

<b>COMMITTEE:</b>	<b>Cabinet</b>
<b>DATE:</b>	<b>14<sup>th</sup> July 2004</b>
<b>SUBJECT:</b>	<b>Procurement Review</b>
<b>REPORT OF:</b>	<b>Director of Finance and Corporate Services</b>
<b>Ward(s):</b>	All
<b>Purpose:</b>	<p>(1) To advise members of the outline requirements of the National Procurement Strategy for Local Government.</p> <p>(2) To advise members of the Procurement Review to be undertaken during the year.</p> <p>(3) To request that Cabinet appoint a Member Champion for Procurement.</p>
<b>Contact:</b>	Diane Linsdell, Financial Strategy Accountant, Telephone 01323 415143 or internally on extension 5143.
<b>Recommendations:</b>	That Cabinet appoints a Member Champion for Procurement.

<b>1.0</b>	<b>Introduction</b>
1.1	The principles of Best Value lie at the heart of the procurement process and although the steps involved in procuring different types of works, supplies and services may vary greatly, they all share the same characteristics. Crucially, procurement must always be competitive, fair and consistent.

1.2	Getting procurement right makes all the difference between getting value for money and high quality service from a trustworthy contractor, supplier or service provider and suffering constant complaints from service users, having to explain a series of budget overruns and risking challenge from unsuccessful tenderers. It can also make a difference between a positive partnership arrangement and a default culture.
1.3	A report entitled “Delivering Better Services to Citizens” published in 2001 by the government taskforce led by Sir Ian Byatt acknowledged the crucial role of procurement within Best Value. Their central message was to improve local services to citizens in affordable ways through better procurement. This message was endorsed wholeheartedly by the Government and the Local Government Association in their response – a document entitled “Towards a National Strategy for Local Government Procurement”.
1.4	One of Byatt’s recommendations was that a forum be established to facilitate dialogue between all parties involved in local government procurement. The Local Government Procurement Forum began meeting in November 2002. Its membership includes a broad cross-section of councils, representatives from the private, voluntary and community sectors and key stakeholders in central and local government, procurement professionals and the supplier community.
1.5	In October 2003 the government published the National Procurement Strategy for Local Government. This and the guidance that supports it have been developed in consultation with the Forum.
<b>2.0</b>	<b><u>National Procurement Strategy for Local Government</u></b>
2.1	The National Procurement Strategy for Local Government has been written jointly by central and local government and involved many other partners. It sets out how central and local government, working together with partners from public, private and voluntary sectors, intend to set about improving local government procurement.
2.2	The National Strategy has five key themes. These are:  <b><u>Cultural Shift</u></b>  · Experiment with procurement and take calculated risks to achieve better, more significant results including cost savings and improved services.

## **Stimulating markets and achieving community benefits**

- Publish a “Selling to the Council” guide on the website for suppliers on how to do business with the council
- Market the council to suppliers to develop a diverse and competitive market
- Adopt “the optimum combination of whole life costs and benefits to meet the customer’s requirement” as the contract award criteria
- Include sustainability, equalities, and employment issues in the procurement strategy
- Invite proposals for community benefits

2.3	The National Strategy defines procurement as the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. It includes everything from paperclips to Private Finance Initiatives. Procurement covers every aspect of the purchasing process from initial identification of business needs through to the end of the useful life of an asset or end of a services contract.
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2.4	<p>Procurement can be categorised into four groups by the complexity of the procedure. This takes into account the level of risk and the level of expenditure involved.</p> <p><u>Routine</u> procurement is low value, low risk procurement and will include items such as travel.</p> <p><u>Bottleneck</u> procurement is where the value is low but the risk is high. This could include items such as support for a key computer system.</p> <p><u>Leverage</u> is where the value of the procurement is high but the risk is low. This could include items such as stationery or minor works.</p> <p><u>Strategic</u> procurement is where the risk and the value are both high and include services such as IT and Catering.</p> <p>Processes should be developed for each of these categories.</p>
2.5	<p>The National Procurement Strategy has a number of milestones to be achieved by councils in the years 2004, 2005 and 2006. A list of these can be found at Appendix 1.</p>
3.0	<p><b><u>Current Position</u></b></p>
3.1	<p>In July 2003, in response to “Delivering Better Services to Citizens” and “Towards a National Strategy for Local Government” the Council updated its Contract Procedure Rules and produced a Code of Practice for Procurement. These will be updated when the Corporate Procurement Strategy is approved, if appropriate.</p>
3.2	<p>At the same time, a cross-divisional procurement team was set up consisting of the then Head of Audit, the Financial Strategy Accountant and the Senior Lawyer (Contracts). These officers have given advice, guidance and assistance on many procurement exercises ranging from advice on re-letting of existing contracts to participation in major procurement exercises such as Leisure Services and Catering. Since the recent management review these officers are now within the Corporate Services Division.</p>

3.3	The Corporate Services Division has responsibility for strategic procurement. This includes developing and implementing the Corporate Procurement Strategy as well as continuing to assist with procurement exercises.
3.4	Another feature of the recent management review was the creation of the post of Facilities and Contracts Manager within the Support Services Division. As well as dealing with the now centralised purchase order process, they will manage any collective procurement contract opportunities as a result of the Procurement Review.
3.5	Officers within these divisions are members of the East Sussex Procurement Group, which meet on a regular basis. This link will be utilised during the Procurement Review.
4.0	<b>Procurement Review</b>
4.1	<p>One of the National Procurement Strategy's milestones for 2004 is</p> <p>“Every council should adopt a corporate procurement strategy, based on a Best Value or other review. The Strategy should be owned by members and senior managers and its implementation monitored regularly.”</p> <p>A review of procurement has been included in the Strategic Change Programme for 2004-05</p>
4.2	The objective of the procurement review is to ensure the Council achieves “best value for money” in all of its procurement practices. “Best value for money” means choosing the bid that offers the optimum combination of whole life costs and benefits to meet the customer's requirement.
4.3	The scope of the procurement review will include an analysis of the goods and services currently procured, a review of the processes used to procure them and the development of strategies and processes for each category of procurement. It will also include the development of policies for issues such as sustainability and equalities.

4.4	The review will be undertaken by the Financial Strategy Accountant, the Chief Internal Auditor, the Facilities and Contract Manager and the Senior Lawyer (Contracts). The team will report progress to the Director of Finance and Corporate Services as the CMT procurement champion and the member procurement champion. The review will be critically appraised by the Assistant Director - Corporate Services and the Assistant Director - Support Services.
4.5	The major outcome of the review will be a corporate Procurement Strategy that is owned by members and officers of Eastbourne Borough Council. This will be presented to Cabinet.
4.6	A Draft Project Initiation Document can be seen at Appendix 2. This has been agreed by the CMT /Assistant Directors group.
5.0	<h2 style="text-align: center;">Member Procurement Champion</h2>
5.1	The National Strategy suggests that the strategic importance of procurement should be reflected in a Cabinet portfolio by creating a member procurement champion.
5.2	<p>The procurement champion should have prime responsibility for</p> <ul style="list-style-type: none"> <li>· Adopting a corporate procurement strategy</li> <li>· Ensuring that arrangements for procurement and contract management are operating effectively</li> <li>· Asking challenging questions about value for money and risk management in relation to procurement</li> <li>· Making key decisions in the procurement process for major projects</li> <li>· Monitoring performance of procurement</li> </ul>

5.3	Cabinet is asked to appoint a Member Procurement Champion.
6.0	<h2 style="text-align: center;">Procurement Programme</h2>
6.1	Guidance to support the National Procurement Strategy recommends the adoption of a five-year procurement plan updated on a rolling basis. It should set out all of the information on all of the major procurement projects planned for the coming five years with estimated overall spend and resource requirements.
6.2	A draft four-year procurement programme is currently being prepared and will set out the services for which procurement option appraisals will be carried out. It will show the likely timetable for each project along with any savings already identified against that service in the Medium Term Financial Strategy.
6.3	When the draft programme is finalised and approved, an options appraisal and consequent procurement process will be carried out for each of these services, based on the criteria and strategies set out in the Corporate Procurement Strategy, to achieve best value for money for each of these services.
6.4	This exercise will be extremely resource intensive, therefore much of the work will need to be outsourced. This will still, however, create an extra workload for Council officers, particularly the Legal Services team.
6.5	Due to the need to replace the current IT contract by July 2005 an options appraisal is already underway for this project. This has been outsourced to SOCITM services and is being managed by the IT Manager.
7.0	<h3><u>Consultations</u></h3>
7.1	Consultation will take place with Council officers and potential partners in collaborative purchasing.

8.0	<b><u>Implications covering Human Resource, Environmental, Financial, Youth and Anti-Poverty Implications</u></b>
8.1	This report has none of the above, however the Procurement Review and implementation of the Procurement Programme will have significant Human Resource, Environmental and Financial implications.
9.0	<b><u>Summary</u></b>
9.1	In response to the National Procurement Strategy for Local Government, a Council review of procurement will be undertaken. This will ensure that the Council achieves best value for money in all of its procurement practices. The major outcome of the review will be a Corporate Procurement Strategy.
9.2	In line with a recommendation of the National Procurement Strategy, Cabinet are asked to appoint a member procurement champion.
9.3	A draft Procurement Programme is being drawn up and when approved an options appraisal and consequent procurement process will be carried out for each of these services, based on the criteria and strategies set out in the Corporate Procurement Strategy, to achieve best value for money for each of these services.
<b>Diane Linsdell</b>  <b>Financial Strategy Accountant</b>	
<b>Background Papers:</b>  The Background Papers used in compiling this report were as follows:  National Procurement Strategy for Local Government	
(document reference)	

**Appendix 1**

# National Procurement Strategy for Local Government - Milestones

## 2004

- Corporate procurement strategy developed, owned by chief executives, members and senior officers
- Strategy's implementation regularly measured
- Approach to partnering in construction and service delivery set out
- Approach to collaboration and new trading powers set out
- Appraisal of service delivery models included in Best Value reviews
- Staff consulted on employment issues in procurement processes and contracts
- 2003 Act and 03/2003 circular built into process and contracts
- Publish a Selling to the council guide (website)
- Ensure corporate procurement strategy is addressing sustainability and equality issues, helps to achieve the community plan and involves the voluntary sector
- Conclude a compact with local voluntary and community sectors

## 2005

- Health checks against National Strategy (single tiers and county councils)
- Centres of Excellence involved (districts and upper tiers)
- Average time from OJEU notice to award of contract award reduced by 10%
- Smaller districts collaborating with others for shared services
- All councils co-operating regionally via networks of centres of excellence
- Appropriate e-procurement solution implemented
- Using government procurement card/equivalent for low value purchases
- Progress being measured
- Relationship of procurement to community plan addressed
- Workforce diversity, equality and sustainability issues addressed
- Diverse and competitive supply market encouraged
- Sustainability built into procurement strategy, processes and contracts

- Concordat for SMEs and voluntary sector compact concluded
- Information Memorandum to prospective bidders included in the process
- Invitation to bidders to demonstrate effective use of supply chain included
- Give bidders option to specify benefits under community plan

## **2006**

- Health checks against National Strategy (districts)
- Average time from EU notice to contract award reduced by 25%
- Accessing an appropriate e-marketplace

## **Appendix 2**

### **Strategic Change Programme**

Review of Procurement

## **Scope**

To undertake a comprehensive review of procurement, to include an analysis of goods and services procured (procurement activity), procurement processes and options for future service delivery.

## **Principal Objectives**

To meet the requirements of the government's National Strategy for Procurement in Local Authorities.

Enable the Council to utilise its resources most effectively to deliver the agreed procurement programme.

Ensure that procurement activities reflect the Council's Corporate Priorities, Core Values and the achievement of Community Strategy Themes.

Secure commitment to effective procurement from Members and Officers of the Council

Deliver consistently high quality services that meet users' current and future needs

Provide best value for money, thereby improving the cost effectiveness of the Council

Ensure that the Council adopts the optimum level of risk in all procurement

Ensure that procurement activities realise economic, social and environmental benefits for the local community.

Ensure procurement activities promote equality of opportunity for suppliers and users.

Ensure procurement activities meet Government requirements on sustainability issues.

# Milestones

Appoint member champion

Analyse current procurement activity

Identify and analyse likely future procurement activity

Develop a database of the Council's contracts

Develop procurement policies

Put effective processes in place to deal with all types of procurement, whether routine or strategic

Develop a comprehensive programme of future procurement activity to include processes and resources required

Identify areas for collective procurement

Identify areas for collaborative procurement

Develop and ensure compliance with an approved supplier list.

# Resources

Member Support (in particular Member Champion)

Corporate Management Support (in particular DFCS)

Support from all Assistant Directors

Ongoing input from Procurement Team (Financial Strategy Accountant, Chief Internal Auditor and Facilities and Contracts Manager)

Investment in training

Adequate and sufficiently skilled staff to manage procurement programme

Liaison and collaboration with East Sussex Procurement Group

Local businesses (to stimulate local markets)

# Key Risks

Political – commitment essential but level of support unknown if change in control

Reputation – poor CPA judgement

– poor credibility with suppliers would diminish potential markets

Financial – not achieving best value for money