

 Finance & Audit Scrutiny Committee - 13 April 2010		Agenda Item No. <div style="font-size: 2em; float: right;">7</div>
Title	Procurement Working Party	
For further information about this report please contact	Alan Rhead alan.rhead@warwickdc.gov.uk Mike Snow mike.snow@warwickdc.gov.uk	
Service Area	Finance	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	28 September 2009	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's Deputy Chief Executive, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Deputy Chief Executive	29/03/10	Andrew Jones
Chief Executive		
CMT		
Section 151 Officer	29/03/10	Mike Snow
Legal		
Finance	29/03/10	Mike Snow
Portfolio Holder(s)		Andrew Mobbs
Consultation Undertaken		
Please insert details of any consultation undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

- 1.1 The Procurement Working Party report in September 2009 detailed several key recommendations to ensure good procurement practices are adopted across the Council. This report updates members on the issues raised within that report.

2. **RECOMMENDATIONS**

- 2.1 That the report is noted, with the progress in improving procurement practices within the Council is acknowledged.
- 2.2 That the Procurement Working Party continues to meet at regular intervals to monitor the progress made with regards to the Procurement Strategy and Action Plan.

3. **REASONS FOR THE RECOMMENDATION**

- 3.1 The need for correct procurement across the Council is widely recognised. This will ensure the Council follows best practice and is beyond challenge. Procurement will also help the Council to secure further savings and efficiencies.

4. **ALTERNATIVE OPTION CONSIDERED**

- 4.1 No alternatives are proposed.

5. **BUDGETARY FRAMEWORK**

- 5.1 It is vital that correct practices are followed across the Council when procuring goods and services. Good procurement, whilst complying with legal requirements, should also contribute to the Council making savings and efficiencies. With the significant financial challenge facing the Council with anticipated declining funding, savings from procurement should be able to contribute significantly to the Council being able to maintain services whilst setting a reasonable level of Council Tax.

6. **POLICY FRAMEWORK**

- 6.1 Procurement activity complies with the Codes of Contract and Financial Practice. The Code of Financial Practice was recently reviewed and updated, increasing the emphasis on correct procurement practices. A proposed update to the Code of Contract Practice is being reported to April 2010 Executive meeting. The proposed changes to this Code include many of the items proposed by the Working Party.

7. **BACKGROUND**

- 7.1 The report of the Procurement Working Party in September 2009 included 10 key recommendations. This report updates members on the progress that has been made towards those recommendations.

5.09 Summary of Recommendations:-

- 5.09.1 ***Procurement operates below the strategic level in the District, which means that controls of third party spend is fragmented, and the ability***

to drive coordinated savings effectively is limited. The District needs to be encouraged to give more weight to this function, as part of their overall strategy for outcomes, efficiency and value for money.

Historically procurement was failing to receive adequate recognition across the authority at all levels. As a result of this the Council was failing to obtain best value from procurement, with the expenditure being fragmented across different Service Areas. Not only was this failing to deliver savings, but was an inefficient way of proceeding.

In the two and a half years that the Procurement Manager has been in post, procurement now operates at a higher strategic level across the Council. The profile of procurement has been raised across the authority. The various initiatives that have contributed to this include:-

- Many high level reports on strategic procurement to members and officers
- On-going advice being given from the Procurement Manager
- Leading members, the Corporate Management Team and the Senior Management Team have all received procurement training, in addition to many officers involved in procurement on a daily basis.
- Specialist procurement training for internal auditors
- Corporate contracts have been put in place for many supplies/services.

As a result of this, procurement is being taken more seriously across the Council, with it being recognised that good procurement should realise savings and efficiencies. However, there remain some work areas spread throughout the Council where there is a reluctance to concede comfortable ways of working to a systematic and effective professional approach, remaining within their own domain with little regard for the processes now in place. In these cases it will be imperative that the Procurement Manager's role has the authority to intervene where persuasion and the lure of best practice fail. Indeed, best practice is only fully effective when implemented throughout the Council. There is still much to be done in ensuring best practices are followed across all of the Council.

5.09.2 *It must be an immediate priority for the District, led from Chief Executive level, to conclude the important action of sharing services with other Districts by setting aggressive timescales.*

The initiative to investigate a shared procurement with the Warwickshire districts, Warwickshire County Council, Solihull Council and Coventry Council resulted in the acknowledgement that the district councils' requirements from procurement were very different to the other councils (one being a county, the others being unitaries). This was with regard to the areas of work being procured, and also the differences in possible contract sizes. It was agreed by those participating that a formal shared service on this basis would not be the best way to proceed at this time.

Investigations led by Coventry City and supported by the Chief Executives of the respective Councils are underway to see where there is opportunity for collaboration on a contract by contract basis. This is the biggest area where the Working Party's recommendations have not been sufficiently implemented. A recent report by the CBI serves to further highlight the need for a more robust approach from the Chief Executives. The CBI stated "The UK Government must

re-engineer public service delivery and improve procurement to make vital spending cuts. Savings of £130 billion could be achieved by 2015-16 through smarter spending and cutting inefficiency in procurement”

However, work is still progressing on a more informal basis with the districts from Warwickshire and Worcestershire. It is this informality that serves to highlight the point that joint procurement is too low down the scale of priority. While joint procurement is being proposed for different supplies/services, lead by different councils for which the workplan is currently being determined it is being too slowly adopted. While the Council has benefited from signing up to contracts placed by other authorities so as to gain the benefit of larger contracts this only serves to underline the point.

5.09.3 *The District’s future annual budget and work-plan should be supported by a clear statement of the procurement achievements being sought – expressed in measurable terms. All savings resulting in efficiencies must also be measurable.*

Following on from the recent “Spend Analysis” a paper was presented to the Chief Executive suggesting areas where savings may be made from procurement. These savings are being incorporated into the Corporate Business Improvement Plan which includes details of how the Council plans to eradicate the projected deficit in the Council’s future finances.

A paper is due to go to the Senior Management Team detailing the areas where it is planned to let contracts during 2010/11. This will include contracts that are due to be renewed, and also areas of work where formal contracts have not been in place. By presenting this to SMT it is proposed to ensure that the appropriate commitment is agreed at a senior level at the start of the year. It is important that this paper also identifies where shared procurement is an essential element in the placing of these contracts

5.09.4 *Where the District consistently acts alone and forestalls partnership working in procurement, and this demonstrates poor Value for Money, this should be taken into account by the Audit Commission in assessing the Authority’s Use of Resources score.*

As outlined in the response to 5.09.2, the Council does not always work alone and is open to working in partnership with others where it is going to result in improved procurement that will produce savings, efficiencies. The Council has benefited from framework agreements placed by other authorities and seeks to routinely ensure any contracts let by the Council are able to be used by others.

The informal partnership arrangements with the procurement officers from the Warwickshire and Worcestershire districts have benefited the Council in a number of ways, including the sharing of advice and ideas, as well as shared contracts.

Procurement is an issue that the Audit Commission does assess the Council on as part of the Use of Resources assessment. Acknowledging the Council’s past relatively poor position on procurement , the auditors will continue to consider all aspects of the Council’s performance here.

5.09.5 *The RIEP, in collaboration with the LGA Improvement Board, are invited to highlight to the District on at least an annual basis, the size*

of savings that are lost by not undertaking greater collaborative work and / or through greater competition in the market.

The REIP do alert the Council to potential areas where savings from procurement may be made. Also they will seek to co-ordinate joint procurement exercises. The WMRIEP support the Warwickshire and Worcestershire procurement group with advice and resource. The 'hub' of contracts available on the WMRIEP website is an excellent source of information on all contracts available to Local Authorities. A new resource is the 'collaboration corner' where Councils can put information about upcoming contract opportunities and search for other Councils to jointly work with on the procurement process, thus sharing knowledge and resource.

The Spend Analysis was commissioned and paid for by the REIP. The details of this are helping to confirm that areas where the Council will be seeking to put in place new contracts during 2010/11. The spend analysis has also identified areas of procurement where joint procurement with other Councils will potentially produce savings. The Council will be seeking to put in place new contracts in these areas during 2010/11

5.09.6 *To upgrade the position of the Procurement Manager so as to permit the person to lead and manage the development and operation of procurement activity within the Council, thereby maximising the impact of resources and value for money in delivering services within the Council.*

Response detailed under 5.09.07

5.09.7 *To finalise the Job Description of the Procurement Manager at the upgraded level.*

The Procurement Manager's Job Description was reviewed, amended and re-evaluated during 2009. The post was regraded, with the Procurement Manager now directly reporting to the Financial Services Manager within Finance.

The Procurement Manager has the respect and support of members and officers at most levels of the Council. The Code of contract Practice stipulates that officers must follow the advice of the Procurement Manager and any exceptions to this need to be agreed by the Corporate Management Team. The Procurement Manager is encouraged to make it known to senior management if there are any areas of concern, or if officers are not following the advice given.

The Executive and Employment Committee have recently agreed for establishment of the new post of Procurement Officer to report to the Procurement Manager. This additional resource will significantly strengthen the procurement activity within the Council. The new post will primarily concentrate on assisting Service Areas with renewing contracts and putting new contracts in place; this being an area of work where there is still much to be done. The creation of this post will only be most effective if the Procurement Manager's authority is sufficiently respected.

5.09.8 *To continue to incentivise Nelson La Rochelle (or a similar consultant engaged on a contingency basis) by widening their brief and areas of investigation. This will need further discussions with the Procurement Manager.*

The consultant appointed to assist with procurement during 2008/09 on selected contracts did result in some financial savings. However, it was not an efficient way of working in that it required a significant amount of support from officers of the Council. Because of this, it was agreed that it would be better to secure additional procurement resources from the establishment of the Procurement Officer post. An officer working for the Council would understand the workings of the authority better, including all the systems and procedures and be available to target priority areas. Also, this should prove to be financially beneficial in terms of the cost of the officer against the cost of a consultant. The Council will also benefit from all the savings achieved from new contracts rather than having to pay the consultants a significant proportion of the savings.

5.09.9 *Each budget holder should be considered for suitable training so that the combination of procurement and contract management can be achieved throughout the District.*

Procurement training has been provided to all senior managers and officers involved with procurement as part of their duties. In addition, the internal auditors have received training. Further training is planned for new officers whose role includes procurement. Over the next year, training is planned on contract management in recognition that procurement is concerned with far more than purchasing and tenders, and officers need to adopt good procurement practices throughout their management of contracts as the services continue to be provided. The current Waste Collection contract is a good template for examining how proper procurement and contract management need to go hand-in-hand. Without a clear contract in place any proper implementation is compromised.

5.09.10 *Clarify and resolve the respective roles of the BIP Programme Manager and the Procurement Manager and the opportunities for close working.*

The BIP Programme Manager post is no longer filled. The duties relating to that post are being carried out by the Policy Team. Whilst the BIP Manager was in post, she worked closely alongside the Procurement Manager. It is not believed that there was any overlap or duplication in their work. Whilst the BIP Manager benefits from having a good understanding of procurement, it was not central to that role. The BIP projects include many items for which procurement is a key part to enable the savings and efficiencies to be made. Individual project managers should seek procurement advice and support from the Procurement Manager at an early stage during the project.