

Procurement Scrutiny Review – Scoping Paper

Purpose of Report

1. This report presents information to assist Members in deciding whether to proceed to review with a proposed scrutiny topic on procurement, in light of debate at previous meetings.

Background

2. In January 2014 the Committee received an overview of the strategic approach being taken by City of York Council regarding procurement and commissioning to ensure the Council gets best financial, social economic and environmental value from its spend on goods and services.
3. The strategy, agreed in 2012, was based on the following vision:

“To work together with partners and suppliers to develop imaginative commissioning and procurement solutions that deliver quality, value for money goods and services and deliver broader economic social and environmental outcomes”
4. The Committee learnt that the approach taken to procurement within CYC is a hub and spoke one with the vast majority of procurement and commissioning activity taking place within the individual business areas, with advice support and commercial challenge being provided by a modestly scaled Commercial Procurement Team.
5. Information was provided on a series of Toolkits developed by the Commercial Procurement Team to proceduralise an organisation wide approach, with the aim of improving the effectiveness of the Council’s procurement across all spending areas.
6. The Commercial Procurement Team have:

- Introduced Category management - a new and more challenging approach that will ensure that the Commercial Procurement Team have earlier involvement of Procurement in the scoping phase of commissioning.
 - Commenced a review of Contract Procedure Rules to incorporate Category Management Plan and Procurement Plans within the rules and requirements for each Service Area to understand and manage its commissioning requirements.
 - Supported the 'Procure to Pay' programme to improve processing efficiency and controls
 - Implemented a new Supplier and contract management system which will give greater internal and external transparency and control of existing contracts and forthcoming tenders.
 - Begun a programme of workshops for suppliers and client teams focusing on "making equalities real", to look at who we invite to tender and on-going ways we can improve equalities through contracts.
7. Further information on all of the above was provided at the meeting of this Committee in January 2014. In addition the Committee received information on the new Transformation programme which has picked up the work done to date as part of the Business Support review regarding the future operating model for procurement and commissioning activities. This will eventually feed into a refresh and development of the Council's Procurement & Commissioning Strategy for 2014 – 2018, and will reflect progress made in delivering both the ethical and efficiency agenda.
 8. With the scale of the Council spend on goods and services for 2012/13 in the region of £120m, the Committee agreed that procurement was a priority area when looking to reduce costs and deliver effective services at a time of severe financial constraint, and with this in mind questioned whether procurement may be worthy of scrutiny review.
 9. Having recognised that the introduction of Category Management would help the Council to achieve a better mix of social economic and environmental benefits for the city, the Committee requested a further report on the work being undertaken to engage local businesses in procurement activity for the Council.

10. In May 2014 the AD Finance Property & Procurement provided information on the Council's commitment to use its own procurement spend to support the local economy (as detailed in the Procurement and Commissioning Strategy). The Strategy commits the Council to a tailored approach to achieve local economic development, through a range of engagement mechanisms with local companies and through tailored tendering.
11. If the Procurement Team believes that a tender could result in local jobs or there is a potentially strong and competitive local market, the assessment criteria is shaped to give weighting to the use of local labour/creation of local jobs. Local small and medium size enterprises are targeted in invitations to tender (below European Union limits) or made aware of the EU tender for larger pieces of work – for further information see May 2014 Report.
12. However, the report also highlighted that the Commercial Procurement team were only involved in approx 18% of the Council's total spend. Whilst the Committee acknowledged that not all procurement activity was complicated and therefore requiring of the Team's expertise, they were concerned that 82% of procurement was happening outside of their periphery.
13. In addition, whilst the Committee had previously expressed interest in considering a scrutiny review of 'procurement activities of health and voluntary services and their relationships, to assist with their preventative works', the Committee received no evidence to suggest there were any particular procurement issues in that area. They therefore asked officers to provide a further report for this meeting, suggesting how the Committee could add value to procurement activity, by way of scrutinising either:
 - i) Procurement activity around health and voluntary services
 - ii) The 82% of procurement activity in which the Procurement Team was not currently involved

Analysis

14. Officers have provided the following information in relation to both aspects of procurement previously raised:
 - (i) **Procurement activity around Health and Voluntary Services:** Currently the Rewiring Public Services programme has a number

of work streams, including integration with health and the voluntary sector and York Council for Voluntary Services has seconded a member of staff to the Rewiring team to facilitate further effective engagement. The Integration with Health work stream is about to start a period of engagement to acknowledge that the private, independent, voluntary and community sector will need to play a greater role in some aspects of service delivery.

- (ii) **Procurement Activity Not Currently Involving Procurement Team:** A programme of work has just commenced to review commissioning and procurement activities across the council as well as considering alternative options for controlling the other 82% of spend. This work is also being considered as part of the Rewiring Public Services programme.

15. At this early stage in relation to both aspects, Officers are concerned that any scrutiny review into either of these would be premature and might duplicate time and resources spent supporting and contributing to the Rewiring strands. It might be more appropriate for the Committee to receive an overview report at a later date when some further options and alternatives have been identified by the Rewiring Public Services Programme.

Council Plan 2011-15

16. The Procurement and Commissioning Strategy sets out how procurement can be central to delivering the Council Plan 2011-15 through:
- Focussing expenditure on priorities and avoiding spend on things which are inessential or merely “nice to have”, whilst ensuring that all specifications are driven by customer requirements
 - Protecting vulnerable people through sourcing appropriate levels of quality goods and services.
 - Delivering excellent value for money
 - Supporting the local economy
 - Building strong communities by encouraging innovation, providing opportunities for local people to be engaged in designing and delivering services

- Collaborating with other public sector organisations to ensure maximum benefit for York
- Protecting our local environment by ensuring we source sustainable goods and services and build carbon reduction targets into our contracts

Implications

17. **Financial** – Effective procurement is a prerequisite to delivering the Councils Financial Strategy. There are no financial consequences arising from this report, however.
18. **Equalities** – The issue of how equalities issues are addressed through procurement were set out in the January 2014 report. However, there are no specific equalities implications associated with the recommendations in this report. If Members were to undertake a specific ‘procurement’ review, then any such implications would be drawn out as part of that review.
19. **Legal** - All legal implications from individual procurements are dealt with on a project by project basis and there is close working relationship between the Commercial Legal Team and the Commercial Procurement Hub. However, there are no specific Legal implications associated with the recommendations in this report.
20. There are no HR, ITT, Property or other implications associated with the recommendations in this report.

Risk Management

21. Failure to manage procurement activity effectively could give rise to the risk of legal challenge from poor procurement practices under EU law. Poor procurement practices are also likely to be highly inefficient and could waste money. Whilst there are no specific risks associated with the recommendations in this report, were Members to proceed to undertake a review, given the comments of Officers in paragraph 15 above, there is a risk that Council resources would be duplicated and work could conflict whilst procurement aspects are under review as part of the Rewiring Programme.

Recommendations

23. Having considered the information provided in this report and specifically in paragraphs 14-15, Members are asked to agree whether or not this Committee should proceed with a procurement related scrutiny review during this municipal year.
24. If a decision is taken to proceed with a Procurement Review, the Committee are recommended to:
- i. Be clear about the aim and outcomes in undertaking such a review at this time;
 - ii. Set up a Task Group to carry out the review on their behalf
 - iii. Agree a timeframe for completion of the review
 - iv. Instruct the Task Group to identify a suitable review remit and methodology for progressing the work on the review, based on the information provided in paragraphs 14-16 above.

Reason: To progress the work of the Committee in line with scrutiny procedures and protocols.

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Report Approved



Date 4 July 2014

Implications:

Wards Affected: All

For further information please contact the authors of the report

Background Papers:

Scrutiny Reports dated 13 January 2014 & 12 May 2014

Annexes: None

Abbreviations:

EU – European Union

CYC – City of York Council

AD – Assistant Director