

**Procurement
Council, item 12**

Committee: Council

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Title: PROCUREMENT

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Agenda Item

12

Item for
decision

Summary

The document provides an update on the Council's strategic and operational procurement arrangements; proposes a Member working group to assist with a new procurement strategy and includes a proposal for a shared procurement service

Recommendations

That Council agree to set up a Procurement Working Group and seek nominations from groups.

That Council agree to enter into a 3 year agreement for a shared procurement service, funded from within existing revenue budgets, subject to satisfactory ongoing negotiations.

Background Papers

National Procurement Strategy for Local Government, ODPM

Impact

Communication/Consultation	The Opportunity Analysis currently underway will provide a high level of awareness on procurement across the council. Framework contracts negotiated as part of the potential shared service will need to be used by UDC, and therefore effective communication will be needed to ensure staff know how to use the service for efficient procurement practice
Community Safety	No specific implications, though community safety considerations may form part of the proposed procurement strategy
Equalities	There are no specific equalities implications, though these may form part of the proposed procurement strategy. Any arising from procurement practice will be addressed within the shared service.

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Finance	Considerable savings are expected from the use of framework agreements negotiated by the shared service. The service is expected to be self funded within 3 years. An bid has also been made to the Regional Centre of Excellence for funding. Savings are expected to be identified as part of the opportunity analysis currently underway.
Human Rights	There are no specific human rights implications, though these may form part of the proposed procurement strategy. Any arising from procurement practice will be addressed within the shared service.
Legal implications	There are no specific legal implications. Any legal issues arising from procurement practice will be addressed within the shared service as well as by use of UDC expertise.
Ward-specific impacts	All
Workforce/Workplace	UDC will gain skilled professional expertise via the proposed shared service on a scale which would not be affordable within the current establishment

Situation

- 1 The recent Audit Letter from the Audit Commission, encompassing Use of Resources and Direction of Travel statements associated with future CPA scoring, drew attention to the Council's continued need to develop its procurement strategy and function.
- 2 The requirements of Gershon, CPA, the National Procurement Strategy, and revised European regulations are prompting most authorities to review their in-house arrangements for letting and managing contracts.
- 3 Gershon points to the high level of savings which can be made through efficient and effective procurement. However, hand in hand with this the penalties of falling foul of an increasingly specialist and technical regulatory regime (particularly at European level) are high.
- 4 Most district councils are unable to afford the level of specialist and professional services now required. The revised European procurement regulations are onerous, and whilst most in-house legal services will give basic advice, this is no substitute for dedicated advice from professionals carrying out procurement services on a day to day basis.

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Uttlesford Position

- 5 Uttlesford has always recognised that in common with other small districts it has capacity issues. In recent years we have increasingly sought to work in partnership with other public, private and voluntary sector providers to meet council and community needs as effectively as possible.
- 6 In terms of procurement the council recognised that it was starting from a very low point to meet the high demands of the national procurement strategy and Gershon. With this in mind two actions were initiated:
 - a) installation of Essex Marketplace; and
 - b) the establishment of a Procurement Agency for Essex.

Essex Marketplace

- 7 In order to carry out electronic ordering and fulfil the requirements of e-procurement the council signed up for Essex Marketplace in 2004. This is an electronic purchasing system developed by EGS. It is now being used by most Essex authorities.
- 8 Marketplace is not yet fully integrated with the financial management system of the council, however it already gives the ability to measure and control elements of small scale spend. The system contains an increasing number of catalogues from suppliers, plus individual local suppliers' details. Spot quotes can be made on the system to compare individual prices or baskets of goods.

Procurement Agency for Essex (PAE)

- 9 The mission of the Procurement Agency for Essex is to promote collaborative procurement in Essex. The PAE aim to do this by:
 - Bringing about procurement related savings, efficiencies and other benefits to members
 - Sharing best practice, knowledge, information, documentation and capacity
 - Providing training and procurement related commercial support to member organisations
 - Representing Essex procurement both regionally and nationally
 - Promoting and maintaining high procurement standards in the following areas:
 - skills, ability and integrity
 - methods and processes
 - information systems and infrastructure
 - innovation and creativity
- 10 The PAE **does not provide day to day operational procurement advice**. Its role and remit is to aid **strategic collaboration**, similar to, but in a more developed way, to other Essex wide professional officer groupings. UDC is

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represented on the PAE Board by the Executive Manager (Strategy & Performance) who holds the corporate responsibility for procurement.

11 During the last year the PAE has built up a balanced portfolio of procurement projects, taking account of:

- Timeframe – medium term change and quick wins
- Multidiscipline – IT, HR, transport, housing, social care
- High and low spend – energy, market research
- PAE role as change agent – providing training and consultancy work
- Procurement challenges – efficiency/vfm, sustainability, supply chain risk, market analysis and diversity

12 Specifically UDC has been involved in or benefited from the following framework agreements::

- Energy
- Stairlifts
- Refuse vehicles
- Market research (consultation)
- Advertising
- Temporary staff

13 In addition UDC asked the PAE to assist in the early stages of the telephony contract, to seek the potential for any collaboration with other Essex authorities.

14 The PAE has also crucially carried out annual spend analysis for UDC, has initiated a contracts database, Selling to the Council guide, and a range of other critical factors which the council has no capacity to carry out.

15 The PAE has recently commissioned a procurement opportunity analysis of authorities, and this is currently underway at UDC. From this analysis UDC will be able to identify progress against the National Procurement Strategy for Local Government and recommended actions to make the procurement function fit for purpose.

Gap Analysis

16 There are two fundamental requirements which the council already knows it must put in place in order to provide the step change required to meet the National Strategy and associated demands of CPA, Gershon etc.

17 First, the council must implement a **corporate procurement strategy**. The National Procurement Strategy for Local Government describes this as defining “the contribution procurement is to make to strategic objectives, including improving services, driving up efficiency and sustainable development and community plan objectives”.

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18 Second, the National Procurement Strategy sets out the need for councils to **establish a centre of expertise in procurement**. The strategy calls on authorities to establish a corporate procurement team, and in smaller councils for other options to be explored including “creating **shared services for procurement** with other councils, partnering or linking to regional centres of excellence for procurement”.

Moving Forwards

19 Once the procurement health check is complete UDC will have a better picture of its procurement development needs. Work on the principles for a green procurement strategy has already begun, and it is proposed that a Member working group is established to assist work on a corporate procurement strategy without delay.

Shared Service for Procurement

20 UDC has already benefited from a shared audit service and the payroll partnership. As has already been stated, the National Procurement Strategy points to establishing shared services as the way forward for smaller councils not able to fund the establishment of procurement centres of excellence. Whilst the Executive Manager (Strategy & Performance) has a corporate strategic responsibility for procurement, UDC has no dedicated officer trained to Chartered status. The difficulty with establishing such a post within the establishment is not just the high cost of such a professional, but also the need to find the level of experience and expertise to address UDC’s needs within a single post.

21 At present the council is ‘getting by’ through using the advice of the PAE or Braintree DC, and the direct involvement of the EM(S&P), the EM covering the procurement proposed, other officer involvement, plus the skills of the legal team. This is not only costly in terms of officer time, but costly in terms of the lost capacity to other priority projects.

22 North Essex chief executives and the PAE have been in discussion about establishing a shared service for procurement. It is proposed that this resource will operate from Braintree District Council and work to an agreed service level agreement with member councils.

23 The procurement shared service, dubbed the ‘North Essex Procurement Hub’, would benefit UDC through providing a service it currently requires but does not receive from use of Marketplace or the PAE, and is currently unable to resource effectively on its own. UDC will have access to a pool of specialist officers whose skills and expertise will span all the likely needs of the partner authorities.

24 The day to day services proposed to be undertaken by the Procurement Hub shared service include:

- Managing and carrying out all aspects of the procurement function with regard to managing existing, and letting new framework agreements/contracts for works, supplies and services.
- Providing advice and guidance on obtaining quotations for goods and services, including sourcing suppliers.

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- Analysing the spend of each member Authority from information provided by the PAE, to ensure that adequate and competitive supply arrangements are in place
- Where supply arrangements are in place, ensuring their use, and eliminating 'off contract' spend
- Identifying areas within the Hub where joint working/contracting will drive down costs, and/or increase efficiencies
- Providing day to day consultancy and guidance on all aspects of procurement, contract law, including EU competition law and the new EU Directives
- Having a regular 'presence' at each member of the Hub's premises, either on an ad hoc basis or by prior arrangement, eg procurement surgeries
- Attendance at all meetings which have a 'procurement' dimension and ensuring that the role of procurement is recognised and implemented into all major projects at their inception
- Involvement in all service reviews, particularly in the areas of 'compare and compete' and in particular, involvement in 'process bench marking' and pricing comparisons
- Regular progress reports to member boards, on progress and achievements, and success in meeting agreed service level agreements. This would include a report on savings to date, both in terms of cash and efficiency (Gershon).

Savings and Funding

25 The procurement opportunity analysis currently underway on behalf of the PAE for UDC will:

- Raise awareness of procurement and its impact on performance and service delivery within the Council
- Identify quick wins
- Identify collaborative opportunities both within the council and with other neighbouring PAE members and outlining an action plan to proceed
- Seek ways of delivering cashable savings in the high value expenditure areas
- Review procurement infrastructure and advise on the way forward, particularly in relation to CPA key lines of enquiry and the National Procurement Strategy milestones
- Skills and knowledge transfer

26 In advance of the results of this analysis and any further savings which will be identified, it should be noted that £100,000 of procurement savings have already been taken from budgets. Use of individual framework agreements such as the refuse vehicles contract have also brought savings.

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27 The indicative costs set out in the proposal for the shared procurement service are as follows:

Indicative Costs			
	Year 1	Year 2	Year 3
	£	£	£
Estimated total cost of Hub	314000	328000	342000
Worst case scenario – assuming no income – contribution from UDC	24000	25000	26000
Estimated performance of Hub – target levels of income	100000	200000	342000
Net cost to UDC – assuming targeted income levels	16400	9800	0

28 From this it should be noted that:

- It is expected that the service would become self-funding within 3 years
- Any framework contract becoming uncompetitive would be renegotiated
- Framework contracts currently being let by Braintree DC are already being taken up by considerable numbers of other authorities. Because the 'income' from Hub contracts will subsidise Hub costs it will always be in the interests of the shared service to remain the most competitive framework contract available.

29 It is proposed to fund the cost of the shared service from within existing revenue budgets by top slicing all controllable budget heads.

30 A bid for £70,000 has been made to the Regional Centre of Excellence East towards the cost of establishing the shared service.

31 Braintree, Maldon and Colchester have already signed up to the shared service.

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Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Insufficient capacity and expertise to run effective contract letting and management in-house	High	High	UDC does not have dedicated procurement staff in place to carry out day to day procurement activities. This is currently mitigated by using the expertise of the PAE, Braintree DC and other authorities as and when necessary. However, this does not provide a day to day service.
The shared service does not generate enough income to self fund its activities	Low	High	Braintree has been negotiating competitive framework contracts much in demand by other authorities. The shared service would actively 'refresh' any contracts becoming uncompetitive, and it is therefore thought unlikely that the service would only generate a small income.