

**PROCUREMENT UPDATE**  
**(Report by the Director of Commerce and Technology)**

**1 PURPOSE**

- 1.1 The purpose of this report is to update Cabinet on the progress of the procurement function and highlight those areas where further developments are required in the light of the guidance included in the National Procurement Strategy.

**2 BACKGROUND**

- 2.1 Provision for a Procurement Manager was included in the 2002/03 budget and an appointment was made in November 2002.
- 2.2 The Council's procurement strategy was approved in June 2002 and updated in May 2003.
- 2.3 The Government issued the National Procurement Strategy (NPS) in October 2003 and the National e-Procurement Project (NePP), "The benefits of e-Procurement" report in April 2004.
- 2.4 The attached Annex summarises the NPS recommendations, what the Council is already doing and what it is planned.

**3. SAVINGS FROM BETTER PROCUREMENT**

- 3.1 Both the NPS and the NePP stress the savings that can be obtained from better procurement. It is quite possible that the Government will make assumptions in future Grant Settlements that Councils have made savings and thus reduce their financial support.
- 3.2 Savings on the purchase price of goods and services is only one aspect. Significant efficiency benefits can result from reducing the administration time to order and pay for goods, reducing the number of delivery or faulty goods queries or by sharing resources within the Council or with other partners. Sometimes these benefits may not result in cash savings but instead allow service improvements which will more quickly achieve the Council's priority targets.
- 3.3 Benefits obtained to date include:
- Financial**
    - 2003/04
      - Over £7K revenue and £43K capital savings
    - 2004/05
      - About £17K revenue and £3K capital savings per year for the foreseeable future.
      - One off revenue saving of £12K.

### **Efficiency improvements**

- Increased use of framework agreements by about £300K (50%).
- Procurement cards trial and e-procurement trial
- Call-off order trials
- Standard lists for some basic products
- Establishment of procurement area co-ordinators
- Initiated the Cambridgeshire Local Authority procurement group
- Increased coordination and communication by publishing material on the intranet e.g. spend reports, contracts database, quotation log, supplier non-conformance reports.

- 3.4 This experience supports the Government view that there are still significant further opportunities and it would be appropriate to consider a gross savings target of, say, £100k in 2004/05 and £200k thereafter as part of the base budget review.
- 3.5 To maximise the chances of achieving these sums it is necessary to create an environment where all managers are committed to identifying and achieving them. This could best be achieved by reducing all service and support budgets with a share of this target as part of the base budget review. A budget for the costs of the Procurement Manager (circa £43k per year) should be established from the existing and future savings so that managers are not reluctant to investigate procurement options.
- 3.6 A regular review of the Procurement Manager's work, including customer feedback, will ensure that the function provides value for money.

## **4. CONCLUSION**

- 4.1 Procurement is already adding value. To keep the momentum going, setting improvement targets will increase the likelihood of savings and service improvements from better procurement.

## **5. RECOMMENDATION**

- 5.1 **The Cabinet is asked to note the progress made and the intention to include a procurement improvement target in the Base Budget review.**

### **ACCESS TO INFORMATION ACT 1985**

1. **National Procurement Strategy, published in October 2003**
2. **National e-Procurement Project (NePP), "The benefits of e-Procurement" published in April 2004.**

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<p><b><u>Providing leadership and building capacity</u></b></p> <p><b>The strategic objective is that there should be a commitment from the top of each council (leader, chief executive, procurement champion) to procurement excellence by managing it strategically and resourcing it adequately.</b></p>	<p>The Executive Councillor for Finance has member responsibility for procurement. The Director of Commerce and Technology is the Council's "Procurement Champion". The Procurement Manager was appointed in November 2002.</p>	<p>The Procurement Manager was budgeted on the basis of no net cost.</p> <p>Some major procurement exercises have been externally resourced e.g. consultants, Eastern Shires Purchasing Organisation (ESPO).</p>	<p>To include the role/responsibility of the Executive Councillor for Finance in the next review of the procurement strategy.</p> <p>Procurement Manager is to be consulted before appointing consultants to carry out any procurement exercise on the Council's behalf.</p>
<p><b>By 2004</b></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>Procurement strategy approved in July 2002 and updated in May 2003.</p> <p>Procurement has been reviewed by an Internal Audit review (dated December 2001) and District Auditor review (dated February 2003).</p>	<p>The effectiveness of the procurement strategy is being monitored by using the targets contained within it. However these targets are likely to change due to the introduction of the new performance management system</p>	<p>To recommend to Cabinet setting a one-line efficiency savings budget for each service and netting off the Procurement Manager's costs from the total of these reductions.</p> <p>A procurement group to be set up (chaired by the</p>

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	By November 2004, the proposal is to have had the first meeting of the procurement group.		Director of Commerce and Technology as the Council's "procurement champion") which represents the main areas of spend throughout the Council to monitor progress in achieving these improvements.
<b>By 2005</b> Every council should be involved with a regional centre of excellence in procurement and project management.	Regional centre of excellence established in April 2004.	Attended the first conference organised by regional centre of excellence in June 2004 which should begin to clarify its role.	Include the roles and relationship with regional centre of excellence, once it becomes clearer what these will be, in the next review of the procurement strategy
<b>By 2006</b> Every district council should have carried out a health check on progress against this National Strategy and the guidance endorsed as part of their corporate strategy.			Review the procurement strategy annually. The first review to take account of the NPS.
<u><b>Partnering and Collaboration</b></u>  <b>The strategic objective of partnering is the delivery of better services to</b>	The procurement strategy includes Partnering and		

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<p><b>citizens through the creation of sustainable partnerships between councils and suppliers in the public, private, social enterprise and voluntary sectors for the delivery of services and the carrying out of major projects, including construction.</b></p> <p><b>The strategic objective of collaboration is to obtain better value by bringing councils and other public bodies together at local, regional and national levels to combine their buying power and create shared services.</b></p>	<p>Collaboration</p>	<p>The use of ESPO's framework agreements and the use of ESPO on procurement projects have increased.</p>	<p>The Procurement Manger to define certain contracts as compulsory, following consultation with service managers. For example, if a particular ESPO contract was in the Council's best interest (not necessarily an individual service's) then it would be mandatory to use it.</p>
<p><b>By 2004</b></p> <p>Every council's corporate procurement strategy should set out the council's approach to partnering in service delivery and in construction projects.</p>			

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<p>Every council's corporate procurement strategy should set out the council's approach to collaboration (including purchasing consortia, joint procurement and commissioning and shared services), and how it intends to use the new trading powers.</p> <p>Every Best Value or strategic review of a service should include a robust and challenging appraisal of the different service delivery models available.</p>	<p>Have developed a draft partnering agreement with ESPO and looking at strategic partnering e.g. trading the Procurement Manager's time with ESPO buyers time.</p> <p>The Best Value Review (BVR) documentation was revised in July 2003 and covers this.</p>	<p>There are no plans to use the new trading powers by the Council at the present time.</p> <p>Future approach/scope of Best Value Review's is currently unclear.</p>	<p>Ensure that the Council's future programme of a Best Value Reviews considers the strategic options for service provision.</p>
<p><b>By 2005</b></p> <p>The average time taken from OJEU notice to contract award in a project of more than one year's duration should be reduced by 10 per cent* on the 2003 base.</p> <p>Smaller district councils without dedicated procurement resources of their own, should be collaborating with others, through the regional centres of</p>	<p>Looked into how to reduce the selection process timescales e.g. e-tendering packages.</p> <p>Initiated the Cambridgeshire procurement group which has had four meetings to date.</p>	<p>Only issued two EU procurement procedures in 2003 and both of these were under one year's duration</p>	<p>The Procurement Manager is to be consulted before EU procurement directive documents (e.g. OJEU Notices) are published by the Council.</p>

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<p>excellence, to create shared services for procurement and project management.</p> <p>Councils should identify opportunities for collaboration with neighbouring councils for shared commissioning and/or delivery of services.</p>	<p>A contracts database has been developed which identifies current and future contracts.</p>	<p>This information needs to be shared with neighbouring Councils so that opportunities can be identified.</p>	<p>All managers for their service to update the contracts database and the internet equivalent.</p>
<p><b>By 2006</b></p> <p>The average time taken from OJEU notice to contract award in a project of more than one year's duration should be reduced by 25 per cent on the 2003 base.</p> <p><i>* OJEU notice to signature as a target has been tested in pathfinders</i></p>			
<p><b><u>Doing business electronically</u></b></p> <p><b>The strategic objectives are:</b></p> <ul style="list-style-type: none"> <li>▪ <b>To achieve efficiencies in the procure-to-pay cycle including reduction in cycle time and reduction in transaction costs. This will free resources that can be directed into front line public</b></li> </ul>			

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<p><b>services.</b></p> <ul style="list-style-type: none"> <li>▪ <b>To use e-Marketplaces to assist councils to access framework agreements and contracts.</b></li> </ul>			
<p><b>By 2005</b></p> <p>Every council should have implemented an appropriate e-Procurement solution as part of its e-Government programme.</p> <p>For low value purchases, every council should be making appropriate use of a procurement card, the Government Procurement Card (GPC) or a suitable electronic alternative.</p>	<p>The procurement strategy includes e-procurement as one way to implement process improvements.</p> <p>Procurement cards are currently being trialled.</p>	<p>The procurement cards trial includes simple e-procurement via ESPO's web shop.</p> <p>The trial ends in June 2004</p>	<p>All relevant contracts/ orders should be based on the Council's standard terms and conditions. A register of relevant contracts/ orders is to be developed by the Procurement Manager.</p> <p>The procurement card to be rolled out Council-wide by the end of 2004/05 subject to the trial being a success.</p>
<p><b>By 2006</b></p> <p>Every council should be using an appropriate e-Marketplace.</p> <p><i>Progress will be monitored by means of BVPI 157, which includes e-Procurement</i></p>	<p>Looked into various e-market places options.</p> <p>ESPO have awarded a contract</p>	<p>Presentations on how the ESPO market place will work are expected to start in June 2004.</p> <p>Collaborating is best for</p>	<p>To investigate the benefits of implementing a fully integrated e-procurement and/or a stand alone e-tendering system.</p>



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<p><i>as one of the transaction types that should be carried out electronically by 2005.</i></p> <p><i>Take up of National e-Procurement Project deliverables will be measured through the Implementing Electronic Government process.</i></p>	<p>for an e-market place in March 2004.</p>	<p>supplier adoption for service suppliers as it is resource intensive.</p>	
<p><b><u>Stimulating markets and achieving community benefits</u></b></p> <p><b>The strategic objectives are that councils should:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Engage actively with suppliers.</b></li> <li>▪ <b>Use procurement to help deliver corporate objectives including the economic, social and environmental objectives set out in the community plan.</b></li> </ul>	<p>A number of officers have volunteered to be Procurement Area Co-ordinators (PAC) for a particular category (for example stationery or vehicles) and they can engage with suppliers to help deliver corporate objectives.</p>	<p>The overall time that a PAC spends in an area can be offset against what other officers may have done e.g. meeting with a supplier only needs to be done once rather than a number of people speaking to that supplier.</p>	<p>Develop the concept of the PAC so that one or more is allocated to every significant procurement area. A PAC is typically someone who job is connected to a specific area e.g. stationery, vehicles, print, facilities management and provides some coordination of that area Council-wide</p>
<p><b>From 2003</b></p> <p>Where relevant, all councils shall</p>	<p>To be included in the</p>		

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<p>consult staff during procurement projects and build employment considerations into procurement processes and contracts, including compliance with the Local Government Act 2003, Circular 03/2003 and the associated code of practice.</p>	<p>procurement strategy when it is reviewed in November 2004</p>		
<p><b>By 2004</b></p> <p>Every council should publish a 'Selling to the Council' guide on its corporate website together with details of bidding opportunities and contact details for each contract.</p> <p>All corporate procurement strategies should address:</p> <ul style="list-style-type: none"> <li>○ the relationship of procurement to the community plan, workforce issues, diversity and equality and sustainability;</li> <li>○ how the council will encourage a diverse and competitive</li> </ul>	<p>A draft 'Selling to the Council' guide has been produced which will include an edited contracts database and the relevant contact details, for example, project manager or Procurement Area Coordinator.</p> <p>The procurement strategy takes account to all the Council's policies. To be expanded on in the procurement strategy when it is reviewed in November 2004</p>	<p>No outsourced contracts have been recently let by the Council.</p> <p>A number of PACs have volunteered to date and will be</p>	

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<p>supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.</p> <p>Every council should build sustainability into its procurement strategy, processes and contracts.</p> <p>Every council should conclude a compact with the local voluntary and community sector.</p> <p>Procurement processes for partnerships should include:</p> <ul style="list-style-type: none"> <li>○ issuing an information memorandum to prospective bidders setting out the background to the project, the council's objectives and an outline of the procurement process and timetable, with</li> </ul>	<p>Published environmental guidance on the intranet.</p> <p>Heads of agreement have already been drawn up.</p> <p>To be included in the procurement strategy when it is reviewed November 2004</p>	<p>the focal point for encouraging and developing the market place where required.</p> <p>There is not yet a Council sustainability strategy.</p>	<p>To investigate the creation of a sustainability strategy.</p>

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<p>roles and responsibilities made clear.</p> <ul style="list-style-type: none"> <li>○ inviting bidders to demonstrate their track record in achieving value for money through effective use of their supply chain, including the use of small firms; this should continue to be examined as part of contract management.</li> </ul>			
<p><b>By 2005</b> Every council should include in invitations to tender/negotiate for partnerships a requirement on bidders to submit optional, priced proposals for the delivery of specified community benefits, which are relevant to the contract and add value to the community plan.</p> <p>Every council should have signed up to the national concordat for Small and Medium Enterprises.</p>	<p>To be included in the procurement strategy when it is reviewed in November 2004</p>	<p>National concordat has not yet been released.</p>	<p>To consider signing the National concordat for Small and Medium Enterprises once it is published.</p>