

TELFORD & WREKIN COUNCIL

CABINET – 10 NOVEMBER 2009

RESPONSE TO SCRUTINY COMMISSION REPORT – PROCUREMENT

REPORT OF CORPORATE DIRECTOR: RESOURCES

1.0 PURPOSE

To inform members of the response to the recommendations made by Scrutiny Members following their review of Procurement.

2.0 RECOMMENDATION

That the response to the Scrutiny review recommendations, set out in Appendix 1, is approved.

3.0 SUMMARY

This report summarises the response to the recommendations made by the Scrutiny Members on Procurement. The responses are detailed in Appendix 1. The scrutiny review has been assisted by the involvement of a number of internal officers, other local authorities and external experts.

4.0 PREVIOUS MINUTES

None.

5.0 INFORMATION

During 2009 a Scrutiny review was undertaken by Cllr. Roger Aveley (Scrutiny Lead), Cllr. Karen Tomlinson and Scrutiny Co-optee Maurice Viney because members were concerned that the Council's procurement model is not structured in a way that allows the Authority to maximise savings and efficiencies to be gained from procurement.

Local Authority procurement has been highlighted in a number of government reports over the last few years as a key driver of savings and efficiencies. Following the Gershon efficiency review, the National Procurement Strategy, Local Government Sustainable Procurement Strategy, the Glover report and Roots review all emphasise ways in which Councils can make greater savings and bring improved local economic benefit through procurement.

The review focussed on how the current devolved model works and whether a more centralised approach would bring more gains, and looked at how

alternative models could bring direct savings to the Authority as well as deliver wider local economic and social benefits. Currently, the Council has a small Central Procurement Unit (CPU) which acts in an advisory capacity, while the actual buying function lies within the portfolios.

The review highlighted a number of areas of concern:

- There is a lack of co-ordination at a strategic level, both internally within the Authority and in exploring opportunities for joint procurement with local public sector partners and other local authorities
- How we identify, develop and prepare markets
- The lack of influence of the CPU to enforce policy and procedure, and the lack of capacity to exercise central control and oversight
- The CPU does not have the capacity to engage with all high-value procurement exercises where it can add value, for example:
 - in correctly specifying contracts to drive out savings
 - ensuring opportunities for local economic benefits are maximised
- There is a lack of a joined-up approach to between portfolios so opportunities for shared contracting arrangements may be missed
- Contract management may drift so the Council does not realise the benefits of supplier performance
- The risk of contracts being let that are not compliant with EU regulations
- A potential loss of savings due to non-compliance with corporate contracts
- Activity can be duplicated as skills and staff are not rationalised
- Experience and best practice is not shared from one procurement exercise to another

The recommendations in the report seek to address these issues by strengthening the CPU. This will require some structural changes which scrutiny Members feel can be achieved by rationalising existing resources and not by adding headcount. It is acknowledged that it is difficult to make a sound business case for this move, and may require a leap of faith by the Council. Other Authorities have taken this leap of faith and are now seeing the benefits.

Appendix 1 includes both the recommendations from the scrutiny review and the Cabinet's response to them which is generally supportive and recognises that change is needed to the Council's existing procurement arrangements.

6.0 EQUAL OPPORTUNITIES

Greater central capacity will enable the Council's Equality and Diversity Policy to be embedded in the procurement process. The Council has already approved funding for a part-time member of staff who will lead on the Equality and Diversity Policy and the recommendations should support the implementation and enforcement of this.

7.0 ENVIRONMENTAL IMPACT

The recommendations support delivery of the Sustainable Procurement Strategy which would bring wider environmental, social and economic benefits

such as enhancing opportunities for long-term unemployed people to access job opportunities arising from major capital projects.

8.0 RISK MANAGEMENT

The risks and opportunities associated with the recommendations will be identified and monitored through the Council's established risk management arrangements.

9.0 LEGAL COMMENT

All procurement projects undertaken by the Council must comply both with the Council's Constitution (financial regulations and contract procedure rules are set out at part 4, sections 6 and 7 respectively) and the relevant financial and procurement legislation.

If approved, the review set out at Appendix 1 may result in changes to procedures that will require amendments to the constitution. If that is the case those changes will need to be approved by a meeting of the full Council following consideration by the Council's Constitution Committee. In addition, any amendments to the procedures would also need to be checked to ensure that they comply with legislative requirements.

10.0 FINANCIAL COMMENT

Further work needs to be done to identify potential financial implications arising from the recommendations contained in the report. However, the intention is to re-define existing responsibilities rather than to increase total costs in order to deliver overall financial savings.

Financial implications arising from the recommendations will be taken into account in the service and financial planning framework approved by full Council as part of the annual budget process.

11.0 WARD IMPLICATIONS

Council wide.

12.0 LINKS WITH CORPORATE PRIORITIES

Supports all corporate priorities but particularly the Modern and Effective Council Priority.

13.0 BACKGROUND PAPERS

Report prepared by Ken Clarke – Head of Finance and Audit (01952 383100)

Appendix 1

	Scrutiny Commission Recommendations	Benefits of recommendation	Summary of Action Being Taken	Timescale	Officer responsible
1	To undertake a full cost-benefit analysis of the current procurement arrangements and a cost-benefit analysis of models for an alternative centralised structure to determine the remit of the CPU and the resources required.	To understand the cost and potential savings of rationalisation and centralisation of the procurement function.	While a cost analysis of alternatives could largely be undertaken, calculating benefits would be a very hypothetical and imprecise exercise if we were trying to project possible procurement savings. It is therefore uncertain if the cost of a full exercise can be justified. Instead, using the work of Scrutiny and our existing information on alternative arrangements at other councils we agree that moving to an alternative set up should be explored within the parameters of existing budgeted resources around the different services. This will form part of any overall review of Council structure and shape as we face a period of declining public sector funding from 2011 onwards.	31/03/10	Chief Executive
2	To realign current structures to create a post to champion, influence and co-ordinate Procurement policies and strategy at a corporate level across the Council.	To have an overall strategic approach to procurement to maximise savings and efficiencies from joining-up internally and	As flagged above we agree with the need to review the overall procurement and commissioning structure/processes within the Council which have grown up over time .This will best form part of any overall review of future Council structure, shape and culture in response to	31/03/10	Chief Executive

		developing joint procurement strategies with partners.	changing demands and reducing funding, so that future procurement and commissioning roles and processes are fit for future purpose.		
3	To appropriately increase staffing levels and resources in the Corporate Procurement and Purchasing Unit to support the delivery of key spending and service objectives, including the Sustainable Procurement and Equalities and Diversity strategy.	To maximise savings, ensure compliance and improve delivery of wider economic benefits.	At this time of declining public sector funding we would prefer to explore a different configuration of existing ongoing procurement/commissioning resources around the Council as outlined in 1 above, rather than add to the ongoing cost base. However we agree with the importance of the areas being flagged by Scrutiny and additional one off funding to kick start work on these areas has been agreed from savings on procurement to support Equalities and Diversity, sustainability and local businesses.	31/03/10	Chief Executive
4	That the level of influence and authority of the CPU is increased so that it has the authority to impose procurement practices and procedures across the authority and is mandated with power to take action appropriate against non-compliance with corporate	To maximise savings and ensure contracts are compliant with legislation.	This should be considered as part of the process undertaken in response to Recommendation 2 above.	31/03/10	Chief Executive

	procurement practices and procedures.				
5	To introduce mandatory lines of reporting and a procurement Gateway, between the portfolios and the CPU so that a Procurement Plan is submitted to the CPU for contracts worth £75,000 or more prior to the procurement beginning. This would enable the CPU to co-ordinate overall activity, to determine the appropriate approach for the procurement process, that value for money considerations are robust and that contracts are compliant with legislation and Council policies.	To maximise savings and ensure contracts are compliant with legislation.	This should be considered as part of the process undertaken in response to Recommendation 2 above.	31/03/10	Chief Executive
6	That compliance with Corporate Contracts is mandatory, and audited, and that the CPU has the authority to deal with instances of non-compliance	To maximise savings.	It is very important that officers comply with corporate contracts, even more so as the financial position facing the Council becomes tighter. It is proposed that a discussion should be held at the Council's Procurement Steering Group about how	On-going	Payments and Procurement Manager

	or to approve off-contract spend in exceptional circumstances where it can be justified on the grounds of value for money.		officers should be reminded of their obligations and held to account for off-contract spend.		
7	That the Economic Development Unit is involved in the procurement of major capital projects from the contract specification stage to ensure opportunities for local economic and employment benefit are maximised.	To maximise opportunities for local economic benefit.	Information on procurement of major capital projects at the contract specification stage would be most helpful in identifying training and employment opportunities, and embedding these in the contract process. The Economic Development Unit would not wish to be part of the decision making process around letting these contracts but (as we have done with BSF) would be happy to be involved in advising potential contractors.	On-going	Head of Economy and Housing
8	That budget structures for office equipment and supplies are reviewed and centralised where it can be evidenced that this will bring savings.	To save money.	Effective budgetary management requires managers to be directly responsible and accountable for the resources allocated to them. Centralising budgets would reduce this direct accountability. However, the benefits sought from the recommendation may be achieved by having more corporate contracts in place, compliance with which is rigorously enforced.		

9	To invest in additional specialist contract management resource within Environment and Regeneration to reduce the level of work contracted out to Jacobs and to drive out further savings by more effective contract management.	To maximise savings.	This needs to be driven through a sound business case. While there may be lot of work on at present, the medium to long term picture looks pretty grim for the public sector and we should be staffing up for minimum 'guaranteed' levels of funding and use the private sector to top-up as required. This transfers the risk and costs of potential redundancies.		
10	To develop the central register of all local authority contracts and when they are due for re-negotiation to identify opportunities for joint working on both existing and new contracts.	To maximise savings through joint procurement.	The Central Procurement Team currently maintains a contracts register although the accuracy and completeness of this document is dependent upon timely information being provided by service areas. It is proposed that a discussion should be held at the Corporate Procurement Steering Group with the aim of re-enforcing the need to ensure that the contracts register is maintained on a regular basis and opportunities for joint working are identified by this group.	By 31/12/09	Payments and Procurement Manager
11	To develop strategies to build capacity in the local SME market to enable them to access contracts directly, or	To create a mixed economy of providers i.e. improve the level of	We are very supportive of the objective of encouraging local SME's to tender but this should not be at the expense of losing value for money. We should focus	On-going	Head of Economy and Housing

	<p>in supply chains, and to set up a register of quality assured local suppliers including those used by the authority those used by local developers to create a database of potential suppliers with local market knowledge and expertise who can be invited to tender for contracts.</p>	<p>engagement of local suppliers in supply chains.</p>	<p>on making SME's aware of opportunities, and building their capacity to tender (individually or as consortia), after that it should be a level playing field to make sure we encourage competitiveness. The Head of Economy and Housing has had informal discussions with the Chamber of Commerce and Federation of Small Businesses about this, using their membership networks to communicate opportunities and support SME's to tender.</p> <p>Some additional resources have been made available to the procurement team from January 2010 to support work on equalities, sustainability and local business.</p>		
12	<p>To set up a Procurement Board to include the Leader, Cabinet Members, the Chief Executive, Corporate Directors and senior Procurement officers, to meet bi-annually to oversee the development and implementation of the Procurement Strategy and to mandate decisions.</p>	<p>To oversee decisions made and ensure that implementation is mandated at the top level.</p>	<p>There needs to be some mechanism for reviewing procurement strategy but this needs to be developed as part of an overall review of future Council structure, shape, culture and roles referred to in the response to Recommendation 2.</p>		

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