

Committee: Performance Select

Date: 29 September 2009

Title: Procurement

Author: Stephen Joyce, Chief Finance Officer

Agenda Item

9

Item for
information

Summary

- 1 The Council is well supported on its day to day procurement activity via a service level agreement with the Essex Procurement Hub (hosted by Braintree District Council). However, the Council does not have a procurement strategy and lacks the corporate capacity and expertise to manage procurement as an integral part of its corporate and financial planning.
- 2 An Improvement East-funded diagnostic of the Council's procurement arrangements was carried out in 2008. The recommendations arising are attached. The recommendations have not yet been implemented.
- 3 The external auditor has assessed that the Council's procurement arrangements are "not adequate". This has contributed to the auditor's qualified conclusion in relation to value for money. The procurement element of the Use of Resources inspection has been scored "1".
- 4 For several months officers have been in discussion with Essex County Council (ECC) procurement staff with a view to obtaining ECC technical assistance on the corporate and strategic aspects of procurement. A proposal from ECC is still awaited.
- 5 The Essex Procurement Hub has indicated it is willing and able to develop the Council's corporate and strategic procurement arrangements. However, the Council would be required to commit to a new 3 year service level agreement. The Council is coming under pressure to make a decision about this, as the agreement was due for renewal in April.
- 6 The question of ECC support needs to be resolved quickly, and a decision about the Essex Procurement Hub made. Action to address the weaknesses in procurement would need to be taken by March 2010 if next year's Use of Resources score is to improve.

Recommendations

To note this report.

Background Papers

Annual Governance Report (earlier on today's agenda)

Procurement Diagnostic Report (recommendations attached)

Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Finance	The Council may not be getting best value for money in its procurement.
Human Rights	None
Legal implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Procurement arrangements are ineffective	3 (the Council does not possess the expertise or capacity required)	3 (the Council may not be getting best value for money in its procurement)	Essex Procurement Hub SLA Technical assistance from Essex County Council

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

PROCUREMENT DIAGNOSTIC SEPTEMBER 2008

Recommendations

1. Members should have a formal role in procurement through agreeing the 'new' procurement strategy; agreeing the annual procurement plan; and receiving quarterly performance management reports. Financial Regulations should require pre-reporting of proposed tender offers for values exceeding £150,000.
2. The officer leadership of procurement should be strengthened. An SMB member should take responsibility for implementing the strategy; performance managing procurement and ensuring compliance with Financial Regulations/Standing Orders. Also maintaining the relationship with procurement partners and minimizing risk to the council through monitoring the contracting throughout the council.
3. There needs to be a new Procurement strategy that focuses procurement activity.
4. The Procurement Leader should be supported by investment in a procurement resource to take forward 'procurement proposals', advising on market conditions and trends, sourcing collaborative contract opportunities and assisting in evaluations. Undertaking the management of the relationship with the 'Procurement Partner', management of the central contract register, monitoring expenditure reporting on any potential aggregation of expenditure that may infringe Financial Regulations or EU regulations, providing monitoring of procurement activity and performance reporting. Also acting as system administrator of the new FIS module.
5. The role of spending managers should be concentrated on specifications for procurement ('Procurement Proposals') and evaluation of tenders and award decisions and contract monitoring.
6. Ordering and Authorisation levels should be reviewed and rationalised.
7. Procurement needs to be performance managed with the institution of and reporting on performance indicators.
8. An Annual Procurement Plan to be compiled.
9. A new set of contracting procedures to be agreed, including mechanisms for consistent evaluation of tenders and processes for Supplier Monitoring and Management to be agreed and adopted across the council maintained and monitored by the new procurement resource.

Procurement

Performance Select Committee 29 September 2009, item 9

10. The councils' Contract Register to be completed, implemented and maintained.
11. Record keeping of procurement must be improved. Files detailing the processes undertaken must be maintained and be available for audit against the procedures identified in the council's financial regulations.
12. An 'Options Appraisal' for a future 'Procurement Partner' to be undertaken, including consulting other councils in Essex, in time to allow appointment of a 'new' partner by September 2009.
13. The use of a Purchasing Card should be instituted for small 'one-off' purchases.
14. The council should amend financial regulations so that the level at which formal contracting is required be reduced.
15. Equalities should be included as an objective in the 'new' strategy and individual procurements should then demonstrate achievement of equalities; questions related to the Council's strategy should always be used in contract evaluation, and over time the Council should create a 'preferred supplier' list and undertake appropriate monitoring. An Equalities Impact Assessment should be prepared.
16. Sustainability should be included as an objective in the 'new' strategy and individual procurements should then seek to validate the 'carbon footprint' of the contracted goods and services; questions related to the Council's climate change strategy should always be used in contract evaluation and steps should be taken to measure this across all the council's procurement,
17. The councils' new FIS module to be brought into use and 'rolled-out' across the council as a matter of urgency, to be managed by the Procurement resource facilitating the cessation of the use of Marketplace. Arrangements should be made for a database of suppliers' details to be held by the council for pre-registration of suitability for contracting.
18. The council should immediately compile a list of its future procurement proposals and publish it on the web-site. Alongside it, it should publish its Procurement strategy, future Procurement plan, invitations to tender and guides to tendering for SMEs.
19. Spending Managers to form a Procurement Group to meet monthly to contribute to the progress of the Procurement Plan and achievement of the strategy. The council should insist that all officers likely to undertake procurement activities undertake e-Learning.