

SELECT COMMITTEE REVIEW OF PROCUREMENT WITHIN HILLINGDON - THIRD WITNESS SESSION

Committee name	Finance and Corporate Services Select Committee
Officer reporting	Matthew Kelly, Procurement
Papers with report	None
Ward	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 Hillingdon. It was suggested that the review be structured around three themed information gathering sessions. The first two of these sessions were undertaken on 20 October 2022 and 11 January 2023 relating to the *legal and regulatory context* and *delivering value for money* respectively.

The third theme relates to management of contracts post contract award. This covers management of the contract during implementation and delivery to ensure the supplier meets agreed contractual commitments.

Contract management as a function is primarily undertaken by service areas with varying levels of support from Procurement. The session will be attended by Stephen Gunter – Fleet Manager and Roy Clark – Parking Services Manager who are both responsible for key contracts within their respective areas.

RECOMMENDATION

That the Finance and Corporate Services Select Committee notes and comments on information presented.

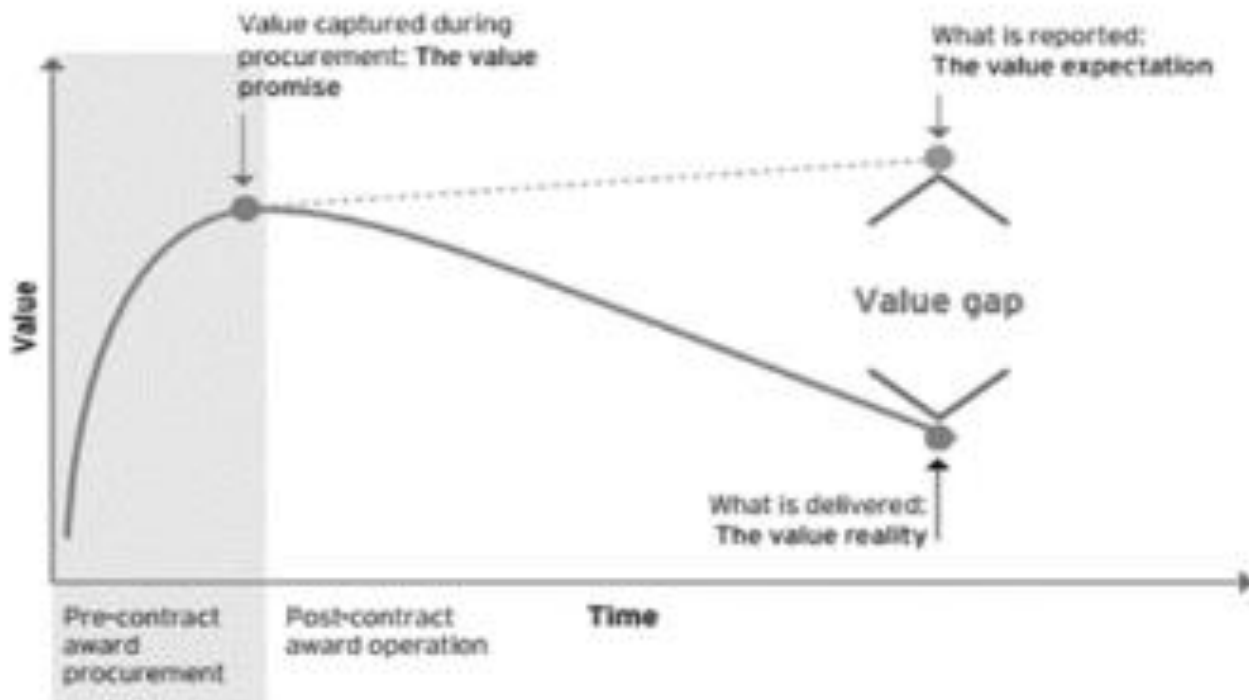
SUPPORTING INFORMATION

General

Contract management is the process that enables both parties in a contract to meet their obligations in order to better deliver the objectives required from the contract. There are many benefits of effective contract management including:

- Delivery of goods, works or services to the agreed standards and level of performance;
- To drive additional value into contracts using supplier expertise through a process of continuous improvement;
- An opportunity to focus effort and resource in those areas which can maximise performance, manage costs and reduce risk; and
- Ensuring compliance with the Council's responsibilities with respect to legal, regulatory and safety risks.

The following chart sets out the challenge for the Council (and any other contracting organisation) which is to maintain and enhance the value achieved through the initial procurement process. All too often the value is eroded through the life of the contract leading to what is known as a 'value gap'.



Not all contracts will require the same level of contract management activity. It is important that some form of supplier segmentation is in place to divide the supply base into distinct groups dependant on their needs, characteristics, criticality, risks and impact. Those contracts deemed to have the higher risks or be more important to achieving corporate objectives (i.e., strategic contracts) will receive more focus than others deemed to be more transactional in nature.

Contract Management in the London Borough of Hillingdon

The responsibility for awarding contracts in Hillingdon sits with both Procurement and service areas, although Procurement generally leads this stage. The tender stage is key in setting the expected performance levels of contractors and the way in which these will be managed through the contract life. Every contract will be different in terms of its contract management mechanisms and how performance is tracked and managed. In the Tyre Install and Maintenance contract which is currently out to tender, there are 5 KPI's which are subject to monthly review and performance monitoring:

Description	Target	Minimum Performance Level
Attendance of experienced and skilled tyre fitter, with the appropriate equipment on request.	98%	95%
Adequate stocks of tyres used by the Council Fleet and where not available access to supplies for delivery and install within 3 hours	98%	95%
Response time to site or on the road within 45 minutes during working hours and within 120 minutes out of hours	98%	95%
Ensuring that the Council is not put at risk from incidents arising from inadequate tyre management and that the Council meets its Legal requirements 100% of the time	100%	100%
Regular Schedule of Inspection of the Fleet	100%	100%

Once the contract is let, the responsibility for mobilisation starts to shift to the service area until fully mobilised, at which point responsibility for contract management rests solely with the service area. In the instance above, it will be the Fleet Manager's responsibility to ensure these KPI's are monitored along with any other obligations of the contract. Most of the data will be collected through self-reporting by the contractor with validation by the contract manager or their team. If a supplier fails to meet KPIs, it will then be the contract manager's responsibility to use the tools provided for within the contract to remedy that position. In the case above, the mechanism is through liquidated damages equating to 1% of the value of invoices in a 3-month period.

Reporting for Parking Services Contract is more detailed with monthly and quarterly reporting arrangement in place. Monitoring captures:

- Deployment and productivity
- Number, location and type of PCN's issued
- Fault reporting and disregards
- Response to enforcement requests
- Body worn camera footage
- Personal update including recruitment
- Health & Safety
- Complaints
- IT faults

The decentralised nature of contract management in Hillingdon means there is no single team or area responsible for its delivery within the Council. Therefore, the scope and format of contract management can vary greatly across the Council with different directorates and teams taking different approaches.

Procurement do not, as a matter of course, get involved in contract management but do support on an ad hoc basis where requested. This has inevitably come to mean a greater level of involvement in those contracts where suppliers are not performing as required. As a contract

begins to reach the end of its contracted period, Procurement is often re-engaged to support the extension process or the retender process.

The extent to which a centralised contract management approach including policies and procedures exists across the Council may be something that Committee wishes to consider in its findings.

PERFORMANCE DATA

There are no specific metrics within Procurement performance management reporting to Corporate Management Team (CMT) that relates contract management. However, a number of metrics against service areas will be heavily dependent upon the performance of external contractors. For example:

Housing: % of major adaptations completed within 12 months
% Gas Safety Certificates in date

Highway Services: % of street lighting outages repaired on time
% of crossovers completed within 42 days of works order
% of gullies cleansed in accordance with agreed schedule

RESIDENT BENEFIT

The benefits of good contract management is set out within the body of the report. Ultimately, this manifests itself to residents as better value for money and outcomes in the services that the Council offers, and they receive.

FINANCIAL IMPLICATIONS

Delivery of services through contracted suppliers can play a key role in the Council meeting its financial objectives set out in the Medium-Term Financial Forecast.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

BACKGROUND PAPERS

None.