



Committee: BUDGET AND PERFORMANCE PANEL

Date: TUESDAY, 8 MARCH 2005

Venue: LANCASTER TOWN HALL

Time: 2.00 P.M.

Councillors are reminded that as Members of overview and scrutiny they may not be subjected to the Party Whip, which is prohibited under the Local Government Act 2000.

A G E N D A

1. Apologies for Absence.
2. Declarations of Interest.
3. Minutes of the Meeting held on 1st February 2005.

To follow.

4. Items of Urgent Business Authorised by the Chairman.
5. Procurement Strategy (Pages 1 - 16)

A presentation will be given by Financial Services. Please find attached a copy of the Procurement Strategy for information.

6. Partnership Monitoring.

A briefing from Corporate Strategy.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Keith Budden (Chairman), John Gilbert (Vice-Chairman), Tina Clifford, Mike Greenall, Tony Johnson, Janie Kirkman, Peter Robinson, Roger Sherlock and John Whitelegg

(ii) Substitute Membership

Councillors (none)

(iii) Queries regarding this Agenda

Please contact Georgina Atkinson, Administration Services - telephone (01524) 582132 or email gatkinson2@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Members' Secretary, telephone 582170, or alternatively email memberservices@lancaster.gov.uk.

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LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

Procurement Strategy

August 2004

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2. Introduction
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5. Improvement and Development Plan (how we get to where we want to be)
6. Monitoring and review

1 Purpose

The main purposes of this document are to: -

- ? Give an overview of the Council's existing approach to procurement.
- ? Identify the key actions needed to ensure that the Council's approach to procurement meets corporate priorities.
- ? Map out how progress on those key actions will be monitored to ensure continuous improvement and how the overall policy and objectives will be reviewed.
- ? Ensure that an effective strategic and corporate approach is taken to procurement, which maximises the contribution it makes to achieving community, corporate, financial and service specific objectives.
- ? State the Council's overall policy and its medium term objectives for the procurement of goods, works and services.
- ? Secure commitment to effective procurement from Members and officers at all levels throughout the organisation.
- ? Encourage long-term thinking and commitment to strategic procurement issues

2 Introduction

As all areas of the Council's operations are to some extent dependent on external suppliers of goods, works and services, it is important for the Council to develop a clear strategy for how these externally provided resources are selected, acquired and managed. Even where services are currently provided in-house, a range of goods, works and services are procured externally in order to support service provision.

One of the key drivers behind this strategy is 'Best Value', which is a major element of the Government's plans for improving local government services. Best Value imposes a legal duty on all local authorities "to continuously improve the services they provide having regard to a combination of economy, efficiency and effectiveness". The duty of Best Value also imposes obligations on the Council to consult closely with service users and other parties with an interest in Council services.

Best Value is established as one of the Council's high level actions (action 5 Taking Part) defined in the Corporate Plan as 'Managing our organisation, guided by the principles of openness, integrity and accountability in our role as community leaders and ensure our services offer quality and value for money'.

In keeping with the National Procurement Strategy – providing leadership and building capacity – 'a corporate procurement strategy should define the contribution procurement will make to strategic objectives, including improving services, driving up efficiency and sustainable development and community plan objectives'.

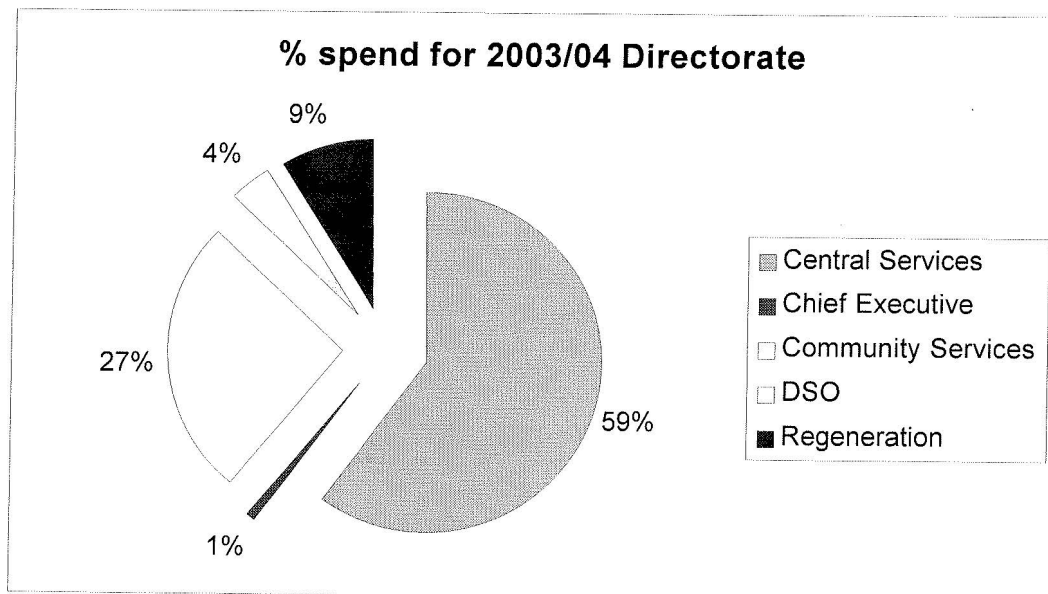
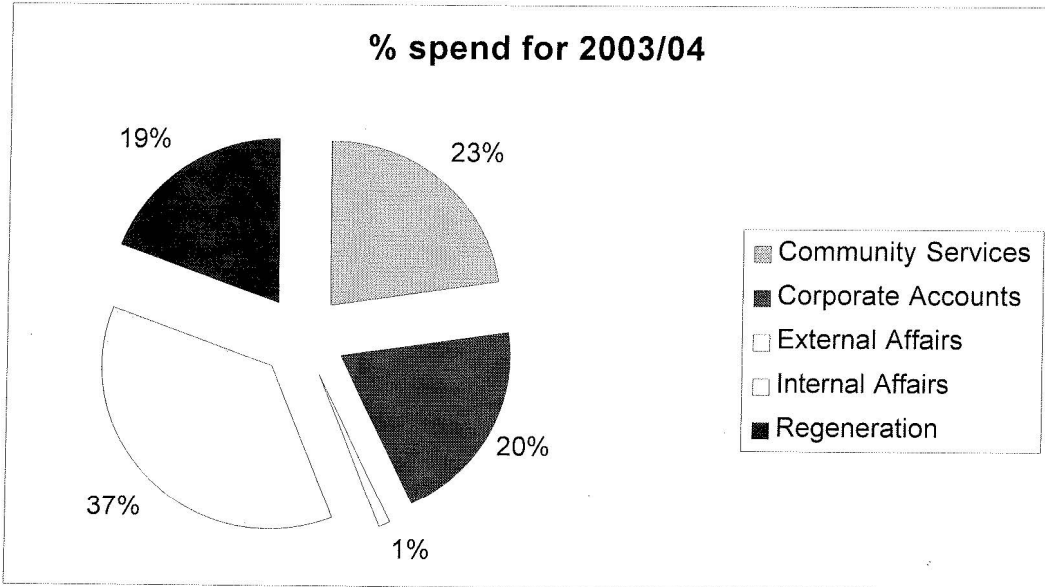
It was recommended by The Byatt Report that a review of procurement structures and processes be made as part of the Best Value review programme. The Byatt Report highlighted that local authorities need a strong corporate procurement function if they are to develop a strategic approach to their choice of service provision.

The strategy's over-riding aim is to co-ordinate procurement activity and develop the contribution of procurement to corporate priorities. The chief executive, elected members and chief officers will support procurement as a strategic, corporate priority and provide political and managerial leadership.

3 Baseline Position

The annual spend for Lancaster City Council on goods, works and services sourced externally for year ending 2003/04 was £29,297,572.

Number of invoices per annum	32194
Invoices less than £1000	92.5%
Invoices less than £100	55.7%
Average invoice value	£81



There is no corporate, comprehensive procurement function in Lancaster. Procurement is devolved to different services. The approach is largely traditional with the lowest tender receiving the contract although this is changing as services explore procurement options such as partnering and Best Value contracts.

The existing approach has a number of strengths including flexibility, speed of response and procurement is made by those with service expertise and knowledge. Some departments have robust procedures in place for procuring services.

There are however a number of weaknesses to this approach including:-

- ? The corporate policies and guidance are not always followed
- ? Lost economies of scale
- ? Duplication
- ? In the main no co-ordination and consistency resulting in costs rising
- ? No common information and knowledge sharing
- ? Silo thinking
- ? Poor IT systems
- ? No approved lists
- ? Effective procurement is not regarded as a main priority by staff
- ? Short term approach to procurement

The Council recognises the enhanced contract performance and improved customer service that partnering arrangements can deliver. Several high value/ high-risk projects have embarked on a 'Partnering' approach to procurement.

4 Procurement Objectives (where we want to be)

The procurement strategy is to support the Council's vision and its strategic objectives. In achieving this aim the Council must comply with all legal requirements, be consistent with the highest standards of integrity and ensure fairness and consistency in all its procurement.

The Byatt Report of July 2001 makes 39 recommendations for modernising and improving procurement and although not all are applicable to Lancaster, many key points are expressed within the strategy to be implemented.

Lancaster City Council will investigate and where appropriate will implement transparent methods of procurement with regard to continuous improvement as part of an innovative modern service.

The Council will procure goods and services with regard to;




- ? Developing the life cycle approach
- ? Applying effective up to date procurement procedures
- ? Optimising opportunities and technical developments
- ? Ensuring procurement helps deliver the Councils key corporate objectives
- ? The evaluation of innovative and new approaches to the provision of all acquisitions.
- ? Local Government Act 2003, circular 03/2003 and the associated code of practice.

In keeping with the National Procurement Strategy the Improvement and Development plan for Lancaster City Council will follow the Key Themes as listed below.





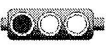

- ? Providing leadership and building capacity
- ? Partnering and collaboration
- ? Doing business electronically
- ? Stimulating markets and achieving community benefits.


5 Improvement and Development Plan
National Procurement Strategy for Local Government targets

1. Providing leadership and building capacity




	Target	National Timescale	Local Timescale	Current Position	Traffic light
1.1	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.	2004 (ongoing)	Cabinet 3 August 2004	Strategy currently being reviewed.	Green 
1.2	Every district council should have carried out a health check on progress against this National Strategy and the associated guidance as part of their corporate procurement strategy.	2006	March 2006	To be considered as Centre of Procurement Excellence (COPE) develops	Red 
1.3	Every council should be involved with a regional centre of excellence in procurement and project management.	2005	In place	Involvement in workshops. Requested questionnaire completed and returned.	Green 

2. Partnering and Collaboration



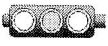


	Target	National Timescale	Local Timescale	Current Status	Traffic light
2.1	Every council's corporate procurement strategy should set out the council's approach to partnering in service delivery and in construction projects.	2004	December 2004	Guidelines for Procurement through Partnering drafted, Framework for Partnership working established.	Amber 
2.2	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.	2004	December 2004	To be considered as Centre of Excellence develops and as legal position regarding trading is clarified.	Red 
2.3	Every Best Value or strategic review of a service should include a robust and challenging appraisal of the different service delivery models available.	2004	December 2004	Review Best Value Toolkit	Amber 
2.4	? 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 2003/04 base.	2005	March 2004	Work being undertaken to determine baseline position.	Red 
	? 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 2003/04 base.	2006	March 2006		Red 
2.5	Smaller district councils without dedicated procurement resources of their own, should be collaborating with others, through the regional centres of excellence, to create shared services for procurement and project management.	2005	Complete	Procurement Officer appointed – dedicated resources in place (see also 1.3 & 2.6).	Green 

	Target	National Timescale	Local Timescale	Current Status	Traffic light
2.6	Councils should identify opportunities for collaboration with neighbouring councils for shared commissioning and/or delivery of services.	2005	March 2005	Contact for both South Lakes and Barrow Councils established. If appropriate a meeting to be arranged later in year	Amber 

3. Doing Business electronically

	Target	National Timescale	Local Timescale	Current Status	Traffic light
3.1	Every council should have implemented an appropriate e-Procurement solution as part of its e-Government programme.	2005	December 2005	Appraisal required for the development of the Financial systems. IEG funding approved by Cabinet in June 2004	Red 
3.2	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.	2005	March 2005	Plans for a pilot to take place beginning in August.	Amber 
3.3	Every council should be using an appropriate e-Marketplace.	2006	March 2006	To be considered as Centre of Excellence develops	Red 

4. Stimulating markets and achieving community benefits

	Target	National Timescale	Local Timescale	Current Position	Traffic light
4.1	Where relevant all councils shall 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.	From 2003	December 2004	Consultation is currently being carried out however this will be formalised in accordance with the modernisation of the Contract Procedure Rules	Amber 
4.2	Every council should publish a 'Selling to the council' guide on it's corporate website together with details of bidding opportunities and contact details for each contract.	2004	December 2004	'Selling guide' is published on the website and a list of contracts has been compiled, work now needs to be done on the schedule of contracts for the website.	Amber 
4.3	All corporate procurement strategies should address: ? The relationship of procurement to the community plan, workforce issues, diversity and equality and sustainability. ? How the council will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.	2004	December 2004	Draft Procurement Sustainability strategy written – with the LA21 group.	Amber 
4.4	Every council should build sustainability into its procurement strategy, processes and contracts.	2004	December 2004	Draft Sustainable procurement strategy presented to LA21 group to take forward.	Amber 
4.5	Every council should conclude a compact with the local voluntary and community sector.	2004	December 2004	Liase with Administration as to the update of the current compact.	Amber 

	Target	National Timescale	Local Timescale	Current Position	Traffic light
4.6	<p>Procurement processes for partnerships should include:</p> <p>? 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 roles and responsibilities made clear.</p> <p>? 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.</p>	2004	<p>December 2004</p> <p>December 2004</p>	'Procurement through Partnering Guidelines' established in April 2004	<p>Amber</p> <p>Amber</p>
4.7	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.	2005	March 2005	Expression given in documentation to CCS template for contracts. To be considered in updating Contract Procedure Rules.	Amber
4.8	Council should have signed up to the national concordat for SMEs.	2005	December 2005	Document not yet available in the public domain.	Red

6 Monitoring and Review

The Procurement Strategy Group of Lancaster City Council will review the Procurement Strategy on an annual basis. The group will ensure that all relevant and newly introduced legislation is taken into account. Any new developments in the purchasing arena will be evaluated and if appropriate incorporated into the strategy.

The Procurement Strategy group shall meet quarterly, with regular monitoring reports circulated to the group from the Procurement Officer detailing the progress of the Improvement and Development Plan.

The procurement strategy shall be approved by Cabinet and overseen by the Cabinet Member with responsibility for Finance. Scrutiny of progress and effectiveness will be undertaken by the Budget and Performance Panel.

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