

BUDGET & PERFORMANCE PANEL

Procurement Strategy Update 04 April 2006

Report of Corporate Director (Finance & Performance)

PURPOSE OF REPORT

To monitor progress in implementing the Council's Procurement Strategy with a view to seeing how the outcomes have, or will, contribute to the Council's efficiency targets and demonstrate value for money.

Key Decision

Non-Key Decision

Referral

X

This report is public

1. RECOMMENDATION

That Members note the progress made in achieving procurement targets and how the outcomes have, or will, contribute to the Council's efficiency and savings targets.

2. REPORT

Introduction

At its last meeting, the Panel approved a report that set out a process and timetable for reviewing the individual components within the Council's Efficiency Strategy with a view to monitor their effectiveness. The purpose of this review is to monitor not only the effectiveness of the Procurement Strategy in contributing to the Council's medium term financial strategy/Gershon efficiency targets, but also to highlight and provide evidence that the Council's procurement arrangements provide value for money

Background

Members will be aware that in October 2003 the Government launched a *National Procurement Strategy for Local Government*, which made links with other developments such as *Implementing Electronic Government* and the Government's *Rethinking Construction Agenda* (the Egan Report). Overall, the National Procurement Strategy (NPS) is designed to provide a comprehensive and co-ordinated approach to procurement in local government and it sets milestones for all Councils to achieve between 2004/05 and 2006/07.

In addition, the Government's Spending Review in 2004 placed an obligation on the public sector to achieve 2.5% efficiency savings over the spending period to 2007-08. The Efficiency Review identified procurement, amongst other things, as critical in achieving sustainable efficiencies.

Revised Procurement Strategy & Improvement & Development Plan

In July 2005, the Performance Review Committee approved an updated and revised Corporate Procurement Strategy (the original having been adopted by Cabinet in 2003) in light of major developments in best value procurement and with a view to developing a corporate and systematic approach to procurement needs and practices.

The overall aims and purposes of the revised Procurement Strategy are:

- To ensure that an effective and corporate approach is taken to procurement, which maximises the contribution it makes to achieving community, corporate, financial and service specific objectives;
- To secure commitment to effective procurement from Members and officers at all levels throughout the organisation;
- To supplement the Medium Term Financial Strategy (2005/06 – 2007/08) and the Council's strategy for achieving efficiency gains to 2007/08;
- To provide a corporate focus on procurement that assists in co-ordinating procurement activity and helps to achieve optimum resource allocation and avoids duplication;
- To plan the way forward for modernisation and continuous improvement in procurement and encourage long-term thinking and commitment to strategic procurement issues;
- To 'join up' in a single document a corporate procurement strategy which identifies and promotes the benefits of strategic procurement

In December 2005, the Performance Review Committee also approved a revised Improvement & Development Plan, which now incorporates the current position on achieving milestones set out in the NPS, as well as strategic/corporate procurement issues and targets identified during the major review of the Council's procurement arrangements and the subsequent adoption of the Corporate Procurement Strategy 2005-2008. The Improvement & Development Plan, which forms part of the Corporate Procurement Strategy, is now the key document for monitoring and reporting progress on procurement practices as a contribution towards delivering efficient service delivery and achieving the Council's priorities.

The adopted Corporate Procurement Strategy and most up-to-date Improvement & Development Plan are attached as **Appendix A** and the following paragraphs set out details of specific achievements in strategic procurement during 2005/06.

3. PROGRESS IN 2005/06

In addition to the major review of the Council's procurement arrangements and the subsequent adoption of the Corporate Procurement Strategy and Improvement & Development Plan, the following actions and targets have been, or are in the process of being, met:

Procurement Concordat for Small and Medium Sized Enterprises

A key action required by the NPS is that by 31 March 2006 *'Every Council should have signed up to the national concordat for Small and Medium Sized Enterprises (SME's)'*. In line with this requirement the officer Procurement Group produced Lancaster City Council's *Procurement Concordat for Small and Medium Sized Enterprises* which, following consultation with the Chambers of Commerce, was approved by the Performance Review Committee in December 2005.

The main purpose of this Concordat is to recognise the important contribution that local businesses can make to the delivery of public services and their impact on the national and local economy. It demonstrates how the Council will promote business opportunities for all businesses in the locality, particularly small and medium sized enterprises, and sets out standards, principles and commitments that the Council, working with SME's, aims to achieve.

The Chamber of Commerce commented that they '*...welcome and support the Procurement Concordat and will be doing everything they can to encourage a policy of local trading. This Concordat between the local authority and the local SME business community will help to meet our own strategic objectives*'. Since its adoption arrangements have been made with the Chamber of Commerce for a procurement seminar to be held in early May to officially launch the Concordat with the business community and to demonstrate how the Council will work with SME's to achieve efficiencies in procurement.

The Council's performance in engaging with SME's, including social enterprises and voluntary and community organisations, and progress towards meeting the commitments set out in the Concordat is being monitored, through the Procurement Strategy Improvement and Development Plan.

Purchase Spend Analysis

The Procurement Group have recently commissioned a service provider, Spikes Cavell & Co to analyse the Council's supplier and expenditure data. The North West Centre of Excellence (NWCE) fully supports this company, and their on-line database, Observatory, which has already been commissioned by a number of other authorities in the region.

The business case put together by the Procurement Group pointed out that an effective analysis of the Council's procurement spend and supplier base was essential to address a Government agenda that includes securing efficiency savings; meeting e-Government targets and achieving National, as well as, corporate procurement targets. The data, which is expected to be provided in June, will inform decisions on procurement opportunities and risks and help to assess their potential impact, including:

- Comparison of spend and supplier profiles with those of other Councils with a view to identifying common areas of spend and use of suppliers that might support collaborative working locally, regionally and nationally, and help identify areas of potential efficiency gains.
- Establishing which suppliers the Council has in common with other Council's in the region with a view to developing the potential for these suppliers to be in a position to move to electronic trading via an e-marketplace.
- Obtaining data on our supplier profile that will assist the Council in addressing the NPS themes around collaboration and support of Small and Medium-sized Enterprises (SME's), in particular.

The cost of the commission and subscription to the on-line database, based on 9,000 creditor records on the Council's Powersolve system, is £9,270, of which £2,000 will be funded by the NWCE following a successful application for grant.

Corporate Project Management Methodology

A key NPS milestone incorporated within the Corporate Procurement Strategy is the development and implementation of a corporate and structured approach to

programme and project management as a contribution to the successful outcome of high value/high risk projects.

In February 2006, the Performance Management Group approved the adoption of an approach suitable for a Council the size of Lancaster that is capable of being consistently applied to **any** type of project proportionate to its significance to the success of the Council, its complexity and degree of risk.

A programme/project manager group has since been set up to deliver a project management methodology for Lancaster and the provision of formal training and guidance and to establish an organisation structure for effective programme/project management that effectively monitors corporate and individual project performance towards successful delivery.

In particular the effective project management of the Council's major spending projects will ensure project outcomes will be delivered on time, in budget, and to the correct specification in the most efficient and cost effective manner.

Doing Business Electronically

Implementation of an e-procurement solution for the Council forms part of the e-Government programme (another strand of the Efficiency Strategy) and consists of a number of elements which are currently being developed or under consideration, including purchase cards; payment through BACS and an electronic purchasing solution aimed at providing a fully integrated and flexible system capable of achieving efficiencies through a reduction in time and cost needed to procure goods, works and services.

This area of procurement has been identified within the Procurement Strategy Improvement & Development Plan as a major issue for the officer Procurement Group during 2006/07 in line with developments in e-procurement regionally and nationally, to include consideration of:

- stand alone modules used to seek tenders and quotations (known as e-sourcing), and;
- the use of web-based e-marketplaces to assist with access to approved framework agreements and contracts such as the Office of Government Commerce (OGC) Buying Solutions, and;
- other web based systems such as e-Auctions.

A more detailed report on the efficiencies achieved through E Govt is scheduled for the Panel's next meeting.

4. CONCLUSION

It can be seen from the Implementation and Development Plan attached to the Corporate Procurement Strategy that a great deal has been achieved against the milestones set out in the National Procurement Strategy and those identified as essential to meeting corporate objectives and efficient service delivery. There is recognition, however that there is still much to do and through the Procurement Group and its active involvement with the regional centre of excellence, the Council will continue to learn from best practice elsewhere and to develop its capacity and capability in strategic procurement to generate further efficiencies.

A useful measure of how well the Council is doing will be provided by the Improvement and Development Agency (IDeA) and the NWCE who will be carrying out an external challenge on 29th March 2006 (in line with a NPS requirement) on the

Council's procurement performance against the NPS milestones and the procurement strand of the Efficiency programme.

This is a full day event in the form of facilitated diagnostic workshops involving senior officers and Members, in advance of which, the IDeA have been provided with the Council's Procurement Strategy, Annual Efficiency Statements and other related documents, as well as an on-line self assessment questionnaire on the Council's current strategic procurement arrangements. The IDeA and NWCE's assessment of these, as well as the feedback from the 'Challenge Day', will provide a useful 'health check' on achievements made to date and the challenges facing in the Council informing future procurement strategy. It is planned that feedback from the healthcheck challenge day will be reported into this Panel meeting.

RELATIONSHIP TO POLICY FRAMEWORK

The adoption of a Procurement Strategy to develop the Council's capacity and ability to efficiently and effectively procure goods, works and services from external suppliers is detailed in the Corporate Plan. In particular it states :-

"Listening to you to help us shape and deliver modern, high performing services that are accessible, cost effective, and of a high quality that reflect what people want and need."

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc)

The strategy and its future development will provide a framework within which procurement can support aspects such as sustainability and the achievement of other community benefits etc, on a clearer and more consistent basis.

FINANCIAL IMPLICATIONS

Certain actions will have financial implications and where appropriate these have been reflected within spending plans, e.g. Cabinet has allocated £25,000 of IEG funding towards e-procurement developments as an invest to save initiative.

Other financial aspects may arise as progress is made in implementing the strategy and these will be reported or considered at the appropriate time. Overall the adoption of the revised strategy will not result in any unbudgeted financial commitments and, conversely, should provide financial/efficiency savings through better procurement practices that will contribute to the MTFs/Gershon targets. This aspect is being analysed in more detail in considering the Efficiency Review and the Council's budget predictions for future years and in particular in preparing the Annual Efficiency Statements for Gershon.

SECTION 151 OFFICER'S COMMENTS

The Section 151 officer has been involved in the development of the Strategy as a member of the Procurement Strategy Group and has no further comments to add.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add

MONITORING OFFICER'S COMMENTS

The Monitoring officer has been involved in the development of the Strategy as the lead officer of the Procurement Strategy Group and has no further comments to add.

BACKGROUND PAPERS

The National Procurement Strategy for Local Authorities, the Corporate Procurement Strategy and Minutes and related documents of the officer Procurement Group

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