to a supplier is provided by Members or the Cabinet based upon the total contract value.

With the increasing environment for challenge of public sector procurement decisions, it is vital to protecting the Council's reputation and interests in maintaining strong compliance. The Procurement team play a key role in this by ensuring the Council follows the due process in the letting of supplier contracts.

Organisation & Operating model

Since February 2009, the Procurement team has evolved and aligned its resources to support the directorates of the Council. Through the Business Improvement Delivery (BID) programme the Business Partner operating model has been adopted and Procurement resource is now co-located alongside colleagues in their directorates. This co-location allows for strong internal working relationships to be created, to ensure that Procurement expertise and effort is aligned to deliver against the specific financial and budgetary objectives of the group.

These strong internal relationships also allow for credible challenge to be made on how services are provided to drive out inefficiency and intelligently approach the supply markets to secure the best solutions from suppliers as possible.

As part of the transformation of Finance, in October 2010 the eProcurement team was added to the Procurement service to complete the end to end management of the purchasing cycle, from requisition up to invoice payment.

This part of the team is leading the development and improvement of the Oracle system to ensure the Council has robust processes in place to manage the commitment of external expenditure. These system developments are on track for completion during winter 2011.

Therefore in total the Procurement service consists of 14.5 full time equivalent staff (FTE). The breakdown of the resource is as follows:

- Head of Procurement
- Procurement Managers (4.5 FTE)
- Procurement Executives (6 FTE)
- eProcurement Officers (3 FTE)

Achievement

The key focus of any Procurement service is to deliver savings in external expenditure to support the delivery of the financial objectives of the Council. Since February 2009 the Procurement service has played a key role in reducing the Council's overall external expenditure by over £9M to an annual figure of £178M (2010/11 financial year).

By leading compliant tender exercises, improved value for money contracts have been let and Procurement have supported colleagues in challenging how Council services are provided to improve efficiency. The key areas of expenditure that Procurement has targeted are:

- Temporary contingent labour
- ICT services
- Transport
- Social Care (domiciliary care and floating support for service users)
- Connexions service for Children
- Facilities Management
- Stationery and office equipment

The Procurement team also support the major capital projects of the Council and have supported colleagues in such projects as Library Refurbishment programme and New Years Green Lane development. The key programme going forward will be the Primary School capital programme and Procurement are supporting colleagues in Corporate Construction to ensure this is delivered successfully, on time and on budget.

Procurement also leads on collaborative opportunities, where they make sense for Hillingdon to participate. This collaboration takes place on a national, regional and sub-regional basis. A key achievement has been delivered in Adults Social Care where, at a West London level, a joint procurement unit has been formed to tackle the external expenditure on care services. By taking this collaborative, sub-regional approach all Boroughs in the West London Alliance have benefited from better value contracts for domiciliary care and the introduction of an accredited supplier scheme for residential care.

Another example of collaboration is the London Energy project, where Hillingdon has benefited from accessing collaborative contracts for the supply of electricity and gas.

Where Hillingdon's specific requirements can be met, this type of collaboration ensures that even greater Procurement results can be achieved than if Hillingdon were to approach this type of supply market alone.

Next steps

Going forward there is the continued requirement to meet the challenges of the Medium Term Financial Forecast (MTFF). In every area of the Council, external expenditure must be subject to review and challenge to ensure that every pound spent is done so in the best value for money way.

Through the Business partner operating model, Procurement is best placed to provide this challenge and support colleagues in maximising the value through its external suppliers. Robust Procurement delivery plans will be agreed with Members and Service Directors to ensure that Procurement resources are targeted on the priority objectives of the groups, to deliver the results required.

Some key priorities for the next period are:

- Supporting the ICT transformation of the Council (tender for Desktop and Managed Services contracts during summer 2011)
- Introduction of Council wide Contract Management Framework (commenced summer 2011) to improve the management of all Council suppliers
- Purchase of priority vehicles as part of broader Fleet review
- Review of Looked After Children (LAC) fostering contracts
- Delivery of further savings from outsourced FM contract with Mitie
- Increased availability of Telecare to service users (contract to be awarded summer 2011)
- Award of contracts for delivery of Primary Schools capital programme

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