

Resources Scrutiny Panel – 19 November 2008

Scrutiny Review - Procurement

Final Report of the Procurement Informal Scrutiny Group

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Purpose of the Report

The Scrutiny Panel is asked to consider this matter as part of its role in reviewing the efficiency and effectiveness of services provided by the City Council that fall within its remit.

This report provides recommendations on further work to be undertaken to enhance the effectiveness of procurement in the Council.

Links to the Corporate Strategy

As part of its corporate aims, the City Council seeks to ensure that it is efficient and offers value for money to local taxpayers. Effective procurement is one route by which this can be achieved.

Executive Summary

The attached appendix sets out the review made by the Informal Scrutiny Group set up to look at Procurement. In its work to date, the Group has looked at ways in which the Council currently procures goods and services and reviewed current challenges and future requirements for this aspect of its work. It has received a presentation from the Procurement Development Manager at Hampshire County Council and visited Basingstoke and Deane Borough Council, which is recognised within Hampshire as a leading district on procurement matters, to view their use of e-procurement and look at their procurement practices. The Group has also spoken to the Head of Finance to understand the programme for the procurement and implementation of a new financial management system.

The Group has identified the importance of shared procurement in appropriate cases to ensure that best value is achieved and is keen to see progress with the review of the Council's financial management system, which is key to implementing e-procurement. It is also aware of the Government's targets for Councils to make progress on sustainable procurement and the work being undertaken to meet this. The Group is particularly keen that consideration of these aspects is in place before major contracts coming up for renewal in 2010 and 2011 are let.

The Group discussed its findings with the Portfolio Holder for Finance & Efficiency at its meeting on 18th September 2008.

Recommendation

- That the Panel considers the issues raised in this review and notes the recommendations that are made to enhance the effectiveness of procurement in the Council.

Background Documents: Notes of meetings and papers considered by the Informal Scrutiny Group are held by the Head of Democratic Services.

Appendix: Final Report of Procurement Informal Scrutiny Group

SCRUTINY REVIEW – PROCURMENT

FINAL REPORT OF THE PROCUREMENT INFORMAL SCRUTINY GROUP

1. Introduction

- 1.1 At its meeting on 17 July 2007, the Resources Scrutiny Panel agreed to establish an Informal Scrutiny Group to undertake an overview of the Council's procurement.
- 1.2 Councillors Hiscock, Huxstep, Learney and Verney were appointed to the Group, with Councillor Huxstep acting as its Chair. Councillor Higgins replaced Councillor Hiscock on the Group for the 2008/09 Municipal Year and attended the final meeting.

2. Scope of the Review

- 2.1 The scope of the review was agreed as follows:
 - *To examine the outstanding actions from the Efficiency Peer Review and CAB1306*
 - *To review how procurement can better reflect the needs of the Corporate Strategy.*
- 2.2 In the course of its work, the Group has spoken to Nigel Green, the Council's Procurement Officer and reviewed progress being made against the actions relating to Procurement arising from the Efficiency Peer Review and work identified in the Procurement Strategy (CAB 1306).
- 2.3 The Group received a presentation from Shaun Le Picq, Procurement Development Manager at Hampshire County Council looking at e-procurement and visited Basingstoke and Deane Borough Council to look at the use they are making of the 'Hampshire Marketplace' and a contract portal available through the South East Centre of Excellence. The Group has also spoken to the Head of Finance to understand the programme for the procurement and implementation of a new financial management system.
- 2.4 The Group has discussed its findings with the Portfolio Holder for Finance & Efficiency.

3. Background

- 3.1 Following outsourcing of the Council's Direct Services Organisation to Serco in the 1990s, the Council adopted a devolved procurement approach, with managers responsible for their own procurement needs with the exception of a few areas where a more centralised approach was taken. The Council had no dedicated, professional support for procurement.
- 3.2 The Council produced its first Procurement Strategy in 2002. In October 2003, the Council invited the Improvement and Development Agency (IDeA) to carry out a 'Procurement Fitness Check'. This aimed to identify strengths and the issues that needed to be addressed if procurement best practices were to be

adopted.

3.3 In response to one of the recommendations of that review, the Council appointed a Procurement Officer jointly with Eastleigh Borough Council. This role has helped take forward other recommendations made in the 'Fitness Check'. The Post holder has allowed the Council to gain a better understanding of its spend, identified opportunities to take advantage of collaborative contracts and reviewed and updated paperwork associated with procurement, with the current Procurement Strategy being agreed by Cabinet in July 2006.

3.4 In July 2006, the Council invited the IDeA to carry out an Efficiency Review, part of which looked at procurement and the progress made since the original 'Fitness Check'. The review identified developing good practice and areas where further attention was required.

3.5 This review has looked at progress being made in those areas and with progress being made on issues identified in the 2006 Procurement Strategy.

4. Findings

4.1 **Embed Sustainability – including Social impacts such as Equalities and 'Third Sector'**

4.1.1 The Government has extended the deadline for all local authorities to reach level 1 of the flexible framework for sustainable procurement until April 2009. The Council has many aspects in hand and the Group considered that it was important that this work was undertaken in time to influence considerations when a number of major contracts come up for renewal in 2010 and 2011.

4.2 **Develop Contracts Register**

4.2.1 A draft Contracts Register has been developed, but it was noted that no process exists to maintain and update the register. The Group considered that an officer should be identified with the responsibility to maintain and update the register.

4.2.2 Once this is in place, consideration should be given to placing appropriate contracts on the South East Centre of Excellence business portal that will make them more easily visible to potential suppliers. As more Councils place information on this system, it will become easier to identify opportunities for joint procurement, where this is appropriate.

3.2.3 The Contracts Register could also be integrated into a new financial system.

4.3 **Update Contracts Procedure Rules (CPRs)**

4.3.1 Following a recommendation from a recent Internal Audit report, Legal Services are undertaking a revision of CPRs, which are expected to go to Cabinet shortly.

4.4 **Develop Use of Consortia**

4.4.1 The work plan of the Hampshire and Isle of Wight Procurement Partnership (see 4.6 below) includes an analysis of:

- category and value of expenditure – due to be available by the end of November 2008.
- identification of consortia contracts by category of spend (OGC¹, CBC², ESPO³, HCC⁴)
- confirmation of whether the consortia contract exists on Marketplace (an e-procurement system – see below)
- identification of ‘gaps’ where collaborative opportunities exist

From such an analysis, the Council will be able to ensure that it is maximising its use of existing consortia contracts.

4.5 Procurement Training

4.5.1 Training in procurement will form part of the corporate training programme for 2008/09. It was noted that advantage could be taken of a procurement training ‘package’ recently utilised in Eastleigh Borough Council.

4.6 Shared Procurement

4.6.1 The Hampshire and Isle of Wight Improvement Board is funding work to look at strengthening shared procurement arrangements throughout Hampshire.

4.6.2 As part of this work, Exor have been awarded a contract by HCC (on behalf of the HIOWA Improvement Board) to undertake an analysis of spend across Hampshire to identify opportunities for collaborating on procurement. This work will be completed by October 2008. This will additionally provide more information about use of local suppliers and small and medium size enterprises than has been possible through the Council’s own work.

4.6.3 The analysis of expenditure will cover the years 2005/6, 2006/7 and 2007/8 and will identify categories of expenditure in accordance with ‘Proclass’ definitions. This is a slightly different set of classes of spend than has been used in previous Council analyses (based on generic categories rather than CIPFA codes) but is widely used in the public sector for analysis of expenditure.

4.6.4 A Hampshire and Isle of Wight Procurement Partnership has recently been established, drawing together procurement officers, or their equivalent, from across Hampshire. This Partnership will lead on identifying and realising opportunities for savings flowing from the spend analysis. It is also starting to investigate opportunities for aligning existing contracts, including alignment of

¹ Office of Government Commerce: A central Government agency that works to reduce costs across all government through providing framework contracts that other public sector organisations can use.

² Central Buying Consortium: A consortium formed from a number of Counties in southern and central England to improve value for money through procurement by increasing economy of scale for the purchase of basic goods.

³ Eastern Shires Purchasing Organisation: A similar consortium to the CBC but involving local authorities in Eastern England.

⁴ Hampshire County Council: As a larger organisation, the County Council can achieve better costs for some goods and services than the City Council could by itself. Joint purchasing with the County Council can yield benefits.

end dates, to increase opportunities for joint procurement.

4.6.5 The Group viewed this as an important area of work that would help identify further opportunities for savings.

4.7 **Develop e-procurement**

4.7.1 The Council has been previously criticised for not having in place an e-procurement strategy and not joining with the Hampshire Marketplace project. From a systems perspective, the Council uses a bespoke e-procurement system to purchase stationery and IT consumables.

4.7.2 The Informal Scrutiny Group noted that the Hampshire IDeA Marketplace (or a similar system) needs to link seamlessly to the Council's financial system in order to get best value from its use and gain savings from better processes to support procurement. It was agreed that this should form a part of the project for the replacement of the financial system.

4.8 **Update Tender & Evaluation Procedures**

4.8.1 To be reviewed with Legal Services following the update to Contract Procedure Rules, expected to be January 2009.

4.9 **SERCO**

4.9.1 A working group has been established under the direction of the Corporate Director, Policy, The emphasis is on planning for the approach to be taken when this contract comes up for renewal at the end of March 2011. It was agreed that Contract Management should form a key element of any future contract but that this aspect falls outside the remit of this Group and should be subject to review by the Resources Scrutiny Panel.

4.10 **Develop Code of Practice**

4.10.1 This activity is regarded by the group as important but it has hitherto received low priority. It should therefore also be subject to review by the Resources Scrutiny Panel.

5. Recommendations

6. The Group recommends that:

- **Contract Management** should be the subject of a separate review by Resources Scrutiny. This could be linked to the work currently being undertaken on the replacement of the Serco contract.
- The Council identifies a clear single point of accountability for the maintenance of a **Contracts Register**. This should be in place by the end of the current financial year.
- The Council progresses the implementation of a new **Financial Management System** that is key to the development of the procurement process – particularly implementation of e-procurement and maintenance of the Contracts Register.