

# Procurement in Hillingdon

Securing value for our residents



A review by the Finance and Corporate Services Select Committee 2022/23

**Councillors on the Committee:** Councillor Riley (Chairman); Councillor Lewis (Vice-Chairman 2022/23); Councillor Wayne Bridges (Vice-Chairman 2023/24); Councillor Banerjee; Councillor Bhatt; Councillor Garg; Councillor Mand; Councillor Sansarpuri (from October 2023); Councillor Mathers (Opposition Lead)

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## Chairman's Foreword



It is with great pleasure that I introduce this comprehensive review into "Procurement in Hillingdon: Securing value for our residents." The Finance & Corporate Services Select Committee has undertaken a rigorous and detailed examination of the procurement practices within the London Borough of Hillingdon. This report encapsulates findings, conclusions, and recommendations, which are the result of sessions and consultations with key stakeholders.

From the outset, our goal was to ensure that procurement processes in Hillingdon aligned with the Council's priorities and values, while delivering the best value for our residents. We understood that the landscape was evolving, especially with the introduction of the Procurement Bill [now the Procurement Act 2023], which aimed to simplify and make procurement more transparent. We recognised the unique opportunity this presented for Hillingdon to adapt and innovate.

Our witness sessions provided us with the essential legal and regulatory context for our procurement operations and the transformative potential of the Procurement Bill. We focused on contract management, performance monitoring and how the Council was addressing financial challenges that may arise due to external factors such as inflation.

We explored the core principle of value for money, the potential benefits of framework agreements, and the need for transparency in contractual arrangements for decision-makers, in particular understanding why contracts were extended or "rolled-over" to the same supplier. Notwithstanding the importance of value-for-money, the Committee looked at how the Council could embrace a broader definition of "value", particularly in respect of local businesses and our net-zero ambitions.

The Committee believe that its findings and recommendations, as presented herein, will help Cabinet continue to secure the best value services for our residents, whilst getting on the front foot for upcoming changes in procurement practices.

I extend my gratitude to all the Committee Members, witnesses, and in particular the Head of Procurement, who have been instrumental in this review, and I hope that this report serves as a valuable guide for the future of procurement in Hillingdon.

*Councillor John Riley*

Chairman, Finance & Corporate Services Select Committee

## Background to the review

The Select Committee embarked on its review of procurement within Hillingdon Council following agreement of the topic at its meeting on 13 July 2022. The review was prompted by the realisation that the significant annual public sector expenditure in the UK, amounting to approximately £290 billion, needed to be channelled cost-effectively to support broader public policy priorities and local services, compounded by new emerging procurement legislation and for local government, in particular, the ongoing need to address the budgetary pressures facing councils. The importance of procurement in supporting local economic growth, facilitating recovery from the Covid-19 pandemic, and addressing the pressing issue of climate change were also factors considered by the Committee in initiating this review.

### **National and Legislative Context**

The review took place against the backdrop of changing national and legislative factors. It considered the influence of the Procurement Bill 2022, which had been introduced in May 2022 and was progressing through Parliament. This bill aimed to reform the UK's public procurement regime, with a focus on value-for-money, competition, and transparency. It sought to create a simpler and more flexible commercial system while also opening up procurement opportunities for small businesses and local enterprises.

### **National Procurement Policy Statement (NPPS)**

The Committee considered how the National Procurement Policy Statement (NPPS), issued by the Government in June 2021, played a pivotal role. It directed contracting authorities to consider national strategic priorities when engaging in procurement. These priorities focused on social value, commercial and procurement delivery, and skills and capability for all.

### **National Procurement Strategy for Local Government**

The National Procurement Strategy for Local Government, launched in February 2018, provided recommendations related to leadership, commercial behaviour, and community benefits. It also identified enablers, such as talent development, the utilisation of digital technology, innovation, and change implementation through procurement.

### **Climate Change Action Plan**

The Council's Strategic Climate Change Action Plan was a key focus during the review. It reflected the Council's commitment to address climate change and included specific goals related to procurement, including the achievement of contracting net carbon zero services by 2035. These goals were an integral part of the Council's strategy to combat climate change.

### **The Procurement Team**

The review was supported largely by the Head of Procurement, Matthew Kelly, who played a key role in the review, providing insight and experience from his work in the public and private sectors. It was noted that the wider procurement team was made up of Category Managers, Assistant Category Managers, Buyers, and Procurement Officers.



## External Challenges

The review acknowledged the multifaceted challenges faced by local government procurement. These challenges included the increasing demand for services alongside limited resources, the enduring impact of the Covid-19 pandemic, implications from Brexit, inflation, and the role of procurement in implementing local and national government policies related to carbon neutrality and social value.

## Planning the review

At its meeting on 6 September 2022, the Committee agreed a scoping report and the Terms of Reference, setting out its objectives for the review. These were refined further to provide more reference to how Procurement was supporting, in particular local businesses. The Committee's Terms of Reference are set out at the end of this report.

To progress the review effectively in stages, Committee held a number of themed witness session with Council officers and an external procurement expert, along with two Committee roundtable discussions, first to develop lines of enquiry and latterly, to firm up the Committee's findings to present to Cabinet.

The Committee's review timetable is set out below:

Activity / Theme	Meeting
Scoping of the review	6 September 2022
National, local context and external influences	20 October 2022
Committee roundtable discussion (lines of enquiry)	23 November 2022
Procurement in Hillingdon, value-for-money and social value	11 January 2023
Effective management of contracts	8 February 2023
Strategic thinking around procurement	19 April 2023
Committee roundtable discussion (findings)	19 October 2023



## Evidence & Witness Testimony

### National, local context and external influences

The first primary witness sessions was on 20 October 2022. Matthew Kelly, Head of Procurement provided the Committee with an insightful overview of the legal and regulatory context within which Hillingdon's Procurement Team operates. To enhance the discussion, he was supported by Rebecca Rees, Partner and Head of Public Procurement at Trowers law firm. The central focus of this meeting was the Procurement Bill, which was crafted in response to the UK's exit from the European Union. The Bill was designed to harness the opportunities arising from Brexit and reform public procurement to be "quicker, simpler, and more transparent" while still adhering to international obligations.

The Committee heard one of the notable aspects of the Procurement Bill, was its empowerment of authorities to establish their own policies. This included the creation of policies for smaller value 'below threshold' contracts, which would allow a broader definition of value, encompassing factors such as local business, social considerations, and environmental impact. This shift toward a wider interpretation of 'value' was seen as a significant change, departing from the sole focus on the lowest initial cost in procurement decisions.

However, it was acknowledged that these added powers would bring about increased administrative responsibilities due to the necessity for greater transparency and reporting. At the time of the meeting, the Procurement Bill was undergoing review and transitioning through Parliament, with amendments made based on feedback received during the consultation process. While there was no definitive date for its enactment, it was expected to receive Royal Assent in either Q1 or Q2 of 2023, becoming effective in 2024. [Note: at the time of writing this review report, the Procurement Bill has since received Royal Assent]. The six-month implementation period after the Bill's enactment was recognised as a crucial phase to ensure adequate training and integration of new policies and processes.

Although expectations for more significant changes in procurement policies post-Brexit were not fully realised, the Procurement Bill did offer an emphasis on innovation and flexibility. This enabled local authorities to design processes that aligned with Council priorities and market needs, with the inclusion of social responsibility within procurement practices. A cultural shift was anticipated for local authorities to fully embrace this new approach.

The National Procurement Policy Statement (NPPS), published in June 2021, was another significant topic discussed by the Committee. It outlined strategic priorities for contracting authorities, including supporting local businesses, addressing climate change, enhancing supplier diversity and innovation, and improving resilience. The NPPS also encouraged the development of policies and processes that ensure value-for-money and increased social value.

In addition to the Procurement Bill and NPPS, the Council's own Orders were discussed. The Committee considered the possibility of updating these orders to better incorporate social value and environmental commitments. However, this would require a thoughtful approach, considering the unique procurement needs of various service areas and the core principle of value-for-money.

During the meeting, the Committee engaged in a series of questions and discussions. They proposed exploring the inclusion of policies related to anti-child labour, conflict materials, and carbon usage/power consumption for manufacturers within the Procurement Bill. It was noted that many of these points were being considered through proposed amendments to the Procurement Bill.

The Committee also inquired about Key Performance Indicators (KPIs) for both the Council and its suppliers. It was explained that secondary legislation would provide more guidance on measuring performance and addressing poor performance. The current practice of agreeing on KPIs with suppliers at the outset, along with the potential for addressing performance issues, was discussed.

The Committee sought clarification on whether the new Procurement Bill would grant local authorities powers to address financial issues they had no direct control over. The Bill was expected to include provisions for governing procurement in crisis situations, such as the Covid-19 pandemic, and allowed for flexibility within contracts to respond to external factors.

## **Committee roundtable (lines of enquiry)**

On 23 November 2022, in the absence of witnesses, Committee Members sought instead to collect their thoughts and develop their lines of enquiry in preparation for future witness sessions.

The Committee noted the various stages of the procurement process and expressed a strong interest in making the system more efficient, less time-consuming, and less repetitive. Members were eager to explore in future meetings innovative approaches that could streamline the Council's procurement procedures.

It was agreed that investigating alternative business models, the implications of the Procurement Bill, and the use of framework agreements could bring valuable insights and improvements to the current procurement practices. By exploring new avenues, the Committee felt it could enhance the procurement process for the benefit of Hillingdon and its residents.

A notable point of discussion addressed the challenges of supporting and engaging with local small businesses on our procurement. In Northwood Hills, the establishment of a local Chambers of Commerce was highlighted as a promising development. This Chamber was seen as a vital resource for supporting local businesses through networking groups and events, providing them with valuable opportunities to grow and thrive in the community.

Furthermore, the Committee expressed an interest in evaluating how the Council conducted procurement in collaboration with other local authorities. Whilst this practice has occurred, the potential for securing more favourable deals by pooling procurement efforts was seen as a promising avenue to explore in future meetings. This demonstrated a commitment to optimising procurement practices and achieving better value for the Borough.

Members of the Committee also sought to gain a deeper understanding of how contracts were created within the supply chain and how the operations of suppliers contributed to the local economy. This emphasis on value creation and economic impact reflected a holistic approach to procurement, considering not only cost but also the broader benefits to the community.

The Committee wished to further investigate establishing a clear definition for a local business within procurement arrangements, to facilitate the identification and support of businesses operating within Hillingdon, contributing to a more transparent and inclusive procurement process.

## Procurement in Hillingdon, value-for-money & social value

This witness session took place on 11 January 2023, where the Committee heard from the Head of Procurement about the more operational aspects of the service, how procurement process works, how it helped the Council deliver value for money, particularly reflecting the broad scope of goods, works and services procured the Council. This scope entailed a large number of contracts across services, circa. 2,500 in total, ranging from small to large multi-million pound contracts.

The Committee first gained a detailed understanding of the procurement cycle, which was divided into three distinct stages:

### **1. Pre-Tender Stage**

During this stage, it was highlighted that the Procurement Team engaged in more strategic aspects, such as the delivery model, the route to the market, the desired outcomes, and the commercial model.

The Committee was informed that the pre-tender process was a crucial stage that involved identifying the Council's needs and seeking the best possible commercial and quality outcomes. Officers actively engaged with provider markets to better understand how Hillingdon's requirements could be met. It was emphasised that this stage required officers to challenge existing practices, seek efficiencies, and understand cost drivers.

Engagement with supplier markets allowed the Council to gain insights into how services were being delivered both within local government and externally. This engagement was seen as an opportunity to challenge existing methodologies, promoting innovation, and ensuring that the Council got the best value-for-money.

Additionally, the pre-tender phase was supported by an in-depth analysis of spending to confirm the scope and benchmark against other similar services, ensuring that the chosen strategy was robust. A clear specification was considered paramount for guiding suppliers effectively through the subsequent phases of the procurement process, initially, by submitting their tenders for evaluation.

### **2. Tender Evaluation Stage**

The tender evaluation stage was characterised by a more transactional process where officers assessed the ability of suppliers, who had tendered, to deliver the required goods, works, or services as per the specification. Tender bids were submitted by suppliers and evaluated based on predefined criteria that encompassed both price and quality considerations. This was where various due diligence processes were employed and also to ensure compliance with the Public Contract Regulations. Importantly, key areas considered within tenders being evaluated included governance and assurance, such as health and safety, insurance, and financial health of the contractors.



Critically, the capability of suppliers was also evaluated, focusing on their experience with similar contracts, the competence of the teams engaged in contract delivery, capacity to meet Hillingdon's requirements, and method statements outlining how the supplier would deliver the contract. Further considerations at this stage were the financial and commercial aspects, such as the supplier's response to the pricing model.

### **3. Post-Tender Stage**

This phase revolved around the management of contracts during the implementation and delivery stages to ensure that suppliers met the agreed contractual commitments. This would be a key focus for review by the Committee in their next witness session.

### **Social value and local businesses**

The Committee explored the concept of social value, highlighting its importance in the tender process for extracting value-for-money. It was explained that the Council took a broad view of social value, seeking ways to enhance economic, social, and environmental well-being. Importantly, the London Borough of Hillingdon maintained flexibility in this regard, allowing for up to 10% of the overall evaluation of a tender to be allocated to social value aspects. This demonstrated the Council's commitment to achieving broader community benefits through its procurement practices.

The discussion also covered the wish of local authorities to actively engage with their communities and support various initiatives, including community wealth building, levelling-up, achieving net carbon neutrality, creating jobs, and providing training opportunities. However, it was noted that while awarding contracts to local businesses could bring clear benefits, there were challenges to consider, including the size and engagement of local businesses and defining what constituted a local business.

The Committee expressed a strong commitment to supporting and selecting small businesses as part of the tender process. However, concerns were raised regarding the barriers and disadvantages that small businesses might face when competing with larger corporate entities.

To actively support local suppliers and prevent them from being disadvantaged in the tender process, it was noted that the Council had already undertaken several measures, including updating tender documents and actively identifying and seeking out local suppliers. Work was also in progress to develop web pages to support local businesses, provide assistance with pre-package requirements, and offer additional support for potential local organisations. Officers had attended conferences to engage with local businesses and highlight opportunities for second-tier providers. While there was no preferred bidder register, there remained a requirement for businesses to tender for contracts.

In terms of the Council's goal to achieve net carbon neutrality by 2035 for its procured services, it was explained that this objective was integrated into the specification process, and further work in this area was recognised as an ongoing priority.

## Effective management of contracts

This themed witness session took place on 8 February 2023, where the Committee discussed the management of contracts post contract award to ensure the supplier met agreed contractual commitments. Members heard from the Council's Fleet Manager and Head of Parking Services who both manage significant Council contracts.

Matthew Kelly, Head of Procurement, provided valuable insights into the crucial role of contract management within the broader procurement process. He emphasised that while contract management was an integral part of procurement, it was primarily carried out within specific service areas, with the Procurement Team offering support.

The importance of strong contract management mechanisms in maximising performance, reducing risks, and preserving and enhancing the value that had been built into contracts during the tender stage was raised. It was explained that each contract was unique and required a tailored approach to management. Contracts ranged from transactional ones, like stationery supplies, to more strategic contracts, such as fleet maintenance and parking enforcement, making it essential to adapt management practices to each contract's needs.

Roy Clark, the Council's Head of Parking Services, shared his experience managing the parking enforcement contract. He explained that this contract required 20-25 enforcement officers daily, responsible for managing parking regulations throughout the Borough. It was explained that beyond back-office processes, a range of legal aspects governed how the contract could be managed. Clarity on the desired outcomes was critical to ensure they were realistic and achievable.

Members were informed about the specifics of the parking enforcement contract, which had been let for five years with an option to extend for an additional five years. Contract monitoring was an ongoing process, with regular meetings between the Council and the contractor to discuss both operational and strategic issues. The goal was to identify long-term improvements that would add value to residents.

Members were informed that parking enforcement around schools, particularly during drop-off and pick-up times, remained a contentious issue. Some residents wanted stricter enforcement, while others preferred a lighter touch. Ensuring the safety of children attending these schools was a top priority, and action was taken accordingly.

Steve Gunter, the Council's Fleet Manager, shared his insights into managing the supply of vehicles to various service areas. The Council's fleet comprised 295 vehicles, including vans and pool cars, with most owned rather than leased. Approximately 60 vehicles required operator licenses for carrying commercial products.

A five-year fleet replacement program was in place, considering legislative changes such as the transition from the Low Emission Zone to the Ultra Low Emission Zone (ULEZ) across Greater London. However, it was noted that the move to electric



vehicles by 2030 posed challenges, primarily due to the current prohibitive cost and the need for further infrastructure development, including charging points.

Mr. Gunter also managed contracts related to vehicle maintenance, tire supply/maintenance, and fuel supply, providing specifications for the contracts. It was explained that when developing a contract specification, it was crucial to consult the end users to ensure the contract met their needs and aligned with the service's evolving requirements.

The Committee then turned to the duration of contracts and whether it was better to maintain long-term relationships with contractors or opt for shorter contracts to maintain competitive tension. The Head of Procurement pointed out that there was no one-size-fits-all answer. Longer-term contracts provided suppliers with confidence to invest in the contract, while shorter contracts could lead to reduced investment and increased administrative burden. The key was to ensure robust contract management, benchmarking, and introducing sanctions for poor performance.

### **Performance monitoring**

Members raised the question of whether the Council had a template contract that included general service level agreements (SLAs) and key performance indicators (KPIs). It was explained that there was an opportunity to develop a common set of terms and conditions, but specific service areas, such as IT, construction, and social care, had their standard sets. Services were encouraged to include terms and conditions in their contracts, but performance targets had to be achievable. Managing thousands of supplier relationships at the Council, therefore, required a flexible approach.

The Fleet Manager shared insights into the vehicle maintenance contract, which had a five-year term with an option for two additional years. The contract featured nine KPIs, some monitored monthly, and others quarterly. If targets weren't met, the contract allowed the Council to claim back certain values. He cited an example where a target to ensure that no more than 3% of the fleet was off-road at any one time had not been met, and a discussion with the contractor led to adjustments to reduce downtime.

Members on the Committee questioned whether contract performance monitoring was too heavily reliant on relationships between suppliers and specific Council officers, and whether there were standardised procedures or processes to follow if the specific officer was unavailable. Members were assured that while strategic contracts like fleet maintenance and parking enforcement were critical, they didn't rest solely with individuals. However, it was proposed that a contract management framework could be developed for the Council, including a common set of "must-do" activities. If a contractor failed to meet performance targets, a plan would be put in place as the first step to rectify their performance. While damages could be sought also, actions taken would be reasonable and proportionate, varying significantly from contract to contract. It was stressed that effective communication with contractors was essential, as they played a strategic role in helping the Council achieve its corporate objectives and the delivery of many essential services to residents.

Members were reassured that the Council didn't solely rely on contractors reporting on their own performance. In parking enforcement, for instance, it was noted that the contractor provided performance data, but officers had the capability to access the contractor's systems directly to obtain information.

### **Supplier resilience and adaptability**

In scenarios where suppliers fail, it explained that while every contract was different, a typical feature was a three-month no-fault termination clause. It was expected to take about 9-12 months to exit some strategic contracts, making their success crucial. It was noted that "Evergreen contracts," those without a set end date, were typically more challenging to terminate.

In terms of financial due diligence, it was noted that detailed procedures were in place to ensure suppliers' financial stability. Procurement officers collaborated with finance colleagues during the tender process to check this, and the impact of supplier failure on services was evaluated. The Council retained the flexibility to vary its contracts if Council policy changed or new legislation affected service provision, with up to 50% of the contract value allowed to be altered.

### **The procurement team**

The Committee concluded the witness session with questions about procurement funding and the possibility of centralising contract management. It was clarified that procurement team was funded corporately, and any savings secured were reported to the Council's Corporate Management Team (CMT). Due to resource constraints, establishing a central team for contract management, either internally or externally, was not feasible. However, there was potential to develop a framework or set of principles to make contract management more consistent across the Council and free up time for the procurement team to focus on more added value and strategic activity.

## **Strategic thinking around procurement**

Strategic activity took the theme for the final witness session on 19 April 2023, where the Head of Procurement and Committee Members discussed their thinking around the procurement and changes that could be made.

The Committee expressed its commitment to ensuring value for money and high-value outcomes in the context of procurement. It was noted that there was an independent review of procurement also running concurrently with the Committee's review, which could also potentially enrich the Committee's work depending on timings.

The Committee, along with the Head of Procurement explored some potential headline areas as part of its final deliberations as set out below:

1. Contract Management - the importance of maximising the value extracted from contracts was stressed with the need to develop mechanisms to protect and enhance the value retained within contracts.
2. Improved Planning - where there would be an extension in the planning horizon from the current 6 months to 12 months before a tender. This extended timeline was believed to lead to better outcomes. It was also seen as crucial for the Council's compliance with the upcoming Procurement Bill, expected to come into effect in early 2024. This legislation would require the Council to publish plans for contracts exceeding £2 million occurring within the next 18 months.

3. Customer of Choice – the Committee welcomed the aspiration for Hillingdon to become a customer of choice, where companies actively sought to win contracts and engage with the Council. To achieve this, longer-term contracts and a partnership-oriented approach were more appropriate, enabling the local authority to build stronger relationships and enhance the value-for-money aspect.
4. Engagement with Local Suppliers – balancing the social value provided by local suppliers with financial value was deemed a crucial objective. The Committee emphasised the need to enhance the participation of local suppliers in the procurement process. The importance of clearly defining terms like 'local' in the context of local suppliers and 'social value' were highlighted to avoid misunderstandings and inconsistencies. Some considerations suggested by Members, related to the effective use of subcontractors and collaborative work and training with smaller businesses.
5. The Procurement Bill – this would introduce the concept of the "most advantageous tender" (as opposed to the most economically advantageous tender at present) which would allow other criteria such as environmental, social, and governance factors to be considered on par with financial aspects. To achieve better social value outcomes in the tender process, a corporate social value policy would need to be considered. With potentially six months to implement the Bill, upon enactment, the Committee felt that contractors would need to be brought up to speed to ensure compliance. The Committee highlighted the Council's transition from tender evaluation based on 80% cost and 20% quality to a more balanced approach of 50% cost and 50% quality. This new approach introduced flexibility to drive the right outcomes and meet the requirements of the Bill, once enacted.
6. Increased Strategic Focus – given the limitations of resources, the Committee stressed the importance of focusing on areas with the greatest procurement potential. The increased strategic focus was linked to determining the most effective delivery model, whether services should be managed internally or outsourced, along with the wider use of more strategic framework agreements which were often beneficial in providing a responsive and resilient service.
7. Longer-Term Contracts – the benefits of long-term contracts were recognised, particularly in reducing administrative overhead and enhancing value through established relationships. The Committee suggested that benchmarking and value chain analysis should underpin these contracts.
8. Maximising Benefit from Oracle Implementation – the introduction of a new financial system in early 2024 was viewed as an opportunity to enhance spend controls and reporting. This system presented a chance to tighten the financial aspects of procurement.
9. Environmental Matters – the Committee underlined the alignment of procurement practices with the Council's commitment to carbon-zero by 2035 for procured services. It was acknowledged that electric vehicles were preferable, but their cost, especially for larger vehicles like refuse lorries, was often prohibitive. The Committee urged the integration of lower-cost carbon-saving opportunities wherever feasible financially.



## Committee roundtable (findings)

On the 19 October 2023, the Committee met to review the past witness sessions, the evidence received and to focus on their findings, conclusions, and recommendations. The key context at this meeting was to agree practical recommendations that could be actively implemented by the Cabinet.

The Chairman outlined a series of principles from which findings could be developed and tabled a set of draft recommendations, which the Committee discussed. These covered the following topics:

- **Value for Residents** - the primary aim was to ensure that residents receive value-for-money from procurement practices.
- **Streamlined Procurement** - streamlining service engagement with the procurement process empowers the Procurement Team to play a more strategic role and focus on the significant contracts with added value.
- **Efficiency and Responsiveness** - the adoption of framework contract systems across the Council's procurement process enhances efficiency and responsiveness.
- **Enhanced Transparency** - providing decision-makers and scrutineers with a clear overview of contracts under their purview enhances informed decision-making and scrutiny.
- **Greater Scrutiny** - updating Procurement Standing Orders for justification or checks on contract extensions and roll-overs to ensure greater scrutiny and competitiveness.
- **Local Business Engagement** - engaging with local businesses through training, outreach, and collaboration, that could promote a competitive and transparent environment for Council contracts.

At the meeting, the Committee supported the Chairman's additional suggestion for mandatory reviews for contracts that had been running for a decade or more, aimed to ensure that contracts, regardless of their historical success, underwent a rigorous evaluation to confirm their ongoing suitability and effectiveness. It was, however, recognised that having numerous contracts across various services could result in challenges related to transparency, competitiveness, and control. The sheer volume of contracts, estimated at around 2,500, could make it difficult to closely scrutinise and manage each one effectively, so the Committee sought to factor this into its recommendations by suggesting value limits.

The Opposition Lead addressed the importance of supporting local businesses and identifying potential barriers within contracts that could discourage their participation, along with the management of subcontractors within contracts, where the Committee supported the call for consistency in how subcontractors were handled, highlighting the importance of maintaining service quality for residents. The Committee agreed to incorporate these salient points into their final recommendations, with the aim of presenting a practical and effective report to Cabinet to support the Council's procurement process and direction going forward.

# The Committee's Findings

## Conclusions

The Committee held a number of sessions on the topic of Council procurement, in order to establish several issues and principles. Among these are, the nature of the Procurement process within the local authority sector and how this differs from the rest of the commercial world - they are different as the aims and values are necessarily different - how procurement works within the Council and how it should better work for the Council as a whole and, therefore, by linkage for residents.

What the Committee propose, therefore, are some radical, practical and effective recommendations based on many hours of evidence and exploration on the topic. The Committee have in mind the unnecessarily and profoundly complex practices and procedures in the Procurement Bill [now Act], designed to make procurement easier in the public sector but in many ways, it creates a more complex and less manageable landscape, however, there is flexibility.

The Committee concluded that the Procurement Team (PT) in the Council was highly regarded, knowledgeable and able; they are led by high functioning committed Head of Service who has impressed the Committee and been of invaluable assistance in the review. However, the PT are hampered by over-burden of work some of which is better shared with the Directorates and devolved even further to those who know what they need in their work using focused expertise to procure services relevant to individual departmental work. The added value given by the PT is at present being suppressed under a weight of day - day practices when they ought to be concentrating of the *big ticket* items and procurement policy, driving the procurement culture and effectiveness in the Council overall.

The PT needs to be freed up to have the "*space and time*" to focus their expertise and bring the added value they possess to our biggest contracts and spends. There should be a review of the level of service engagement in the procurement process and whether contracts up to certain value (e.g. £250k) should be driven by service areas, rather than the PT. This may involve some short term and intensive training for the Directorates, in order to equip them for their enhanced procurement role, bringing added competence to staff in those areas.

The Committee see the value in considerable consolidation of contracting across services and that Directorates must review synergistic operations to observe common opportunities for procurement. In short, the Council has far too many contracts which makes close scrutiny, transparency, competitiveness and control unwieldy. In this regard, the Committee understand the total no. of contracts across all council departments and at all values - is circa. 2,500, thereby demonstrating the point made about volume and control.

In addition to approved contract extensions, the Committee frequently observed the "roll-over" of contracts of all types; some small and specialised and others general. Such roll-overs may mean that there has been no real procurement practice used in regard to the need or continuation of such contracts. It may be that contract roll-overs make financial sense at a particular time, but the transparency of the extent of review and oversight with regard to them is a concern in order to obtain that which is most important, **value-for-money for our Residents.**

The Committee were driven by the principle of Value-for-Money (for our residents) as our guiding aim in this review. Such roll-overs (or continuous direct awards) may mean that there has been little consideration of alternatives, of review and renewal, of need or appropriateness. The Committee postulated, what does the Cabinet Member under whose portfolio these roll-overs arise know about all these issues, has there been time for Cabinet Member scrutiny?

The Committee believe that the Council's Procurement Standing Orders should be updated to ensure that relevant Cabinet Members are briefed before any formal decisions are made on extensions and roll-overs, and to consider a compulsory review date, initially suggested at 10 years, by which any very longstanding roll-overs with the same supplier continue.

On which point, of Cabinet member portfolio knowledge, the Committee suggest that each Cabinet Member has a headline grid or list of all contracts under their portfolio over a certain and agreed value, so they understand the coverage of spend under their purview. Similarly, Committee Chairman could also have this information in order to periodically review need, applicability, performance, relevance and competitiveness.

## Recommendations

Based on the Committee's findings and conclusions, the Committee propose the following recommendations to Cabinet, targeted around process; practical steps and local business engagement:

### Process

1	That Cabinet request the Corporate Management Team (CMT) review the operating model and the level of service engagement with the procurement process to enable the PT to become more commercially and strategically advantageous, along with the streamlined process and training that may be required to upskill and enable staff in service areas. That CMT report to the Cabinet Member for Finance on their recommendation, noting that the select committee will review progress during 2024.
2	The Committee believe the most significant improvement that will help shape our procurement for the future is to develop a framework contract culture. To initiate this, Cabinet instruct and support senior management reviews across all spending departments to seek synergy areas in contract creation or vertical and horizontal or combined contract provision. (e.g. some companies may have multi-function services that cut across different departmental service needs provision either in a linear or shaped connective form. This aims to achieve cost savings and multi layered performance enhancement).
3	To embed this, that Cabinet approve the adoption of Framework contract systems across the whole of the Council procurement process, so that implementation is quicker and easier especially in regard to response problems. Such Framework establishment to be managed by the PT as part of their enhanced strategic role.

## Practical

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|----------|---|
| <b>4</b> | That Cabinet approve the creation of a register of all contracts over an agreed value for the examination of Cabinet Members, Senior Managers and Scrutiny Chairman. This would be an easy to review overall register and calendar of all contracts over an agreed value for use by the Leader, Cabinet and other approved recipients updated yearly, or more frequently if needed. Such a register should have straightforward detail; e.g. department, value, use, service provider and the whole timeline of contractual relationship / arrangements. There is no or no easy to understand common site to tell at a glance who the Council is contracting with, how long we have been working with any particular company and the extent to which, based on longevity of association, the contracting relationship has been in place. Good "business practice" suggests that Cabinet Members and CMT ought to have this information to hand. In addition, it would be useful for Cabinet to understand how many contracts the Council lets or is engaged in over an agreed high monetary figure, (e.g. over £500k) |
| <b>5</b> | That Cabinet recommend reviewing the Procurement Standing Orders on any requested contract extension or "roll-over" so that where competitive tenders are not proposed to be sought - or planned contract extensions are proposed, that the Cabinet Member for Finance and relevant Cabinet portfolio holder are briefed and in concurrence E.g. why is the contract arrangement being sought to be rolled over? What is preventing transparency or competitive tendering in a particular contract arena? *   |
| <b>6</b> | That the Procurement Standing Orders are updated so that longstanding contractual relationships with the same contractor that are to exceed 10 years in total length (whether through multiple extensions or roll-overs) require the formal approval of the Cabinet to continue. It is suggested this applies to those contracts at suitable annual financial value to be determined by the Cabinet Member for Finance (e.g. over £250k p.a.). *  |

*\*These recommendations would require a minor change to the Council's Procurement Standing Orders in the Constitution and thereby Council approval, if accepted by Cabinet.*

## Local business engagement

- |          |   |
|----------|---|
| <b>7</b> | That Cabinet approve the establishment of training / information or other procurement enhancement assistance for local and wider external providers of all sizes in order to create a wide range of competitive areas for Council contracts.  |
| <b>8</b> | To emphasise our support for local businesses, we would encourage greater use and outreach of our local business knowledgebase to make contracting with the Council more understandable and attractive, and to hold appropriate trade and business events for such purposes.  |
| <b>9</b> | As an element of general commercial concern, the Committee were conscious of reducing the barriers to local businesses in applying for contracts, and of the important role of sub-contractors, which include local companies, and therefore encourage that due attention is given to the commercial care, collaboration and engagement with sub-contractors by the main contractor appointed by the Council. |

## About the review

### The following Terms of Reference were agreed by the Committee:

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 (including Local Business)
  - d. Drafting tender document
  - e. Evaluation and awarding contracts
  - f. Social Value in the Procurement process
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

### The Committee received evidence from the following sources and witnesses:

1. Matthew Kelly – Head of Procurement and Commissioning
2. Rebecca Rees, Partner and Head of Public Procurement at Trowers law firm
3. Roy Clark, the Council's Head of Parking Services,
4. Steve Gunter, the Council's Fleet Manager



## References and evidence received

HM Government 2023	<a href="#">Procurement Bill (Procurement Act 2023)</a> – the new central legislative document that aims to reform public procurement in the UK, with a focus on value-for-money, competition, and transparency
HM Government 2021	<a href="#">National Procurement Policy Statement (NPPS)</a> outlines national strategic priorities for procurement, including social value, climate change, and supplier diversity
London Borough of Hillingdon 2022	<a href="#">Procurement Standing Orders</a> (Chapter 19 of the Council’s Constitution) – a recommended document to update to for better scrutiny on long-term contracts and contract roll-overs, along with incorporating social value and environmental commitments.
London Borough of Hillingdon 2022	<a href="#">LBH Website - Procurement within Hillingdon</a> – providing public information on the Council’s procurement activities
HM Government 2020	<a href="#">Government Green paper – Transforming Public Procurement</a> Proposals leading to the Procurement Bill and intended to shape the future of public procurement
Local Government Association 2018	<a href="#">National Procurement Strategy 2018</a> – toolkit to support delivery of the National Procurement Strategy for Local Government
Local Government Association 2021	<a href="#">National Procurement Strategy Diagnostic Report</a> – examples of good practice and identifies key areas for improvement amongst councils
Dumfries and Galloway Council 2020	A review by their <a href="#">Finance, Procurement and Transformation Committee</a> into procurement standing orders so they are robust and effective in today’s operating environment.
Tunbridge Wells Borough Council 2022	<a href="#">Scrutiny Review: Procurement</a> – who established a Task and Finish Group be instructed to examine procurement and contract management
London Borough of Hillingdon 2021	<a href="#">How the Council Helps Local Small Businesses</a> – considered by the former Corporate, Finance and Property Select Committee – 24 November 2021
Trowers Law Firm	Contributions from Trowers Law Firm and insights at witness sessions.