

## **BABERGH DISTRICT COUNCIL**

**FROM:** Procurement Strategy Task Group

**REPORT NUMBER** **E209**

**TO:** Overview & Scrutiny (Stewardship)  
Committee

**DATE OF MEETING** 22 November 2005

### **PROGRESS ON PROCUREMENT STRATEGY**

#### 1. **SUMMARY**

- 1.1 The Task Group's progress report for the first half of the year is presented. Members are asked to note the position and endorse the actions proposed for the future.

#### 2. **RECOMMENDATIONS**

- 2.1 That progress on implementing the Council's Procurement Strategy and savings achieved to date and estimated in the future are noted.
- 2.2 That the proposed action plan in relation to the IdeA fitness check as set out in Appendix 2 be approved, subject to these being prioritised in order to match the available resources.
- 2.3 That the Task Group monitor progress on the action plan and a further report be submitted to the Committee in 6 months' time on progress on this and the overall Procurement Strategy.

The first two matters are for recommendation to Strategy Committee. The Committee can resolve the third item.

#### 3. **FINANCIAL IMPLICATIONS**

- 3.1 Although progress has been made in a number of areas, achieving further savings and improvements in our procurement arrangements requires staff resources. There is no dedicated procurement resource or specialist expertise within the council to do this.
- 3.2 There is currently a target in the General Fund budget of achieving a £30,000 p.a. saving on commodity purchases. A bid is being made through the SFP process for a shared procurement resource for one year with two other councils, namely St.Edmundsbury BC and Forest Heath DC costing £15,000, whose key task would be to achieve this saving. If this is approved and the target saving of £30,000 (which is considered to be realistic) achieved, there would be a payback of double the cost.

#### 4. **KEY INFORMATION**

- 4.1 The council approved a corporate Procurement Strategy and action plan for its implementation in July 2004.
- 4.2 Since then the Procurement Strategy Working Group/Task Group has overseen progress on this and has had the specific role of dealing with the establishment of the Leisure Trust. The latest position on this was reported to the Strategy Committee on the 10 November.

4.3 In terms of the Corporate Procurement Strategy, areas of progress have been:

- Awareness raised with Members and officers through initial IdeA training workshops and in other ways
- IdeA fitness check in April 2005, which highlighted strengths and weaknesses resulting in a proposed action plan to deal with the latter – see para.4.6
- A ‘Selling to the Council’ guide on the website
- Construction Partnering contracts established, amongst the first in the country
- Investigation into a range of other partnership opportunities are taking place across the council in accordance with the culture and philosophy set out in the Procurement Strategy

4.4 There are also a number of other procurement projects in progress such as the implementation of an e-procurement system, an e-marketplace and more use of Purchasing Cards. In addition, investigations have started into the options for joint partnership contracts for major services such as refuse collection, grounds maintenance and street cleansing. The Task Group will be involved in overseeing progress on these.

4.5 An indication of savings and efficiencies, both achieved and estimated for some of the projects currently in progress or planned for the future are set out in Appendix 1.

4.6 In terms of a more detailed workplan, which is based on the IdeA fitness check, this is attached at Appendix 2, along with the priorities agreed by the Task Group and the estimated staff resource required. As indicated in Appendix 2, it is likely to be difficult to achieve all of the priorities in the suggested workplan, even with the shared additional procurement resource. Attention should be focused, therefore, on the high priority items with as many of the high/medium priority items being addressed as possible.

4.7 The Task Group is convinced that these items can only be progressed with a dedicated procurement resource. Management Team and the SFP Member Group see this as a high priority in terms of the budget for next year. The total cost of £15,000 can be funded partly from existing budgets this year (£5,000) with the remaining £10,000 being a high priority in the 2006/07 service priority bids. If approved, that resource would be tasked with progressing this workplan and, as a major initial exercise, delivering the £30,000 p.a. General Fund savings on the purchase of day-to-day commodities and services.

## 5 **APPENDICES**

5.1 Appendix 1 – Procurement savings

5.2 Appendix 2 – IdeA fitness check workplan

## 6. **BACKGROUND PAPERS REFERRED TO**

None.

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**Schedule of Procurement savings****Major Procurement Savings so far**

<b>Achieved</b>		<b>Annual Saving</b>
Waste collection	MRF gate fees (cost avoidance)	144,000
	Wheeled bins for new recycling scheme	14,000
Housing	Energy insulation in Council Houses (grants via different procurement of supplier)	5,800
	Partnering contracts for construction (staff saving)	30,000
Purchase Ordering	Procure to pay changes (staff reduction)	3,500
	Emailing of purchase orders	3,000
		<b>200,300</b>

**In progress (estimated)**

Procurement Cards	Expanding the use of procurement cards and adopting the Government Procurement Card 1,000 transactions p.a. initially @ £10 rising to around 5,000 transactions	10,000
BT onebillplus	Composite telephone bills to reduce the number of invoices processed plus BT Access Credit Scheme	2,000
e-Marketplace	Save licence fee (£5,300) plus 50% target	2,600
		<b>14,600</b>

**Future (estimated)**

e-Procurement	Process savings (target for cashable savings, with 50% achieved in 2006/2007). Non-cashable savings should be achieved also.	25,000
Energy	Investigate ways of procuring electricity on the basis of 'the daily spot market prices' as opposed to competitive tendering.	13,000

(Target would be 5% saving on electricity prices)

composite invoicing / fixed payments for  
electricity invoices and direct debit payment  
(Target would be 1% saving on electricity prices) 2,600

**40,600**

Note: In addition to this there are a range of individual savings on smaller specific projects as a result of collaborative/joint working, for example on E-Govt projects such as E-forms, where a saving of around £3,000 has been achieved.

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**IDEA Fitness Check – Priorities and Action Plan**

Subject to further discussions with the IdeA, these are summarised below. Some of the items can be progressed by existing staff but others require additional resources, which it is suggested could amount to around 6 months. This exceeds the one-third share of the dedicated procurement resource:-

A. <u>Leadership and Capacity</u>	<u>Suggested Priority</u>	<u>Estimate of additional resources required</u>
<ul style="list-style-type: none"> <li>• More clarity needed on leadership and implementation of our Procurement Strategy and links with our efficiency programme.</li> </ul>	High	None – can be considered by Head of Finance
<ul style="list-style-type: none"> <li>• Review role of Members (incl. Overview &amp; Scrutiny Committees) on management of strategic procurement and associated processes eg earlier engagement in the definition of outcomes, challenging options appraisals.</li> </ul>	High	Ditto – cover in Code of Practice (see below)
<ul style="list-style-type: none"> <li>• Skills gap training needs analysis and subsequent development plan(s)</li> </ul>	High	2 weeks
<ul style="list-style-type: none"> <li>• Explore opportunities for more use of framework agreements for the purchase of goods and services</li> </ul>	High	Undertake as part of a 2-3 month exercise to generate savings and efficiencies through a baseline review of current divisional procurement arrangements
<ul style="list-style-type: none"> <li>• Compliance with EC directives in relation to aggregation and reducing OJEU timescales</li> </ul>	Low	None – cover in above
<ul style="list-style-type: none"> <li>• Produce Code of Practice for how we are/will operate modern/better procurement in the future, including mapping current spend.</li> </ul>	High/	1 month
<ul style="list-style-type: none"> <li>• Establish Officer Procurement Team (Board) to drive things forward internally</li> </ul>	High	None – will be progressed by Head of Finance
<ul style="list-style-type: none"> <li>• A number of other issues relating to embedding our procurement strategy including:                             <ul style="list-style-type: none"> <li>➤ customer choice</li> <li>➤ more rigorous options appraisal</li> <li>➤ embedding risk and contract management</li> <li>➤ performance management</li> </ul> </li> </ul>	High/Medium	Also can be covered in the Code of Practice. Some time should be spent though to do some work on embedding specific aspects, estimated at 2-3 weeks overall

<p><b>B. <u>Partnering and Collaboration</u></b></p> <ul style="list-style-type: none"> <li>• A more detailed and documented strategy should be agreed for how and who we will collaborate with and on what.</li> <li>• Incentivise continuous improvement in contracts</li> <li>• Monitoring individual partnerships and collaboration arrangements</li> </ul> <p><b>C. <u>Doing Business Electronically</u></b></p>	<p>High</p> <p>High</p> <p>High/Medium</p>	<p>None – to be progressed by Head of Finance</p> <p>Cover in Code of Practice</p> <p>Ditto</p>
<p><b>D. <u>Stimulating Markets and achieving Community benefits</u></b></p> <ul style="list-style-type: none"> <li>• A clearly documented and more detailed e-procurement strategy, including how we should engage with our supplier-base on this.</li> <li>• A more explicit statement needed on this including sustainability issues</li> <li>• Corporate contracts register and annual procurement plan (on website)</li> <li>• Develop local SME capacity to gain council business</li> <li>• Regular supplier and internal customer perception surveys</li> </ul>	<p>High</p> <p>Medium</p> <p>High</p> <p>High/Medium</p> <p>Medium</p>	<p>None – will be done as part of current implementation of e-procurement project</p> <p>2 weeks - to cover research on best practice</p> <p>2 weeks</p> <p>Cover in Code of Practice</p> <p>2 weeks to establish a basis for this in future</p>