

IDeA Procurement Fitness Programme

Visit to South Kesteven District Council 5th April, 2005

1. Introduction

The visit to South Kesteven District Council was part of a national programme of Procurement Fitness Checks (peer reviews) carried out by the Improvement and Development Agency (IDeA) at the invitation of the council's chief executive. The purpose of the Fitness Check is to identify current strengths and the issues that need to be addressed if procurement best practices are to be adopted.

The basis of the assessment was a 'benchmark' of procurement best practice. The benchmark includes the recommendations set out for councils in the *National Procurement Strategy for Local Government* (NPS) under the themes:

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

The IDeA developed the Procurement Fitness Programme as part of its contribution to *Towards a National Strategy for Local Government Procurement*, the LGA/ODPM joint response to the Byatt Report. The subsequent NPS advocates that every district council should have carried out a health check on their progress against the Strategy by 2006 – the Fitness Check satisfies that expectation. The Fitness Programme has the endorsement of the Chartered Institute of Purchasing and Supply (CIPS) and the Society of Procurement Officers in local government (SOPO).

The visit forms the first stage of the IDeA Fitness Programme, the second stage being continuing support to South Kesteven District Council in the development and implementation of a Fitness Plan to address the issues raised during the visit, and the third stage being a review of progress in approximately twelve months time.

The Fitness Check Team comprised two IDeA staff, namely, Melinda Johnson (Principal Procurement Consultant and your Relationship Manager) and Steven Locker (Procurement Consultant).

Kev Martin was the authority's co-ordinator for the visit.

The visit took place on 5th April 2005.

The Fitness Check comprised document analysis, telephone interviews, face-to-face interviews and diagnostic workshops. In all 17 interviews were carried out together with two workshops. The Fitness Check Team appreciates the contribution of all those members and officers who participated, particularly their frankness and openness. Appendix 1 lists the names of all those who contributed to the Fitness Check.

The findings, which follow, are presented under the four themes of the NPS.

2. Findings

Providing Leadership and Building Capacity

Strengths

- 1) The Fitness Check Team found an openness to embrace external challenge. This had previously included an IDeA Peer Challenge in September 2003 and a CPA Refresh by SOLACE in October 2004. The IDeA Procurement Fitness Check adds further external challenge.
- 2) We were pleased to learn that South Kesteven had completed a Best Value Review of procurement, using the Procurement Excellence Model, in 2002.
- 3) We were impressed to find that the council had designated an officer procurement champion and that an executive member, with procurement in his portfolio, had been appointed procurement champion. The IDeA has produced a discussion paper on the role of procurement champions which may be of use in the development of the procurement champion roles:
http://www.idea.gov.uk/procurement/procurement_champions_roles.pdf
- 4) The Fitness Check Team were delighted to find that the council had recognised the need to create a procurement resource and were planning to advertise for a procurement officer.
- 5) We were impressed by the council's lead buyer culture that had resulted from the Best Value Review of Procurement in that, for example, Property Services procures all hygiene requirements for the council and the ICT unit procures all ICT requirements on behalf of the council. However, we would encourage the council to review this approach in the light of the intention to appoint a procurement officer.

- 6) The Team were impressed that the council had received both half days of Member and Senior Managers' procurement training in February and March 2005.
- 7) We were pleased to find that the council had produced a corporate procurement strategy.
- 8) The Team were impressed to find that the council has developed a draft corporate approach to project management based on the principles of PRINCE2. We found evidence that the council has delivered large projects successfully, such as, the Meres Leisure Centre and the industrial site for Park Air.
- 9) We were encouraged to learn that portfolio holders are involved in procurement projects from the outset, for example, the Science Discovery Project.
- 10) The Team were pleased to find that South Kesteven has implemented a corporate approach to risk management.
- 11) We were pleased to find that a corporate performance management strategy has been implemented in the council.
- 12) The Fitness Check Team were encouraged to learn that the council is developing a mixed economy approach to service delivery and utilising a new formal market testing methodology; for example, waste management has recently been brought back in house, leisure is outsourced although the council is currently exploring leisure trusts, and recommendations for transfer of the housing stock are currently being considered.
- 13) We were encouraged to find some framework contracts in place, for example, for stationery and photocopiers.
- 14) The Team were pleased to find that the council uses price/quality matrices to assist with securing value for money.

Issues to Consider

- 15) We would suggest that the council adopt a wider strategic procurement management approach and embed that within its service planning. This would include the council mapping its procurement expenditure using a 'portfolio' approach (risk/value matrix) and developing appropriate strategies. From that South Kesteven should identify areas where procurement resources can have most impact, the appropriate skills and techniques for each type of procurement, the appropriate level of senior officer and member involvement, and the preferred procurement strategy.

- 16) The Team felt that the council would benefit from formalising the roles of members in strategic procurement management and the associated processes. Consideration could be given, for example, to how members can be more effectively engaged earlier in the process (defining the desired outcome), challenging the options appraisal, scrutinising the procurement processes, and in post-contract monitoring and management. In progressing this issue the council may find it beneficial to refer to both the *IDeA Members' Guide to Procurement* which is available for download from IDeA Knowledge at, <http://www.idea-knowledge.gov.uk/idk/core/page.do?pagelId=187390> and the Centre for Public Scrutiny's briefing document, *Scrutinising strategic procurement* (which can be downloaded from <http://www.idea.gov.uk/procurement/cfps-procurement.pdf>).
- 17) The Team suggest that the council should develop a 'procurement approach' at the start of every major procurement project and integrate 'gateway reviews' into its draft project management methodology for major procurement projects as a means of controlling risk and ensuring accountability. We felt that the use of 'gateways' could provide a potential opportunity for the engagement of scrutiny in the strategic procurement process.
- 18) The Fitness Check Team suggest that there is a need to review and update the council's approach to Best Value Reviews. That review should reflect the Best Value and Improvement circular (ODPM Circular 03/2003), particularly with regard to workforce matters and incorporating procurement know-how throughout the Reviews. We felt there was a need to introduce a more transparently robust and rigorous approach to options appraisal during Best Value Reviews and procurement projects; qualitative and quantitative factors could be considered including risks, costs and benefits associated with a wide range of options. The Strategic Partnering Taskforce has useful guidance on options appraisals which can be downloaded from http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/downloadable/odpm_locgov_027592.pdf We would also encourage the council to consider opportunities for introducing 'collective choice' in contracting¹.
- 19) We felt that the council should carry out a corporate procurement training needs analysis and develop a strategy for both members and officers to develop the associated competencies (the IDeA procurement skills framework could assist the council in addressing this issue (<http://www.idea.gov.uk/procurement/?id=skills>)).

¹ The recently published NLGN report, making Choices: how can choice improve local public services?' may be helpful in progressing this discussion.

- 20) The Team suggest that the council develop a procurement code of practice; we believe that this has a particularly important role to play in a devolved structure, such as that of South Kesteven.
- 21) The Fitness Check Team believe that the corporate procurement strategy should be developed to include detailed plans that are aligned with both the council's strategic objectives and the NPS. In particular, the procurement strategy plans should address:
- opportunities for further coordinated procurement within the council;
 - sustainable procurement including social aspects;
 - creating opportunities for SMEs and the 3rd sector;
 - equalities;
 - managing risk;
 - collaboration with others;
 - constructing excellence;
 - e-procurement;
 - efficiency.
- 22) The Team felt that there is a need to review and develop an appropriate governance structure for procurement. Whilst not wishing to predetermine the outcomes of that review, we would suggest that the officer procurement champion convenes a procurement board to provide strategic direction for the operational work of the lead buyer network known in the council as the 'procurement champions'. The procurement board would be responsible for further implementing the corporate procurement strategy, ensuring that roles and responsibilities are clear, best practice is adopted and that appropriate procurement skills and training are developed, and that gateways are embedded into strategic procurements.
- 23) The Team believe that the council should introduce a performance management system for procurement. The system should aim to have clearly allocated responsibilities and measures (strategy, major projects, purchasing and equalities). It should measure the effectiveness of procurement and include reporting and reviewing mechanisms that assist in targeting areas for improvement. The Audit Commission and the IDeA have published a library of local performance indicators for procurement which can be downloaded from <http://www.local-pi-library.gov.uk/library.asp>
- 24) The Team felt that systems to ensure compliance with internal and external requirements such as the EC Procurement Directives should be reviewed. It was a concern to the Team that existing systems, in general, may be too reactive and that a more proactive approach would be appropriate.

- 25) The Team felt that the council would benefit from developing procurement pages on its intranet to include all its tools and templates, terms and conditions, contracts register, procurement code of practice, lessons learned, etc., so that a repository of information can be developed for use by all those involved in procurement. We recommend that the council captures lessons learned from projects through end of project reviews and includes these in the proposed repository of procurement know-how.

Partnering and Collaboration

Strengths

- 26) The Fitness Check Team were impressed by the council's role in the Welland Partnership with whom the council has procured a CRM system as well as consultancy for ICT and housing strategies. South Kesteven has shared two trainee solicitors with the Welland Partnership and currently shares a Head of IT.
- 27) The Team were pleased to learn of South Kesteven's collaboration with North Kesteven and East Lindsey councils for the procurement of 360 degrees appraisal training, and its collaboration with Boston Borough Council on the procurement of equalities training and audit services.
- 28) We were impressed to find that South Kesteven supplies legal services to other neighbouring councils such as Melton Mowbray and Rutland; that the council provides emergency call-out services for South Holland and that it provides CCTV services to both North Kesteven and the hospitals trust.
- 29) The Team were pleased to find the council procures kerbside glass recycling from Peterborough City Council.
- 30) We were encouraged to learn that South Kesteven had sought best practice in collaboration on back office systems for revenue and benefits from Breckland Council, which it intends to use in a similar collaboration with South Holland District Council.
- 31) The Fitness Check Team were pleased to find that the council purchased its Housing Management System through OGC Buying Solutions S-Cat.
- 32) We were pleased to learn that South Kesteven is involved in the Lincolnshire Procurement Group as well as several other county-wide best practice groups, such as, the Lincolnshire Finance Officers' Group, Lincolnshire Personnel Group and Lincolnshire Waste Group.
- 33) The Fitness Check Team were pleased to find that the council is moving towards partnering by employing 'Perform 21' terms and

conditions and that it has a partnering relationship with its gas servicing contractor who is based on council premises enabling more flexible working.

- 34) The Review Team were impressed by the council's active involvement with the Regional Centre of Excellence (RCE), for example, a multi-project bid for funds has been made to the RCE through the Lincolnshire Finance Officers' Group (chaired by the South Kesteven Officer). An example of one of the proposed projects is a business process re-engineering project for South Kesteven and South Holland.

Issues to Consider

- 35) The Fitness Check Team believe that the council should explore options for efficiency gains through the further use of consortia and OGC Buying Solutions, whilst regularly checking that such arrangements continue to provide best value for money.
- 36) The Team felt that, conscious of the 2005 and 2006 NPS milestones, the council should calculate its baseline time from placing an OJEU notice to contract signature.
- 37) We would also encourage the council to set out its approach implementing 'Constructing Excellence'. The Team felt that the lessons learnt by the Rethinking Construction Beacon Councils may be helpful <http://www.idea-knowledge.gov.uk/idk/core/page.do?pagelId=72123>. Should you want to identify how one of the Beacons may be of further assistance, please contact the Beacon's enquiry line on 020 7296 6587.

Doing Business Electronically

Strengths

- 38) We were encouraged to find that the council has an eagerness to learn more about e-sourcing, e-procurement and purchasing cards, and that the council has developed an e-tendering approach that has been used for three separate procurements.
- 39) We were pleased to learn that the council has set up an e-procurement project team and has arranged to see demonstrations of e-procurement systems. Similarly, we were impressed to learn that the council is undertaking a review of its procurement processes with a view to re-engineering them prior to the e-procurement implementation.

Issues to Consider

- 40) The council do not at present have an e-procurement strategy. The Team believe that such a strategy is fundamental in maximising the potential benefits of e-procurement and ensuring the most appropriate incremental approach. Equally, the Team felt that use of 'soft e-options', such as purchasing cards could be more fully explored. We would encourage the council to make use of the work of the NePP (the National e-Procurement Project) <http://www.idea-knowledge.gov.uk/idk/core/page.do?pagelId=1002> .

Stimulating Markets and Achieving Community Benefits

Strengths

- 41) The Fitness Check Team were impressed to learn of how the council worked in partnership with a local firm, enabling them to continue to stay in the area and provide valuable local employment. The council procured a site for the firm and worked with them to design suitable buildings that they then leased from the council.
- 42) We were impressed by South Kesteven's intervention with the Youth Hostel Association (YHA) that enabled the youth hostel at Thurlby to remain open and provide valuable trade for local businesses. The council collaborated with the Welland Partnership and the county council to procure the building, which they now lease back to the YHA.
- 43) We were impressed that the council is adopting the Commission for Racial Equality's procurement guidance.
- 44) The Review Team were pleased to find that the council has involved tenants, from an early stage, in the options appraisal for the council's housing stock.

Issues to Consider

- 45) The Fitness Check Team encourages the council, in line with the recommendations of the NPS, to develop a voluntary sector compact.
- 46) The Team felt that there are further opportunities for the corporate procurement strategy to more explicitly address 'achieving community benefits'. The IDeA guidance *Sustainability and Local Government Procurement* <http://www.idea.gov.uk/procurement/?id=sustainable> may be helpful in respect of sustainability; as should the OGC/Home Office *Think smart*

... *think voluntary sector!*: Good practice guidance on procurement of services from the voluntary and community sector' which is available at [http://www.ogc.gov.uk/embedded_object.asp?docid=1001957 -xml=pdf_hl?PAGE=23&DB=OGC&URL=http://www](http://www.ogc.gov.uk/embedded_object.asp?docid=1001957-xml=pdf_hl?PAGE=23&DB=OGC&URL=http://www)

- 47) We suggest that the council develop a comprehensive contracts register and publicise details of its procedures, forthcoming contracts and persons to contact regarding those contracts, on a section of the council's website aimed at suppliers (including SMEs and voluntary organisations).
- 48) The Fitness Check utilised a 'mystery shopper' exercise in which we took on the role of an SME trying to sell services through the council's website but were disappointed not to receive a response. The Team felt that, in line with the recommendations of the Better Regulation Task Force report *Government Supporter and Customer*, the development of SMEs to gain council business would merit attention <http://www.brtf.gov.uk/docs/pdf/smeprocurement.pdf>. We also encourage the council to sign up to the 'Small Business Friendly Concordat' http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/downloadable/odpm_locgov_035612.pdf
- 49) The Team felt that the council should consider the use of regular supplier surveys and structured 'internal customer' perception surveys to target areas for procurement improvement.

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3. Summary

Based on our findings the Fitness Check Team concluded that the priorities for action in South Kesteven District Council are:

1. Develop the corporate procurement strategy and associated action plans to ensure timely achievement of NPS milestones;
2. Develop an e-procurement strategy;
3. Adopt a strategic procurement management approach including mapping procurement expenditure using a 'portfolio' approach (risk/value matrix) and developing appropriate strategies; adopting the strategic procurement cycle and gateway approach;
4. Clarifying further the respective roles and responsibilities of executive, scrutiny and officers in the procurement process (including, for example, definition of outcomes, options appraisal, contract management and gateway reviews);
5. Develop an appropriate organisational and governance structure for procurement to reflect the council's procurement needs;
6. Undertake procurement skills analysis for members and officers and develop appropriate training programmes;
7. Review systems to ensure compliance with internal and external procurement rules;
8. Develop a performance management system for procurement;
9. Sign the Small Business Friendly Concordat.

4. Next Steps

The IDeA welcomes feedback on this report. We would also welcome the opportunity to work with South Kesteven District Council on the development of a Fitness Plan which tackles the issues raised in this report and helps you achieve the best practice standard. Support with the development of a Fitness Plan is available at no cost from IDeA. Please contact Melinda Johnson, your Relationship Manager, (Melinda.Johnson@idea.gov.uk) if you would like to access this continuing support.

IDeA recommends that you review progress with the Fitness Plan in 12 months time and that you invite the Team back to assist with that process.

Melinda Johnson
Principal Procurement Consultant
IDeA
20 April, 2005

Appendix 1

IDeA PROCUREMENT FITNESS PROGRAMME

List of Interviewees/Participants

South Kesteven District Council 5th April, 2005

Interviews

Alex Ahrens	Transport Officer
Chris Sharp	Corporate Manager of HR and Organisational Development
Cllr Bryant	Cabinet Member and Procurement Champion
Cllr Lovelock	Chair of Capacity and Resources Development and Scrutiny Panel
Cllr Neal	Leader
Cllr Nicholson	Chair of Economic and Cultural Development and Scrutiny Panel
Duncan Kerr	Chief Executive
Ian Yates	Corporate Director of Operational Services
Jackie Pantling	ICT Unit Manager
John Blair	Corporate Director of Finance and Strategic Resources
John Slater	Head of Leisure and Cultural Services
Lucy Joules	Solicitor
Nick Goddard	Corporate Manager, Democratic and Legal Services
Paul Stokes	Property Services Surveying Manager
Pauline Chadwick	Business Management Officer
Susie McCahon	Property Services Office Manager
Trevor Burdon	Property Services Design Manager

Officers' Workshop

Jackie Pantling	ICT Unit Manager
John Blair	Corporate Director of Finance and Strategic Resources
John Slater	Head of Leisure and Cultural Services
Lucy Youles	Solicitor
Nick Goddard	Corporate Manager, Democratic and Legal Services
Paul Stokes	Property Services Surveying Manager
Pauline Chadwick	Business Management Officer
Trevor Burdon	Property Services Design Manager

Members' Workshop

Cllr Bryant
Cllr Carpenter
Cllr Cartwright
Cllr Hurst
Cllr Martins-Mayhew
Cllr Neal (Leader)
Cllr Nicholson