

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

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<b>Date of Meeting:</b>	6 November 2013
<b>Subject:</b>	Procurement Strategy Update
<b>Responsible Officer:</b>	Tom Whiting, Corporate Director of Resources
<b>Scrutiny Lead Member area:</b>	Councillor Jerry Miles, Policy Lead Member & Councillor Amir Moshenson, Performance Lead Member
<b>Exempt:</b>	No
<b>Enclosures:</b>	Appendix A – Staffing structure for Commercial, Contracts and Procurement Division

**Section 1 – Summary and Recommendations**

This report sets out a position statement following the first 6 weeks of implementation of the revised Commercial, Contracts and Procurement Division structure and provides a programme of work to the end of the current financial year

**Recommendations:** None, for information purposes only

## **Section 2 – Report**

### **Introduction**

1. The Council invested extra money into its Procurement function in 2010 and ran for two and a half years with an interim structure, with a number of successes. In the budget for 2013/14 investment that had been cut was put back into the service and a process started to replace the interims with a permanent team. The new Divisional Director Commercial, Contracts and Procurement commenced employment with Harrow on 2 September. This appointment represented the initial step for the transformation of the procurement function into the new Commercial, Contracts and Procurement Division (CCP).

### **Position Statement and Proposals on Way Forward**

#### *Staffing*

2. The Division has been running with a number of interim staff for some time (of 14 positions 6 until recently were filled by interims, 6 filled with permanent staff and 2 posts were vacant) which has resulted in a lack of clear lines of responsibility and clarity on roles and functions. Three interim staff contracts have now been ended (although 1 new interim has had to be engaged) and work is underway to fill all posts with permanent full time staff as quickly as possible. One Commercial Business Partner (Nimesh Mehta) has already commenced work with Harrow, one (Craig Brewin) is due to start on 1 November and the third (Hilary Gillies) in January 2014. The aim is to have the new structure fully up and running with permanent staff by early in the New Year. A small amendment has been made to the structure agreed by CSB previously to ensure that responsibility and oversight of governance, systems, savings tracking and contract management is given a clear focus (see staffing structure attached – Appendix A). Staff currently filling positions have now been assigned to support Directorates and other key roles so that both individuals and Directorates have clarity as to who is supporting each of the business areas. There will be some period of transition whilst staff complete projects already underway and until all posts are filled.

#### *Savings*

3. Work is underway to confirm both with Directorates and Finance the current position on achievement of the £500K procurement savings target to ensure there is a common agreement as to what has been delivered and what remains to be delivered i.e. that budgets have been reduced as a result of procurement activity.
4. For future financial years discussions need to be held across the organisation to determine what aggressive but realistic savings targets can be set and how savings targets relate to the options for the procurement function that need to be set out for Project Minerva. A key and important feature of this work will be to ensure there is a high degree of granularity as to who is responsible for the delivery of identified

savings and that these are tracked by CCP to demonstrate that the Division is providing value to the organisation.

5. A related issue will be to initiate work to determine the extent to which the Council may be able to generate income by exploiting its assets, selling services or sharing services and CCP will support Directorates to determine the opportunities and deliver these as appropriate. Work is already underway to deliver a wireless concession contract to exploit street lighting and other assets.

#### *Systems, tools and processes*

6. A review of systems, tools and processes is underway to ensure that these are fit for purpose and do not impose unnecessary bureaucracy on the organisation. Primarily work will focus on a rewrite and update of Contract Procurement Rules (CPRs) with the aim of completing this work and obtaining approval before end March 2014. Some key components of this work will be as follows:

Waivers: these are currently required for any proposal that will breach CPRs above £1K. As part of the review of CPRs it is proposed that this limit will be raised to £10K (a sum that will link to the potential implementation of the Lord Young report on advertising tender requirements to promote expenditure with SMEs). This will negate the need for around 78% of the waivers currently required. Until CPRs are rewritten and the changes approved, the £1K requirement will be raised with immediate effect to £5K, an amendment that can be made without requiring a change to CPRs and which will negate the need for around 60% of the waivers currently required and thereby assist to remove unnecessary bureaucracy in the Council.

Strategic Procurement Board (SPB) and Directorate Contract Boards (DCB): There is a need to ensure that the business of these Boards is appropriate and adds value to the work of the organisation by providing a focus on areas such as performance against key contracts, savings tracking, contracts forward plans, etc. Proposals are being worked up for a 2 stage Tollgate system (Tollgates will be completed by CCP staff in collaboration with Directorate staff) for review by SPB or DCBs as appropriate according to the value or strategic importance of the procurement to the organisation. The Stage 1 Tollgate will be for pre-procurement stage to set out the proposed procurement strategy. This will provide good governance, scrutiny and challenge and confirm that all parties are content that the proposed strategy will meet the Council's objectives. The Stage 2 Tollgate will, effectively, be the procurement evaluation report setting out whether the completed procurements meet the intended benefits.

Contracts Register – a good contracts register exists but this needs to be used more effectively as a management tool to provide adequate preparation time for contracts to be renewed and ensure early engagement with Directorates to agree strategy, approach and opportunities. This is being rectified to ensure early and constructive dialogue with Directorates on key procurements that need to take place.

Category Management – a category management approach to Harrow's third party spend is being introduced. Work on implementation of category management will accelerate as the Commercial Business Partners take up post and the aim is to have category plans in place for the key areas of spend before the end of the current financial year.

#### *Contract Management*

7. Opportunities exist to improve contract management arrangements to ensure that the Council realises the benefits foreseen when procurements were put in place. A number of actions are proposed to achieve this improvement. To assist with e-tendering requirements, the Council has acquired software from Due North; this application also contains a contract management application which is being reviewed to see whether this could be used to assist to improve contract management arrangements and if so how best this could be rolled out and used across the Council. Proposals are also being developed to ensure that for larger contracts (value to be determined) or those of strategic importance, a regime of regular meetings with the suppliers is put in place if they do not exist already and that CCP staff attend and fully support those meetings. Future contracts will also be fully reviewed to ensure they contain appropriate contract management clauses including key performance indicators, etc. Guidance is being written that will be placed on the intranet to provide staff with support on contractual procedures, issues, etc. In addition, in November the Audit Commission will be publishing the outcome of a study it has been undertaking on Contract Management – this is to highlight the importance of this area to councils and to share some of the learning developed by councils to date. The outcomes of the study will be taken into account when developing Harrow's contract management procedures.

#### *Key projects*

8. The Division is fully supporting the Council's key projects, notably the Schools Expansion Programme and Project Minerva and will work with Directorates, etc to achieve successful delivery of these.

#### *Commercial Strategy*

9. A Commercial Strategy will be developed to provide a document for Members and Directorates that sets out the direction of travel for the CCP Division. It is proposed that the Strategy will have three key themes, these being Savings, Efficiencies and Income Generation, Sustainability and Modernising Procurement. Discussions will be held with Members and Directorates to determine the timing for bringing forward this Strategy.

## Conclusions

The Council has acknowledged the need to make improvements to its Procurement function and is investing to achieve this. This report has set out the steps being undertaken to ensure that this investment delivers tangible results.

## Financial Implications

There is a savings target of £500K to be achieved from procurement activity. Work needs to be directed to ensure this target is completed by the end of the current financial year.

## Performance Issues

N/A

## Environmental Impact

N/A

## Risk Management Implications

Risk included on Directorate risk register? No

Separate risk register in place? No

## Corporate Priorities

N/A

## Section 3 - Statutory Officer Clearance

Name: Simon George	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 24 October 2013		
Name: Hugh Peart	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 22 October 2013		

## **Section 4 - Contact Details and Background Papers**

**Contact:** Report Author: Terry Brewer, Divisional Director, Commercial, Contracts and Procurement, 020 8416 8442

Background Papers:

Lord Young Report: - Growing your business: a report on growing micro businesses published May 2013 by Department for Business, Innovation and Skills