

Minutes

FINANCE AND CORPORATE SERVICES SELECT COMMITTEE

8 February 2023

Meeting held at Committee Room 6 - Civic Centre,
High Street, Uxbridge UB8 1UW



	<p>Committee Members Present: Councillors John Riley (Chairman), Richard Lewis (Vice-Chairman), Kaushik Banerjee, Kishan Bhatt, Narinder Garg, Gursharan Mand and Stuart Mathers (Opposition Lead)</p> <p>LBH Officers Present: Roy Clark, Stephen Gunter and Matthew Kelly (Head of Procurement)</p>
49.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>
50.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>There were no declarations of interest in matters coming before this meeting.</p>
51.	<p>MINUTES OF THE PREVIOUS MEETING - 11 JANUARY 2023 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meeting held on 11 January 2023 be agreed as a correct record.</p>
52.	<p>TO CONFIRM THAT THE ITEMS OF BUSINESS MARKED AS PART I WILL BE CONSIDERED IN PUBLIC AND THAT THE ITEMS MARKED AS PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 4</i>)</p> <p>RESOLVED: That all items of business at this meeting be considered in public.</p>
53.	<p>REVIEW OF PROCUREMENT WITHIN HILLINGDON - THIRD WITNESS SESSION (<i>Agenda Item 5</i>)</p> <p>The Chairman welcomed those present to the meeting and noted that this was the third witness session in relation to the Committee's review of procurement within Hillingdon.</p> <p>Mr Matthew Kelly, the Council's Head of Procurement, advised that, once services had been procured, contract management was part of the procurement process but was primarily undertaken within service areas, with ad hoc support provided by the Procurement Team. When going through the initial procurement process, the Procurement Team worked with service areas to look at how the contract would be managed after it had been let. Developing strong contract management mechanisms would help to maximise performance and reduce risks whilst protecting and enhancing the value that had been built in at the tender stage.</p> <p>Members were advised that each contract was different and needed to be managed</p>

according to its needs and ranged from transactional contracts (such as stationery) to more strategic contracts (such as fleet maintenance or parking enforcement). As such, there was no single approach to contract management used across the Council.

Mr Roy Clark, the Council's Head of Parking Services, advised that he managed the authority's parking enforcement contract. This contract required 20-25 enforcement officers per day dealing with parking regulations across the Borough. Mr Clark noted that, as well as the back-office processes, there were a range of linked legal processes which dictated how the contract could and could not be managed.

It was important that officers were clear on what required outcomes should be built into the contract and to ensure that these were achievable rather than unrealistic. Sanctions could be included in the contract to enforce performance.

The parking enforcement contract had been let for five years with the option to extend for a further five years. In terms of contract monitoring, Mr Clark advised that he met regularly with contractors to talk about operational and strategic issues and to look at long term improvements to the contract that would provide added value to residents. Officers monitored issues such as a significant increase in the number of tickets issued in a particular area to identify if there was something that needed to be addressed to increase compliance with parking regulations.

Members were advised that parking enforcement around schools during the drop off and pick up times continued to be a contentious issue with some residents wanting more enforcement and other wanting less. Ultimately, it was important that action was taken to ensure the safety of the children attending those schools.

Mr Steve Gunter, the Council's Fleet Manager, advised that he managed the supply of vehicles to different service areas. The fleet comprised 295 vehicles (including vans and pool cars), most of which were owned by the Council (rather than leased), and 60 of which needed operators licences to carry commercial products. A rolling five year programme had been put in place to replace vehicles whilst also considering any changes in legislation such as the proposed move from Low Emission Zone to Ultra Low Emission Zone (ULEZ). Given the requirement to move to electric vehicles by 2030, officers had investigated the possibility of replacing vehicles with electric equivalents but the cost was currently prohibitive and further work was still needed (such as the installation of charging points at the Harlington Road Depot). It was noted that a diesel dustcart currently cost around £161k and the electric equivalent was around £480k; a sweeper was approximately £75k with the electric equivalent costing about £250k. The current diesel Euro 6 engines produced relatively clean emissions.

The availability of new vehicles had also been proving a challenge (the lead time had increased from a few weeks to 6-12 months) which meant that the whole procurement process for some vehicles could now take around 18 months. In the meantime, Members suggested that officers investigate the possibility of buying fuels in advance to reduce the associated costs.

Mr Gunter advised that he managed contracts in relation to vehicle maintenance, tyre supply / maintenance and fuel supply and provided the specifications for the contracts, whilst procurement provided the tender process expertise. When looking a developing a contract specification, rather than replacing like-for-like, the end users would be consulted to ensure that their needs (and any emerging developments in the service area) were met so that the contract was fit for the future.

Members queried whether there was value in retaining a contractor for a long period, so that they built up a relationship with the Council and learnt how the authority wanted the contract delivered, or whether it was better to let the contracts over a shorter period to keep the providers on their toes. Mr Kelly advised that there was no short or simple answer to this. A longer term contract would give the supplier the confidence to invest in the contract with regard to staffing and machinery (the 5 years + 5 years parking enforcement contract allowed a longer term investment by the supplier). A shorter term contract might not give the supplier reason to invest in the contract (on things like technology and equipment) and involved more administration (with the possibility that there would be a reduced compliance in the last few years on contracts such as 5 years + 1 year + 1 year + 1 year). However, it was important to drive competitive tension throughout the contract to reduce complacency and, as such, the contract management needed to be robust and benchmarked to identify value for money. To this end, effort was currently being made to put longer term contracts into place with sanctions for poor performance (e.g., penalty charges, contract termination, etc).

It was queried whether the Council had a template contract that included general service level agreements (SLAs) and key performance indicators (KPIs) which could then be added to for a specific service when the contract was let. Mr Kelly advised that there was an opportunity to develop a common set of terms and conditions for contracts but that service areas such as IT, construction, social care, etc, would have their own standard set. Services were encouraged to include terms and conditions in their contracts but these performance targets needed to be achievable. Currently, as there were over 3,000 supplier relationships at the Council, it was unlikely that these could be managed by one team.

Mr Gunter advised that the vehicle maintenance had been let on a 5 years + 2 years + 2 years + 1 year contract and had just completed the first five years. The contract had 9 KPIs, some of which were monitored monthly, some of which were quarterly. If the targets were not being met, the contract allowed for the Council to claim back certain values. One of the targets to ensure that no more than 3% of the fleet was off road at any one time (the contractor was currently achieving 2.8%) had previously not been met and Council officers had discussed the matter with the contractor to identify what action could be taken. It transpired that there had been a long lead period for certain frequently used parts. An agreement was subsequently reached that the contractor would increase its stock holding of these parts at Harlington Road Depot to reduce timescales.

Concern was expressed that a lot of the contract performance monitoring had been based around the relationships between the supplier and specific officers within the Council and that there was no standard procedure or process that someone else could follow if the specific officer was no longer available. Mr Kelly assured Members that, although fleet maintenance and parking enforcement were key contracts for the Council, these types of strategic contracts needed tighter management, so they didn't just sit with Mr Gunter and Mr Clark.

It was noted that a contract management framework could be developed for the Council which included a common set of "must do's". If a contractor was unable to meet the performance targets that had been set in their contract, officers would look to put a plan in place as the first step in getting their performance back on track. Although the Council could issue liquidated damages, it was important that any action taken was reasonable and proportionate and so would vary significantly from contract to contract.

At a strategic level, the supplier was helping the Council to manage its corporate objectives so it was important to have a moderate approach and communicate effectively with contractors.

Members were assured that the Council did not rely entirely on contractors reporting on their own performance. In parking enforcement, the contractor did provide the Council with performance data but officers were also able to interrogate the contractor's systems themselves to obtain information first hand.

Mr Kelly advised that every contract would be different but that there was often a three month no fault termination clause included in most contracts. It was thought that it would take around 9-12 months to exit some strategic contracts, so it was important that they did not fail. However, 'evergreen contracts' were typically more difficult to get out of.

With regard to financial due diligence, Mr Kelly advised that detailed procedures had been put in place to ensure that suppliers were financially stable. Procurement officers worked with colleagues in finance to check this during the tender process and to look at the impact of supplier failure on the service. This should then be monitored over the life of the contract as well as at annual reviews that were undertaken.

If Council policy changed or there were changes to the legislation around the provision of services, the authority had the flexibility to vary its contracts. If a contract was over ten years, variation notices could be used and the Public Contract Regulations allowed the Council to vary up to 50%.

Members queried how procurement was funded and whether a centralised contract management approach should be taken. Mr Kelly advised that procurement was funded corporately and that it reported any savings that it secured to the Council's Corporate Management Team (CMT). Given the limited resources available to procurement, it was not possible to have a centralised team (internal or external). However, it would be possible to set up a framework or set of ten principles which contract managers could abide by to make the management more consistent (for example, monitoring financial health throughout the contract, etc).

Mr Clark stated that the parking enforcement contract did not include targets for the number of penalty charge notices (PCNs) issued by the contractor. The primary target in the contract was to deploy a minimum specified number of parking enforcement officers across the Borough for a minimum specified number of hours each day. The contractor was not permitted to put bonus schemes in place regarding the number of PCNs issued by its staff. Covert and overt checks were made by officers to ensure that the contractor was meeting the standards expected.

It was agreed that the Committee's next meeting on 1 March 2023 would be used to identify any innovative practices that could be used, or which had been used elsewhere, to enhance the procurement process in Hillingdon. Although the Procurement Bill was currently working its way through parliament, it was anticipated that it would bring greater transparency to the procurement process once enacted. Officers were asked to identify innovative ways that the Council could implement to meet any changes that might be required by the Act whilst also making the authority's processes more efficient and effective.

RESOLVED: That:

	<p>1. officers be asked to identify innovative procurement practices for discussion at the Committee’s next meeting on 1 March 2023; and</p> <p>2. the discussion be noted.</p>
54.	<p>CABINET FORWARD PLAN (<i>Agenda Item 6</i>)</p> <p>It was agreed that the Committee Members forward any comments about the Forward Plan to the Chairman prior to the meeting so that these could then be shared with Cabinet. These comments could then be reported back to the Committee at the earliest convenience.</p> <p>Members asked that the Forward Plan report on the agenda not include items for which the report deadline had already passed.</p> <p>RESOLVED: That the Cabinet Forward Plan be noted.</p>
55.	<p>WORK PROGRAMME (<i>Agenda Item 7</i>)</p> <p>It was noted that the Chairman had agreed to include an update report from the Council’s Counter Fraud Team on the agenda for the next meeting on 1 March 2023. Members were advised that, whilst Audit was able to receive reports from the Counter Fraud Team, the Finance and Corporate Services Select Committee had Constitutional responsibility for scrutinising the work of this service area.</p> <p>A request was made to bring the report on the digitisation of customer services forward in the Work Programme to before the end of this municipal year (currently scheduled for June 2023). Whilst it was important that the Council made efficiencies and optimised its service offering, it was also important that Hillingdon’s most vulnerable residents were not left behind if they were not digitally enabled and that they were still able to access the services that they needed. As the move to the digitisation of the Council’s customer services was still fairly new, it was suggested that it needed time to bed in. Concern was expressed that residents had been experiencing issues in communicating with the Council following the move to digital services and it was suggested that the numbers using these services needed to be measured and monitored. It was agreed that regular monitoring be built into the Work Programme.</p> <p>The Committee discussed the new Members’ Enquiries system and whether it should be included on the same agenda as the digitisation of customer services which had been scheduled for the meeting in June 2023. Members requested that they received an update on residents’ uptake of online and digital services to see where additional work could be undertaken to further increase engagement where possible.</p> <p>In terms of possible future review topics, the following were suggested:</p> <ul style="list-style-type: none"> • Counter fraud • The challenges of moving to a fleet of electric vehicles <p>RESOLVED: That the Committee’s Work Programme be noted.</p>
	<p>The meeting, which commenced at 7.00 pm, closed at 8.30 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Nikki O'Halloran on nohalloran@hillingdon.gov.uk. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.