

HAMPSHIRE COUNTY COUNCIL

Report

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| Committee/Panel: | Buildings, Land and Procurement Panel |
| Date: | 8 October 2013 |
| Title: | Corporate Procurement Update and Review of Procurement Strategy Action Plans |
| Reference: | 4689 |
| Report From: | Director of Culture, Communities and Business Services |

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1. Summary

1.1. The purpose of this report is to provide an update on progress with the County Council's Corporate Procurement Strategy improvement action plan, present the annual key performance indicators for procurement and obtain relevant procurement approvals.

2. Contextual Information

2.1. Regular reports are provided to the Panel on procurement initiatives. This report also includes: additional procurement and spend approvals, which were not included in the annual forward procurement plan reported to Panel on 19 March 2013; an update on progress against the actions within the County Council's Corporate Procurement Strategy improvement plan; and a review of the annual key performance indicators for procurement.

2.2. The Corporate Procurement team, which is part of the Corporate Procurement and County Supplies business unit within the Culture, Communities and Business Services Department (CCBS) has a lead role in the current improvement and development agenda for procurement within the County Council. The team also puts in place procurement arrangements for common-use goods and services and supports the categories of ICT, Property, Facilities Management, Energy, Professional Services and a range of strategic corporate projects. The team provides procurement advice, guidance and training to internal customers, procurement teams within departments, schools and other external customers as required.

2.3. In addition, the team is currently part of the Joint Working Programme with Hampshire Constabulary and Hampshire Fire and Rescue Service. Procurement colleagues from the other two authorities have been working

with the County Council's Corporate Procurement Team as the interim 'Hampshire Joint Procurement Team' since April 2013.

3. Review of Progress against the Corporate Procurement Strategy Improvement Action Plan

3.1. At its meeting on 2 October 2012 Panel approved further procurement improvement actions that the County Council should undertake to continue to improve and develop its procurement practice and respond to corporate priorities and strategic projects up to March 2014.

3.2. The improvement action plan is shown in Appendix 1. Key achievements against the action plan to date include:

- Further development of category plans across the County Council (although this continues to be difficult to deliver alongside the requirements for regular tendering of new and repeat contracts) including:
 - A review and update of the IT category plan.
 - Drafting of the Professional Services category plan which is currently being reviewed by senior officers.
 - Development and sign-off of the Highways category plan in ETE.
 - On-going development of the Transport category plan in ETE.
 - Initial planning for the development of the Care at Home category plan in Adult Services.
 - Early data analysis and research for the Energy category plan.
- A Joint Procurement Team for the County Council, Hampshire Fire and Rescue Service and Hampshire Constabulary was established in April 2013 and is progressing well with all teams using increasingly standardised processes and systems. Initial planning for savings delivery of around £2million over the next few years has taken place. It is expected that the Joint Procurement Team will be formalised from April 2014.
- Approval has been given by Hampshire Constabulary for the County Council to reconfigure two existing vacancies into two supplier relationship management and contract management posts. These roles will focus on supporting departmental service and contract managers in improving the approach to contract and supplier management across the three partner organisations. This is expected to deliver improvements and benefits during the life of existing contractual arrangements.
- Considerable work has been undertaken by Corporate Procurement with Public Health colleagues to review and establish procurement arrangements for Public Health that have a value of around £25million per annum. The Public Health contract portfolio has now been successfully embedded within the Adult Services procurement team, where there is greater potential for synergies between the various categories of spend which are supported by the department's procurement team in the medium to longer term.

- Planning, data analysis and target setting work has been undertaken by to support the identification of savings opportunities for the County Council's external spend as part of the Transforming the Council 2015 programme. Delivery of the savings opportunities is a key priority for the Corporate Procurement Team and departments over the coming months.

3.3. Due to the savings opportunities analysis and bedding in of the Joint Procurement Team during the first six months of this financial year, it has not been possible to progress the development of a Joint Procurement Strategy for the three authorities as part of the plan to update the County Council's Corporate Procurement Strategy. This project will now be delayed until later this financial year.

4. Private Sector Partner review of procurement

4.1. The County Council's private sector partner, Deloitte, carried out a review of the approach to procurement across the County Council as part of the Transforming the Council strategy. Deloitte recognised the considerable improvements and developments in procurement that have taken place in recent years. The review confirmed our own view of the areas for which performance could be improved and which could generate further efficiencies and savings over the longer term. These areas already form part of the on-going improvement plan identified in Paragraph 3 above and include:

- A greater focus on category management and category planning across the County Council to drive a more strategic approach to improvement and efficiency in the management of third party spend.
- A more consistent and strategic approach to contract management and supplier relationship management.
- A review of, and further investment in, procurement systems and management information to support the procurement process and build on the success of electronic tendering and the planned system and process developments for the Integrated Business Centre (IBC).

4.2. These developments are being embedded within the external spend workstream of the Transforming the Council programme, and will be supported by the Corporate Procurement Team.

5. Procurement Key Performance Indicators

5.1. The procurement key performance indicators for 2012/13 are provided in more detail in Appendix 2. The results include:

- The number of non-contracted suppliers in the electronic catalogue of goods and service (SRM) has been reduced by a further 22% between April 2012 and April 2013 and currently stands at 736 suppliers (an overall decrease of 74% since April 2008).
- The number of contracted suppliers in SRM now stands at the highest level ever at 1,222 in April 2013 (an increase of 85% since April 2008).

- The number of tenders run electronically continues to increase with the cumulative number of e-tenders conducted to April 2013 totalling 3,586; which is a more efficient and cost-effective method of dealing with tenders.
 - BACS payments are the most efficient and cost-effective electronic method of making payments to suppliers. The percentage of payments made by BACs increased slightly in 2012/13 compared to 2011/12 with 93.6% of payments being made by BACS. This figure is also slightly above the target of 92%.
 - During 2012/13, 1,301 training places were taken up in procurement (including e-learning and workshops and training provided by the Corporate Procurement team to external organisations in the public, private and voluntary sectors). The cumulative number of procurement training places taken up on sessions arranged by the Corporate Procurement Team currently stands at 3,046 since 2003/04 (well above the current target of 2,000 places).
- 5.2. The key performance indicators do not yet include an update on the County Council's spend with small and medium sized enterprises (SMEs) and locally-based suppliers for 2012/13 because the spend analysis for the last financial year is still being undertaken. This information will be reported to the Panel in the next Corporate Procurement Update on 18 March 2014.

6. Procurement Approvals

- 6.1. The County Council's Contract Standing Orders (CSO 3) requires that *'The commencement of a procurement process for a Contract is subject to the prior approval of the relevant decision maker who has the authority to give such approval under the Constitution.'* This report requests approval to procure for framework agreements and approval to procure and spend for contracts which require approval by the Executive Member where they have a value, or estimated value, in excess of £1 million (including capital projects in excess of £250,000).
- 6.2. The details of the current projects requiring approval are set out in Appendix 3.

7. Recommendations

That the Panel advises the Executive Member for Policy and Resources that:

- 7.1. The required procurement and spend approvals be granted for the programme of contracting activity set out in Appendix 3.
- 7.2. That the Panel:
- a) Notes the progress made against the Corporate Procurement Strategy Improvement Action Plan
 - b) Notes the procurement key performance indicators for 2012/13 as provided in Appendix 2.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

| | |
|--|-----|
| Hampshire safer and more secure for all: | No |
| Corporate Improvement plan link number (if appropriate): | |
| Maximising well-being: | Yes |
| Corporate Improvement plan link number (if appropriate): | |
| Enhancing our quality of place: | Yes |
| Corporate Improvement plan link number (if appropriate): | |

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. The current Corporate Procurement Strategy aims to improve the equalities performance of external suppliers where appropriate and the Corporate Procurement Strategy has been subject to an equalities impact assessment. This report is in line with the Corporate Procurement Strategy and therefore no adverse impact has been identified.

2. Impact on Crime and Disorder:

- 2.1. This report does not have an impact on crime and disorder.

3. Climate Change:

- 3.1. The current Corporate Procurement Strategy does not have a direct impact on our carbon footprint and energy consumption, although it aims to improve the County Council's performance on sustainable procurement.

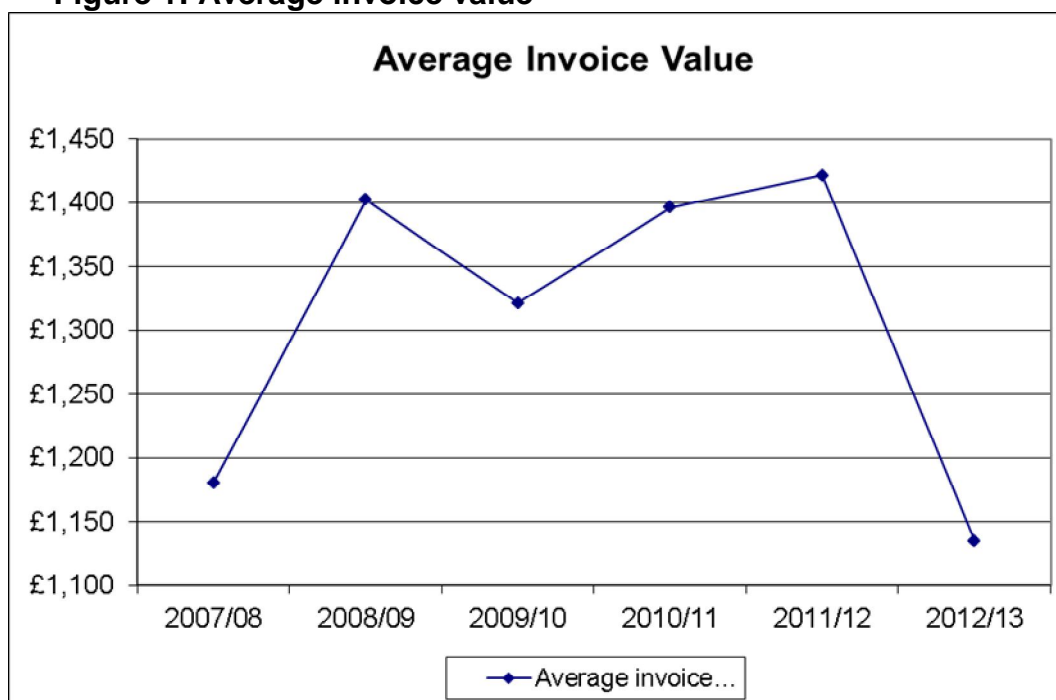
**Procurement Improvement Action Plan
2012/13 to 2013/14**

| Action | Target Date | Responsibility |
|---|--------------------|--|
| Delivery of strategic sourcing through the development and implementation of category plans | March 2014 | Procurement Business Partners / Procurement Managers |
| Achieve procurement savings of £2.9 million in 2012/13 and £2 million in 2013/14 | March 2014 | Head of Procurement / Procurement Business Partners |
| Identify further procurement savings opportunities from 2014/15 onwards | October 2013 | Head of Procurement |
| Implement the Joint Working Procurement Team with Hampshire Constabulary and Hampshire Fire and Rescue Service and ensure delivery of the associated benefits | March 2014 | Procurement Business Partner (CCBS/Corporate) |
| Establish approaches to improve strategic supplier relationship management across the County Council and improved contract management | December 2013 | Procurement Manager (Development) |
| Develop and publish a Joint Procurement Strategy for the County Council, Hampshire Constabulary and Hampshire Fire and Rescue Service | November 2013 | Head of Procurement / Procurement Business Partners |
| Assist with the development of the County Council's commissioning approach | March 2014 | Head of Procurement |
| Continue to improve the procurement approach to Corporate Social Responsibility | January 2014 | Procurement Manager (Development) |
| Assist with the transfer of the procurement arrangements for Public Health and establish the procurement strategy and approaches for the future commissioning of public health services | September 2013 | Procurement Manager (Development) |
| Further develop our approach to the management of procurement information and compliance to ensure consistency, increased cost effectiveness and performance monitoring and improvement | March 2014 | Procurement Systems and Information Manager |

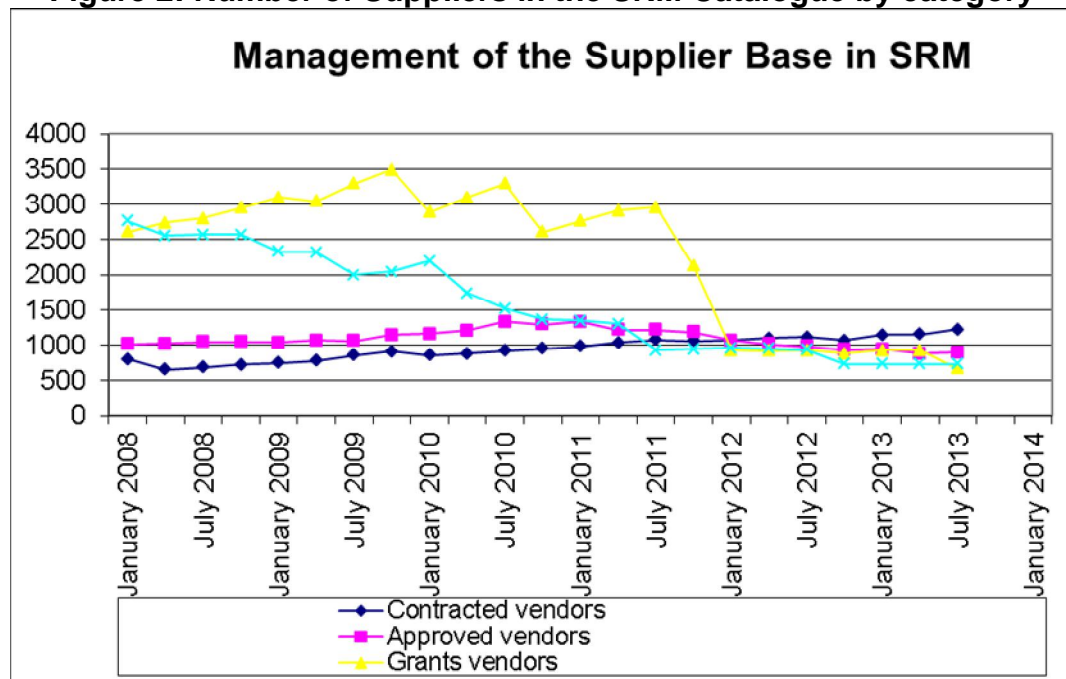
Procurement Key Performance Indicators 2012/13

1. Average Invoice Value: In order to reduce the cost of the purchasing process, wherever possible, invoices should be consolidated or removed from the procurement process. Average invoice value should rise whilst the overall value of the invoices does not. Figure 1 charts the progress against this KPI, which was showing a steady rise in average value since 2009/10, but has fallen sharply since last year and this is currently being investigated further.

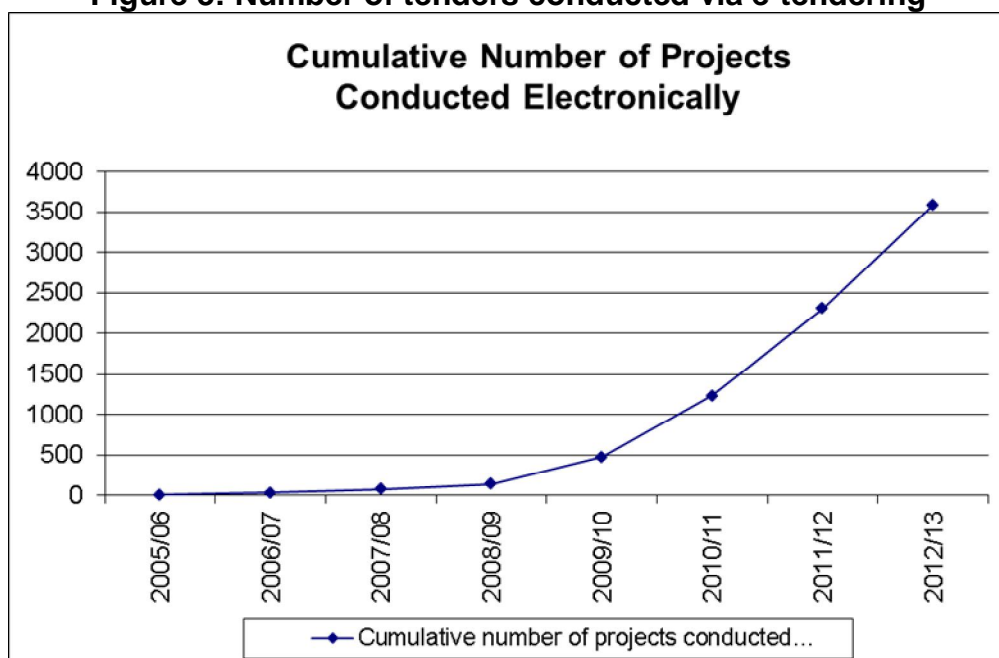
Figure 1: Average invoice value



2. Non-contracted vendors in the electronic catalogue (SRM): Non-contracted spend should be kept to a minimum and the overall aim is to reduce non-contracted spend over time. One indicator of non-contracted spend is number of non-contracted, non-approved suppliers (those without a contract or framework agreement or are not on a departmental approved list) in the electronic catalogue of goods and services (SRM). The main purpose of SRM is to ensure that contracted and approved suppliers are readily available to staff making common use purchases across the County Council. In order to meet ad-hoc and specialist requirements, frequently used, but non-contracted vendors, which do not conflict with corporate arrangements, are also available in SRM. There has been a 74% reduction in non-contracted suppliers in SRM between April 2008 and April 2013. The target is to continue to reduce the value and volume of non-contracted spend and suppliers in order to ensure best value for the County Council. The number of suppliers in SRM by category is shown in Figure 2 below.

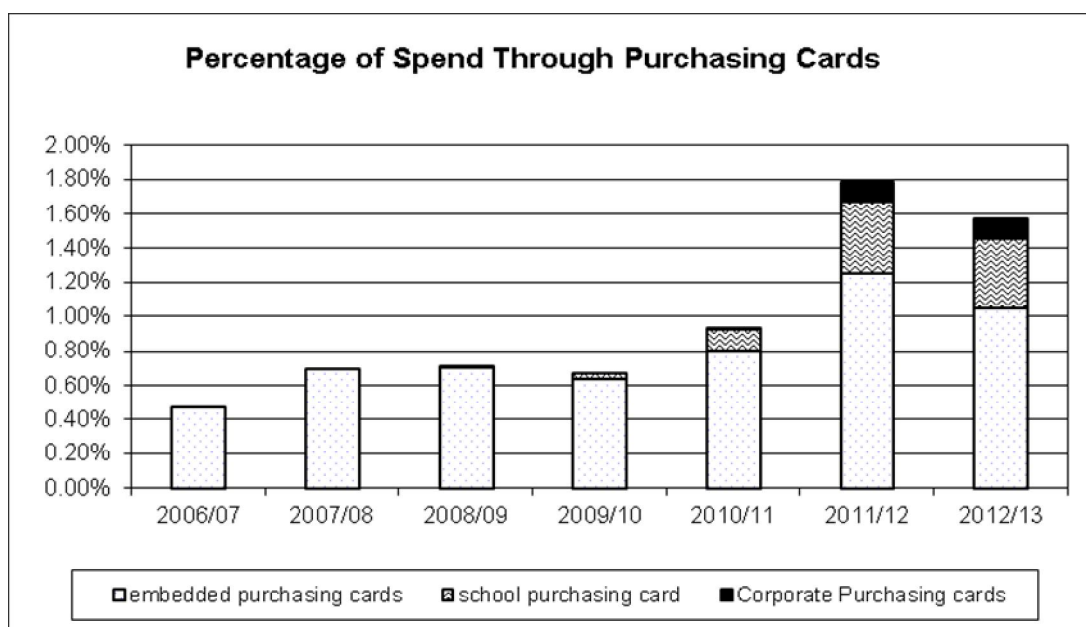
Figure 2: Number of Suppliers in the SRM Catalogue by category

3. **Electronic Tendering:** The management of tendering electronically (e-tendering) enables more efficient administration of the collation, issuing and receipt of tenders. The County Council uses In-Tend as its electronic tendering application. The rollout of In-Tend to the County Council's four departmental procurement teams was completed in July 2010 and the number of tenders run electronically continues to increase year on year. The cumulative number of tenders conducted to April 2013 totals 3,586 as shown in Figure 3.

Figure 3: Number of tenders conducted via e-tendering

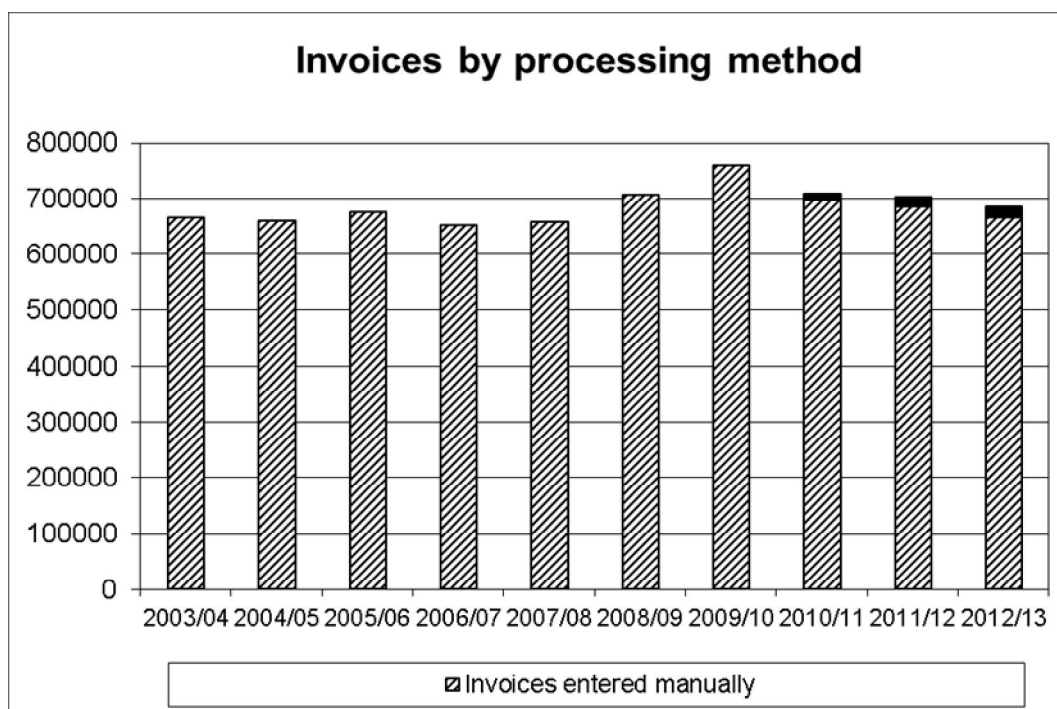
4. Use of purchasing cards: Purchasing cards can, in appropriate circumstances, be used to achieve efficiencies by reducing purchase to pay cycle times and minimising transaction costs. The County Council uses embedded cards for a small number of suppliers with high volume but low value transactions. (This embedded card is a single virtual card used with a given supplier, where the card number is known by the supplier but not known by the users completing the ordering). Physical purchasing cards were rolled out to schools and corporate departments during the second half of 2010/11. The current percentage of spend using purchasing cards is shown in Figure 4. Although total spend remains low at 1.6%, it is expected that the Integrated Business Centre (IBC) programme will increase the appropriate use of card to reduce transaction costs.

Figure 4: Percentage of spend through purchasing cards



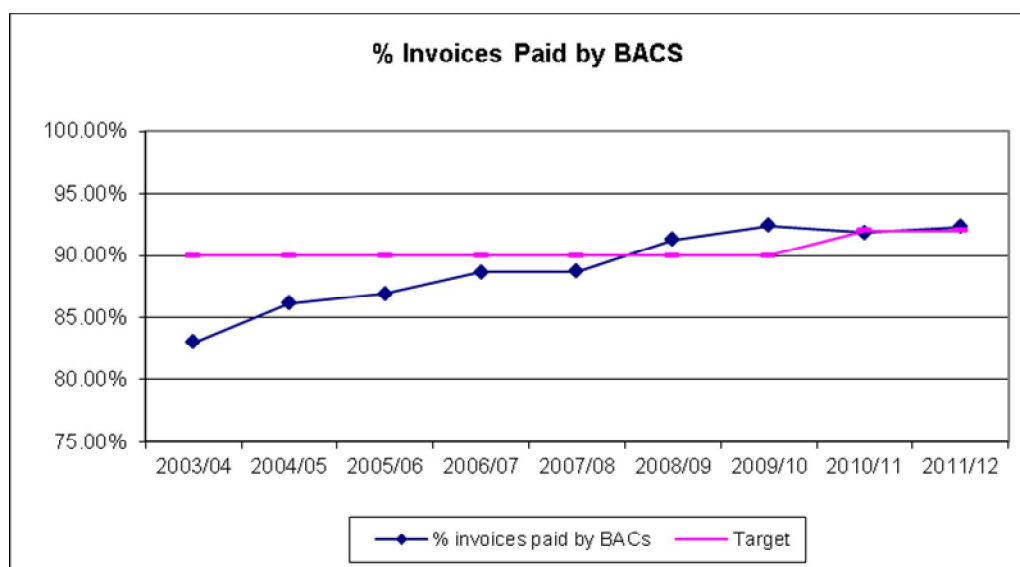
5. Number of invoices received and processing method: The manual payment of invoices increases the cost of administration for the County Council. The County Council aims to reduce the total number of invoices received and also to receive invoices electronically and avoid the need for manual keying therefore reducing processing costs. The total number of invoices received and processed has continued to reduce since its peak in 2009/10. During 2012/13 685,442 invoices were received, of which 19,872 invoices (2.9% of the total) were received and processed electronically. Figure 5 shows the total number of invoices received and their processing method (including schools). The IBC programme is planned to substantially increase the electronic receipt and processing of invoices.

Figure 5: Invoices by processing method



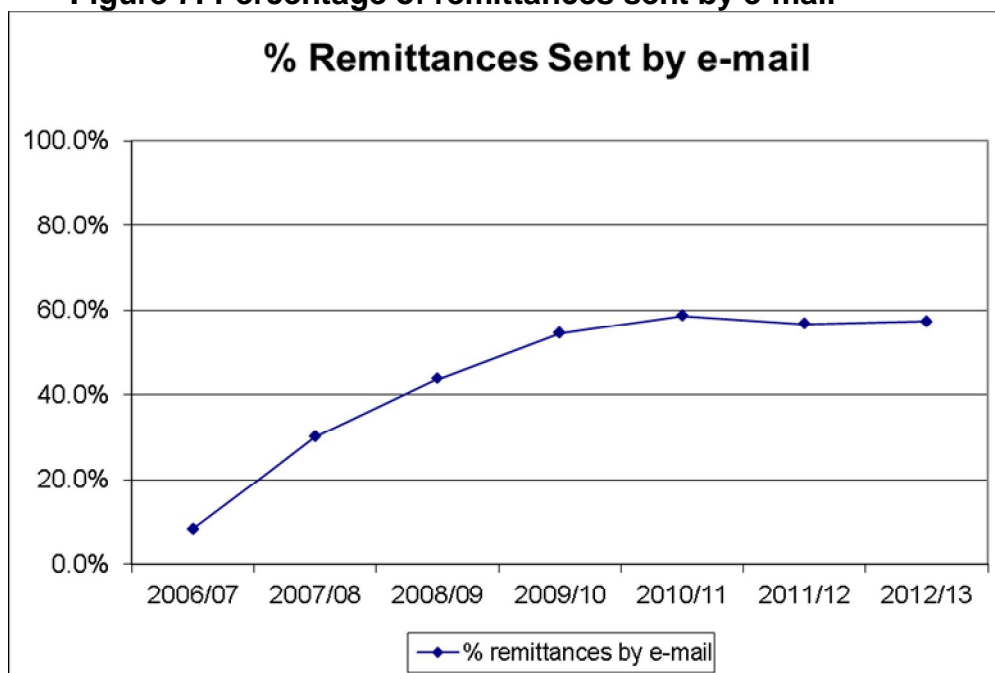
6. **Electronic Payments:** BACS payments are the most efficient and cost-effective electronic method of making payments to suppliers. The percentage of payments made by BACS increased slightly in 2012/13 compared to 2011/12 and stands at 93.6%, which is slightly above the target of 92%. Figure 6 shows the percentage of payments being made by BACS, compared to target.

Figure 6: Percentage of invoices paid by BACS

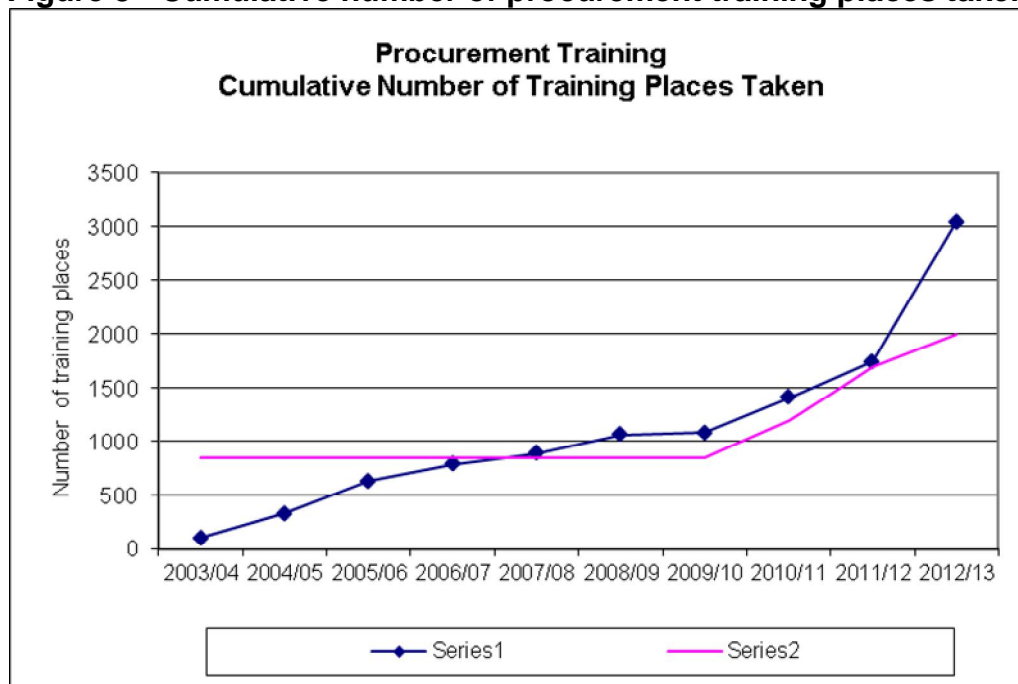


7. **Electronic remittance advice:** Electronic remittance advices are sent by e-mail to suppliers to reduce administration costs for the County Council. Figure 7 shows the percentage of remittance advices that have been sent electronically since 2006/07 and this currently stands at 57.2% at the end of 2012/13, which is a slight increase on 2011/12.

Figure 7: Percentage of remittances sent by e-mail



8. **Skills Development:** One of the objectives of the Corporate Procurement Strategy is to enhance leadership, governance and skills within procurement. The County Council has provided and commissioned a range of training courses since 2003/04 and the specification of these has changed according to the changing requirements of the County Council. During 2012/13 1,301 training places were taken up (including e-learning and workshops and training provided by the procurement team to external organisations in the public, private and voluntary sectors). Figure 8 shows the cumulative number of training places taken up on sessions arranged by the Corporate Procurement Team at 3,046 since 2003/04, which is well above the current target of 2,000 places.

Figure 8 - Cumulative number of procurement training places taken

Procurement and Spend Approvals

| Project Title Brief project description (including scope of project, customer, procurement route, other relevant bodies) | Contract / framework term & Start date | Anticipated HCC value over term | Anticipated Total Value over term (if HCC led) | Approval required / project update | Reference |
|---|---|--|---|---|------------------|
| <u>Asbestos Services Framework</u> Under the Joint Working arrangements, procurement of new collaborative Framework Agreement for use by Hampshire County Council, Hampshire Fire and Rescue Services and Hampshire Constabulary. Scope to include a variety of asbestos removal, maintenance, disposal and encapsulation services. To cover planned and reactive works. HCC acting as the lead on the procurement activity. The arrangement will be procured via a Restricted Procedure under the EU Procurement Directives and will be in place for 4 years. | 4 year framework agreement starting April 2014 | £1.3 million | £2.3 million | Approval to procure | 1 |
| <u>Education Basic Need Programme – Tranche 4</u> Provision of new high quality school places across the County. Procurement approval is sought to progress the pre-construction stages as part of Tranche 4 of the Education Basic Need Programme for the delivery of school places for Hampshire County Council (HCC) and neighbouring authorities. The combined primary/secondary age projects will enable HCC and other authorities to maximise the benefits and efficiencies of this procurement strategy that have been demonstrated within Tranche 1-3 of the programme. The pre-construction fee includes an allowance for an element of contractor design. It is proposed that the programme is procured utilising procurement arrangements available to HCC and its partners in compliance with Contract Standing Orders. It is proposed to include the following HCC Projects in Tranche 4: | | | | | |

| Project Title Brief project description (including scope of project, customer, procurement route, other relevant bodies) | Contract / framework term & Start date | Anticipated HCC value over term | Anticipated Total Value over term (if HCC led) | Approval required / project update | Reference |
|---|---|---|---|---|------------------|
| <u>Wellstead Primary, Hedge End</u> 1FE (form entry) extension occupation Sept 2015. | Autumn 2014 | Pre-construction value: £410,000 of Gross Project value of £4.1 million | N/A | Approval to procure and approval to spend | 2 |
| <u>Liphook Primary Places</u> 2 x 1FE Expansions. The preferred strategy is to be discussed and confirmed, together with the location, number and scope of the projects, at the Executive Member for Children's Services Decision Day on 24 October 2013. | Autumn 2014 | Pre-construction value: £450,000 of Gross Project value of £4.5 million | N/A | Approval to procure and approval to spend | 3 |
| <u>Hook Infant & Junior, Hart</u> Extending both schools to 4FE (currently 3.5 & 3FE) for occupation Sept 2016. | Summer 2015 | Pre-construction value: £430,000 of Gross Project value of £4.3 million | N/A | Approval to procure and approval to spend | 4 |
| <u>Great Binfields, Basingstoke</u> 1FE for occupation summer 2016. | Summer 2014 | Pre-construction value: £410,000 of Gross Project value of £4.1 million | N/A | Approval to procure and approval to spend | 5 |

| Project Title Brief project description (including scope of project, customer, procurement route, other relevant bodies) | Contract / framework term & Start date | Anticipated HCC value over term | Anticipated Total Value over term (if HCC led) | Approval required / project update | Reference |
|---|---|---|---|---|------------------|
| <u>Wellington Primary, Aldershot</u> Extension of former Beaumont Junior site to create 2FE to create Wellington Primary School. | Autumn 2014 | Pre-construction value: £280,000 of Gross Project value of £2.8 million | N/A | Approval to procure and approval to spend | 6 |
| <u>Locks Heath Junior, Fareham</u> Replacement of temporary classrooms for occupation Sept 2015. | Autumn 2014 | Pre-construction value: £220,000 of Gross Project value of £2.2 million | N/A | Approval to procure and approval to spend | 7 |
| <u>Riders Infant & Junior, Havant, Hayling Island</u> Extensions to increase capacity to 3FE | Autumn 2014 | Pre-construction value: £200,000 of Gross Project value of £2 million | N/A | Approval to procure and approval to spend | 8 |
| <u>Burnham Copse Primary, Tadley</u> 2 classroom extension for occupation Sept 2015. | Autumn 2014 | Pre-construction value: £150,000 of Gross Project value of £1.5 million | N/A | Approval to procure and approval to spend | 9 |

| Project Title Brief project description (including scope of project, customer, procurement route, other relevant bodies) | Contract / framework term & Start date | Anticipated HCC value over term | Anticipated Total Value over term (if HCC led) | Approval required / project update | Reference |
|---|---|---|---|---|------------------|
| <u>Winchester City Centre – All Saints Primary</u> 2 classroom extension for occupation Sept 2015. | Autumn 2014 | Pre-construction value: £150,000 of Gross Project value of £1.5 million | N/A | Approval to procure and approval to spend | 10 |
| <u>Pilgrims Cross CE VA Primary, Picket Twenty Phase 2, Andover</u> 0.5 FE Extension of schools to accommodate additional pupils. | Autumn 2014 | Pre-construction value: £250,000 of Gross Project value of £2.5 million | N/A | Approval to procure and approval to spend | 11 |
| <u>Warblington School, Havant: Sports Facility Development</u> Project incorporates a new sports hall, synthetic turf pitch, multi use games area and associated alterations. Approval to commence procurement was given at the Executive Member for Policy and Resources at the Decision Day 24 January 2013. The preferred procurement strategy for the works element was to appoint contractors through the south East and London (SEaL) construction Framework for Major projects. This has not yielded a satisfactory result. Retrospective procurement approval is now sought | February 2014 | £3.4 million (works element) | N/A | Retrospective approval to procure and approval to spend | 12 |

| <u>Project Title</u> Brief project description (including scope of project, customer, procurement route, other relevant bodies) | Contract / framework term & Start date | Anticipated HCC value over term | Anticipated Total Value over term (if HCC led) | Approval required / project update | Reference |
|--|---|--|---|--|------------------|
| to procure the works via a competitive tender utilising 3 contractors selected from the Property Services Register of Contractor. | | | | | |
| <u>Primary Behavioural Support Units x 3 (Children's Services)</u> Three Primary Behavioural Support units. These units are effectively small schools to support children who, for one reason or another, require a high teacher pupil ratio. Each unit will be a 'stand alone' facility located in the grounds of another school. These will be procured via an existing local framework agreement. Funding already approved as part of the Children's Services Capital Programme at the Executive Member for Children's Services' Decision Day on 12 June 2013. | Spring 2014 | £1.5 million (including fees) | N/A | Approval to procure | 13 |
| <u>Security Services - Mini-competition - Gosport Borough Council</u> | 4 year contract with a start date of 1 April 2014 | £1.2 million | N/A | Approval to procure and approval to spend (note 1) | 14 |

| Project Title Brief project description (including scope of project, customer, procurement route, other relevant bodies) | Contract / framework term & Start date | Anticipated HCC value over term | Anticipated Total Value over term (if HCC led) | Approval required / project update | Reference |
|--|--|--|---|--|------------------|
| <u>Rice, cereals and pulses</u> Pro5 collaborative framework agreement let by Yorkshire Purchasing Organisation (YPO) to be utilised by the County Council. | 4 year framework agreement with a start date of 1 April 2014 | £96,000 | N/A | Approval to procure | 15 |
| <u>Computer Aided Design (CAD) Software and Services</u> The Council utilises CAD software in CCBS and ETE to support engineering and design professions. The Council requires a framework agreement to provide on-going software licenses and upgrades as well as ad-hoc support, maintenance, training and consultancy services to ensure that best use is made of these software tools. The framework is primarily for use by Hampshire County Council but will be made available to other Contracting Authorities. The County Council requires an initial call-off contract from the framework agreement to support existing CAD software and services requirements. | 4 year framework agreement with a start date of 1 April 2014 Up to 5 year call-off contract including 2 one year options to | c. £1.1 million c. £1.1 million | £1 million to £4 million N/A | Approval to procure Approval to procure and approval to spend | 16 17 |

| <u>Project Title</u> Brief project description (including scope of project, customer, procurement route, other relevant bodies) | Contract / framework term & Start date | Anticipated HCC value over term | Anticipated Total Value over term (if HCC led) | Approval required / project update | Reference |
|--|--|--|---|---|------------------|
| | extend from April 2014 | | | | |
| <u>Procurement Card Solutions</u> Single supplier contract led by West Sussex County Council on behalf of the SE7. The agreement will cover all procurement card solution requirements including physical cards and embedded or virtual solutions. This is required by the County Council to replace its existing p-card schemes as part of the Integrated Business Centre (IBC) programme. | Contract for up to 9 years including an option to extend for 2 years with a start date of 1 April 2014 | Nil cost to the County Council (total spend through the p-card solutions of £100 million to £120 million including embedded and virtual cards and schools) | N/A | Approval to procure and approval to spend | 18 |
| <u>IT Data Storage</u> At his Decision Day on 25 July 2013, the Executive Member for Policy and Resources approved the procurement of IT data storage through a 5 year contract with an estimated value of between £0.5 million to £1 million. In order to maximise the use of the available budget and taking account of the normal lifecycle of this hardware, it is recommended to extend the contract to up to 7 years through two one-year | December 2013 | £500,000 to £1 million | N/A | Revised approval to procure | 19 |

| <u>Project Title</u> Brief project description (including scope of project, customer, procurement route, other relevant bodies) | Contract / framework term & Start date | Anticipated HCC value over term | Anticipated Total Value over term (if HCC led) | Approval required / project update | Reference |
|--|---|--|---|---|------------------|
| options to extend. The costs will be kept within the original spend approval of £0.5 million to £1million. | | | | | |

Note 1: Approval to spend will be given by the external customer in accordance with their own constitution and regulations