

PROCUREMENT STRATEGY - 2007-2010 (FORWARD PLAN REF NO 2/07)

1 SUMMARY

- 1.1 This report seeks approval of a revised and updated Procurement Strategy and action plan for the Council.

2 INTRODUCTION

- 2.1 The Council's first Procurement Strategy was produced in 2001, and reviews were agreed in 2004, following the principles of the then recently published National Procurement Strategy, and covering the period 2004-2006. It included an improvement action plan and periodic updates have been provided to Members on progress. At the time of the last report to the former Policy, Finance & Strategic Performance Committee in October 2006 almost all the actions had been completed.
- 2.2 Further progress has been made on the outstanding issues since that report, as follows:-

| Action | Current Position |
|--|--|
| Involvement with the Regional Centre of Excellence (RCE) | <p>A study was carried out by KPMG on behalf of the Centre Of Excellence looking at Revenues & Benefits working together within the Eastern region in 2006. However, the findings from this study have been criticised both by practitioners and Chief Executives across the region on a number of levels. The centre has since reissued these findings as a good practice guide but have yet to amend or review the findings since a meeting in December 2006 when authorities were asked for feedback etc.</p> <p>More locally, the Council continues to look to the development of some form of partnership arrangement with Chelmsford on Revenues and Benefits.</p> |
| Investigate the feasibility of implementing an integrated finance management system. | New Finance System implemented December 2006. |

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|---|---|
| Use of Procurement cards for low cost purchases. | Evaluation of the use of procurement cards has been completed, in conjunction with Barclays Business, who are implementing the Office of Government contract. They will start to be introduced over the coming weeks and replace existing corporate credit cards. |
| Sign up to National Concordat for Small and Medium Enterprises. | The Council has signed up to the National Concordat |
| Carry out independent health check. | Health check completed. Results below. |

2.3 The Procurement Agency for Essex (PAE) has, at the Council's invitation, recently carried out a "health check" review of our procurement organisation and practices to assist in identifying improvements that might be made.

2.4 Positive issues identified by the health check include:-

- Good work with the local business community and encouraging selling to the Council
- Voluntary Sector compact in place and being reviewed
- E-Marketplace ordering well implemented
- Accurate invoicing and accounting
- Good audit and fraud prevention
- Some examples of innovative procurement (e.g. leisure contract/profit share)

2.5 However, there are areas where further improvements can be made, including:-

- Better corporate co-ordination of procurement responsibilities, knowledge, etc.
- More rigorous identification of cost saving targets
- Better spend analysis to identify opportunities for savings
- Higher corporate visibility for procurement with regular review and reporting

- Better performance monitoring/reporting of suppliers
- Appraisal of service delivery models in Best Value Reviews
- Better use of benchmarking and Value for Money evaluation
- Developing a more sophisticated approach to market and supplier analysis and “conditioning” of suppliers to expect a tight deal
- Expansion of sustainability and equality aspects of the Procurement Strategy
- Increased links with other public sector purchasers to get “volume leverage”

2.6 Much of the Council's expenditure is associated with the major contracts – Leisure, IT, Waste Management, Street Cleansing and Grounds Maintenance. A significant part of the current spend will be lost once the housing stock transfer is completed.

3 UPDATED PROCUREMENT STRATEGY

3.1 With assistance from the PAE, the existing Procurement Strategy has been reviewed and updated and a new improvement action plan produced. The plan concentrates on actions over the next 12-18 months but also identifies a number of areas for further work in the medium term. It is envisaged that these will be reviewed and further developed into “SMART” targets in 12 months' time.

3.2 The draft strategy and action plan are appended for Members consideration and approval.

4 RESOURCE IMPLICATIONS

4.1 For 2007/08, the budget for major contract payments is £4.1m. This includes the contracts for Grounds Maintenance, Waste collection and IT. Associated with all these contracts are other elements of spend that are treated separately from the main contract. Sound procurement processes need to be in place to ensure Value for Money is obtained when looking at expenditure outside the main contracts.

4.2 There is no dedicated Procurement section or staff, neither is it considered practicable at this stage to recruit such staff. Certain areas of procurement, e.g. the purchase of stationary have been centralised to ensure that best value is obtained through bulk purchasing and part of the new procurement arrangements will involve finding avenues to increase these arrangements.

4.3 Following implementation of the new strategy and action plan, various avenues will be investigated for the procurement of service delivery and

supplies, and through increased monitoring of various areas of procurement, it is anticipated that savings can be made to the budget.

- 4.4 Current spending which is directly attributable to procurement activities is £23,000 per annum.
- 4.5 Sound procurement practices should also help to reduce our capital expenditure. For 2007/8 the capital budget for the General Fund is £694,748.
- 4.6 The way we manage our housing stock has already been considered and the authority is a significant way through a large-scale voluntary transfer of our stock to Rochford Housing Association. Once this has occurred, all direct expenditure relating to the Housing Revenue Account (HRA) will no longer be within the Council. For 2006/7, revenue expenditure for the HRA was £504,214 and capital expenditure was £1,279,048.

5 RISKS

- 5.1. If the Council fails to procure goods, works and services in the best way there are risks that the product will not meet the specification and/or will not provide good value for money. These risks can be reduced by having knowledgeable staff, sound procurement practices and by working with partners to secure better value.

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7 RECOMMENDATION

- 7.1 It is proposed that the Executive Board **RESOLVES**
 - (1) To approve the appended Procurement Strategy 2007-2010, subject to Members' comments.
 - (2) That progress towards implementing the action plan be reported twice a year.

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Background Papers:-

None

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