

Report of	Meeting	Date
Director of Legal Services and Head of Customer, Democratic and Office Support Services.	Overview and Scrutiny Committee	02/03/06

DELIVERING THE CORPORATE PROCUREMENT STRATEGY

PURPOSE OF REPORT

- To bring Members fully up to date on progress made in respect of meeting the milestones of the National Local Government Procurement Strategy and the targets set out in the Corporate Procurement Strategy, which was approved in May 2004 This report was submitted to the Executive Cabinet at its meeting on 12 January 2006.

CORPORATE PRIORITIES

- Investing in our capacity to deliver and serving our customers better

RISK ISSUES

- The issue raised and recommendations made in this report involve risk considerations in the following categories:

Strategy	4	Information	
Reputation		Regulatory/Legal	
Financial	4	Operational	
People		Other	

- The Corporate Procurement Strategy demonstrates the approach taken by the Council in respect of strategic procurement and the milestones that need to be met both nationally and locally. The implementation of this strategy reduces the risk of procurement not being recognised as an important corporate function. There are specific financial targets in respect of procurement savings set out in the Strategy, which if not achieved could involve financial risk to the Council.

BACKGROUND

Progress On Implementation

Contracts Procedure Rules

- These have been completely revised to fit better with today's procurement environment. This was a major piece of work involving staff from Legal, Financial and the Corporate Procurement team. These rules were formally adopted by Council on 13 December 2005 and it is intended that training in respect of the new Rules will be given to all relevant staff beginning early in 2006.

National Procurement Strategy Milestones

6. The document attached as Appendix A clearly sets out in a Traffic Light format the progress that has been made in respect of the milestones set out in the National Local Government Procurement Strategy. An IDeA Procurement Health Check is due to take place on 22 March 2006, which will evaluate the performance against the National Strategy.

Options Appraisal

7. The Corporate Procurement strategy incorporated an Options Appraisal Model to help the Council establish the most appropriate procurement route for commissioning services. The model was used in the evaluation process to select the optimum way forward for delivery of Property Services and the Markets. The document attached as Appendix B shows the Options Appraisal Results Indicator in respect of the Appraisal of the Markets Service and it is intended that this scoring template be used for all future option appraisal evaluations.

Partnership and Collaboration

8. The Corporate Procurement Strategy should include the Council's approach to Partnership and Collaboration, which is an important aspect of the strategic procurement function. Attached at Appendix C for Executive Cabinet Members' consideration is a document outlining such an approach. As Members are fully aware the Council has been involved in a number of Partnerships and collaborative ventures in recent years, as it has increasingly become apparent that this can be in many cases the most effective method of delivering services. There is also an increasing emphasis on the merits of partnerships and collaboration in delivering the efficiency agenda.

Community Benefits and Supplier Base Development

9. The National Strategy requires all councils to address in their Procurement strategies the relationship of procurement to the Community Strategy, Workforce issues, Diversity, Equality and Sustainability. In addition the authority is required to address how it will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers. As a first stage a comprehensive area has been established on the Council's website to guide and advise suppliers wishing to do business with the Council and advertising our corporate contract opportunities, including an electronic download facility for contract documentation. Additionally, the Council is collaborating with Preston and South Ribble Councils and the Regional Centre of Excellence to undertake a Suppliers Analysis. This will provide a more informed picture of our supplier base and enable the authority to tackle how we can encourage a more diverse and competitive supply market.

E-procurement

10. The Corporate Procurement Strategy needs to include a more detailed e-procurement strategy. Our approach to e-procurement is set out in the document at Appendix D. Members will see that significant progress has been made in respect of the implementation of the new radius Financial Information system and the establishment of the Roses electronic market place. These developments have delivered procurement process savings, which are identified in Paragraph 18 of this report.

Procurement Guidance and Training

11. Two half-day workshops on procurement were held earlier this year for Chief officers and Members. A council-wide skills analysis has been carried out which identified a number of skill gaps in general procurement practice and use of the Contracts Procedure Rules. A comprehensive electronic staff guide has now been posted on The Loop and a simple one-page leaflet has been prepared for issue to staff. Workshops for all staff involved in procurement activity will be delivered by the Corporate Procurement Team and Legal Services, commencing in the first quarter of 2006.

The Procurement Challenge

12. The Corporate Procurement Strategy contains a challenge to deliver £500,000 savings to the Council over the 5 year Strategy life. The £500,000 is broken down into the following segments:
 - Take costs out of the Procurement Process-£200,000.
 - Take advantage of the Council's full purchasing leverage-£200,000.
 - Improve general purchasing and procurement procedures-£100,000.
13. We are now 18 months into the Strategy implementation and are in a much more informed position on how relevant the above challenge is. The £500,000 has proved to be a realistic target, but we feel that the above split is both vague and unnecessary. We recommend therefore that the challenge be a single savings target over the 5 year life of the Strategy, which will incorporate both savings delivered as a direct result of a procurement exercise and a change in a procurement process resulting in an efficiency gain eg implementation of new procure2pay process.
14. Appendix E identifies the procurement savings and efficiencies we have achieved to date against the challenge.
15. It should be noted that these are not all cashable savings. As an example the CCTV service and maintenance contract showed a significant saving on the previous year's expenditure when a formally tendered contract was not in place. However, the lack of an effective contract in the past had left the cameras in a poor state of repair and the savings were needed to bring the equipment up to a satisfactory level under the current contract.
16. The total savings over the five-year life of the strategy, which we know of at this time, are estimated at £1,078,044.76.
17. Worthy of specific mention are the savings in salary budget, which are directly achieved as a result in improving the efficiency of the procurement process.
18. Changes to improve process efficiency in procurement commenced during 2004/05 and significant further savings were achieved following implementation of the new Financial System in 2005/06. We estimate that a total of 3.9 FTE posts have now been taken out of the procurement process and this amounts to a total saving in staff time over the five-year strategy life of £377,683.

Anticipated Future Savings

20. The challenge target has already been exceeded but it is difficult at this stage to accurately forecast what savings will be achieved in the coming three years. The following are a number of areas where we see significant opportunity to achieve savings as a result of a procurement exercise, however it should be noted that the potential for procurement process efficiency savings has now been significantly realised and we see limited further scope for savings in this area.
 - i) Property Services Outsourcing
 - ii) Telecommunications

- iii) IT equipment
- iv) Corporate printing
- v) Leisure Contract
- vi) Golf course outsourcing
- vii) Energy Efficiency Partnership
- viii) Consolidated invoices
- ix) Review of Postages
- x) Strategic commissioning of services

COMMENTS OF THE HEAD OF HUMAN RESOURCES

21. Although there are no direct HR implications contained within this report consideration should be given to the issues relating to partnership working and the delivery of services. Although this has been successful in some areas in others it has failed. A more consistent and systematic approach to collaborative and consortium working needs to be defined to ensure that Chorley takes a more strategic lead in these projects.

COMMENTS OF THE DIRECTOR OF FINANCE

22. The report sets out the financial effects of implementing the Procurement Strategy and details where savings have been made. In line with the Gershon approach, some of the savings are notional i.e. what the Council might have paid through procuring an alternative way and some are cashable.
23. The cashable savings are predominately from process savings and have already been factored into the Council's Continuous budget for 2005/6 and into future years where the saving is recurrent. Further savings are expected from the ongoing work and once again they will be included in the Council's Continuous budget, once agreed

RECOMMENDATION(S)

24. (a) To note the progress made in implementing the Corporate Procurement Strategy and meeting the milestones contained in the National Local Government Procurement Strategy.
- (b) To agree that the approach to Partnership and Collaboration set out in Appendix C be incorporated into the Corporate Procurement Strategy.
- (c) To approve the draft e-procurement strategy at Appendix D for incorporation into the Corporate Procurement Strategy.
- (d) To agree that the Option Appraisal Results Indicator at Appendix B is included in the Corporate Procurement Strategy.
- (e) To update the Corporate Procurement Strategy to reflect the recommendations in, (b), (c) and (d) above.

REASONS FOR RECOMMENDATION(S) (If the recommendations are accepted)

25. Recommendations (b) and (c) if agreed, will ensure that the Corporate Procurement Strategy complies with the National Local Government Procurement Strategy and recommendations from the Audit Commission, particularly in respect of the strategic approach taken by the Council to partnership and collaboration.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

26. None.

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HEAD OC CUSTOMER, DEMOCRATIC AND OFFICE SUPPORT SERVICES

Background Papers			
Document	Date	File	Place of Inspection
Corporate Procurement Strategy	May 2004		www.chorley.gov.uk

Report Authors	Ext	Date	Doc ID
Rosemary Lyon and Jim Douglas	01257-235810 01275-515203	21 December 2005	LEGREP/91412LK