

REVIEW FINDINGS: “Procurement within Hillingdon: securing value for our residents”

Committee name	Finance and Corporate Services Select Committee
Officer reporting	Steve Clarke / Mark Braddock – Democratic Services
Papers with report	Appendix 1 – Updated Scoping Report Appendix 2 – Guidance on Policy Reviews Appendix 3 – Minutes of previous meetings relating to the review
Ward	All Wards

HEADLINES

The Committee’s review into procurement has now completed and the purpose of this report is to encourage Members to consider:

1. possible findings
2. conclusions
3. draft recommendations

At the request of the Chairman, a briefing to initiate this process was sent to committee members in April to start considering findings early on. These can also be fed into this meeting.

Furthermore, at the 19 April committee meeting, the Head of Procurement helpfully suggested 9 recommendation themes/areas for consideration, which are set out in Appendix 3, the minutes, and Members may wish to review and refine these as possible options for recommendations.

RECOMMENDATION

That the Committee consider possible conclusions, findings and draft recommendations in relation to the review.

Summary

The Committee has, to date, held four witness sessions. The intention of these sessions was to obtain feedback from a range of stakeholders, the procurement service itself and external advice.

1. The first two of these sessions were undertaken on 20 October 2022 with Matthew Kelly - Head of Procurement, who provided the Committee with the legal and regulatory context for the operation of Hillingdon’s Procurement Team. Mr Kelly was supported by Rebecca Rees, Partner and Head of Public Procurement at Trowers law firm. The committee discussed the Procurement Bill, the National Procurement Policy Statement, along with the Council’s own procurement rules or standing orders.
2. The second witness session was due to be held 23 November 2022, but moved to the 11 January 2023, where the committee heard from the Head of Procurement about the more operational aspects of the service, how procurement helps the Council delivers value for

money, particularly reflecting the broad scope of goods, works and services procured the Council.

3. The third witness session was held on 8 February 2023, where the committee discussed the management of contracts post contract award to ensure the supplier meets agreed contractual commitments. Members heard from the Fleet Manager and Head of Parking Services who both manage significant council contracts.
4. A fourth and final witness session was held on 19 April 2023 with the Head of Procurement looking at more strategic thinking around the procurement and innovation. At this meeting, 9 possible recommendation areas were proposed for the committee to consider which are also set out in the minutes attached.

It is now timely for Members to start to firm up possible findings, conclusions and recommendations.

SUPPORTING INFORMATION

To support committee members in formulating their findings, conclusions and possible recommendations, the following is included in this briefing:

1) Scoping report – looking at the original parameters of the review

The original review scoping report is attached as Appendix 1, so Members can be reminded of the original Terms of Reference as set out below, and whether the Committee has met these:

1. To understand and review the legal and regulatory context that Hillingdon operates within including:
 - a. Legal context including The Procurement Bill (as introduced in May 2022 and progressing through Parliament)
 - b. The Council's own Standing Orders
 - c. National Procurement Policy Statement
2. To understand and review how the Council delivers Value for Money through the Procurement process including:
 - a. Understanding the need and writing specifications (including Net Carbon Zero and other Council priorities)
 - b. Procurement strategies
 - c. Understanding the market and engagement with providers
 - d. Drafting tender document
 - e. Evaluation and awarding contracts
3. To understand and review how Officers manage contracts post award including:
 - a. Contract Management processes within the Council
 - b. How the council monitor and manage contracts to ensure ongoing value for money (including sub-contracting)
 - c. Managing contracts in a high inflation environment
 - d. Relationships with our suppliers
 - e. Decisions on extending or retendering contracts

2) Policy review guidance

Members will recall the guidance issued in July 2022 on undertaking policy reviews. This guidance is attached to this report as Appendix 2 for reference again, and Members are asked to take into account Point 4 in the report, and in particular whether any recommendations they are considering are:

- Meet the initial aims / objectives of the review (as above)
- Be SMART, Specific, Measurable, Achievable, Relevant, Time-bound
- Not be a short-term fix, but a lasting outcome
- Consider the financial aspect, e.g. cost neutral, provide savings or if at a cost, then affordable – and if possible aligned with the MTFP (budget planning process)
- Are based on a broad evidence base as possible and ‘user or resident’ insight
- Not create additional bureaucracy, e.g. if it relates to a policy, then to seek to review or amend existing policies (unless there is an absolute imperative for a new policy)
- If publicity or wider engagement or education is recommended, to target such communications as best as possible rather than generally
- Consider ‘conclusions’ as well as any specific recommendations.

3) Minutes of previous meetings

Attached as Appendix 3 are the minutes of previous meetings relating to the review, which may assist in Members’ considerations as they indicate the focus of discussions and lines of questioning.

Next steps

Following the committee’s directions, Democratic Services will “road-test” and look at the feasibility of any draft recommendations proposed by the Committee with officers, the Chairman along with early discussions with relevant Cabinet Members, as per the Protocol on Cabinet and Scrutiny Relations in the Constitution.

Democratic Services will then prepare a draft review report based on these, for consideration by the Committee at a subsequent meeting, before agreeing and submitting to Cabinet for approval.



Finance and Corporate Services Select Committee

Review Scoping Report - 2022/23

Draft Working Title: “Procurement within Hillingdon:
securing value for our residents”

1. REVIEW OBJECTIVES

Aim and background to review

At its meeting on 13 July 2022, the Select Committee suggested that its first review be the topic of procurement within Hillingdon Council.

As set out in Government’s National Procurement Policy Statement (June 2021), public sector procurement accounts for circa £290 billion every year. Local governments must ensure that this expenditure supports the delivery of public sector policy priorities, including generation of economic growth, recovery from the Covid-19 pandemic, the addressing of climate change.

This document serves as an introduction to the topic of procurement and sets out in general terms the legislative and national context to procurement within local government, the objectives for, and challenges to, effective procurement, and offers a framework for any subsequent review.

Topics suggested to be considered as part of the review are set out within the Terms of Reference:

Terms of Reference:

It is proposed to structure the review under 3 themes:

- 1. To understand and review the legal and regulatory context that Hillingdon operates within including:**
 - a. Legal context including The Procurement Bill (as introduced in May 2022 and progressing through Parliament)
 - b. The Council's own Standing Orders
 - c. National Procurement Policy Statement

- 2. To understand and review how the Council delivers Value for Money through the Procurement process including:**
 - a. Understanding the need and writing specifications (including Net Carbon Zero and other Council priorities)
 - b. Procurement strategies
 - c. Understanding the market and engagement with providers
 - d. Drafting tender document
 - e. Evaluation and awarding contracts

- 3. To understand and review how Officers manage contracts post award including:**
 - a. Contract Management processes within the Council
 - b. How the council monitor and manage contracts to ensure ongoing value for money (including sub-contracting)
 - c. Managing contracts in a high inflation environment
 - d. Relationships with our suppliers
 - e. Decisions on extending or retendering contracts

2. SUPPORTING INFORMATION

Legislative / national context

Hillingdon's public website provides an introduction to procurement for the benefit of its residents.

The Procurement Bill

The post-Brexit landscape has presented an opportunity to move away the EU public procurement regime and there is clearly an appetite to do so. In the Queen's Speech in May 2022, it was announced that the UK public procurement regime would be reformed following the UK's exit from the European Union. The Bill will give effect to some, but not all, of the policies that were set out in the Government's Green Paper – Transforming Public Procurement.

In its own words, the intention of the bill is to *“reform the UK's public procurement regime, making it quicker, simpler, more transparent and better able to meet the UK's needs while remaining compliant with our international obligations. It will introduce a*

APPENDIX 1

new regime that is based on value for money, competition and objective criteria in decision-making. It will create a simpler and more flexible, commercial system that better meets our country's needs. And it will more effectively open up public procurement to new entrants such as small businesses and social enterprises so that they can compete for and win more public contracts. It will strengthen the approach to excluding suppliers where there is clear evidence of their involvement in Modern Slavery practices, and running throughout each part of the Bill is the theme of transparency."

The bill continues to transition through Parliament, although there is no final date as to when it will become law. Committee Members may wish to know what the emerging implications are for the way in which Hillingdon undertakes its work.

The National Procurement Policy Statement (NPPS)

In June 2021, Government published its National Procurement Policy Statement. The NPPS asks that all contracting authorities have due regard to a set of national strategic priorities when exercising their functions relating to procurement. The national priorities relate to:

- Social Value
- Commercial and procurement delivery and
- Skills and capability for all

The detail within each of these priorities will be considered in more detail within the first theme of the review.

The National Procurement Strategy for Local Government

The Strategy was launched in February 2018, and makes a number of recommendations within its three main themes:

1. showing leadership
2. behaving commercially
3. achieving community benefits

In addition to the themes, the strategy identifies four 'enablers':

1. developing talent
2. exploiting digital technology
3. enabling innovation
4. embedding change.

Progress towards implementation the Strategy was assessed in 2021. With over 60% of English councils taking part in the self-assessment process, the assessment identified a number of areas of good practice that are included within the report and that may be of benefit to any review.

Although 4 years since the strategy was issued the content of the strategy remains valid and many of the principles have flowed through into the NPPS and the Procurement Bill.

Links to all reports referenced above have been included within the Background Reading section of this document.

The Council's Climate Change Action Plan

Following a Council motion approved on 18 November 2021, updating the Council's previous climate emergency declaration, the Council's Climate change strategy and targets were updated with respect to procurement to include a commitment to:

- ensure that, where practical and cost effective, all the council's procured services are net carbon zero by 2035;
- support and work with businesses and organisations towards making the entire borough net zero carbon by 2050;
- review the Council's investment strategy within the next 12 months to give consideration to climate change impacts in the council's investment portfolio.

Committee Members may wish to review how these targets are being met.

Current staff resource

The Procurement Team is currently made up of:

1 x Head of Procurement and Commissioning
1 x Strategic Category Manager
3 x Category Managers
2 x Assistant Category Managers
3 x Buyers
1 x Procurement Officer

External issues and risks to effective procurement

Procurement within local government is faced with a number of challenges, including:

- Increasing demand for services combined with decreasing funding/resources
- Continued effects of the Covid-19 pandemic and ongoing recovery;
- Recent Implications from BREXIT, including scarcity of materials, manpower and expertise;
- Delays due to reliance on external parties and consultants;
- Rising inflation and the effects of a potential economic recession
- Ways in which Procurement is used as a tool to implement government policy, e.g. carbon zero, social value etc

Current data, best practice and research

Further data and research will be identified as the review progresses.

Connected work

Procurement in Hillingdon has the potential to impact all service areas within the Council. Implications to this impact will be identified as the review progresses.

Executive Responsibilities

The Cabinet Member responsible is Councillor Goddard, Cabinet Member for Finance.

3. EVIDENCE & ENQUIRY

Lines of Enquiry

The Committee may choose to focus on identification of improvements to service productivity and efficiency in support of NPPS. It may seek to identify opportunities that exist within the new Procurement Bill or it may want to identify areas of procurement prioritisation amongst the competition for limited resource. Lines of enquiry may include the following:

- The securing of value for money,
- Potential benefits of more effective partnership working;
- How the Procurement process can be used to support Council ambitions including combating climate change and delivering social value;
- Supply chain improvements and increased resilience in uncertain times
- Ongoing recovery from the Covid-19 pandemic

Potential witnesses

Witnesses will be identified by the Committee in consultation with relevant officers.

Surveys, site-visits or other fact-finding events

Such opportunities will be identified as the review progresses. A possible survey of suppliers will be considered to provide useful feedback and evidence for the Committee.

Future information that may be required

Further information may be identified as the review progresses.

4. REVIEW PLANNING & ASSESSMENT

The proposed timeframe & milestones for the review is structured around the three themes set out in the Terms of Reference:

Meeting Date	Action	Purpose / theme	Witnesses / officers attending
06 September 2022	Agree Scoping Report		
20 October 2022	Witness Session 1	The legal and regulatory context	Head of Procurement & Partner and Head of Public Procurement at Trowers Law
11 January 2022	Witness Session 2	How the Council delivers Value for Money through the Procurement process	Head of Procurement
8 February 2023	Witness Session 3	How Officers manage contracts post award including	Fleet Manager, Head of Parking Services, Head of Procurement
19 April 2023	Witness Session 4	Strategic discussion and innovation	Head of Procurement
14 June 2023	Findings, conclusions and recommendations	Member discussion	TBC
18 July 2023	Final report	Member discussion	TBC
6 September 2023	Target date for submission of final report to Cabinet		

Resource requirements

None.

Equalities impact

TBC.

Background reading

[LBH Website - Procurement within Hillingdon](#)

[Government Public Procurement Policy Statement - June 2021](#)

[Government Green paper – Transforming Public Procurement](#)

[LGA National Procurement Strategy 2018](#)

[LGA National Procurement Strategy – diagnostic report, October 2021](#)

[Draft Procurement Bill](#)

Reviews of Procurement by other Local Authorities:

[Dumfries & Galloway Council – Review of Procurement and Standing Orders – Completed December 2020](#)

[Tunbridge Wells – Review of Procurement \(currently underway\)](#)

Appendices

Appendix A: How the Council Helps Local Small Businesses (Considered by the Corporate, Finance and Property Select Committee – 24 November 2021)

Appendix B: LB Hillingdon Procurement & Contract Standing Orders - May 2021

Appendix 2 - Guidance on undertaking policy reviews

Over the years, Hillingdon's overview and scrutiny committees have undertaken successful in-depth reviews of Council services and policies. This has resulted in a number of positive changes locally, with some also affecting policy at a national level. Such committees engage Councillors in a wide range of Council activity and build a greater understanding about service provision to residents.

Policy reviews generally seek to:

1. Address a [significant] matter affecting the Borough
2. Seek to improve the delivery and/or efficiency of local services
3. Consider changes to policies or procedures to improve outcomes to residents/users

REVIEW PHASES

The typical phases of a review are as follows and set out further below:

- 1 Selection of topic
- 2 Scoping the review / setting out objectives
- 3 Witness & evidence stage (this is the main activity)
- 4 Findings and Draft recommendations (possible early report draft)
- 5 Final report approved by Committee
- 6 Referred to Cabinet for consideration
- 7 Monitoring the implementation of recommendations once approved / amended by Cabinet at meetings, i.e. in six months

1. Selection of topic

It is always best to sound out and check the feasibility of potential review topics early on, as there will be lots of ideas coming forward and often knowing what topic will add most value will be difficult to gauge at this stage. It is important not to generalise, e.g. a review into waste services.

It may also not be known whether a topic is currently under review by the Cabinet or Council officers or part of a planned service transformation in due course. All of this and other factors need to be investigated and in particular, any duplication of review activity should not take place.

Whilst most policy reviews last a number of months, not all policy review ideas will suit this and may benefit from a single meeting review. It really depends on the scope of the review. It very narrow, i.e. a particular service policy, then a single meeting review may suffice. If a review seeks to look at an entire way a service operates then a number of months may be required to ensure you can undertake all your witness sessions and secure the necessary evidence and information before you formulate your findings.

Ideas for review topics can come from a number of sources including:

- Committee Members
- Cabinet Members.
- Council officers
- External partners / organisations
- Residents
- Ombudsman findings

When Councillors or the Committee itself considers a potential review topic, it is recommended running it through the Scrutiny Topic Scorecard (see Annex A). This gives you the opportunity to 'score' topics based upon their impacts under the following criteria:

Resident focused	Influence	Achievable
Correct remit	New	Wider support
Drives improvement	Drives transformation and efficiency	National impact

Another way to consider a potential review topic, is to add this as an information item at an upcoming meeting on your work programme, to probe the matter further with Council officers and ascertain whether it merits a fuller review – again perhaps running it through the Scorecard above.

It is strongly advised that one review topic is undertaken at any one time, given resources.

2. Scoping report

Once a topic is agreed upon by the Committee, then officers will prepare a scoping report setting out the objectives of the review for your consideration. The scoping report will show how the review can be timetabled and structured, i.e. through themed witness sessions, along with details of potential witnesses and other contextual information to get the review started, e.g. lines of enquiry or questioning of witnesses.

The scoping report is a 'live' document owned by the Committee. Should the review's focus change mid-review, then the scoping document and its objectives can be adapted.

3. Witness and evidence stage

Ultimately, the Committee's efforts are at their best when external witnesses and residents participate, adding value to intelligence gathering and findings. In support of this, Committees have undertaken a variety of both formal and informal activity "in meetings" and "outside meetings". It is important to pull together a broad evidence based for any potential findings later on. Additionally, the ability for Councillors to bring their 'local' insight is highly valuable. Activities the Committee can undertake include:

- Surveys / social media
 - Promotion of review to seek views
 - Invite the relevant Cabinet Member to attend for their views
 - Question key council officers
 - Hold informal workshops
 - Networking events, e.g. with partners
 - Have closed meetings, i.e. confidential, such as social care clients
-

- Commission reports from council officers / externally
- Request data and intelligence on the topic
- Visits to other local authorities
- Undertake site visits within the Borough or council facilities
- Appoint experts or advisors to join the Committee throughout its review
- Selecting the best range of witnesses to get a real user / resident perspectives
- Invite national experts in their field

Whilst information will be provided to Councillors, it may be helpful when preparing for this stage of a review, that Councillors:

- Prepare their draft questions for each witness in advance;
- Read a witness bio or find out more about their organisation;
- Do their own additional research on the topic - you may find something officers don't!
- Use their network of councillors in other local authorities to seek views;
- Tell residents at Surgeries / Ward Walks about your review, get their thoughts.

4. Findings and draft recommendations & 5. Final Report

After hearing from witnesses and receiving evidence, the Committee then will meet to pull together all the information and shape its collective findings, i.e. what needs to be improved or changed as a result.

The Committee will form 'draft' recommendations from this, which consistent with the Protocol on Cabinet and Scrutiny Relations, are usually shared with the Cabinet Member for their feedback and valuable insight.

In developing any recommendation, the Committee should bear in mind the following:

- Meet the initial aims / objectives of the review
- Be SMART, Specific, Measurable, Achievable, Relevant, Time-bound
- Not be a short-term fix, but a lasting outcome
- Consider the financial aspect, e.g. cost neutral, provide savings or if at a cost, then affordable – and if possible aligned with the MTFP (budget planning process)
- Be based on a broad evidence base as possible and 'user or resident' insight
- Not create additional bureaucracy, e.g. if it relates to a policy, then to seek to review or amend existing policies (unless there is an absolute imperative for a new policy)
- If publicity or wider engagement or education is recommended, to target such communications as best as possible rather than generally
- Consider 'conclusions' as well as any specific recommendations.

Around this time, the Democratic Services Officer supporting the Committee will advise further on findings and drafting recommendations. Throughout this process, their role is critical to the Committee, to guide Members and secure the information and any witness activity that Members wish to undertake. They also work with the Chairman to bring the final draft report for the Committee to approve before it is scheduled to Cabinet.

6. Referred to Cabinet & 7. Monitoring of recommendations

The Committee's report will be shared with the Leader and Cabinet Member and scheduled to a Cabinet meeting as soon as possible. There is a legal requirement for any such report to be considered by the Cabinet.

Should Cabinet approve the Committee's recommendations, then they become official policy and officers are charged with implementing them.

A post report review is undertaken in say 6 months or a years' time to see how the Committee's recommendations have been implemented. This is scheduled on your work programme.

Annex A – Scrutiny Topic Scorecard 2022-2026

<i>Criteria scores showing 1-5 (5 being the highest, 0 the lowest). Then add up the total score. The higher the better review.</i>										
Topic	Resident focused	Correct remit	Influence	New	Achievable	Wider support	Drives improvement	Delivers transformation and efficiency	National impact	Score

See criteria descriptions overleaf...

Detailed criteria to assess review scoring (5 being the highest, 0 the lowest)

Resident-focused – The topic will have high impact on residents and the community, with public interest and scope for making a positive difference (can be universal or a targeted group of people or an area of the Borough e.g. young people or a particular town centre)

Correct remit – A topic that is clearly covered in the Committee’s Terms of Reference and does it cut clearly into the domain of other Committees (unless a cross-cutting brief). If it does, then see if you can narrow the focus of the topic.

Influence - A topic that relates to a service, event or issue in which the Council is in control of, has a significant stake in or influence over the matter, e.g. with partners.

New - A new, fresh topic preferably. One which has not previously been reviewed by a Committee in the last 2-3 years, or which is not currently being reviewed by another Committee or internally by Cabinet Members and Officers, e.g. through service transformation.

Achievable – A topic that is not open ended. One where the Committee’s work programme can accommodate the review. Where there is likely to be a good level of expertise and information to draw on to complete. Does the topic need to be narrowed to make it more achievable?

Wider support - A topic that is likely to receive buy-in from the Committee and wider Council, e.g. Cabinet Members, Officers. Or support is welcome from partner organisations to review the matter.

Drives improvement - A topic where performance levels of a service have dropped on a consistent basis, or the contractor is not performing against agreed standards or there are significance (evidenced) complaints or feedback from residents on the matter.

Delivers transformation and efficiency – a topic in support of the Council budgetary objectives, any areas where service re-modelling is under consideration in the medium to longer-term, that with Members’ insight can help to deliver future savings, efficiencies and value for money services to residents. A topic where new ways of working could be adopted to benefit service delivery.

National impact – A topic where emerging or recent legislation mean that it would be timely to review the matter to ensure Hillingdon Council is well prepared. Or a topic, that whilst Hillingdon focussed, could potentially be of benefit to other local councils or governmental authorities.

Minutes

FINANCE AND CORPORATE SERVICES SELECT COMMITTEE

20 October 2022



Meeting held at Committee Room 5 - Civic Centre

REVIEW - 1ST WITNESS SESSION - PROCUREMENT WITHIN HILLINGDON (*Agenda Item 5*)

Matthew Kelly - Head of Procurement, provided the Committee with the legal and regulatory context for the operation of Hillingdon's Procurement Team. Mr Kelly was supported by Rebecca Rees, Partner and Head of Public Procurement at Trowers law firm.

Procurement Bill

Following the UK's exit from the European Union, the Procurement Bill had been drafted to take advantage of opportunities resulting from Brexit, and to reform public procurement to ensure it was "quicker, simpler, and more transparent" while "remaining compliant with international obligations". This included empowering authorities to set their own policies, for example when creating policies governing smaller value 'below threshold' contracts. Officers would in future be allowed the freedom to create bespoke policies that could take into account a broader definition of value (i.e. not just lowest price), including local business, social, and environmental considerations. However, these additional powers would come with the caveat that there would be a greater administrative burden due to the requirement for increased transparency and reporting.

The Bill was currently under review and transitioning through Parliament, with various amendments being made following comments received through the consultation process. There was no final date for when it would become law, though it was expected to receive Royal Assent in Q1 or Q2 of 2023, before then coming into effect in 2024. Once in effect, authorities would be granted a six-month implementation period to ensure sufficient training and upskilling of staff, together with the embedding of any new policies and processes.

It had been recognised that there had been an expectation that, following Brexit, there would be greater freedom to rework procurement policies from the ground up. However, the new Bill contained what were in effect lighter versions of current EU policies. Where the Bill was significantly different was through its promotion of innovation and flexibility to allow local authorities to design processes that met both Council priorities and the needs of the market.

Building social responsibility into procurement would likely require a cultural change for local authorities. The new Bill would allow for a wider definition of 'value', which would allow authorities to move away from procuring based solely on lowest initial cost, and instead allow for costs across the entirety of the contract term, or other benefits. It was recognised that due to current financial constraints, local authorities were under pressure to deliver savings immediately, and so further discussions on what value was, and how to achieve it, would be required.

The Committee was advised that Hillingdon was well placed to respond to newly required policies and take advantage of new opportunities resulting from the Bill, through regular monitoring and oversight together with support from key partners such as Trowers. Through the provision of a six-month implementation period, government was accepting that a period of

adjustment would be required. Opportunities included securing better value through procuring to a greater number of smaller organisations, though this would require additional staff oversight within contract management.

The National Procurement Policy Statement

The National Procurement Policy Statement (NPPS) was published in June 2021, and asked that all contracting authorities had due regard to a set of national strategic priorities when carrying out procurement. These priorities included creating new businesses, jobs and skills within the UK, tackling climate change and reducing waste, and improving supplier diversity, innovation and resilience. The NPPS recommended that authorities ensured that sufficient policies and processes were in place to manage commercial delivery, and that authorities had the requisite skills and resources to achieve value for money and increased social value. Additional themes within the NPPS included contract management as part of post-Covid recovery, and the removal of barriers to entry for small and medium businesses.

Standing Orders

The Council's Standing Orders were also referred to, as set out within the report. It was highlighted that the Committee could be minded to further explore potentially updating the Standing Orders to better incorporate social value and environmental commitments. It was accepted that any changes to the Standing Orders would need to have due consideration to the unique procurement needs of certain service areas, as well as impact on staff resources.

Questioning

The Committee noted the information presented, and sought additional information on a number of points.

Regarding the new Procurement Bill, Members suggested that further consideration should be given to the inclusion of policies on anti-child labour, conflict materials, and carbon usage/power consumption for manufacturers. The Committee was advised that many of these points were being considered through further proposed amendments to the Bill.

On the matter of statutory guidance on standardising the definition of terms within the Bill, the Committee was advised that interpretation of terms had historically been a challenge throughout the EU, and legislation was to be amended to better remove ambiguity through standardisation.

Regarding Key Performance Indicators (KPIs) for both the Council and its suppliers, the Committee was advised that secondary legislation would be forthcoming that would provide greater guidance on the measurement of performance and how to address poor performance. Currently, Hillingdon agreed KPIs with their suppliers at the outset, which were then reviewed as part of the Council's contract management processes. Cabinet Office mandatory KPIs were also included in some higher value contracts, which were then reported on to a central database.

Authorities had powers to address poor performance of suppliers in a number of ways, including the implementation of an action plan, contract shortening, fines, and contract termination. Conversely, good performance could be rewarded through contract extensions or new contracts.

It was highlighted that there was scope to review and refresh performance KPIs and subsequent reporting, for both internal teams, and external suppliers.

Members requested clarity on whether the new Procurement Bill would provide local authorities with powers to address financial issues that they had no direct control over (e.g. significantly rising inflation). The Committee was advised that the Bill included powers for governing procurement in crisis (as a result of the Covid-19 pandemic), including the ability to directly award contracts. Additionally, good practice included building sufficient flexibility into contracts at their outset to respond to external factors that could impact on the delivery of the contract during its term.

It was confirmed that officers were undertaking pre-contract market research and engagement to identify further technical innovation and best practice.

RESOLVED: That the information presented be noted.

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FINANCE AND CORPORATE SERVICES SELECT COMMITTEE

23 November 2022

Meeting held at Committee Room 5 - Civic Centre



REVIEW OF PROCUREMENT WITHIN HILLINGDON - SECOND WITNESS SESSION *(Agenda Item 5)*

The Committee discussed the report on Review of Procurement within Hillingdon – Second Witness Session.

It was noted that there were various stages of procurement and Members were keen to hear more information on ways to make the system more efficient, less time consuming and less repetitious. It was agreed that it would be interesting to consider other business models in place, the procurement bill and framework agreements.

The Committee explored the challenges with helping and engaging with local small businesses. It was noted that in Northwood Hills a local Chambers of Commerce was due to be set up to support local businesses with networking groups and events.

It was suggested that the review also explored how the London Borough of Hillingdon did procurement with other councils and whether better deals could be considered when combining its procurement efforts.

Members were interested to explore how contracts were created with the supply chain and what value was being added to the local economy in the way suppliers operated. Agreeing a definition for a local business was welcomed.

Members considered that a further witness session with officer presence would be useful to answer the points raised.

RESOLVED: That the Committee noted and commented on the information presented.

Minutes

FINANCE AND CORPORATE SERVICES SELECT COMMITTEE

11 January 2023

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



REVIEW OF PROCUREMENT WITHIN HILLINGDON - SECOND WITNESS SESSION (Agenda Item 6)

The Head of Procurement and Commissioning introduced the report on the Review of Procurement within Hillingdon – Second Witness Session and provided a detailed overview.

The second witness session focussed on the operational perspective of how the Council delivered value for money through the procurement process.

The Committee heard that there were three broad stages as part of the procurement cycle including:

- *Pre- tender* - Strategic decision making around delivery model, route to market, required outcomes and commercial model
- *Tender* - Technical and transaction process of running a tender process including social value and local supply market.
- *Post- tender* - Management of contract during implementation and delivery phase to ensure supplier meets the agreed contractual commitments.

Pre Tender Stage

It was reported that the pre-tender process involved identifying the Council's needs and seeking the best commercial and quality outcomes.

The Committee heard that this stage required officers to engage with provider markets to better understand how Hillingdon requirements could be met. For the London Borough of Hillingdon's part, officers considered how the tender was positioned in order to elicit the best response from providers. Engagement with suppliers also allowed the Council to look at how others were delivering services both within local government and outside. It allowed the Council to challenge how work was currently done, understand cost drivers and support the delivery of efficiencies.

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

Once an understanding was established of what was required and the way in which it would be tendered, this needs to be articulated clearly into a specification so that suppliers could understand and accurately respond to the Council's tender. A clear specification was key to future phases. As part of this phase, thought also needs to be given to developing a contract management framework to ensure the supplier delivers on its commitments

Tender Stage

The Committee heard that the tender stage of the process was more transactional and officers assessed the suppliers' ability to provide the required goods, works or services to Hillingdon through a formal tender process. There were various processes for tendering, all set down with the Public Contract Regulations. Areas considered within tenders included:

- 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
- Financial / Commercial – Supplier response to the pricing model.

It was noted that bids were submitted by tenderers and evaluations were based on a pre-determined set of price and quality criteria.

Social Value / Environmental

The Committee was informed that social value was considered an important component of the tender process in extracting value for public money. Officers took 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 had no mandated approach and retained flexibility dependent upon the requirements. This meant that up to 10% of the overall evaluation of a tender was allocated to social value aspects. Bids were evaluated in the qualitative section of the tender using generic evaluation criteria.

Local Supply Market

The Committee heard that closely linked to social value was the desire for local authorities to play a more active role in the communities in which they operated to support community wealth building, levelling up, net carbon zero, job creation, skills & training etc.

It was noted that whilst benefits of awarding to local business were clear, there were a number of challenges with the approach including the make up of local business, the feasibility and size to support the tender and difficulties around engagement. It was also noted that there were different interpretations to what defined a local business.

Over the past 12 months, the Council had taken steps to increase its engagement with local businesses including updating tender documents and actively identifying and seeking out local suppliers. There was work in place to develop web pages to support local businesses, support with pre-package requirements and additional support for potential local organisations.

Committee discussion

Members agreed that there was strong consideration on supporting and selecting small business as part of the tender process. However, there were some concerns raised in relation to the barriers and disadvantages in place for small businesses.

In terms of actively seeking out local suppliers and avoiding them being a disadvantage through submitting tenders, it was accepted that the bigger corporate business submitted tenders in different ways as they were experts and had full teams in place. However, as part of the tendering process, questions are shaped in a way that allows them to promote their strengths

such as being more adaptive and responsive to meet Council needs. Ultimately a business needs to be in a position to deliver services and provide assurances through the tender process that they can do so. .

It was clarified that the Council ran multi-phase 'Open' tender processes however there could be 'Restricted' tender process where it was narrowed down to five – eight providers.

In terms of reverse process and local supply market, it was explained that every instance was conducted on a case by cases basis to ensure transparency and that due diligence checks were conducted. As part of the tender process questions on capability and capacity would also be asked to avoid the failure of service delivery.

In regard to improving procurement in the future around social value and the local market, it was important to get the balance right and not focus on one organisation. Officers had attended conferences at Heathrow to engage with local businesses highlighting opportunity for second tier providers. Although there was no preferred bidder register, there was a requirement to tender. In terms of the design process for carbon zero by 3035, it was explained that this was driven through the specification process and more work on this area needed to be done.

RESOLVED: That the Committee noted and commented on the information presented.

Minutes

FINANCE AND CORPORATE SERVICES SELECT COMMITTEE

8 February 2023

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



REVIEW OF PROCUREMENT WITHIN HILLINGDON - THIRD WITNESS SESSION

(Agenda Item 5)

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.

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.

Members were advised that each contract was different and needed to be managed 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 at 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:

- 1. officers be asked to identify innovative procurement practices for discussion at the Committee's next meeting on 1 March 2023; and**
- 2. the discussion be noted.**

Minutes

FINANCE AND CORPORATE SERVICES SELECT COMMITTEE

19 April 2023

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



68. **REVIEW OF PROCUREMENT WITHIN HILLINGDON: FINAL WITNESS SESSION**
(Agenda Item 5)

Councillor Richard Lewis was slightly delayed due to unforeseen circumstances and arrived part-way through the discussion on this item.

In respect of the Select Committee's ongoing review, the Chairman confirmed that an independent consultation process had been initiated relating to procurement in the Council. This would run alongside the review and would feed into the work of the Select Committee. The Committee was committed to value for money and high value outcomes.

Matthew Kelly, Head of Procurement and Commissioning, was in attendance and provided the Select Committee with some headline ideas for potential recommendations:

1. Contract management – it was important to maximise value from contracts achieved. Suppliers were better at extracting value from contracts than the Council was at protecting it. The exact mechanism to achieve this had yet to be decided;
2. Improved planning – early visibility and action. 12 months to tender rather than 6 months would achieve better outcomes. It would also support the Council's compliance with the new Procurement Bill which was likely to be going live in early 2024 and would require the local authority to publish plans for contracts over £2m occurring in the next 18 months;
3. Customer of Choice – Hillingdon aimed to be a customer of choice so companies would be keen to win contracts and work with the Council. Longer term contracts and a partnership approach would allow the local authority to build better relationships and drive value for money;
4. Improved engagement with local suppliers – it was important to achieve a balance between social value of local provision and financial value;
5. The new Procurement Bill would see a move to the most advantageous tender – which would provide an opportunity to place other criteria (such as environmental, social and governance) on a level with financial impacts. To achieve better social value outcomes in the tender process, a corporate social value policy would be required;
6. Increased strategic focus – with 100+ projects ongoing and a team of only 12, it was important to focus the limited resources on areas of greatest opportunity. Part of the need for an increased strategic focus was around delivery model and how the Council delivered (ie internal or outsourced)
7. Longer Term contracts – to remove administration and drive value for money through existing relationships but underpinned by benchmarking and value chain analysis
8. Maximum benefit from Oracle implementation – a new financial system was due to go live early 2024; as a minimum this would be an opportunity to tighten spend controls and improve spend reporting;

9. Environmental matters – aligned to the Council’s commitment to a carbon zero strategy, procurement had a role to play when commissioning managers etc. It was also important to be mindful of cost implications.

The Head of Procurement and Commissioning was thanked for his invaluable input and expertise.

With regards to the Council’s net zero target, Members noted that electric vehicles were preferable but were at times prohibitively expensive; particularly larger vehicles such as refuse lorries. However, there were other lower cost carbon-saving opportunities which would be built in whenever possible.

In respect of contract management, Members recommended a centralised approach and felt a team to oversee contracts would be welcomed. The importance of definitions was also highlighted in relation to terms such as ‘local’ (in the context of local suppliers) and ‘social value’.

In relation to recommendations, the Committee suggested some further points for consideration - how the Council championed quality, noting the importance of demonstrating to residents that quality was equally as important as value and capacity planning to ensure the Council did not lose out due to lack of resources. It was suggested that, where possible, projects be amalgamated to reduce them in number, with the caveat that they would need to be risk-rated prior to a decision being taken. The Council would always have a lot of projects on the go given the large number of suppliers it worked with; reducing the supplier base could be beneficial. Members also noted the importance of policy frameworks to ensure the longevity of the review.

The Committee felt a list of defining factors in relation to ‘value for money’ would be helpful and observed that working with local businesses offered both social and economic incentives in terms of added value. It was important to use new technology even though it was constantly changing and progressing.

The Head of Procurement and Commissioning informed Members that considerable progress had been made in terms of quality. In the past tenders had been evaluated based on 80% cost and 20% quality; this was now 50% cost / 50% quality and there was flexibility in this calculation to drive the right outcomes. The Committee heard that Hillingdon Procurement Team sought to reduce costs, improve quality and manage risk and worked closely with Councillors and stakeholders to get this balance right. It was confirmed that the Council built in evaluation for social value but a better understanding of the Council’s specific aims with regards to this would be welcomed and allow increased use of TOM’s framework.

Members were informed that the Council would be granted a period of six months to implement the requirements of the new Procurement Bill. It was acknowledged that contractors would need to be brought up to speed to ensure they were compliant. A recommendation in relation to the Council’s use of sub-contractors was suggested. The Committee also proposed a recommendation regarding collaborative work and training in respect of smaller businesses. The Committee highlighted the fact that some recommendations would require ongoing work while others would be more practical and immediate.

RESOLVED: That the Committee noted the verbal update and discussed ideas for recommendations in relation to its review of Procurement within Hillingdon.