

BUDGET AND PERFORMANCE PANEL

Procurement Strategy Update 11 November 2014

Report of Chief Officer (Resources)

PURPOSE OF REPORT

To allow the Panel to consider and scrutinise progress on updating the Council's Procurement Strategy, in light of recent and ongoing national and local issues.

This report is public.

RECOMMENDATIONS

- (1) That the Panel notes the progress to date and the various issues still to be addressed in completing the Procurement Strategy update.**
- (2) That the Panel provides any feedback as appropriate in light of the associated national and local issues raised in the report.**

1 Introduction

- 1.1 As part of its terms of reference, the Panel has responsibility for scrutinising the Council's various arrangements for securing value for money (VFM), and making recommendations as appropriate. The Council's procurement framework is one aspect of such VFM measures.
- 1.2 In recent months it has been well reported that a review of the Council's Procurement Strategy is underway. This report provides an update on progress to date and recent key issues arising. It provides an opportunity for some pre-scrutiny for helping to shape the proposals, ahead of Cabinet's consideration of final draft of the Strategy.
- 1.3 It had been hoped that a full draft of the Strategy could be presented to the Panel by this time, with it then feeding into December Cabinet for final consideration. As evident through this report, however, there have been some significant developments in recent months, and more are still expected.
- 1.4 This means that as yet, the updated draft of the Procurement Strategy has not yet been finalised. Nonetheless, this is a good opportunity to update the Panel on the current position and its complexities.

2 Initial Progress on Updating the Strategy

- 2.1 Prior to this year, the Council's procurement strategies were last reviewed in around 2010. The economic, social, technological and legal factors that impact on procurement have moved on significantly since then, however. It makes sense, therefore, to undertake a full re-write to reflect these changes.
- 2.2 Nonetheless, it is clear that the landscape for procurement within the public sector will continue to evolve. In the initial re-drafting of the new strategy, the aim was to allow flexibility to respond to and implement up and coming issues and regulatory requirements, by being high level. The re-drafting drew from other local authorities' strategies and good practice, as considered relevant to this Authority's corporate priorities and ethos. The key elements from the working draft are included at **Appendix A**, but this by no means represents the full final version, as explained in the following section.

3 More Recent Developments

- 3.1 Whilst completing the initial re-write, it became evident that Local Government Association (LGA) was soon to launch a new National Procurement Strategy (NPS). Furthermore, new European Union (EU) public procurement directives came into force earlier this year and it was known that these would have impact in the UK.
- 3.2 Not long after initial work was completed on re-drafting the Council's strategy document, the LGA published its national strategy; this is attached in full at **Appendix B**.
- 3.3 Although there are common themes between the Council's working draft and the national one, there are also aspects that need further consideration and this is underway. The current aim is, as far as possible and practical, to incorporate the national strategy themes and district council recommendations into the Council's own strategy. It has not yet been decided whether this will involve any fundamental changes in presentation.
- 3.4 To add more complexities, Government have just consulted on how the latest EU Procurement Directives should be implemented in this country. The LGA's response to this complex consultation is attached at **Appendix C**. Further to the consultation, Government also sent out to all authorities a letter outlining various procurement reforms; this is included at **Appendix D**. There has been some debate nationally on how this letter fits with the consultation exercise.
- 3.5 At a more local level, back in July 2014 Council considered a motion regarding procurement, the living wage and the Public Services (Social Value) Act 2013. Work has been done to inform how best living wage considerations should be reflected in procurement strategy and associated arrangements; the outcome of this is included at **Appendix E**.
- 3.6 Finally, at the October Council meeting Members considered a further motion that had links to procurement and it was resolved.

"... the Council notes that the Public Services (Social Value) Act 2012 calls for all public sector commissioning to consider how the services

they commission and procure might improve the socioeconomic wellbeing of the area.

Accordingly, full Council resolves to ask officers to determine how they might set up a self-certification system so that companies tendering for contracts undertake, as a condition of business with the local authority, that they do not enter into tax avoidance schemes which artificially reduce corporation tax payments."

- 3.7 Although this appears a more operational matter rather than it being a strategic concern, there has not yet been time to consider how (or whether) such a system could be set up lawfully and effectively, or to determine whether it could have bearing at a strategic level.
- 3.8 Given all these recent developments and issues, to help with pre-scrutiny it is suggested that the Panel considers the following questions, to feed into the completion of the Procurement Strategy review:
- *Does the Panel consider that in general terms the National Procurement Strategy should be used as the basis for the Council's own Strategy?*
 - *Are there any particular aspects of the Council's working draft (Appendix A) or the NPS (Appendix B) that the Panel has strong views on (either way)?*
 - *Does the Panel have any points to raise regarding the note on procurement and the living wage, set out at Appendix E?*
 - *Is there any other specific feedback that the Panel wishes to give at this stage?*
 - *Does the Panel wish to have another opportunity for fuller pre-scrutiny, prior to the updated Strategy being presented to Cabinet?*
- 3.9 The timescale for completion of the strategy update is dependent upon other work pressures as well the various legislative and other matters being resolved. It is hoped that a new Procurement Strategy could be adopted by the end of this financial year, but clearly this cannot be guaranteed. As context, the procurement environment is getting more complex, rather than less so.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Any known, anticipated or potential key impacts or associated views are highlighted in the attachments to this report. (As background, impact assessments are undertaken by Government/s in developing new legislation.)

LEGAL IMPLICATIONS

Legal Services have been consulted. As referred to in the report, the final strategy document will need to meet legislative requirements.

FINANCIAL IMPLICATIONS

None directly arising at this time, but once adopted, the Strategy should support the achievement of budgetary savings and help deliver value for money.

OTHER RESOURCE IMPLICATIONS

Human Resources /Information Services / Property / Open Spaces:

None arising at this time.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has prepared this report, mainly in her capacity as Chief Officer (Resources).

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Cabinet Office Consultation Document:
"UK Transposition of new EU Procurement Directives" September – October 2014

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