

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Efficiency Panel
Date:	24 May 2010
Title:	Procurement Improvement Programme Update
Reference:	1657
Report From:	Director of Property, Business and Regulatory Services

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1. Executive Summary

- 1.1. The purpose of this paper is to provide the Panel with an overview of recent progress on the Procurement Improvement Panel (PIP).

2. Contextual information

- 2.1. A report was made to the Efficiency Panel in February 2010, which set out the principal workstreams involved in the PIP and identified the twelve individual projects that are expected to deliver (gross) efficiency savings of some £10 million over the life of the project.
- 2.2. The workstreams are:
- A common corporate approach
 - Organisation, leadership and people
 - Efficiency projects
 - Enhance compliance
- 2.3. Efficiency savings of some £660,000 are anticipated in 2010/11 with a further £4.4 million in 2011/12. The project plan anticipates that costs of some £115,000 would be incurred in 2009/10, £465,000 in 2010/11 and £390,000 in 2011/12. Recruitment to posts identified within the project plan is slightly behind schedule and expenditure in 2009/10 was below the projection by some £43,000 at £72,000. The twelve efficiency projects are:
- Fostering
 - Domiciliary care
 - Learning Disability Services

- Children in Transition
 - Home to School Taxis
 - Home to School Buses
 - Specialist Technical Consultancy
 - Education, training, information and conferences
 - IT equipment and services
 - Other common use goods and services
 - Purchase to Pay Process Savings
 - Construction (Property)
- 2.4. The County Council's ambition is to be recognised as a leading exponent of modern procurement practice and to create a centre-led framework that will foster and support ongoing improvements in procurement across the County Council. The improvement programme aims to drive out sustainable cost and process reductions and support the delivery of effective services.

3. Programme Overview

- 3.1. Activity in recent months has been primarily concerned with the preparation of the Project Initiation Documents (PIDs) for each of the individual efficiency projects, with development of the training programme, consultations surrounding the task analysis and Licensed Procurement Practitioner (LPP) approach, Purchase-to-Pay (P2P) analysis and the communication plan for the programme as a whole.
- 3.2. A small number of tasks linked to the “centre-led” workstream were planned to be undertaken in April, but were not completed due to capacity issues and workload within the project team.
- 3.3. Overall, the programme remains on course and is expected to secure the CSR Procurement target savings of £660,000 for 2010/11.

4. Project Action Plan

- 4.1. The funding strategy for the costs associated with the PIP called for a contribution of £0.5 million to be made from the trading account of County Supplies. Strong business performance in 2009/10 has made it possible for the full amount to be transferred into a reserve account for the PIP. Discussions with the County Treasurer are taking place about the possibility of County Supplies absorbing the costs incurred by the project in 2009/10 of some £72,000. This would effectively increase the contribution from County Supplies and the net efficiency savings by the same amount.
- 4.2. Task analysis reviews are well underway in all departments with the assistance of the HR Business Partners and the detailed course content for the individual LPP training modules has been developed.

- 4.3. A first draft of the proposed Category Management Toolkit has been completed. However, the training documentation, briefing materials and templates for the Category Management approach have been rescheduled for June.
- 4.4. An initial meeting has been held (27/4) with the Chartered Institute of Purchasing and Supply (CIPS) to discuss their requirements and recommendations for the detailed training courses/modules.
- 4.5. An "Options Paper" setting out the Council's proposed approach to the LPP training programme has been presented to HR Business Partners and procurement lead officers and a recommendation has been made to the meeting of the Steering Group held on 11 May.
- 4.6. A briefing paper for procurement staff has been prepared and distributed by email (28/4).
- 4.7. Revised Terms of Reference for the Corporate Procurement Network (CPN) were prepared for a CPN meeting on 23 April.

Organisation and recruitment

- 4.8. Appointments have been made to the Business Analyst/e-Procurement posts. Interviews have taken place for the Procurement Manager (category management) positions for IT and HR/Professional Services with the result that one permanent post has been filled (with effect from 1 June). An interim manager will be appointed for the HR/Professional Services position.
- 4.9. A review of procurement arrangements within Property, Business, Regulatory Services and IT is almost complete with the result that a strong departmental team will be formed under the current Head of Procurement, Shaun le Picq. A small saving against existing costs and costs provided for within the PIP is anticipated.

Communications

- 4.10 Consultation has taken place with the Corporate Communications Team to develop a plan for the programme and an article will appear in the May edition of the "HOG" ("Andrew on Procurement").
- 4.11 Intranet pages for the Programme have been developed and appear within the Corporate Procurement area of the Council's website.
- 4.12 Agreement in principle was reached at CPN (23/4) in relation to establishing a single Corporate Contracts Register and supporting compliance processes.

Project Initiation Documents

- 4.13 Two CSR workstream PIDs (Fostering and Children in Transition) have been fully approved by the relevant departmental management teams and have been endorsed by the Programme Steering Group.
- 4.14 A user survey to quantify the time taken to complete the steps of the Purchase-to-Pay (P2P) cycle has been sent out to 4,000 users.

- 4.15 Further analysis of off-contract spend and petty cash volumes is being undertaken to support the P2P business case and will assist in identifying opportunities for migration to purchase cards (p-cards).
- 4.16 All workstream PIDs were to have been completed and ratified by the Programme Steering Group by now, but the majority are in draft form or have not been formally signed off. The schedule is under review by the Steering Group and though it is essential that this step is completed formally, the position is not causing immediate concern.

5. Key tasks planned for completion in May/June 2010

- 5.1 Implement new Corporate Procurement Structure within PBR&IT and complete recruitment.
- 5.2 Completion of competency matrices by lead officers within departments and by procurement staff.
- 5.3 Finalise approach to LPPs via the Programme Steering Group.
- 5.4 Confirm CIPS input into the training modules to ensure the courses meet the required standards.
- 5.5 All workstream PIDs to be completed, approved and ratified by the Steering Group.
- 5.6 Tender documents to be issued to potential suppliers for the Purchasing Cards (P-cards) contract.
- 5.7 Analyse the results of the P2P transaction SAP/SRM user survey and identify areas of activity where Purchasing Cards (P-cards) can be adopted to replace existing transactional processes.

6. Future efficiency projects

- 6.1. The Efficiency Board has commissioned work on the second and third phases of the efficiency agenda and some initial ideas are to be discussed with the Procurement Steering Group on 11 May. The discussion will initially focus on companies with which the County Council spends more than £0.5 million annually and will include ongoing price and contract management, effective supplier relationships, specifications and contract award criteria. This list includes over 200 organisations and a schedule of the Top Vendors for 2008/09 is included at Appendix C for the information of the Panel.
- 6.2. The Corporate Procurement and County Supplies team continue to support the activities of the Hampshire and the Isle of Wight Procurement Partnership (HIOWPP) and the Programme Manager has recently prepared an outline business case for a collaborative project to be developed in relation to expenditure on public notice advertising. Members will wish to be aware that the Efficiency Board has agreed that further work should be done to develop the proposal subject to the approval of the Efficiency Panel. A brief summary of the project and of the scale of expenditure in this area is provided in the paragraphs below.

- 6.3. Public Notice Advertising has been identified as an area of significant spend that is common across all councils in the HIOWPP. Total spend is estimated at £1.5 million a year across all 15 authorities. Public Notices are adverts that are placed in local newspapers by individual councils to advertise information of public interest and, if required, generate response whether from the general public or the local business community. There are two types of public notice adverts. One is the Statutory Notice, which must be produced in any legal action resulting from the contents of the notice – for example, road closures and construction work, and the other is the public notice, such as refuse collection information. Both are carried under the same Public Notices banner in the classified section of newspapers and attract a high “rate per single column centimetre” (SCC) charge as Public Notices are often the most expensive rate in newspapers. With steps being taken to reduce recruitment advertising spend by local government, increases in public notice advertising costs are likely to continue and indeed may escalate, as the media attempts to address reductions in income.
- 6.4. The placing of public notices in the press, in many instances, is a statutory obligation governed by a variety of legislation. In the absence of any other forum, councils have used newspapers to disseminate information to the public, even if there has been no statutory legal obligation to do so. With ongoing developments in electronic communication, mass public update of the internet and the decrease in local newspaper readership, newspapers are no longer the single most efficient or cost effective method of sharing information with the public.
- 6.5. Statutory obligation to publish in local newspapers is currently being reviewed by a number of other public bodies including the Scottish Government via its Improvement Service. The Scottish Government is currently consulting on changes to the governing legislation. It is also developing a web based Portal (PINS) to hold all Public Notice adverts. In addition, the Killian Petty Review¹ has recommended that local planning authorities in England should be given more freedom as to how they publish new planning applications, by no longer being required to publish notices in newspapers. This is currently under consultation and the result of the consultation is due shortly. A pilot project run by the London Borough of Camden to remove the majority of planning applications from newspapers and instead use a portal was approved by Parliament in 2004 and is ongoing. Several other publications and reviews for Government have also addressed the issue of publicising notices in newspapers.
- 6.6. Hampshire County Council spent £575,000 in 2008/2009 on the placement of public notice adverts. This spend was either directly with local newspapers (which are in the majority of cases owned by Newsquest

¹ For more information on the Killian Petty Review see:
<http://www.communities.gov.uk/planningandbuilding/planning/planningpolicyimplementation/reformplanningsystem/killianprettyreview/>

Southern), or via our contracted agency (TMP Worldwide), or directly with trade magazines. In addition the Unitary, District and Borough Councils in HIOWPP spend an estimated total of £1 million a year either with Newsquest Southern, independent papers or via an agency.

- 6.7. At present there are no collaborative arrangements in place for the procurement of Public Notices. The cost per advert is governed by the size of the advert and applied to a table of rates. However there are inconsistencies in price across the region and pricing can be influenced by individual negotiation, resulting in significant price variations and fluctuations.
- 6.8. The HIOWPP has conducted research into the procurement of Public Notice Adverts with the aim of identifying the most modern, efficient and cost-effective methods of sharing information with the public. Research shows that local newspapers may no longer be the most efficient or cost effective method. The use of the internet, via a dedicated Portal, could offer improved service levels via a “one stop shop” of public notice information whilst at the same time generating a significant cashable saving.
- 6.9. As part of its research, the HIOWPP has reviewed the following options.
- The Partnership continues to use local press to place adverts. It is a service that has developed historically and its use by Councils is embedded in the public psyche. However it would restrict the ability to make any improvements to current service levels or generate cashable savings.
 - The HIOWPP negotiates with Newsquest Southern and agrees a collaborative schedule of rates. As the majority of newspapers used in Hampshire are owned by Newsquest Southern, there is very little competition in the market to use as a negotiating tool and discussions to date have been ineffective.
 - The Partnership tenders collaboratively for an agency to manage all Public Notice Adverts. Discounts achieved by aggregating spend through an agency would to some extent be offset by a value added premium and it is possible that the use of an agency by some District Councils would actually result in an increase in costs.
 - Councils could use the services of a free newspaper as advertising costs are substantially lower. However there may be issues surrounding the reliability of the circulation of the free press around the County. There is uncertainty about levels of readership and reliability of when these are delivered which may mean that information may not reach the public and the perception of the quality of service the councils are providing may decrease.
 - Use an internet based communication and develop a dedicated portal where the majority of Public Notice Adverts could be placed. In February 2010, Hantsnet received a total of 437,762 visitors,

5,379,260 views and 11,843,798 hits from the public to its pages² In contrast, local newspaper readership is declining. The Press Gazette, in an article related to the decline in newspaper circulation, reported a 10.5% decrease to 13,273 of the readership of the Hampshire Chronicle. It also reported a 4.5% annual decrease in the circulation of the Portsmouth News to 47,382. Both newspapers are used by Hampshire County Council to place public notice adverts. The use of an internet Portal offers the potential of a modern, cost effective and efficient method of communicating with the public. The project would need to be delivered in phases with Hampshire County Council leading and Unitaries, Districts and Boroughs following in a series of waves.

6.10 Hampshire County Council IT Services has estimated that the cost of constructing a portal to hold the majority of Hampshire County Council's Public Notice Adverts would total £73,000 excluding ongoing maintenance or additional work needed to link other Councils into the website. The merits of procuring an external web solution have not yet been explored. Additional costs will also need to be considered further and for example, Councils will still require some advertising in local press or trade magazines if they wish to generate response from a group which they wish to target. In addition, Councils will still need to place adverts in the local press "signposting" the public to the Portal. It is recognised that both actions will result in costs. However it is estimated that public notice advertising spend by Hampshire County Council could significantly reduce from £575,000 to perhaps £175,000 per annum.

6.11 There are a number of risks associated with the web portal option.

- The placing of Public Notice Adverts in newspapers is in many cases governed by legal statutes. In order for this project to succeed, the County Council would require detailed legal advice as to whether placing an advert in a newspaper, which signposts the public to an internet Portal, fulfils its statutory legal obligation of advertising in the local press.
- The local press would experience a significant decrease in its revenue if the majority of public notices are placed on a Portal and this may need to be explored further.
- The removal of Public Notices from newspapers may also generate complaints from sectors of the general public if they do not have access to the internet.
- The County Council must be seen as being transparent and promoting democracy in terms of sharing information with the public

² For a more detailed explanation of Hantsweb viewing statistics, please visit <http://www3.hants.gov.uk/help/webstats>

and there may be issues of public reputation, which will need to be considered.

7. Conclusions

- 7.1 Good progress is being made on the action plan that is linked to the Procurement Improvement Programme. Action related to the completion of the final, detailed project plans for the twelve efficiency workstreams is not yet complete, but this has not given rise to concern that the efficiency targets for 2010/11 and 2011/12 will not be achieved. The project team is working with key individuals to complete the outstanding actions for the current stage.
- 7.2 Work is now beginning on the potential shape (and scale) of further procurement related efficiency projects. Where appropriate, these projects are being developed in collaboration with other local authorities in Hampshire. An example of the latter is the collective spend across Hampshire of £1.5 million on statutory public notice advertising. The initial report indicates a possibility of reducing expenditure by a significant sum (potentially £400,000 annually) and it is proposed that the Efficiency Panel should endorse this work and received a detailed proposal in due course.

8. Recommendations

- 8.1 That the Panel notes that good overall progress is being made on the Procurement Improvement Programme and continues to receive reports on these key corporate initiatives at future meetings.
- 8.2 That the Panel approves the proposal to undertake further work on a project to seek a cost-effective alternative to the current approach to public notice advertising and directs the project team to seek the maximum efficiency saving possible.
- 8.3 That the Panel receives a further report on the proposed solution for public notice advertising in due course.

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

Hampshire safer and more secure for all:	Yes
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):	
<p>The procurement of appropriate and cost-effective goods, works and services in support of the Council's provision of services to the people of Hampshire is linked to all three corporate priorities.</p>	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

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:

Race and equality impact assessment has been considered in the development of this report and no adverse impact has been identified.

2. Impact on Crime and Disorder:

The County Council has a legal obligation under Section 27 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime. The proposals in this report have no impact on the prevention of crime.

3. Climate Change:

a) How does what is being proposed impact on our carbon footprint / energy consumption?

No impact identified.

b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No impact identified.

Top Vendors - payments made between 01.04.2008 to 31.03.2009

excl. other local authorities, NHS/PCT, Natwest Bank plc

Vendor Name	Number Of Payments	Value of Payments £
HAMPSHIRE WASTE SERVICES LTD	15	79,485,222
AMEY INFRASTRUCTURE SERVICES LTD	10	27,202,009
HBG CONSTRUCTION SOUTHERN LTD T/A B	29	20,722,636
BRAZIER CONSTRUCTION	137	18,112,282
SOUTHERN ELECTRIC	7,316	10,874,912
MANPOWER UK LTD	19,092	10,809,307
STAGECOACH (SOUTH) LTD	760	9,288,694
BALFOUR BEATTY INFRASTRUCTURE SERVI	103	8,573,125
MANSELL PLC	56	7,222,954
SOUTHERN ELECTRIC CONTRACTING LTD	152	6,186,580
UNISYS	74	6,049,802
SYNETRIX LTD	26	5,861,328
FIRST HAMPSHIRE & DORSET LTD	382	5,000,747
SOUTHERN FOCUS TRUST	879	4,390,481
CARILLION REGIONAL CIVIL ENGINEERIN	13	4,383,905
MOTT GIFFORD	23	4,319,673
ECHOES COMMUNITY CARE LTD	8,010	4,135,720
DELL COMPUTER CORPORATION LTD	2,063	3,950,506
SCOTTISH & SOUTHERN ENERGY PLC	20	3,795,148
POWERGEN UK PLC	5,832	3,641,231
EMCOR FACILITIES SERVICES LTD	626	3,605,635
CIVICA SERVICES LTD	908	3,524,947
STONHAM HOUSING ASSOCIATION	88	3,470,525
SOUTH EAST ENGLAND DEVELOPMENT	2	3,081,988
RALLS BUILDERS LTD	85	3,004,106
NOLAN DAVIS CONTRACTING LTD	98	2,912,680
WEST END ROOFING & CONSTRUCTION LTD	783	2,815,800
KIER BUILDING SERVICES ENGINEERS	610	2,791,869
WILTS & DORSET BUS CO	358	2,704,706
PLANNED MAINTENANCE ENG. LTD	101	2,533,347
DYER & BUTLER	27	2,474,422
WESSEX PETROLEUM	857	2,464,690
total	49,535	279,390,974