

Health and Safety Executive Board Paper

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HEALTH AND SAFETY EXECUTIVE

The HSE Board

PROCUREMENT IN HSE

A Paper by Alan Brown

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Issue

1. To consider the outcome of a review into the future direction and management of the procurement function in HSE. Also to comment on the content and structure of the first draft of a corporate HSE Procurement Strategy covering the handling of our commercial activity.

Timing

2. Routine.

Recommendation

3. The Board is invited to consider and comment on the issues raised in this paper at paragraph 9; to endorse the proposals for managing procurement in HSE; and to offer views and provide a steer on the development of a commercial HSE Procurement Strategy (Annex2).

Background

4. A review of procurement activity across HSE has been completed by Business Services Division during 2003. This work was commissioned as a strand of the Corporate Support Review and the emerging position was reported in progress reports to the Board under that Review. The overriding objective of the exercise has been to

achieve a procurement function that delivers best value for money (VFM) on goods and services.

5. The starting position was that procurement activity in HSE had traditionally been managed as a disaggregated function, eg corporate provision such as travel, hotels, lease cars and general purchasing of goods and services rested centrally with BSD but other specialised areas such as scientific/technical research and support, IT, training and DIAS areas of responsibility were managed as discrete functional specialisms. There was also a range of local purchasing and contracting activity where achieving transparent consistency in practices and maintaining VFM was problematic. There was a consequent limit to the opportunity to achieve an overall strategic fit; influence sensible aggregation of provision and achieve economies of scale; and exercise corporate control, eg, so that the standard terms and conditions approved by the Solicitor's Office or OGC were used in contracts.
6. Structural changes flowing from the Change Programme, eg the separation of functions in the former Research Strategy Unit between BSD and COSAS, and the drive in the Corporate Support Review to ensure we are commercially sharp and lean in external purchasing provided a timely opportunity for HSE to realign the procurement function to improve strategic fit with HSC/E business objectives and consequent value added to the business, to maximise efficient use of scarce resources and streamline processes, and to achieve greater consistency of approach and thus minimise business risk.
7. The main areas covered in the review were:
 - an examination of our external spend and procurement and contract management arrangements with recommendations to achieve better VFM and, where possible, savings – benchmarking with private and public comparitors was used;
 - the organisational structure needed in BSD to deliver optimal VFM, adherence to the legal framework and best practice, control of commercial/legal risk in purchasing and contract management, and reduced costs;
 - how the relationship between central and local purchase arrangements should operate.
8. In 2003, a Procurement Unit was established in BSD combining the central purchasing function and the staff then engaged on research procurement. Responsibility for lease cars, hotels and travel will be incorporated for from April 2004. The underpinning principles of the arrangements are that corporate policy and processes should be set and all contracts let at the centre; low value purchases made, where appropriate, at a local level or through corporately let framework provision; and strategically important or higher value procurement projects led by the function with specialist expertise and knowledge, eg external information and publicity, science and technical support, external personnel services etc but within centrally defined policy and processes and involving a qualified procurement professional whose sign-off would be mandatory.
8. A brief summary of the main findings and recommendations from the review is at Annex 1 for information. A copy of the full report can be supplied on request for any Board member who wishes to see it.

Argument

9. The following issues and themes were identified during the review on which the views of and/or a steer from the Board would be valuable:

- the role and authority of the procurement function to more clearly differentiate it from the role and responsibilities of customers/business managers in HSE. Ideally, this would be coupled with identifying VFM targets for procurement rather than the post-event assessment of VFM gains (albeit HSE has a good record on this);

- the proposed new corporate approach to HSE procurement and associated new initiatives aligns well with the thrust and recommendations of the recent Office of Government Commerce (OGC) report to the Chancellor "Increasing Competition and Improving Long-term Capacity Planning in the Government Market Place" and the OGC/Cabinet Office report "Making a Difference – Reducing Bureaucracy in Central Civil Government Procurement". The main factors are a more systematic and strategic approach to relationships with key suppliers and to the markets within which we operate, better pooling across Government of market intelligence to get a better understanding of the total scale and nature of demand; consistent use of best practice and reducing costs through efficient processes; and improving the professional skills of procurement staff allied to more senior management attention and leadership on commercial issues and decision taking.

However, we also await the definitive findings of the Sir Peter Gershon Efficiency Review and will need to assess the potential impact on HSE. The aim should be to find ways to work towards his intended model for procurement in Government. One key outcome is likely to be to encourage increased collaboration with wider cross-departmental purchasing arrangements, where these offer us increased VFM and commercial muscle ;

- more effective (rather than simply more) control is perceived to be needed across the organisation to ensure contracts are properly justified, appropriate purchasing authority is obtained, and reliable, professional contract letting practice and processes are consistently followed. This could be addressed through the proposed corporate focus the Procurement Unit will provide for identifying and promoting best practice including contract management,

- we need to improve our understanding of who our key suppliers are and to find ways to work with them on a longer term basis to build more strategic relationships/partnerships which maximise the value we get from them.

- in pursuing the outcomes of the review we will be finding ways to deliver the function at less cost provided we do not impair our ability to get good commercial deals on the money HSE spends externally. In particular efficiencies should be sought in more repetitive, lower level processes, eg through greater use of e-procurement and/or looking for economies of scale.

- HSE needs corporately to get to a position where 'make or buy' issues (i.e. whether there are real gains from in-sourcing or out-sourcing) are more routinely and rigorously considered and reviewed. The role of procurement in this will be advisory solely on commercial/VFM aspects but the initiation and lead should rest with business managers.

- a greater emphasis is needed on systematic assessment of benefits realisation, ie did HSE get the deal and outcomes it thought it was going to get. The lead on this is again properly for the customers with the procurement function in a supporting role to challenge, help and advise as appropriate.

- we favour the principle that contract management sits best with those who are accountable for delivering the business topic to which the contract relates. This is preferable to alternative models. However, HSE needs to improve contract management consistency and raise overall skill levels. Procurement would again exercise a supporting and challenge role and actively promote networking and identify and promulgate good practice.

10. An initial draft HSE Procurement Strategy is at Annex 2. It is consistent with the approach adopted by DWP for their emerging commercial strategy. Board views are welcomed on its suitability for HSE.

Consultation

11. The review drew widely on views across HSE from both customers and procurement practitioners and the recommendations directly reflect that consultation exercise. A limited benchmarking exercise was carried out with oth private and public sector organisations.

Presentation

12. Subject to agreement, the final Procurement Strategy would be placed on the HSE website and thus made available to potential suppliers .

Costs and Benefits

13. Not applicable

Financial/Resource Implications for HSE

14. The costs of the central Procurement Unit structure and the resources required for recommended new initiatives are contained within existing staffing. In addition, initial savings of 10% of current staffing cadre, ie 4.5 posts from the total of 45 posts have been identified. As the Procurement Unit beds in, it is anticipated that there should be scope for further significant savings. Therefore, a follow up benchmarking exercise to identify latest best practice on procurement processes and cost-effective, lean brigading of resources will now be carried out to take this forward..

Environmental Implications

15. Our procurement strategy will reflect the Government's central guidance to Departments, e.g. on sustainable timber, renewable energy sources etc.

Other Implications

16. Our procurement and contract management arrangements will seek to deliver high standards of health and safety performance from the contractors we use..

Action

17. If the Board agrees the way forward BSD Procurement Unit will manage the full implementation of the outcome of the review and finalise development of an HSE Procurement Strategy.