

Meeting of the Cabinet – 13th December 2006

Report of the Director of Finance

Annual Report on Procurement

Purpose of Report

1. To report progress against the National Procurement Strategy (NPS), the Council's Procurement Strategy, and Audit Commission recommendations in 2005.

Background

2. This is the third Procurement report to Cabinet. Since the launch of the National Procurement Strategy for Local Government (2003- 2006) in October 2003 the profile of procurement continues to grow as we continue to share and develop best practice across the Council.
3. The Council has responded positively to the aims and objectives of the NPS and met key targets which the Government expects all local authorities to achieve. Good progress continues to be made against targets in the NPS. (see Appendix A)
4. The Government has recently updated the National Procurement Strategy with the publication of "Two Years On" (published August 2006). This acknowledges the good work carried out by Councils to achieving the core vision of the Strategy and has urged every authority to assess its position in relation to the targets and embed good procurement practices within its organisation (see also paragraph 10).
5. Nine Regional Centres of Excellence were established to support councils in the implementation of the NPS and these are still seen by the Government as a key driver in improving procurement performance. Whilst the Authority is working with the West Midlands Regional Centre of Excellence (WMRCoE) generally it is the small district authorities, who have very little procurement expertise, who are benefiting most from the support of WMRCoE.
6. Work continues to embed the Council's Procurement Strategy across the organisation, linking procurement to a number of corporate issues including Gershon Efficiency Savings, Environment, Sustainability and Regeneration.
7. The development of procurement continues to be overseen by an Officer Procurement Steering Group, chaired by the Director of Finance and further progress has been made against the Council's Procurement Strategy since last year by:-

- (i) Achieving value for money (VFM) - Use of Resources –Self assessment.
 - (ii) Developing e-tendering and increasing the use of purchasing cards whilst continuing to evaluate e-business opportunities including Agresso and e-marketplace.
 - (iii) Reviewing structures – integrating Purchasing and Payment Services to develop a seamless procure to pay process.
 - (iv) Introducing new European Procurement Directives into working practices.
8. Good progress has been made in implementing the recommendation from the Audit Commission Review of Procurement, the details of which were reported to the Cabinet in November 2005.

The following table summarises the recommendations and the progress made:-

Recommendations:-	Progress:-
(a) Developing the challenge process by members in decision making process - including service delivery options	<ul style="list-style-type: none"> Cabinet Performance Sub-Group undertakes a detailed review of quarterly performance management reports and where appropriate, commissions detailed reviews.
(b) Linking the Procurement Strategy with other key strategies such as Race Equality and LA21.	<ul style="list-style-type: none"> Reviewed and developed Guidelines on Environmental Purchasing Produced new Guidelines on Sustainability in Procurement. Produced Guidelines on Equality Matters in Procurement
(c) Develop in-house training for procurement	<ul style="list-style-type: none"> Reviewed training and development needs identified by the Steering Group and in the process of producing and implementing a Corporate Training and Development programme covering elected members, managers and staff engaged in procurement decision making activity. This will be rolled out over the next 3-6 months. Monitored developments on procurement training by the WMRCOE who are keen to support authorities in their training needs.
(d) Consider expanding partnership contracts.	<ul style="list-style-type: none"> Raised awareness of existing partnership contracts across the Council Produced Guidelines on Partnerships for procurement officers Amended Standing Orders to cover Partnerships/Partnering and Service Level Agreements.

Recommendations:-		Progress:-
(e)	Develop 'Gateway' process in project management.	• Project Management Guidelines have been reviewed to include Gateway Reviews
(f)	Review performance management framework for corporate procurement.	• Reviewing Project Management Guide to include performance measures for the award of major contracts.

10. In its latest National Procurement Strategy "Two Years On" published in August 2006, the Government sets out a number of procurement priorities which it expects local authorities to consider, including:-
- Involvement in national and regional commodity contracts taking into consideration market conditions and spend analysis (market intelligence)
 - Considering strategic partnerships to underpin the delivery of shared services (frontline, corporate services, front office);
 - Sharing best practice within commissioning and procurement of social care and learning the lessons for other councils;
 - Improving relationships with the third sector i.e. Voluntary Sector, Charitable Organisations, and Community Organisations
 - Establishing/participating in regional e-Marketplaces; (An eMarketplace is a web site at which multiple suppliers and multiple buyers can undertake business transactions via the Internet).
 - Supporting sustainable procurement, including the new equalities agenda. (Sustainable procurement is a process whereby organisations meet their needs for goods, services and works in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the procuring organisation, but also to society and the economy whilst minimising damage to the environment).
 - Developing the Small Business friendly Concordat. (The Concordat is a commitment from the Council to encourage and develop appropriate levels of competition in local government markets in order to increase value for money and foster innovation, particularly from those businesses who may find it difficult to break into the market. These may include small and medium sized enterprises (SME's) and social enterprises).

Finance

11. The cost of the Purchasing and Payment Unit is approximately £417,000 of which about £280,000 is covered by income. The balance is included in central recharges.
12. The 2005/6 Annual Efficiency Statement identified savings against procurement activities and initiatives of £502,000.

Law

13. The Council procure works, services, and goods and materials for the whole range of its functions including by way of example for its Education function under the Education Acts, and for its highway under the Highway Act 1980.
14. The Council may do anything which is incidental to conducive to or which facilitates the discharge of its functions under section 111 of the Local Government Act 1972. This would include the purchase of goods and materials and the provision of certain buildings and civil engineering work and the development of the procurement strategy referred to in this report.
15. The Council is required to have contract standing orders containing procedures to regulate its procurement process under section 135 of the Local Government Act 1972.
16. The Council is required to comply with the European Procurement Directives in the award of contracts.

Equality Impact

17. The Council's Procurement Strategy encourages different groups from all backgrounds to work with the Council. The Council's contracts are awarded in an open, transparent manner treating all parties equally and fairly.
18. This report will have no specific effect on children and young people. There is no requirement for consultation with children and young people or the involvement of children and young people in the preparation of the report.

Recommendation

19. It is recommended that the Cabinet:-
 - (a) notes the continued progress in procurement;
 - (b) notes and endorse the progress against the National Procurement Strategy;
 - (c) notes the Government's priorities for procurement in local government for 2007/08.



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List of Background Papers
Corporate Procurement Strategy (2004-2007)

Audit Commission Report

PROGRESS ACHIEVED AGAINST 2004, 2005 & 2006 NPS TARGETS

Year	Target	Theme	Progress	Not Started	In Progress	Complete
2004	Adopt a Corporate Procurement Strategy based on a Best Value or other review (should be owned by Chief Executive, Members and Senior Officers)	1	<ul style="list-style-type: none"> • Procurement Strategy approved by the Executive. • Cabinet member for procurement identified. • Lead officer –Director of Finance • Procurement Strategy embedded. 			
2004	Strategy implementation should be regularly measured and monitored	1	<ul style="list-style-type: none"> • Procurement Steering Group – Chaired by the Director of Finance regularly review strategy and progress. • Annual Procurement Report to Cabinet • Audit Commission Review of Procurement 2005. 			
2004	The approach to partnering in construction projects and service delivery should be set out in the Corporate Procurement Strategy	2	<ul style="list-style-type: none"> • Audit Commission Review of Procurement 2005 stated “<i>the use of partnerships in highways construction demonstrates best use of buying power to benefit Dudley</i>” • Examples of Partnering and Collaboration include:- <ul style="list-style-type: none"> Construction- Mowlems, Kaevener Repairs and Maintenance- Kendricks, Others-Black Country Purchasing Consortium (BCPC), - Brokerage Service (Education), etc. 			

Year	Target	Theme	Progress	Not Started	In Progress	Complete
2004	The approach to collaboration (including purchasing consortia, joint procurement and commissioning and shared services) and how it intends to use the new trading powers should be set out in the Corporate Procurement Strategy	2	<ul style="list-style-type: none"> Key Principles Group (a sub group of the Procurement Steering Group) has determined that collaborative working can be beneficial in most contracts and should be encouraged, even where the contractor is not of a full partnering nature. Examples of Collaboration , Black Country Purchasing Consortium (BCPC), Black Country School Improvement Programme (BCSIP,)West Mids Highways, Black Country Re-cycling. 			
2004	Every Best Value or strategic review of a service should include a robust and challenging appraisal of the different service delivery models available.	2	<ul style="list-style-type: none"> Included in corporate guidance since 2000. Internal challenge provided to reviews by Chief Executive's and Internal Audit staff. Report taken to the Steering Group 17th November 2004 refers. 			
2004	All Council's, where relevant, shall consult staff during procurement projects and build employment considerations into procurement processes and contracts, including compliance with the Local Government Act2003, Circular 03/2003 and the associated code of practice.	4	<ul style="list-style-type: none"> Staff and Unions consulted on principles of externalisation of services. TUPE considered as part of the process Guidelines on service delivery and workforce matters Guidelines on Equality and Procurement. . 			
2004	Publish a 'Selling to the Council Guide' on the Council website together with details of bidding opportunities and contact details.	4	<ul style="list-style-type: none"> Selling to the Council Guide completed. Contracts and Forward Procurement Plan can be viewed on Internet Site. 			

Year	Target	Theme	Progress	Not Started	In Progress	Complete
2004	<p>Ensure the Corporate Procurement Strategy is addressing:</p> <ul style="list-style-type: none"> ➤ The relationship of procurement to the Community Plan ➤ Workforce Issues ➤ Diversity and Equality ➤ Sustainability ➤ How the Council will encourage a diverse and competitive supply market, (including SME's, Social Enterprises, ethnic minority businesses, voluntary and community sector suppliers) 	4	<ul style="list-style-type: none"> • Procurement Strategy linked to key corporate themes/strategies including Regeneration, Sustainability, Environment • Approach to service delivery reviewed. • Detailed procedural guidance notes available - linked to sustainability, environment, equality in procurement. • Training requirements reviewed • SME Business Concordat signed. 			
2004	<p>Procurement Processes for Partnerships should include:</p> <ul style="list-style-type: none"> ➤ Issuing an information memorandum to prospective bidders setting out the background to the project, the Councils objectives and an outline of the procurement process and timetable with roles and responsibilities made clear ➤ Invitation to bidders to demonstrate their track record in achieving VFM through effective use of their supply chain, including the use of small firms, this should continue as part of contract management. 	4	<ul style="list-style-type: none"> • Background and objectives are clearly defined in Scope of Project. • Project Management /Planning is built into our procedures. • Tenders refer to Supply Chain Management and the role of SME's. • Within the scope of EU Procurement Rules we encourage the use of local firms and regeneration in the area. • Standing Orders reviewed to incorporate Partnership working. 			
2004	To conclude a compact with the local voluntary and community sectors	4	<ul style="list-style-type: none"> • Put in place in 2002 and revised in 2004. • Received commendation for excellence from national compact working group. 			

Year	Target	Theme	Progress	Not Started	In Progress	Complete
2005	Carry out a health check on progress against the National Procurement Strategy guidance.	1	<ul style="list-style-type: none"> Reviewed regularly by Procurement Steering Group. Audit Commission Review 2005 			
2005	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% on the 2003 base.	2	<ul style="list-style-type: none"> Following research The Council is not prepared to commit to this target. Whilst it is important to set targets we feel this target is unreasonable and rather than reduce the project time cycle it is more important to award a successful contract without imposing time restraints. 			
2005	The Council should be involved with a regional centre of excellence in procurement and project management.	1	<ul style="list-style-type: none"> Head of Purchasing Services attends Regional Centre of Excellence procurement meetings other links/networking include:- <ul style="list-style-type: none"> -Midlands Procurement Networking Group. -BCPC -WM Highway Maintenance Joint Contracts -BCSIP -BC Waste Management Forum 			
2005	An appropriate e-procurement solution has been implemented as part of the Council's e-Government programme.	3	<ul style="list-style-type: none"> Replacement of Corporate Financial Systems (CFS) implemented. Use of Purchase Cards Central Distribution of Orders (CDO) implemented. BACS. e-Tendering implemented e-auctions being reviewed. A procurement web site has been established and provides information on how to tender and how to trade with the Council. e-procurement working group established. 			

Year	Target	Theme	Progress	Not Started	In Progress	Complete
2005	For low value purchases every Council should be making use of a procurement card or a suitable electronic alternative.	3	<ul style="list-style-type: none"> • Purchase cards were introduced in 2001. • The process is continuing to be rolled out across the authority. • Approx 550 P/Cards in use across the Authority. • £300,000 average value of transactions per month. 			
2005	Councils should identify opportunities for collaboration with neighbouring councils for shared commissioning and/or delivery of services	2	<ul style="list-style-type: none"> • Black Country Cross Authority Partnership 			
2005	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.	4	<ul style="list-style-type: none"> • Opportunities are available for contractors to offer and provide alternative services (and goods) to those specified in our tender documents to explore innovative ways of service delivery. • Standing Orders Reviewed 			
2005	The Council should have signed up for the National Concordat for SME's.	4	<ul style="list-style-type: none"> • Actioned Council Signed up November 2006 			

Year	Target	Theme	Progress	Not Started	In Progress	Complete
2006	Health check on progress should be complete and guidance should be endorsed	1	<ul style="list-style-type: none"> • Work being reviewed by Procurement Steering Group and future Action Plan to be agreed. 			
2006	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% on the 2003 base.	2	<ul style="list-style-type: none"> • (See also 2005 target) The Council has continued to consider this target but our views have not changed – we do not consider this target to be good practice for reasons previously stated • We have continued to build quality issues into our processes e.g. 'Gateway Reviews' • We shall continue to review processes to improve efficiency which we believe is the target objective.' 			
2006	The Council should be using an appropriate e-Marketplace.	3	<ul style="list-style-type: none"> • e-Market places being researched. At present not convinced this way of working will demonstrate value for money. We shall continue to research ! • Working closely with Agresso/CFS team reviewing options, implementation and costs • Monitoring developments with West Midlands Regional Centre of Excellence (WMRCoE) 			