

**REPORT FOR: PERFORMANCE AND
FINANCE SCRUTINY
SUB-COMMITTEE**

Date of Meeting:	23 April 2013
Subject:	Contracts and Procurement Savings
Responsible Officer:	Tom Whiting Corporate Director of Resources
Scrutiny Lead Member area:	Cllr Jerry Miles, Policy Lead Member & Cllr Tony Ferrari, Performance Lead Member
Exempt:	No, Except for Appendix 3 Information under paragraph 1 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Enclosures:	Appendix 1 – Terms of reference for Strategic Procurement Board & Directorate Contracts Boards Appendix 2a – Current structure of Commercial and Procurement Division Appendix 2b - Proposed structure of Commercial and Procurement Division Appendix 3 – Housing Asset Management - Responsive Repairs Contracts Appendix 4 – Update on Leisure Contract 2013 Appendix 5 – Highways Construction Contract Appendix 6 – Adult Social Care (Care UK) (To Follow) Appendix 7 – The Brent, Ealing & Harrow Strategic Cultural Partnership’s Procurement Process for Leisure & Library Services

Section 1 – Summary and Recommendations

This report comments on the current and projected implementation of the procurement transformation programme and the approach being taken to improving procurement in Harrow and provides specific details of selected major contracts.

Recommendations:

There are no recommendations in the report; it has been prepared for information and discussion purposes.

Section 2 – Report

Introduction

The Council's procurement transformation programme is in progress and the scrutiny leadership group have requested details of the arrangements made for governance and structure of the procurement service.

Background

This Programme commenced in October 2010 and CSB agreed to increase capacity and capability.

In 2011 a restructure of the CSB was delivered which created a new Resources Directorate. A consultation was launched June 2012 on the future structure of the Resources Directorate and the result was the creation of a new Commercial & Procurement division.

The new Division will be headed by a Divisional Director, recognising the importance of senior level challenge and expertise in this area.

The establishment of the division is intended to coordinate all commercial and procurement activity across the Council. The new division will support Directorates and oversee compliance with Council procedures whilst seeking value for money and providing improved commercial performance.

The existing procurement team is to be remodelled and strengthened with the addition of resources to facilitate the roll out of a category management approach.

Objectives

The 6 specific objectives stated are to:

1. Gain a greater insight and understanding of:

- a) Objectives and strategic direction for both the Council as a whole as well as individual directorates
 - b) Council's likely future acquisitions through, for example, Commissioning and Forward Plans
 - c) Supply market developments
2. Develop and implement a Target Operating Model for commercial and procurement activity across the Council.
 3. Increase the effectiveness of the complete end-to-end commissioning/procurement process across Council, in particular establishing clarity of differences and overlap in the respective activities, and the use of IT to support transactional and compliant behaviours.
 4. Establish contract management across the Council as a distinct commercial activity to work alongside service, operational and finance expertise on all significant Council contracts.
 5. Introduce and implement category management across the Council
 6. Create a performance management regime for the Council's procurement process to measure best value.

Clarification of terms used above

Category management means the consideration of the most appropriate procurement approach to a whole category of expenditure and will include consideration of the outcomes required, assessment of demand, market intelligence, contract structures and collaboration to achieve value for money.

Contract management means the operational day to day dealings with the selected contractor and is usually carried out as a series of instructions within the remit of the contract that is in place.

Performance management means the use of a reflective process that assesses the actual performance achieved in the contract and compares this with the intended outcomes.

Governance

Procurement is the responsibility of the Corporate Director of Resources.

All Council commercial activity will be reported through the Strategic Procurement Board (SPB) and Directorate Contracts Boards (DCBs). Terms of reference for the SPB are attached in Appendix 1.

Structure

The new structure which has now been consulted up on and finalised (see appendix 2 (a) existing structure and (b) planned structure). The remodelling is based on adopting a centre led professional procurement service with

commercial business partners providing specialist support tailored to each Directorate. This is a similar model to that used by Finance and HR services and offers flexibility by establishing and maintaining a core competence whilst being close to the operational business to better understand objectives and priorities.

The current structure and make up of the procurement team is being mapped against the proposed structure. New job profiles have been written and consultation has taken place with the affected staff. Job matching is in progress to determine any ring-fencing or assimilation situations.

The recruitment of a permanent post to lead the division, Divisional Director Commercial & Procurement, is underway, shortlisting has been completed and interview dates have been scheduled.

The three roles of Commercial business partners to work closely with each Directorate have also been advertised and the recruitment process will be scheduled to allow the Divisional Director to be involved with the final selection process. These roles will be allocated to support directorates and each business partner will work alongside contract managers and commissioners to ensure that the procurement requirements are fully understood and efficiently actioned.

There are three category specialist roles that will be mainly based in the centre although they will be deployed to support the commercial business partners to deliver specific projects as required. The roles will not be designated as specific to a single directorate as they will work on a variety of projects some of which will be cross functional.

The four buyer roles will be mainly involved in the general ordering processes and transactional activities that are required to support the procure to pay system. This will entail responding to requisitioners, sourcing and catalogue management within the SAP system and involvement in projects with the category specialists.

The procurement analyst will be responsible for gathering together all the statistical information relevant to procurement and in particular maintaining the contracts register and the procurement dashboard.

The procurement coordinator will work with the buyers to organise the activities of the procurement division and will assist in the preparation of tenders, spend analysis, support for requisitioners and general office duties.

The junior buyer will work with the buyers to support their activities and this role is expected to be a developmental opportunity.

Specific contracts reports

As requested the attached appendices numbered 3 – 7 provide details of the current situation with regard to the specific contracts listed.

Financial Implications

There are no specific financial implications with this report; other than the general comment that the whole of the procurement activity is focused on improving both the effectiveness of the Council's spend as well as the efficiency of the process.

Performance Issues

The next phase of the Procurement Transformation Programme will include the creation of a set of performance indicators to measure the effectiveness of the Council's spend as well as the efficiency of the process.

Environmental Impact

In late 2011, Cabinet approved a Sustainable Procurement Policy for all procurement activity across the Council. This Policy is based around social, economic and environmental considerations being included in all our procurements. This Policy is being increasingly, and successfully, adopted.

Risk Management Implications

None specifically in this report. Each procurement includes risk management implications and these are highlighted at that time.

Equalities implications

None specifically in this report

Corporate Priorities

None specifically in this report

Section 3 - Statutory Officer Clearance

Not required for this report

Section 4 - Contact Details and Background Papers

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