

**Meeting of the Cabinet – 2nd November 2005**

**Report of the Director of Finance**

**Corporate Procurement Strategy**

**Purpose of Report**

1. To report progress in implementing the Council's Corporate Procurement Strategy and the results of a "health check" on progress against the National Procurement Strategy.

**Background**

2. At its meeting on 8th September 2004, the Executive considered a report which identified the significance of effective and appropriate procurement arrangements, approved a Corporate Procurement Strategy and associated action plans and appointed the Lead Member for Finance as Member Champion for Procurement.
3. In October 2003, the Government had issued a National Procurement Strategy (NPS) for Local Government in conjunction with the LGA with the expectation that every local authority would produce a corporate procurement strategy, owned by Members and Senior Managers and also by 2005, every local authority would carry out a health check on progress against the National Strategy and been involved with their Regional Centre Excellence.
4. The development of the Corporate Procurement Strategy has continued to be overseen by an Officer Procurement Steering Group, chaired by the Director of Finance and significant progress has been made in the last year by:-
  - (a) developing a comprehensive Forward Procurement Plan (FPP);
  - (b) reviewing existing working arrangements, producing corporate guidelines for procurement and reviewing standing orders to support new procurement arrangements;
  - (c) evaluating e-business opportunities, including e-procurement, e-tendering and e-auctions;
  - (d) making good progress against the key milestones in the NPS as set out in Appendix A (i.e. our "health check").
5. Although the Council has established links with the Regional Centre of Excellence, both individually and in conjunction with the other West Midlands Districts, the

Centre does not appear to have developed as originally anticipated by Government and so far, has provided limited benefit to the Authority. It is hoped, however, that further progress can be made in the current year and 2006.

6. To complement our own review of progress, I asked the Audit Commission, as part of the External Audit arrangements, to undertake an independent review of procurement activity across the Council. A copy of their full report has been placed in the Members' Library, but their conclusions can be summarised as:-

*"Dudley MBC has a (comprehensive) procurement strategy in place.....a track record of delivering excellent procurement projects....Procurement is seen as a key tool in providing efficient and effective services....The Central Purchasing Team ....is an excellent team....and is seen as a centre of expertise....e-procurement is being fully utilised by the Council"*

7. The Audit Commission made the following recommendations to build on existing good practice:-

- Develop the challenge process by members in decision making process (R1)
- Linking the Procurement Strategy with other key strategies such as Race Equality and LA21. (R2)
- Develop in-house training for procurement (R3)
- Review 'Make or Buy' options (R4)
- Consider expanding partnership contracts (R5)
- Develop 'Gateway' process in project management (R6)
- Review performance measurement (R7)

and the Procurement Steering Group has already begun to consider an appropriate course of action.

8. As part of the project to develop the Procurement Strategy a group of officers have been working to revise and develop the Council's Standing Orders. These revisions are designed to reflect the new approaches to procurement and to provide more detailed guidance to officers who undertake procurement. Associated with this is a comprehensive training programme that contains several "streams" in order to ensure that officers and members are provided with training in the new procurement procedures that is relevant to their needs. The draft of the revised Standing Orders should be completed by the end of 2005 and I will report further progress early in 2006.

## **Finance**

9. The cost of the Central Procurement Unit is approximately £386,000, of which about £280,000 is covered by income. The balance is included in central cost recharges.
10. The 2004/05 Annual Efficiency Statement identified savings against procurement activities and initiatives of £438,000.

## **Law**

11. 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 function principally under the Highway Act 1980.
12. 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.
13. 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.
14. The Council is required to comply with the European Procurement Directives in the award of contracts.

## **Equality Impact**

15. The Councils Procurement Strategy encourages all different groups from many backgrounds to work with the Council and we shall continue to develop links between procurement and other key strategies such as the Race Equality Scheme as referred to by the Audit Commission in their recommendations.

## **Recommendation**

16. It is recommended that the Cabinet:-
  - (a) endorse the "health check" of progress against the National Procurement Strategy, set out in Appendix A;
  - (b) note the good progress made in implementing and developing the Council's Corporate Procurement Strategy;
  - (c) note the conclusions and accept the recommendations from the Audit Commission's Review of Procurement Activity.



.....  
**Mike Williams**  
**Director of Finance**

Contact Officer: Ian Clarke, Head of Purchasing Services

### **List of Background Papers**

- Corporate Procurement Strategy (2004-2007)
- Audit Commission Report

**Appendix A**

**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"> <li>• Procurement Strategy approved by the Executive.</li> <li>• Cabinet member for procurement identified.</li> <li>• Procurement Strategy is being implemented.</li> </ul>			
2004	Strategy implementation should be regularly measured and monitored	1	<ul style="list-style-type: none"> <li>• Procurement Steering Group established that reviews strategy and progress.</li> <li>• Key Principles Group developing procurement activity.</li> </ul>			
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"> <li>• Partnering and Collaboration Construction Example : Kendricks, Mowlems, Kaevener</li> <li>• Service Delivery – examples of Collaboration include,               <ul style="list-style-type: none"> <li>- BCPC,</li> <li>- Highway Maintenance Joint Procurement Contracts,</li> <li>- Brokerage Service (Education), etc.</li> </ul> </li> </ul>			

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"> <li>Key Principles 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. The guide lines for this fall within the proposed action plan of the Key Principles Group.</li> <li>Examples of Collaboration BCPC, BCSIP, West Mids Highways, BC Recycling. DPC - Partnering/Kendrick.</li> </ul>			
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"> <li>Included in corporate guidance since 2000. Internal challenge provided to reviews by Chief Executive's and Internal Audit staff.</li> </ul>			
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"> <li>Staff and Unions consulted on principles of externalisation of services.</li> <li>TUPE considered as part of the process.</li> </ul>			
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"> <li>Selling to the Council Guide completed .</li> <li>Forward Procurement Plan to be developed and published by 30/09/05.</li> </ul>			

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"> <li>➤ The relationship of procurement to the Community Plan</li> <li>➤ Workforce Issues</li> <li>➤ Diversity and Equality</li> <li>➤ Sustainability</li> <li>➤ How the Council will encourage a diverse and competitive supply market, (including SME's, Social Enterprises, ethnic minority businesses, voluntary and community sector suppliers)</li> </ul>	4	<ul style="list-style-type: none"> <li>• General- Principles are established in Procurement Strategy.</li> <li>• Approach to make or buy option being reviewed.</li> <li>• Detailed procedural guidance and training to be developed.</li> <li>• Race Equality issues being reviewed and will be developed in review of Standing Orders.</li> <li>• Supporting documentation includes 'Green Purchasing Guidelines.</li> </ul>			
2004	<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 Councils objectives and an outline of the procurement process and timetable with roles and responsibilities made clear</li> <li>➤ 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.</li> </ul>	4	<ul style="list-style-type: none"> <li>• Background and objectives are clearly defined in Scope of Project.</li> <li>• Project Management /Planning is built into our procedures.</li> <li>• 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.</li> </ul>			
2004	To conclude a compact with the local voluntary and community sectors	4	<ul style="list-style-type: none"> <li>• Put in place in 2002 and revised in 2004.</li> <li>• Received commendation for excellence from national compact working group.</li> </ul>			

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"> <li>Reviewed regularly by Procurement Steering Group.</li> </ul>			
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"> <li>Average number of days to award a contract identified at 170 days (August 04).</li> <li>Reduction in time by use of PIN notices.</li> </ul>			
2005	The Council should be involved with a regional centre of excellence in procurement and project management.	1	<ul style="list-style-type: none"> <li>Head of Purchasing Services attends Regional Centre of Excellence procurement meetings.</li> <li>Midlands Procurement Networking Group.</li> <li>BCPC</li> <li>WM Highway Maintenance Joint Contracts</li> <li>BCSIP</li> <li>BC Waste Management Forum</li> </ul>			
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"> <li>Replacement of Corporate Financial Systems (CFS) being implemented.</li> <li>Purchase Cards have been implemented.</li> <li>Central Distribution of Orders (CDO) implemented.</li> <li>BACS.</li> <li>e-Tender pilot being evaluated.</li> <li>e-auctions being reviewed.</li> <li>A procurement web site has been established and provides information on how to tender and how to trade with the Council.</li> <li>(see e-procurement Action Plan)</li> </ul>			
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"> <li>Purchase cards were introduced in 2001.</li> <li>The process is continuing to be rolled out across the authority.</li> <li>Work on pilot commenced 01/02/05 to purchase goods via the Internet using purchase cards.</li> <li>Approx 250 P/Cards in use across the Authority.</li> <li>Target of £1.2m transactions 2005/6</li> </ul>			

Year	Target	Theme	Progress	Not Started	In Progress	Complete
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"> <li>Being considered by West Midlands Chief Executives and Treasurers Group.</li> </ul>			
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"> <li>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.</li> </ul>			
2005	The Council should have signed up for the National Concordat for SME's.	4	<ul style="list-style-type: none"> <li>Agreement to support.</li> <li>This initiative to be finalised in November 05</li> </ul>			
2006	Health check on progress should be complete and guidance should be endorsed	1	To be reviewed by Procurement Steering Group.			
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"> <li>Average number of days to award a contract identified at 170 days (August 04).</li> <li>Reduction in time by use of PIN notices and contracts managed centrally.</li> </ul>			
2006	The Council should be using an appropriate e-Marketplace.	3	<ul style="list-style-type: none"> <li>e-Market places to be assessed.</li> <li>Emarket place working Group set up.</li> </ul>			