

Executive

26 June 2007

Report of the Assistant Director (Audit & Risk Management)

The Corporate Procurement Strategy 2007-2010

Purpose

- 1 The purpose of this report is to:
 - a) advise the Executive of the progress made in drafting a new Corporate Procurement Strategy for 2007-2010, which replaces the original framework strategy and medium term action plan approved by the Executive in September 2003;
 - b) invite comment from the Executive on the scope and content of the draft strategy as it stands and in particular the focus and emphasis given to the various principles and policy 'headlines' that will form the basis for developing the policy framework for procurement at the Council in the future as set out on pages 7-9 and 14 & 15 respectively in the draft strategy document attached as Annex A to this report;
 - c) seek the views of the Executive as to where the organisation should seek to position itself in relation to a series of key continuums relating to the nature, performance, function, organisation of procurement activities at the Council in future as set out on pages 19-27 of the draft strategy document attached as Annex A to this report;
 - d) invite the Executive to consider and comment on the draft medium term action designed to support the further development and improvement of procurement over the next 3 years attached as Annex A to the Corporate Strategy;
 - e) ask the Executive to endorse the Strategy for adoption by the Council on behalf of Full Council in accordance with the Constitution and Scheme of Delegation.

Background

- 2 There are significant pressures for the Council to develop and adopt a fully comprehensive Corporate Procurement Strategy (CPS), including:
 - a) the need to comply with the provisions of the Local Government Act 2000 and extant statutory Best Value guidance;
 - b) long standing concerns on the part of the District Auditor and the weaknesses reported in the Annual Audit Letters about the Council's overall policy and strategy framework for procurement and competition, given added impetus more latterly by the Corporate Performance Assessment (CPA) and specific VFM criteria within the Use of Resources assessment that extend to a specific requirement for authorities to have a CPS;
 - c) the requirements of the National Procurement Strategy published by the Government in 2004 in response to the recommendations for improving public sector procurement made by the Byatt report in 2002;
 - d) the continuing national focus on public sector procurement further to the Gershon report in 2005 and more latterly by initiatives such as the Local Government Sustainable Procurement Action Plan (May 2007);
 - e) the contribution effective procurement can make to the provision of services and the 'added value' gains can accrue both in terms of improvements in quality and the optimisation of costs;
 - f) the need for the Council to shift its understanding of procurement away from a fairly traditional transactional and gate-keeping view of its role and purpose and mainstream it within the strategic management and planning considerations of the organisation;
 - g) the need to move away from short-term approaches which place lowest initial cost ahead of whole life performance at the expense of optimising sustainable solutions for the future.

- 3 Many of the weaknesses identified by the District Auditor had remained unresolved for many years prior to the creation of the Corporate Procurement Team (CPT) in early 2004. Since the team's original inception much important progress has been made to develop the regulatory and procedural infrastructure for procurement at the Council, most notably:
 - a) the publication of fully comprehensive Procurement Rules further to the new Financial Regulations adopted as part of the new Constitution in May 2006 and the development of an accompanying Procurement Guidance Manual for practitioners (in draft for Management Team's consideration as a separate item on this agenda);

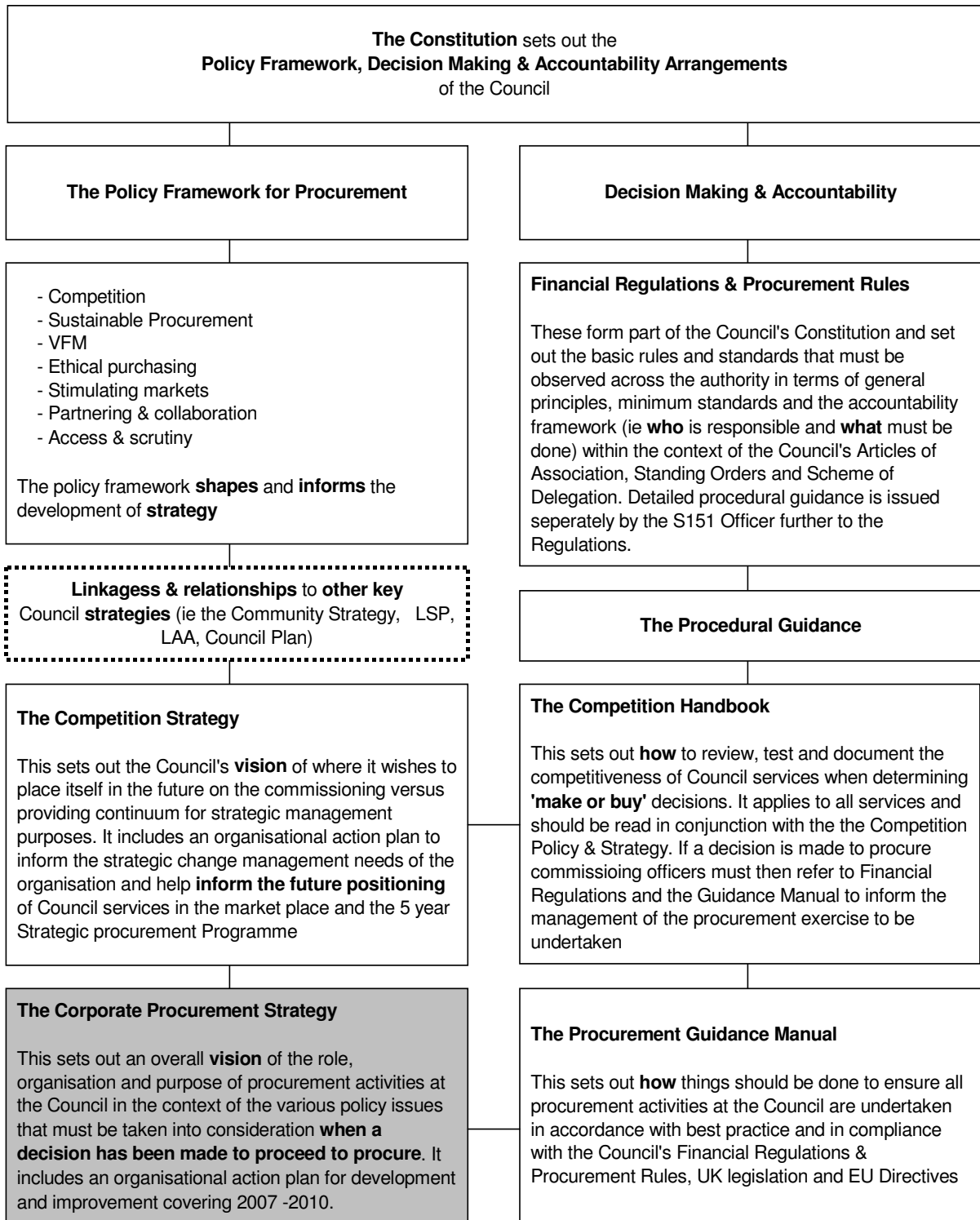
- b) the development of a fully populated corporate Contracts Register and further to the adoption of a new automated Supplier Contract Management System;
 - c) a review of all addressable spend and spend under existing contract to inform the development of a series of corporate contracts and framework agreements for generic supplies and services used across the organisation which have resulted in financial savings, less incidence of non-compliance with the regulations and other legislative requirements as well as the introduction of better contract management arrangements;
 - d) the development of standard procurement documentation covering each stage in the procurement process, along with standard contract terms and conditions all of which is available on the Resources Procurement Intranet site;
 - e) the identification of procurement savings in excess of £800k across the organisation over the last 3 years;
 - f) the development of a five year Strategic procurement programme further to the overall Efficiency Programme at the Council (as previously reported to Management Team);
 - g) the introduction of robust governance, compliance monitoring and exception reporting arrangements further to the work of the Audit & Governance Committee;
 - h) the development of an expert advisory and support service.
- 4 Whilst a provisional framework strategy and medium term action plan for 2004/05-2006/07 was approved by the Executive in autumn 2003, it has been accepted for sometime that it a fully comprehensive CPS was needed following the publication of the National Procurement Strategy in 2004.
- 5 In addition, despite the good progress exemplified at paragraph 3 above, there remain a number of serious concerns that need to be tackled as part of the new CPS, principally:
- a) on-going unacceptable incidence of non-compliance with regulatory requirements placing the Council at unnecessary risk of litigation, damage to its reputation and financial loss;
 - b) a lack of sufficiently expert and knowledgeable staff across the organisation to conduct initial procurement exercises and to then proactively manage contracts post-award allied to known skills gaps within the organisation in respect of effective programme and project management;
 - c) staffing diseconomies of scale across Directorates;
 - d) insufficient and incomplete financial management information about the type and amount of goods, services and works procured across the organisation;

- e) the absence of a coherent policy framework within which procurement should take place;
- f) insufficient involvement, investment and influence in the work of the regional Centre of Excellence;
- g) the need to clearly establish a preference for VFM based procurement as opposed to lowest cost;
- h) the need to clearly establish appropriate rules and definitions around partnering and collaboration procurement initiatives.

The strategy: key issues to note

- 6 Fundamental to the development of the CPS has been the need to establish a clear understanding of where and how all the component elements of a coherent strategy and policy framework for procurement fit together within the overall policy and accountability framework for the Council as set out in the Constitution. Exhibit 1 overleaf shows how the component parts of the overall policy, strategy and decision making framework for procurement at the Council will relate to each other when work on the Competition Strategy and Handbook elements of the overall framework have been completed later this year. In devising the overall framework, it has been crucial to establish some form of sensible boundary between what is usually termed 'strategic procurement' versus procurement per se for the purposes of preparing the CPS along with a separate Competition Strategy. It is important to note therefore that the scope of this strategy documents is to set out the Council's approach to conducting its procurement activities once a decision has been made to proceed to procure.
- 7 The CPS does not extend to how the organisation may choose to use strategic procurement activities as a lever for change and service transformation. It does not in itself, therefore, set out a vision of where the organisation should place itself on the 'commissioning versus providing' continuum for overall strategic management purposes and the future provision of Council services. Those matters are discussed in a separate Competition Strategy (encompassing the five year Strategic Procurement & Commissioning Programme) and an accompanying Competition Handbook that details how practitioners should review, test and document the competitiveness of Council services and alternative market options when determining 'make or buy' decisions. The Competition Strategy and accompanying Competition handbook will be brought forward for consideration later this autumn. Please note also that the CPS does not provide guidance as to how to conduct a procurement exercise per se. This is provided by the Procurement Guidance Manual for practitioners (which was endorsed by Corporate Services EMAP on the 8 June 2007 and has since been issued to departments as specialist guidance by the S151 Officer further to the provisions of the Council's financial regulations).

Exhibit 1



Note *The shaded box shows the position of this strategy in relation to other key component parts of the overall policy, strategy and decision making framework for procurement at the Council*

- 8 Instead, the CPS takes a high level view of procurement across the organisation, focusing on setting out:
- an overall vision of the role, purpose, objectives and organisation of procurement as a key management activity at the Council, based on a thorough knowledge and understanding of where we are now, key drivers and dependencies and our procurement aspirations for the future;
 - the principles and overall policy framework for procurement along with the professional and legislative standards that must be complied with when a decision has been taken to procure from third parties;
 - a medium term action plan providing a road map for development and improvement to achieve the vision and objectives set out in this strategy.
- 7 It is ambitious and challenging, and will require cultural change, enhanced leadership and contract management capabilities across the organisation and step-change service improvement through business process re-engineering and the use of new technologies. Deploying the strategy in practice will require the organisation to better understand the market place and demonstrate a willingness to work effectively and innovatively with suppliers and partners to deliver desirable and sustainable service outcomes to the wider benefit of the community.
- 10 The purpose of this strategy is therefore to:
- contribute to the development of a clear and consistent policy and decision making framework for strategic procurement and purchasing activities across the organisation.
 - support the service needs and ambitions of the Council and help to deliver the Council's wider policy objectives and priorities;
 - articulate best practice and management standards within a coherent framework of related procurement policy 'platforms';
 - meet the expectations of our key stakeholders, including staff, customers, partner organisations, external inspectorates, suppliers and the wider business community;
 - help change the way in which the Council thinks about procurement, away from the traditional perception of procurement as a one-off, transactional or regulatory gate-

¹ *It is important to note that the strategy itself does not constitute policy but should be driven by it. However, in the absence of a coherent and formally documented policy framework for procurement at the Council to date, it has been necessary to set out key policy 'headlines' to create that framework in order to prepare this strategy. Further work to develop these policy 'headlines' into full policy statements will be required subject to Members' consideration and approval of the strategy itself.*

keeping function, to one more focused on achieving thoughtful, effective and innovative procurement solutions that best meet the needs of the organisation and the community and is therefore truly 'sustainable' in every meaning of the word.

Options & analysis

- 11 Not relevant for the purpose of this report.

Consultation

- 12 The CPS has been considered by Corporate Management Team and Corporate Services EMAP Members and circulated as an early draft to all Chief Officers and other relevant specialist officers for comment. The draft strategy was prepared in consultation with other key stakeholders and with reference to a critical reader group during 2006/07. This included consultation with the Executive Member for Resources and shadow Executive for Resources, backbenchers and with reference to the Audit Commission. The draft has been positively received by consultees. There have been one or two requests for minor wording changes to be made before the draft is finalised and these will be done subject to any comments or required amendments further to Executive's consideration of the draft as it stands. A more substantial matter of whether the strategy should be prefaced by a statement of the Council's commitment to 'sustainable' procurement has also been raised during the consultation process, such as the example text included as Annex B to this report.

Corporate priorities

- 13 The development of the CPS contributes directly to the achievement of Corporate Priority Improvement Statement 13 '*To improve efficiency and reduce waste to free up more resources*'. However, the strategy will also contribute indirectly and to varying degrees to the delivery all 13 corporate priority statements by supporting and helping to direct procurement activities and focus across the whole organisation.

Implications

- 14 There are no specific financial, legal, HR, property, crime & prevention, IT&T or other implications arising from this report.

Risk Management

- 15 The Council remains at risk of a poor CPA and/or specific inspection reports if it does not adopt the CPS as part of the overall development agenda to establish a robust strategy, policy and decision making framework for procurement set out in Exhibit 1, before the end of this year. It also risks failing to ensure procurement activities across the organisation are properly channelled into supporting the delivery of Council objectives and ambitions.

Recommendations

- 16 The Executive is asked to:

- a) comment on the scope and content of the draft CPS and medium term action plan attached as Annex A to this report;

Reason

To seek Members views as to the scope and content of the draft strategy.

- b) consider whether the strategy should be prefaced by a general statement of the Council's commitment to 'sustainable' procurement along the lines of the example text included as Annex B to this report.

Reason

To allow officers to incorporate any necessary additions or amendments to the draft CPS and/or medium term action plan before it is adopted as final.

- c) formally endorse the draft CPS and medium term action plan, subject to consideration of a) and b) above and any necessary amendments arising and refer it to Full Council for approval in accordance with the requirements of the Constitution.

Reason

To formally adopt the CPS and medium term action plan on behalf of the Council .

Author:

**Liz Ackroyd
Assistant Director of Resources
(ARM)**

Ext 2943

Chief Officer Responsible for the report:

**Liz Ackroyd
Assistant Director of Resources (ARM)**

**Report
Approved**



Date 14 June 2007

Specialist Implications Officer(s) None

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

Framework Strategy & Medium Term Action Plan 2004/05 – 2006/07
National Procurement Strategy

Annexes

Annex A – Corporate Procurement Strategy 2007/08 – 2009/10
Annex B – Statement of commitment (sustainable procurement)