

**BABERGH DISTRICT COUNCIL**

**FROM:** Procurement Task Group

**REPORT NUMBER:** **K23**

**TO:** OVERVIEW AND SCRUTINY  
(STEWARDSHIP) COMMITTEE

**DATE OF MEETING:** 18 May 2010

**ANNUAL REPORT ON THE COUNCIL'S PROCUREMENT STRATEGY ACTION PLAN  
(2008/2011)**

**1. PURPOSE OF REPORT**

- 1.1 To provide an update on progress for the second year of the Action Plan included in the Council's Procurement Strategy and Framework Document (2008-2011).
- 1.2 To advise that the 2009/10 financial target of £50,000 savings generated through procurement initiatives has been exceeded, as has the 'stretched' target of £100,000.

**2. RECOMMENDATION**

- 2.1 That the progress made against the actions in the original Action Plan, and the new targets introduced (bearing in mind that, as a 'live document', new targets are introduced whenever new opportunities or initiatives appear) be noted.
- 2.2 That the original financial target of £150,000 savings over the period of the Strategy i.e. 2008-2011 be extended to £300,000 and a 'stretched' target of £100,000 be included for 2010/11.

The Committee is able to resolve these matters.

**3. FINANCIAL IMPLICATIONS**

- 3.1 The objective of the Strategy is to generate savings activity. Financial implications are therefore in relation to savings generated through procurement initiatives based on an original target of £150,000 over the 3-year life of the Strategy.
- 3.2 Savings of £87,600 were achieved in 2008/09, and £157,200 has now been achieved in 2009/10. The original target has therefore already been exceeded. Of the savings achieved in 2009/10 60% were related to the General Fund and 40% were related to the Housing Revenue Account.
- 3.3 It is therefore considered that the overall target should be doubled to £300,000 and the use of a 'stretch' target of £100,000 a year should be maintained.

**4. RISK MANAGEMENT**

- 4.1 The future potential to maximise savings is currently influenced by:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Serious or Impact</b>	<b>Mitigation Measures</b>
The LGR process	Low	Marginal	The LGR process could affect major procurements.
The shared services agenda does not deliver anticipated procurement savings	Low	Critical	Ensure that, wherever possible, detailed Business Case assessments are prepared in advance of the actual procurement.
The current recession	Significant	Critical	Greater financial vetting of companies involved in procurement initiatives.

## 5. **KEY INFORMATION**

- 5.1 The Council has adopted a Procurement Strategy and Framework for 2008-2011.
- 5.2 The framework document included an Action Plan, which forms Appendix 'A' to this report.
- 5.3 The Action Plan is continually being improved to include new and revised targets which are designed to further improve our procedures and generate future savings. It contains three key objectives:
1. Achieve savings and efficiencies and improve value for money
  2. Support the local economy
  3. Sustainability
- 5.4 As already indicated the Action Plan is a live document. It is amended or updated at each Task Group meeting should any new initiatives or opportunities appear. By reference to the Action Plan it is possible to identify where new targets have been introduced. Progress leading up to each Task Group meeting is also identified in shaded text.
- 5.5 The Action Plan also includes Appendices 1 and 2 to reflect the areas where savings have been achieved in 2009/10 (Appendix 1), or are projected to be achieved in future years (Appendix 2).
- 5.6 The original financial target set for the Strategy was £150,000 over its 3-year life i.e. £50,000 per. annum.
- 5.7 This annual target was exceeded in the first year of the Action, so a 'stretched' target of £100,000 was introduced for 2009/10. This has also been exceeded.
- 5.8 As progress against targets is better than expected, it is considered that this 3-year target can now be doubled to £300,000 over the period of the Strategy, and the £100,000 'stretched' target is retained for 2010/11.

5.9 Of particular note is that, in relation to supporting the local economy, 29 out of 36 construction-related contracts (80%) were awarded to local companies in 2009/10.

6. **APPENDICIES**

Appendix A – Procurement Strategy Action Plan.

7. **BACKGROUND PAPERS REFERRED TO**

None.

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**BABERGH DISTRICT COUNCIL – PROCUREMENT STRATEGY**

**ACTION PLAN (updated 30<sup>th</sup> April 2010)**

<b><u>Key Themes, Enablers</u></b>	<b><u>Actions</u></b>	<b><u>Specific Targets</u></b>	<b><u>Progress to Date</u></b>
<b>OBJECTIVE 1 - ACHIEVE SAVINGS AND EFFICIENCIES, and IMPROVE VALUE FOR MONEY</b>			
<p><b>1A. Partnerships, Shared Services and Collaborative Working</b></p>	<ul style="list-style-type: none"> <li>Fully embrace the shared services, partnership and joint working culture at Member and Officer level</li> </ul> <p><b>New Action:</b></p> <ul style="list-style-type: none"> <li>Through membership of the Suffolk Countywide Procurement Group actively lead and contribute to investigating shared services and joint procurement opportunities, repackaging and combining services where appropriate (<b>new combined action</b>)</li> </ul>	<p><b>Target:</b></p> <ul style="list-style-type: none"> <li>Adoption of the Procurement Strategy &amp; Framework (2008-2011) by the Council</li> </ul> <p><b>New Target:</b></p> <ul style="list-style-type: none"> <li>Enter into at least one joint contracts with members of the Suffolk Countywide Procurement Group in the financial year 2009/10</li> </ul>	<ul style="list-style-type: none"> <li>COMPLETED</li> <li>ON-GOING - Limited progress at present due to the uncertainties generated by the LGR process/possible merger with Mid-Suffolk.</li> <li>A new initiative led by SCC has led to the establishment of a 'Joined-up' Procurement Group made up of Directors/Heads of Service of the Suffolk councils. The objective of this Group is to provide strategic support to the Countywide Procurement Group.</li> <li>Next meeting of the Group is on the 10<sup>th</sup> May. Potential funding of £60K available from Improvement East</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<b>1A (continued)</b>	<ul style="list-style-type: none"> <li>Pursue further partnering opportunities on construction-related contracts</li> </ul>	<p><b>New target:</b> By November 2010 enter into at least three partnering contracts in the financial year 2010/11</p>	<ul style="list-style-type: none"> <li>PQQ for the partnering arrangements for kitchen supply, and the installation of pvcU windows &amp; doors nearing completion</li> </ul>
<b>1B. E- Procurement</b>	<ul style="list-style-type: none"> <li>Use e-technology to ensure that internal processes operate efficiently both internally and with suppliers / contractors</li> <li>Introduce procurement cards for low value, high volume transactions</li> <li>Reduce transaction volumes and make the procure to pay cycle as efficient as possible</li> </ul>	<p><b>Target:</b></p> <ul style="list-style-type: none"> <li>March 2009</li> </ul> <p><b>New Target:</b></p> <ul style="list-style-type: none"> <li>Integrate the system into the Council's outside operations e.g. TIC's, sheltered units etc., by March 2010</li> </ul> <p><b>Target:</b></p> <ul style="list-style-type: none"> <li>Review expenditure volumes for 2008/09 and consider whether an increased number of cards will generate greater efficiencies by July 2009</li> </ul> <p><b>New Target:</b></p> <ul style="list-style-type: none"> <li>Monitor spend on the number of transactions and volume of spend to establish whether further cards should be introduced</li> </ul>	<ul style="list-style-type: none"> <li>ACHIEVED - Agresso e-procurement has been rolled out to all divisions in the HQ</li> <li>ON-GOING - connections at TIC's now installed but currently there is a problem with Agresso. TIC staff have received initial training but more required</li> <li>COMPLETED - 8 cards now in use. No plans to roll out any more at present - investment would be needed for software to manage spend</li> <li>Transactions are being recorded and reported to audit</li> <li>End of year (09/10) spend and transaction numbers to be reported to next meeting</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p><b>1C. Consortia / Approved Suppliers</b></p>	<ul style="list-style-type: none"> <li>Seek to purchase as many goods and services as possible through Professional Buying Organisations (PBO's) or Regional Buying Consortia</li> <li>Use only approved suppliers and avoid off-contract spend</li> </ul>	<ul style="list-style-type: none"> <li>No specific target</li> <li>No specific target</li> </ul> <p><b>New Target:</b></p> <ul style="list-style-type: none"> <li>Review of spending in 2009/10 to identify any other areas where PBO's would be effective – by June 2010</li> </ul>	<ul style="list-style-type: none"> <li>ON-GOING - Several PBO contracts already adopted – stationery, general consumables, office paper, mobile telephones, photocopiers, protective clothing, cleaning products, energy, hotel accommodation</li> <li>Procurement of air-to-air heat pumps achieved through a partnership with Renewables East</li> <li>ON-GOING</li> <li>End of year spend and transaction numbers to be reported to next meeting</li> </ul>
<p><b>1D. Developing Skills &amp; Capacity</b></p>	<ul style="list-style-type: none"> <li>Increase Member and officer skills, knowledge and awareness through appropriate training and advice</li> </ul>	<ul style="list-style-type: none"> <li>Undertake divisional briefing sessions between Oct 2008 and Jan 2009</li> </ul> <p><b>Target:</b></p> <ul style="list-style-type: none"> <li>Undertake refresher training in 2010</li> </ul> <p><b>Target:</b></p> <ul style="list-style-type: none"> <li>Incorporate procurement within the Council's staff induction process by Sept. 2009</li> </ul>	<ul style="list-style-type: none"> <li>ACHIEVED - Officer briefing sessions held within each Division (with attendance by Members of the Procurement Task Group) to promote: <ul style="list-style-type: none"> <li>the new corporate procurement function with the Contract &amp; Asset Management Division</li> <li>the revised Contract Procedure Rules</li> <li>greater procurement advice and awareness</li> </ul> </li> <li>No dates fixed yet</li> <li>COMPLETED - All new staff are introduced to the Procurement Code of Practice. No further action recommended by HR</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p><b>1D. (continued2)</b></p>	<ul style="list-style-type: none"> <li>• Ensure the new procurement function within the Contract &amp; Asset Management Division ( and the Joint Procurement Officer shared with SEBC and FHDC) exert influence over all major procurement activity</li> <li>• Develop a procurement Code of Practice for guidance in relation to the Procurement Strategy and the Contract Procedure Rules</li> <li>• Conduct divisional procurement reviews with Heads of Service (and team leaders) to identify improved procurement and contracting opportunities</li> <li>• Establish a Procurement Protocol which ensures the involvement of a member of the Procurement Team in tendering / renewing contracts and the evaluation of tenders</li> </ul>	<p><b>Target:</b> Staff responsible for procurement complete the 'Passport to Procurement' learning module for public service procurement by September 2010 (revised)</p> <p><b>Target:</b></p> <ul style="list-style-type: none"> <li>• Consider whether the shared Joint Procurement Officer arrangement is still required for 2009/10</li> </ul> <p><b>Target:</b> July 2009 (revised)</p> <p><b>New Target:</b> Complete by April 2010</p> <p><b>Target:</b></p> <ul style="list-style-type: none"> <li>• December 2009</li> </ul>	<p>Not started – Procurement Manager to consider and report to next meeting.</p> <ul style="list-style-type: none"> <li>• COMPLETED – Partnership will not be renewed. Retain contact and possible arrangements for assistance on an ad-hoc basis with St Edmundsbury and Forest Heath District Councils</li> <li>• COMPLETED – now on procurement page on BEN</li> <li>• No progress to date</li> <li>• Protocol yet to be established but, through the awareness training undertaken, involvement is increasing. The Procurement Team have visibility of all tenders above 50k and all quotations.</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<b>1D. (continued3)</b>	<ul style="list-style-type: none"> <li>Implement a process whereby procurement savings, both central and departmental, are recorded and monitored on an ongoing basis</li> </ul>	<p><b>Target:</b></p> <ul style="list-style-type: none"> <li>March 2010</li> </ul>	<ul style="list-style-type: none"> <li>Recording is currently on an ad-hoc basis. A methodical system is currently being developed by FHDC, which will be considered for use by BDC &amp; St. Eds.BC – Indications are that the cost is not worth the potential benefits</li> </ul>
<b>1E. Governance and Scrutiny</b>	<ul style="list-style-type: none"> <li>Through the Procurement Task Group monitor and review procurement activity and this Action Plan</li> <li>Embed key procurement disciplines through use of the Contract Procedure Rules and the Procurement Code of Practice</li> <li>Adopt clear option appraisal and business case approaches in making strategic procurement decisions</li> <li>Ensure that a forward plan of all renewable (and any other appropriate) contracts exists to enable the timely consideration of procurement options</li> </ul>	<p><b>Target:</b></p> <ul style="list-style-type: none"> <li>Submit first annual report to O&amp;S</li> <li>On-going</li> </ul> <p><b>Target:</b></p> <ul style="list-style-type: none"> <li>Complete by September 2009</li> <li>On-going</li> </ul> <p><b>New Targets:</b></p> <ul style="list-style-type: none"> <li>Ensure that the Contract Register is fully updated with existing contracts by June 2009</li> </ul>	<ul style="list-style-type: none"> <li>COMPLETED - First annual report submitted to the Task Group and Overview and Scrutiny Committee in March 2009</li> <li>Submit updates to the Task Group quarterly and an annual report to Overview and Scrutiny in March 2010</li> <li>PART ACHIEVED - Further sessions required regarding the Code of Practice.</li> <li>Recent examples – Window cleaning and the joint procurement of 'treasury management'</li> <li>COMPLETED - Contract Register is now available on BEN on the procurement page</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p><b>1E. (Continued2)</b></p>	<ul style="list-style-type: none"> <li>• Apply best value criteria, not lowest price, in awarding contracts</li>   <li>• Undertake appropriate market testing for services and contracts</li>   <li>• Communicate procurement activity to Members and other key stakeholders via appropriate channels including websites</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that the Contract Register has a forward planning section by September 2009</li>   <li>• On-going</li>   <li>• On-going</li>   <li>• June 2009</li>   <li>• On-going</li>   <li>• May 2010</li>   <li>• September 2009</li> </ul>	<ul style="list-style-type: none"> <li>• COMPLETED - Forward planning section included</li>   <li>• Advice to be included in the Code of Practice</li>   <li>• Tender lists for major projects are subject to a Pre-Qualification Questionnaire (PQQ) process. Tender evaluation is also often based on Price/Quality Assessments for major contracts Recent example – Window Cleaning Contract</li>   <li>• COMPLETED - Use of 'supply2gov' and other procurement routes to market to identify potential new points of supply</li>   <li>• Quarterly report to the Procurement Task Group</li>   <li>• Annual Report to O &amp; S Committee prepared</li>   <li>• COMPLETED - Procurement Strategy and Contract Procedures now displayed on our website and Intranet. Code of Practice to be displayed on Intranet only</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<b>OBJECTIVE 2 – SUPPORT THE LOCAL ECONOMY</b>			
<p><b>2A. Small Business Friendly Concordat</b></p> <p><b>2A. (continued..)</b></p>	<ul style="list-style-type: none"> <li>Ensure that all sectors of the economy are considered when undertaking Procurement, including SME's and local contractors/suppliers</li> <li>Widely advertise procurement opportunities by setting up a BDC Procurement Section on our website</li> <li>Update 'Selling to the Council' guide</li> </ul>	<p><b>Targets:</b></p> <ul style="list-style-type: none"> <li>March 2009 (Revised)</li> <li>January 2009</li> <li>December 2009 (Revised)</li> </ul>	<ul style="list-style-type: none"> <li>COMPLETED - Review of "approved supplier" list focusing on SME's and local contractors &amp; suppliers – Use of the Suffolk Chamber of Commerce B2B website</li> <li>ACHIEVED – Our website now has a 'current tenders' page. Supply2Gov has also been tested successfully</li> <li>COMPLETED New version now written &amp; approved</li> </ul>
<p><b>2B. Consortia / Approved Suppliers</b></p> <p><b>2B (continued2)</b></p>	<ul style="list-style-type: none"> <li>Liaise with local suppliers and contractors through the Chambers of Commerce and other means to promote bidding / consortia approaches</li> </ul>	<p><b>Targets:</b></p> <ul style="list-style-type: none"> <li>Initial contact – December 2008</li> <li>Chamber of Commerce by April 2009</li> <li>On-going</li> <li>On-going</li> </ul>	<ul style="list-style-type: none"> <li>ACHIEVED - Initial meeting with local business forums undertaken</li> <li>COMPLETED – the Suffolk Chamber of Commerce have attended the Countywide Procurement Group</li> <li>COMPLETED - Regular contact established with local Chambers of Commerce and local suppliers/contractors by the Procurement Manager</li> <li>IN PROGRESS – we are working with Economic Development and Suffolk Chamber of Commerce to encourage local suppliers to sign up to the</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
	<ul style="list-style-type: none"> <li>Encourage prime contractors to form consortia with SMEs and 'Third Sector' organisations when bidding for large jobs. Encourage prime contractors to include smaller organisations in their supply chain</li> </ul>	<ul style="list-style-type: none"> <li>On-going</li> </ul>	<p>Suffolk B2B website. This will enable Babergh and local business to trade with each other, and alert us to the range of supplies and services available.</p> <ul style="list-style-type: none"> <li>Several contracts advertised through B2B website but with little success so far. Now working with Economic Development to mail shot all Babergh Businesses to encourage use of B2B. Some financial assistance being sought through Chamber of Commerce.</li> <li>Suffolk Chamber of Commerce attended Business Evening in October 2009 – feedback from suppliers was good</li> <li>No projects of sufficient scale identified to date</li> </ul>
<p><b>2C. Governance and Scrutiny</b></p>	<ul style="list-style-type: none"> <li>Liaise with the local business sector, e.g. through Business Link, "Meet the Buyers" events etc.</li> </ul>	<ul style="list-style-type: none"> <li>March 2010</li> </ul>	<ul style="list-style-type: none"> <li>Meet the Buyer event planned for 16<sup>th</sup> February at SCC. Stand to be shared with colleagues in Economic Development</li> <li>Initial contact with Business Link – TF has agreed to provide information to enable them to help SME's obtain business from us e.g. help with how to fill in PQQ's.</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
	<ul style="list-style-type: none"> <li>Monitor spend on locally supplied goods &amp; services, and give appropriate consideration to the impact on local suppliers when procuring major contracts</li> </ul>	<ul style="list-style-type: none"> <li>On-going</li> </ul>	<ul style="list-style-type: none"> <li>29 out of 36 construction-related contracts (80%) were awarded to local companies in 2009/10</li> </ul>
<b>OBJECTIVE 3 – SUSTAINABILITY</b>			
<p><b>3A. The Environment</b></p>	<ul style="list-style-type: none"> <li>Ensure that sustainability is a factor considered in all Procurement decision-making</li> <li>Consider procurement options that reduce climate change and achieve carbon reductions, and give favourable consideration to contractors and suppliers who can demonstrate positive practice in relation to environmental management (<b>revised action</b>)</li> <li>Adopt "Green" Purchasing policies and actively endorse procurement of 'Fair-trade' products</li> </ul>	<ul style="list-style-type: none"> <li>November 2008</li> </ul> <p><b>New Target:</b> Consider whether any further actions are required as a result of the conference outcomes</p> <p><b>Targets:</b></p> <ul style="list-style-type: none"> <li>September 2009</li> </ul> <ul style="list-style-type: none"> <li>On-going</li> </ul>	<ul style="list-style-type: none"> <li>ACHIEVED - Tender documentation for all large contracts includes provision for tenderers to identify their approach to environment and sustainability</li> <li>No further progress on sustainability in procurement at this stage</li> <li>COMPLETED – the Code of Practice identifies that tender evaluation processes can include a reference to the fact that tenders demonstrating sustainability and an environmentally friendly approach will receive favourable consideration (subject to financial constraints)</li> <li>Examples – canteen uses local suppliers and Fair Trade products. all white copier paper purchased is from recycling sources, Air source heat pumps</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p><b>3B. Economic / Social</b></p> <p><b>3B. (continued)</b></p>	<ul style="list-style-type: none"> <li>• Promote equalities in the procurement of goods, works and services</li> <li>• Ensure equal opportunities in contract selection to businesses owned by all members of the business community</li> <li>• Encourage the potential of the local business community that employ local labour</li> <li>• Protect vulnerable persons and undertake rigorous healthy and safety checks when using contractors</li> </ul>	<ul style="list-style-type: none"> <li>• On-going</li> <li>• Ongoing</li> <li>• On-going</li> <li>• Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>• ACHIEVED - Tender documentation for all large contracts includes provision for tenderers to identify their approach to equality &amp; diversity.</li> <li>• Discussion at the countywide Procurement Group indicates that no authority is looking ways of monitoring Equality and Diversity through the life of contract at present</li> <li>• ACHIEVED – Tender processes and the Council’s approach to equality &amp; diversity ensures that no sections of the business community are discriminated against</li> <li>• Tender documentation for all large contracts includes provision for tenderers to identify their approach to environment and sustainability</li> <li>• ACHIEVED – The selection process for any medium or large project requires that contractors have adequate Health &amp; Safety Plans, and the projects are also subject to the CDM Regulations</li> </ul>

**APPENDIX 1 – PROCUREMENT SAVINGS 2009/10 – TARGET £50,000 (STRETCHED TARGET £100,000) by 31.3.2010**

<b>PROJECT</b>	<b>COMMENT</b>	<b>SAVING (£)</b>	<b>WHEN ACHIEVED</b>
Play equipment – Hawkins Road Sudbury	Tender under estimated figure of £100,000	25,000	May 2009
Insurance Renewals	Joint procurement with other Suffolk authorities	59,570	August 2008
BT One Bill	Invoice reduction efficiency – reduction in £4.50 standing charge for each invoice	2,090	April 2009
BT	Contractual saving from reduced rates – new figure as signed up to new OGC framework	4,785	April 2009
Advertising costs Responsive Repairs and Voids Contract	Advertised free of charge on Supply2Gov and the Babergh website	3,500	June 2009
Purchase of Refuse Vehicles	Procured through a Purchasing Consortium, rather than from the contractor	25,770	September 2009
Whole House Servicing Contract & Responsive Repairs	Reconciliation undertaken of the impact of the contract on reactive maintenance budgets	30,166	2009/10
Advertising Costs Refurbishment of Hadleigh Swimming Pool	Advertised free of charge on supply2gov and Babergh Website	1,000	July 2009
Vending Machines	Discontinuation of Babergh lease agreement for coffee machine	258	January 2010
Waterless Urinals	Usage of water down by 50%	5080	2009/10
	<b>Accumulated Saving</b>	<b>£157,219</b>	

**APPENDIX 2 – PROCUREMENT SAVINGS 2010/11 – TARGET £50,000 (STRETCH TARGET £100,000) by 31.3.2011**

<b>PROJECT</b>	<b>COMMENT</b>	<b>SAVING (£)</b>	<b>WHEN ACHIEVED</b>
Installation of air-to-air heat pumps in rural council properties	Partnering arrangement entered into with 'Renewables East' has generated a saving of £2,000 per property	40,000	April 2010
Canteen Contract	Re-negotiation of canteen contract to achieve required budget reduction	8,000	April 2010
	<b>Accumulated Saving to Date</b>	<b>£48,000</b>	