

## Review of Procurement within Hillingdon - Second Witness Session

<b>Committee name</b>	Finance and Corporate Services Select Committee
<b>Officer reporting</b>	Matthew Kelly, Procurement
<b>Papers with report</b>	Appendix A – Quality Scoring Criteria Appendix B – Price Evaluation Models Appendix C – Performance Data
<b>Ward</b>	All

### HEADLINES

At its meeting on Tuesday 6 September 2022, the Finance and Corporate Services Select Committee agreed to undertake a review of Procurement within the London Borough of Hillingdon. It was suggested that the review be structured around three themed information gathering sessions. The first of these was undertaken on Thursday 20 October 2022 and related to the legal and regulatory context which provides the structure and rules against which the Hillingdon Procurement team operate.

The second theme is a more operational perspective of how the Council delivers value for money through the Procurement process. The scope of goods, works and services procured by Hillingdon is wide and varied. Everything from library books to social care placements, building services contracts to IT systems and consultancy to highways repairs. This invariably impacts on the way in which Procurement takes place across different categories of spend with different approaches adopted within different Directorates.

As this is primarily managed within the Procurement team, working with stakeholders across the business the witness for this session will be the Head of Procurement.

### RECOMMENDATIONS

**That the Committee notes and comments on the information presented.**

### SUPPORTING INFORMATION

#### General

In general terms all Procurement follow a Procurement cycle working through three broad stages

- *Pre- tender* - Strategic decision making around delivery model, route to market, required outcomes, commercial model etc
- *Tender* - Technical and transaction process of running a tender process. There are two

specific areas within the tender process that have been identified within the scoping session and first witness session that will be included at this stage:

- Social Value
- Local Supply Market
- *Post- tender* - Management of contract during implementation and delivery phase to ensure supplier meets agreed contractual commitments

### **Pre tender**

The pre-tender process is all about understanding what the Council needs and how those needs can be structured in a way that ensures the best commercial and quality outcomes. There should be a clear link between the overarching Council objectives through Directorate Strategies and Service Plans, down to a procurement strategy. The pre-tender phase allows officers to question what is important in a tender outcome and what success looks like.

This stage requires officers to engage with provider markets to better understand how they can meet Hillingdon requirements. For the London Borough of Hillingdon's part, officers need to consider how the tender can be best positioned in order to elicit the best response from providers. Engagement with suppliers also allows the Council to look at how others are delivering services both within local government and outside. It allows the Council to challenge how work is currently done, understand cost drivers and support the delivery of efficiencies. If the Council is looking to transform a service that is currently outsourced or has the potential to be outsourced this is the stage that the process needs to begin.

By the end of the pre-tender process, the Council should know how it is packaging its requirements. Is the Council consolidating into a single tender (eg bathrooms, windows, doors, kitchens to one supplier) or is there a willingness to seek a best in class service for more tightly defined requirements? (eg. Kitchens to one supplier, bathrooms to another supplier etc).

As well as engagement with supplier markets, the pre-tender phase should be supported by analysis of spend to confirm the scope and benchmarking against others to validate the strategy.

Once officers understand what is required and how the tender is proposed, this needs to be articulated clearly into a specification so that suppliers can understand and accurately respond to the Council's tender. A clear specification is key to future phases.

The pretender phase is also key to developing a contract management framework. How will the Council manage the contract going forward and what tools are available if the supplier does not meet its commitments over the life of the contract.

### **Tender**

The tender process is a more transactional but no less important phase of the Procurement process.

It is here where officers start to assess suppliers' ability to provide the required goods, works or

services to Hillingdon through a formal tender process. There are various processes for tendering, all set down with the Public Contract Regulations. Areas considered within tenders include:

- Governance / Assurance - H&S, Insurance, Financial health etc.
- Capability – Experience in similar contracts, competence of teams engaged in delivery of the contract, capacity to meet LBH requirements, method statements as to how supplier will deliver the contract etc **Appendix A**
- Financial / Commercial – Supplier response to the pricing model. **Appendix B**

Bids are submitted by tenderers and are evaluated based on a pre-determined set of price and quality criteria – generally 50:50 but with the ability to flex depending on requirements.

### **Social Value / Environmental**

Social Value is considered an increasingly important component of the tender process in extracting value for public money. Officers take a broad view of Social Value inclusion within a tender and how it might be used to improve economic, social and environmental wellbeing.

The London Borough of Hillingdon has no mandated approach so retain flexibility dependent upon the requirements. This means that up to 10% of the overall evaluation of a tender is allocated to Social Value aspects.

A couple of example questions are shared below:

- *The London Borough of Hillingdon has declared a climate emergency and has a target to become carbon neutral by 2030.*
  - Please explain how your organisation can support the reduction of impacts on climate and waste in relation to the delivery of this contract and how you have made positive differences in your own operations.*
  - Describe how you will manage the maintenance of the equipment you use in this contract (e.g., plant, vehicles) to increase usable lifetime, reduce waste impacts, and make your service more circular.*
  - Please describe how your organisation provides economic and social benefits to customers. In the majority of cases, unless requested by an Authorised Officer, timber and chip will be removed from the work site, therefore please explain your processes and policies you have in place to dispose of waste products responsibly*
- *Please provide any information applicable for your companies social and environmental areas of business, as detailed below:*
  - How do you intend to reduce your Carbon Footprint on this contract*
  - How are you going to managing the Environmental aspects of waste control on this contract*
  - What are your proposals in regards to the purchasing of ethically sourced materials on this contract.*

- d. Please also evidence association or links with charitable or voluntary works and how you can help improve local labour opportunities.
- e. Please also indicate your proposals on recruiting locally and providing apprenticeship opportunities and how many?

Bids are evaluated in the qualitative section of the tender using generic evaluation criteria. There are more detailed social value calculators available which attempt to attach a financial sum to different elements of social value. However, the London Borough of Hillingdon remains in the early stages of its journey with Social Value and these are not currently used.

One of the challenges of Social Value is that the allocation of scores can deliver what some might see as an unfavourable cost / quality outcome – see scenario below:

	Quality Score	Price Score	Social Value Score	Total Score
Supplier A	40% (out of max 40%)	40% (ie £100,000)	2%	82%
Supplier B	40% (out of max 40%)	35% (ie £110,000)	10%	85%

Whilst an evaluation approach that attaches financial value to social value outcomes can mitigate this risk, there needs to be a strong alignment with a corporate policy on social value and an investment in contract management to ensure delivery of social value commitments.

**Local Supply Market**

Closely linked to Social Value is the desire for local authorities to play a more active role in the communities in which they operate to support community wealth building, levelling up, net carbon zero, job creation, skills & training etc. The argument is that if contracts can be awarded to local businesses there is a social and economic benefit to the London Borough of Hillingdon and its residents.

It should be noted that whilst benefits of awarding to local business are clear, there are a number of challenges with the approach:

- Make up of Local Businesses is not guaranteed to offer the range or number of companies that are required to meet our requirements or provide sufficient competition.
- Whilst there is an aspiration to work with small businesses, there needs to be a pragmatic approach as to how feasible that is. Whilst it depends on the specific requirement, some businesses, specifically micro businesses (those with 10 or less employees) will be too small to support Hillingdon.
- Engagement with small businesses may not align with a Procurement strategy, could minimise opportunity for innovation and could come with increased contract management costs.

- There are different interpretations of what defines a ‘local business’ but agreeing the definition is central to our approach. Is it one that has its registered office in Hillingdon? Or one that has an operational office in the Borough? Is it a small and medium enterprise or does it include large businesses? Or can it just be that where the majority of staff, employed on the contract, live in the Borough? Or a company with its offices and operations just the other side of a Hillingdon boundary?

Over the past 12 months the Council has taken steps to increase its engagement with local businesses including:

- Updated tender documents – Tender documents have been reviewed to simplify where possible without increasing risk exposure to Hillingdon.
- Actively identifying and seeking out local suppliers - Procurement officers operate a one bid local policy which means that officers are actively seeking bids from local suppliers in all tenders and quotations. This isn’t possible in all situations but does provide opportunity for local businesses and encourages engagement by the Procurement team.

There are also other pieces of work under consideration to further enhance engagement with local suppliers:

- New web pages to support local businesses and expression of interest form – One of the difficulties for Officers is knowing who the interested and capable suppliers are. With new web pages setting out our future requirements and an online expression of interest form for local suppliers it will allow the Council to actively engage with providers as part of determining our strategy.
- Way in which the Council package its requirements – If officers believe there is an opportunity for local suppliers to be successful, steps are taken at the pre-tender phase to support it through the development specifications, tender documents and the way in which requirements are packaged. This will help level the playing field with those larger businesses and those who are more proficient at responding to local authority contract opportunities.
- Bespoke support for high potential local organisations – Where officers think there are strong local suppliers that have opportunity to win future contracts, further support in how to write and respond to tenders can be provided.

### **Post Tender**

The post tender phase of the Procurement process will be covered in the third witness session.

### **PERFORMANCE DATA**

Procurement captures a number of performance indicators submitted quarterly as part of Performance Management reporting. Data for Q2 is attached as **Appendix C**

## **RESIDENT BENEFIT**

The purpose of a strong procurement function is to ensure that the Council receives the best value for money for the expenditure with its external suppliers. Value for money comes in many different forms including:

- Lower costs / cost containment
- Better service / project outcomes
- Improved risk assurance and governance
- Greater social value

## **FINANCIAL IMPLICATIONS**

The adherence to the Council's obligations ensures that Procurement supports the London Borough of Hillingdon in delivering against its financial objectives set out in the Medium-Term Financial Forecast.

## **LEGAL IMPLICATIONS**

There are no legal implications arising from this report.

## **BACKGROUND PAPERS**

## **APPENDICES**

**Appendix A** – Quality Scoring Criteria; attached  
**Appendix B** – Price Evaluation Models; attached  
**Appendix C** – Performance Data; attached