

# REPORT TO CABINET

REPORT OF: Corporate Director of Finance & Strategic Resources

REPORT NO. FIN 203

DATE: 6 SEPTEMBER 2004

<b>TITLE:</b>	<b>Approval of procurement current position statement</b>
<b>FORWARD PLAN ITEM:</b>	<b>Yes</b>
<b>DATE WHEN FIRST APPEARED IN FORWARD PLAN:</b>	<b>July 2004</b>
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	<b>PFP</b>

<b>COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY:</b>	<b>ALL</b>
<b>CRIME AND DISORDER IMPLICATIONS:</b>	<b>NONE</b>
<b>FREEDOM OF INFORMATION ACT IMPLICATIONS:</b>	<b>NONE</b>
<b>BACKGROUND PAPERS;</b>	<b>Report BUS 188 to Cabinet January 2003</b>

## **1. PURPOSE OF REPORT AND SUMMARY**

This report is to update members on the latest position with purchasing at SKDC and request approval of the position statement and development of a detailed strategy in line with the National Procurement Strategy guidelines (see Appendix 1).

## **2. RECOMMENDATION**

Cabinet are requested to:

- i) To approve the position statement
- ii) To note the working plan required to produce a detailed procurement strategy within National Procurement guidelines.

## **3. CONTACT OFFICERS**

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## **South Kesteven District Council**

### **Purchasing Current Position Statement & Draft Procurement Strategy**

#### **Introduction**

1. In 2003 Cabinet approved some 15 recommendations from a best value review of Purchasing carried out in 2002. One of these was 'Develop a full Procurement Strategy and implement an appropriate education programme'. This paper attempts to start the process of compliance with that recommendation as well as providing the current position on purchasing within SKDC.
2. (Please note that the best value review looked specifically at purchasing within SKDC. Procurement in the wider sense having to some extent been covered by a Best Value Procurement Strategy adopted by the Council's Policy committee in 2001. This strategy forms part of the 'Compete' section of the Council's Best Value Review Toolkit)

#### **Definition**

3. Procurement concerns the acquisition of all goods, works and services. It relates to all expenditure by SKDC with the exception only of staff costs. (i.e. salaries & wages)

Procurement encompasses every aspect of the purchasing process from determining the need for goods, works or services, to buying and delivery in order to help an organisation's key objectives and outputs. (i.e. the whole life-cycle) Purchasing is central to the management of any operation.

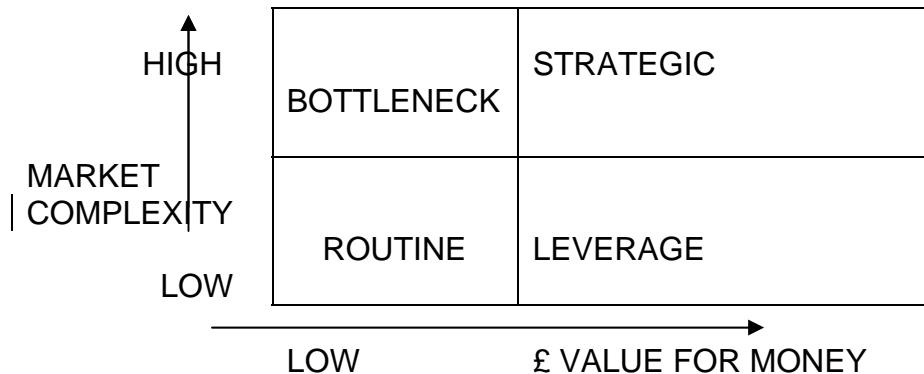
To put this into some context, in 2003/04 SKDC's annual budget (capital & revenue) is some £64m. Of this some £30m will be spent on the external provision of goods, works and services.

It is clear therefore that effective procurement across SKDC will assist the achievement of best value and help to deliver value for money, quality services.

#### **Background**

4. The Government has set milestones for a National Procurement Strategy for Local Government. The following milestones are for 2004:

- Corporate procurement strategy developed, owned by chief executives, members and senior officers.
  - Strategy's implementation regularly measured.
  - Approach to partnering in construction and service delivery set out.
  - Approach to collaboration and new trading powers set out.
  - Appraisal of service delivery models included in Best Value reviews.
  - Staff consulted on employment issues in procurement processes and contracts.
  - 2003 Act and 03/2003 Circular built into processes and contracts.
  - Publish a Selling to the Council guide (website).
  - Ensure corporate procurement strategy is addressing sustainability and equality issues, helps to achieve the community plan and involves the voluntary sector.
  - 
  - Conclude a compact with the local voluntary and community sectors.
- 5 The focus of the best value review was on the Council's purchasing policies and the actions implemented mean the Council does have a good base for purchasing. The position statement highlighted other good procurement practice but some of the milestones will be difficult to achieve in the timescale.
6. To this end a procurement healthcheck with IDEA has been booked for November. There is work that can be done in advance of that; in particular the classification of procurement into the following grid:



- 7i). Bottleneck areas include things like Swimming Pool chemicals or Grit. A complex market with relating high prices and little scope for improving them.
- ii) Strategy is the area that the wider procurement issues are covered; eg Leisure Trusts, Hyder type models; Partnering Arrangements. These are

characterised by high switching costs so must be assessed carefully with resultant contracts being for long period to ensure payback.

iii) Routine

The supplies and services parts of the procurement model. Some purchasing will remain in this category because of the nature of spend. The purchasing best value review identified purchasing champions for certain supplies and services and this has helped push some of these into the leverage box. Other measures include the use of purchasing cards and E-procurement - aimed at reducing the administration cost of dealing with routine purchases.

iv) Leverage

This category relates to those elements of procurement where there is more buying power. Elements of purchasing are aggregated together to provide leverage in purchasing negotiations eg P.C's, stationery etc.

8. Generally the purchasing best value review has focussed upon the leverage box. The next development of procurement needs to focus upon the strategic box.

9. Purchasing Best Value Review Update

As mentioned in the introduction SKDC carried out a purchasing best value review and identified a number of weaknesses in its arrangements that need to be addressed to assist the process of achieving best value from its resources. It was acknowledged that best value is now an important part of local service delivery and thus procurement needs a higher profile.

The review stated that 'Procurement should now be everyone's concern and not just that of a small number of officers who deal with it on a day to day basis'.

(Full details on the arrangements in place at the time of the review can be found within the review documents held by the Best Value Team in SKDC Treasury)

The main improvements from the purchasing review were:

1. Completion of new standing orders and revised financial regulations
2. Review of authorisation limits and management within SKDC
3. Create Purchasing Champions for specific areas
4. Develop action plans for each champion area
5. Consult with supply base
6. Develop and roll out e-procurement
7. Develop a full Procurement Strategy

All these areas would be backed up with adequate training and education. Work has commenced on many of these improvements with a Purchasing

Performance Management Group (PPMG) being responsible for their delivery. This document comes from the PPMG's work.

## 10. Progress

Items 1, 2, & 3 had been completed. Council approved new standing orders and revised financial regulations in June 2003; revised authorisation limits and changes to management arrangements were rolled out in July 2003.

Purchasing Champions now exist throughout the authority in the following areas:

- Energy – handled by Paul Cameron, the Council's Energy Manager based in the Property Services Section. Paul is responsible for the procurement of all utilities (gas, water & electricity) for all the authority's assets (both Housing and General Fund)
- Building Works – Alec Prentice (Property Surveyor) and Duncan Lucas (Project Officer) both from the Property Services Section. In conjunction with their services managers they handle all revenue based building works
- Information and Communication Technology – all IT related procurement (hardware, software and IT consumables) is handled by Jackie Pantling (Head of IT Services) and Gary Andrew (IT Support Co-ordinator). At the current time Susie McCahon (Property Services Office Manager) administers all telephony (landlines & mobiles). It is anticipated that responsibility for telephony will pass to the IT section in the next few months as the Council introduces it's internet protocol telephony solution
- Fleet Management – Alec Ahrens (Transport Officer) in the Contract Monitoring Section is responsible for the procurement of all vehicle-related expenditure, both capital purchases and running costs. This extends to all our pooled vehicles, Care Services vehicles and the Works Organisation fleet. Alec also undertakes some administrative functions in relation to the Waste Management fleet of vehicles, almost all of which are leased
- Facilities Management – David Fenney (Property Surveyor) and Susie McCahon are the champions in this area which includes all facilities related supplies & equipment
- Stationery – Mike Collins (Print Unit Supervisor) procures all high demand/low cost stationery items for SKDC. This includes all the paper requirements for SKDC

These champions are in the process of writing guidelines and action plans for their specific areas. This will further enhance effective and efficient procurement at SKDC

As well as these Purchasing Champions we also have appointed Purchasing Advisors/Specialists for the following areas:

- Contract Initiation including OJEC compliance – Pauline Chadwick (Business Management Officer) and Trevor Burdon (Design manager) are the Council's experts in this area
- Legal Advisor – Lucy Youles (Solicitor to the Council) covers legal aspects
- Contract Management – Garry Knighton (Contract Services Manager), Paul Stokes (Surveying Manager) and Brian Ball (Works Manager)

All these officers will provide advise in their specialist area on request

Items 5 & 6 have yet to be actioned. After the adoption of procurement strategy for SKDC the Purchasing Champions will be asked to both review their supply base and carry out suitable consultation. It is intended to dovetail this in with the requirements of the Government's electronic agenda, which will require SKDC to provide an electronic solution on ordering, invoicing and payment. This does mean however that a new purchase ledger system will be needed. The Council has acknowledged it needs to replace its existing ledger system, which includes a purchase ledger system. This is planned for the end of 2004.

## 11. Procurement Methods

The progress mentioned above shows that procurement is a priority at SKDC. As well as improving procurement skills within the authority our approach shows we are seeking best value for money on both our purchases and savings through more efficient procurement.

Further evidence of our progress can be seen in some of our service delivery methods.

## 12. Collaboration & Partnership

There are a number of examples where we have used collaboration and partnership in recent times. We joined with our Welland Partners in a number of software procurement exercises and with a neighbouring Lincolnshire authority to secure funding for kerbside recycling services. At the present time we have a contract with Peterborough City Council for the provision of a 5-weekly kerbside glass recycling service to 10,000 properties in the south of our district.

## 13. Partnering

In keeping with best practise following the Government review carried out by John Egan, (relating to the built environment and sustainable communities) the Council has entered into a number of partnering contracts, all relating to work our housing stock. Examples are:

Gas Servicing – Walmotts Ltd  
Solid Fuel Servicing – J Tomlinson Ltd

Kitchen Refurbishments – Mowbeck Construction and our DWO  
Doors – Swan Doors and the DWO  
Roofing – Manor Roofing and John Ball Roofing

#### 14. Procurement Strategy

Procurement is not an end in itself. It should be used to further the objectives of SKDC. We already have a number of purchasing policies and practices in place. A corporate procurement strategy will bring together all these policies and thus raise the profile of procurement at SKDC and ensure all members and officers have buy in.

The following is a draft strategy for consideration.

## **SOUTH KESTIVEN DISTRICT COUNCIL**

### **Draft Corporate Procurement Strategy**

#### **1. Vision**

To obtain best value through planned and skilful procurement, in respect of all goods, works and services sought by SKDC

#### **2. Strategic Aims for Procurement**

The aims of SKDC's Corporate Procurement Strategy are that it should:

- Support the authority's corporate objectives
- Provide a common framework for the full range of procurement activities
- Ensure commitment to effective procurement from members & officers
- Encourage strategic procurement planning when preparing annual business plans and budgets
- Manage risk effectively
- Make use of technology where possible
- Promote equality and fair treatment in the procurement of goods, works and services
- Encourage working with others in the public, private and voluntary sector to widen the scope for innovative service delivery
- Ensure that an assessment of suppliers performance, commitment to sustainable development and workforce issues (e.g. health & safety) form an integral part of the procurement process
- Ensure all our procurement activities operate within EU and UK legislation

#### **3. Key policies for Procurement**

SKDC already has a number of policies in place, which may not make specific reference to Procurement. To make sure our strategic objectives for procurement are achieved those policies need to be enhanced by the following key policies for Procurement.

- Best Value

SKDC is committed to improving the economy, efficiency and effectiveness of all its activities and it will purchase goods, works and services so as to achieve best value

- Customer Needs

SKDC will take account of the needs of customers, both inside and outside the authority in the purchase of goods, works and services.

- Standard of Conduct

SKDC will attempt to ensure that in all its procurement activity both Members and Officers observe the highest standards of conduct. This will include compliance with the principles set out in the Council's constitution, financial regulations, standing orders and the code of conduct for members

- Management of Contracts

SKDC will ensure that arrangements are in place to adequately manage all contracts with a view to achieving completion on time, within budget and in accordance with the specification

- Risk Management

SKDC will ensure that risk to the authority and the community it serves, is properly recognised in all its procurement dealings. The authority will identify, evaluate potential consequences and manage any risks at every stage of the procurement process

- Equal Opportunities

SKDC recognises and values the diversity of the community it serves and will work to ensure its procurement promotes equality of opportunity for all. It also would like its suppliers to share these values

- Health & Safety

SKDC has in place its own corporate health & safety arrangements. Health & Safety provisions also form part of our agreed contract procedures. The authority will monitor compliance within its contract letting

- Competition

SKDC will ensure that any goods, works and services purchased will be via a mixed economy of suppliers from the public, private and voluntary sectors, according to which supplier offers best value. Competition will be seen to support economy, effectiveness and efficiency in our expenditure

- Local Economy, Environmental Protection and Crime & Disorder

In purchasing goods, works and services SKDC will actively seek to promote the local economy, to protect the environment (green products,

green energy) and reduce the opportunities for crime & disorder provided this is consistent with any other Council policies

- Employment

SKDC is committed to being a good employer. It will ensure that staff are consulted on procurement matters where it is likely there are implications for the terms and conditions of staff. In the event of any transfers of services to other agencies SKDC will ensure that the conditions are protected as far as is legally possible

Kevin Martin  
Business Management Services  
August 2004

**National Procurement Strategy for Local Government  
Milestones**

**Our vision is that by 2006 all councils will be:**

- Delivery significantly better quality public services that meet the needs of citizens through sustainable partnerships with a range of public, private, social enterprise and voluntary sector organisations
- Operating a mixed economy of service provisions, with ready access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector groups
- Achieving and demonstrating continuous improvement in value for money by collaborating with partners at local, regional, national and European levels
- Obtaining greater value from all categories of procurement expenditure through a corporate procurement strategy and the necessary resources for implementation
- Realising community benefits
- Stimulating markets and using their buying power creatively to drive innovation in the design, construction and delivery of services.

**Themes**

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

**By 2004**

- Corporate procurement strategy developed, owned by chief executives, members and senior officers
- Strategy's implementation regularly measured
- Approach to partnering in construction and service delivery set out
- Approach to collaboration and new trading powers set out
- Appraisal of service delivery models included in Best Value reviews
- Staff consulted on employment issues in procurement processes and contracts
- Publish a Selling to the Council guide (website)
- Ensure corporate procurement strategy is addressing sustainability and equality issues, helps to achieve the community plan and involves the voluntary sector.
- Conclude a compact with the local voluntary and community sectors

**By 2005**

- Health checks against National Strategy (single tiers and county councils)
- Centres of Excellence involved (districts and upper tiers)
- Average time from OJEU notice to contract award reduced by 10%
- Smaller districts collaborating with others for shared services
- All councils co-operating regionally via networks of centres of excellence
- Appropriate e-Procurement solution implemented
- Using government procurement card/equivalent for low value purchases
- Progress being measured
- Relationship of procurement to community plan addressed
- Workforce diversity, equality and sustainability issues addressed
- Diverse and competitive supply market encouraged
- Sustainability built into procurement strategy, processes and contracts
- Concordat for SMEs and voluntary sector compact concluded
- Information Memorandum to prospective bidders included in processes
- Invitation to bidders to demonstrate effective use of supply chain included
- Give bidders option to specify benefits under community plan

**By 2006**

- Health checks against National Strategy (districts)
- Average time from OJEU notice to contract award reduced by 25%
- Accessing an appropriate e-Marketplace

