

# REPORT TO SCRUTINY COMMITTEE

**REPORT OF: Strategic Director – Corporate focus**

**REPORT NO: SD33**

**DATE: 12 June 2012**

<b>TITLE:</b>	Response to the Scrutiny Committee's Procurement Lincolnshire report.	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	NA	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Councillor Mike Taylor Strategic Resources – Well Run Council	
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<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below	Full impact assessment Required: N/A
<b>Equality and Diversity</b>	<i>N/A – See point 7</i>	
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	Scrutiny Report of 21 February 2012 Cabinet minutes of 5 March 2012	

## 1. RECOMMENDATIONS

That Scrutiny Committee notes the responses from the Procurement Lincolnshire Service and from the Procurement Advisory Board.

## 2. PURPOSE OF THE REPORT/DECISION REQUIRED

To feedback to the Committee the responses to the recommendations in their report 21 February 2012

## 3. DETAILS OF REPORT

- 3.1 The Committee spent time scrutinising the performance of Procurement Lincolnshire at its meeting of 11 July 2011.
- 3.2 Members will be aware SKDC is a partner in the service which was created by the Lincolnshire shared services project in 2008. The Council pays a yearly contribution to the service and in return receives a full procurement service for

contracts. The contribution is based on a fixed element and the original level of savings first envisaged when the service was set up.

- 3.3 As a result of the work of the Committee, Councillor King produced a report which was sent to Cabinet on the 5 March 2012. Cabinet considered the report and requested that the issues and recommendations be raised with the Procurement Advisory Board at its next meeting and also directly with the service itself.
- 3.4 The report was sent to the Procurement Lincolnshire team in March, although they had previously seen the report before it had been published in the public domain they agreed to respond to each recommendation (where possible) accordingly.

There response are as follows:-

**Recommendation 1:**

*The savings definition has been agreed by Lincolnshire Finance Officers Association as follows:*

*An efficiency saving is achieved by producing the same or improved output (goods/services etc.) at a lesser cost, or the same cost if the output is improved. More efficient processes, discounts and lower costs can all result in efficiency savings.*

*This efficiency saving is calculated in accordance with the National Indicator 179 Value for Money, in the absence of any other indicator this is the basis that the calculations continue to be made:*

*The National Indicator 179, on Value for Money gains ran from 2008-09 to 2010-11 and set clear standards for the type of efficiency savings allowed to be claimed and the calculation of these savings. All savings should be cashable and should not lead to a decline in the level of service/goods offered. The Procurement Lincolnshire savings methodology differentiates between these savings and other efficiency savings.*

*The baseline costs are provided by partner authorities. Confidence levels are applied to the forecast savings which increase throughout the procurement process. These often cannot be signed off as actual by the partner authority until financial year end as they are volume dependent.*

**Recommendation 2:**

*Cumulative as well as cashable savings are captured.*

*It should also be noted that whilst there is the potential for significant savings first time round, there is still a need for work to be undertaken with partners around opportunities of standardising specifications and/or new ways of working and delivering services, this will generate significant savings for second time round procurement exercises.*

**Recommendation 3:**

*All savings are reported monthly to partners. These savings clearly state*

*whether they are actual and, if a forecast, the current confidence level applied to that forecasted figure. There is a cut off point for all partners to confirm actual savings as part of NI179 to enable this to be published in the Annual Report.*

**Recommendation 4:**

*Experience has shown that simply by exposing requirements to competition this generates savings. The baseline cost is always inflated over the duration of the contract to ensure that costs are comparable. The baseline and new contract costs are also considered to ensure that the specification requirements of the contract are the same.*

**Recommendation 5:**

*The new Strategic Procurement Board will work with the service to agree a work programme and savings targets on an annual basis and this will be approved by the Procurement Advisory Board.*

**Recommendation 7:**

*Noted. Future scrutiny reports will be circulated at the earliest opportunity.*

**Recommendation 8:**

*To be considered by the Procurement Advisory Board at its meeting on 18th April.*

- 3.5 Recommendation 6 asked that SKDC make every effort to be included in all collaborative procurement exercises going forward, clearly this is a matter for the Council itself. The council's management team has itself considered recently the annual performance report of the Lincolnshire procurement service and its future workplan. Management team has reiterated its commitment to the service and asked heads of service to ensure, where possible, that SKDC is included in all collaborative tendering exercises on the basis of the Council is involved as matter of course and the exception is to **not** be involved.
- 3.6 The scrutiny report also asked that the governance of the partnership be reconsidered and noted that the earlier report from the Procurment Lincolnshire Task and Finish Group had asked the same question. The committee questioned whether a definitive answer has been provided on this issue. This question was raised at the Procurement Advisory Board on the 18 April 2012. The board confirmed that they had considered in detail the report prepared by the Task and Finish Group, the issue regarding governance had been responded to as follows:-

*“Following a discussion at Procurement Advisory Board it was felt that the Board should continue to include both officers and members. It was considered that the Chair of the Board should be at a Chief Executive level and to be held to account to other Chief Executives and Leaders. The Chief Executive's role was also recognised to be important in ensuring member involvement.”*

**4. OTHER OPTIONS CONSIDERED**

No other options were considered because the report was for information only.

**5. RESOURCE IMPLICATIONS**

None directly arising from report

**6. RISK AND MITIGATION**

Nothing directly arising from report.

**7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

An equalities analysis was not required because the report is solely to provide the responses of Procurement Lincolnshire for the information of the Scrutiny Committee.

**8. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from the report.

**9. COMMENTS OF FINANCIAL SERVICES**

There are no financial implications arising from this report. The annual contributions to Procurement Lincolnshire for its services are provided for within the council approved budget framework.

**10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

Within its terms of reference (as laid out in Part 2, Article 6 of the Council's Constitution), the Scrutiny Committee is able to review and/or scrutinise decisions or actions taken in connection with the discharge of any of the Council's functions and to make reports and recommendations. The scrutiny of services can include those delivered directly by the Council, or as in this instance, on behalf of the Council. It is good practice that the Committee receives feedback on any recommendations it makes to help track its effectiveness and support future developments in the delivery of scrutiny.

**11. COMMENTS OF OTHER RELEVANT SERVICES**

Not applicable.

**12. APPENDICES:**

None.