

<b>AGENDA ITEM NO. 6</b>	
<b>OVERVIEW AND SCRUTINY PANEL</b>	
<b>Date</b>	<b>21 MAY 2012</b>
<b>Title</b>	<b>PROCUREMENT REVIEW</b>

<p><b>1. PURPOSE</b></p> <p>To provide members with the necessary context and objectives of the Procurement Review and provide details of progress to date.</p>
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<p><b>2. KEY ISSUES</b></p> <ul style="list-style-type: none"> <li>• The Council's current Procurement Strategy and Code of Procurement requires reviewing to ensure it continues to meet the Council's objectives.</li> <li>• Continuing to achieve value for money through procurement processes will contribute to the forecast savings over the medium term.</li> <li>• The importance of the local economy and how the Council can support this through its' procurement processes.</li> <li>• The proactive relationship the Council has developed with local businesses.</li> <li>• To understand the nature and extent of the Council's expenditure – both revenue and capital, and how much of this can potentially be provided by local companies.</li> <li>• Improvements in the procure to pay process will enable more efficient procurement, ordering and payment processes.</li> <li>• Links to the Source Cambridgeshire web portal will allow local companies the opportunity to tender for Council contracts across Cambridgeshire and beyond.</li> </ul>
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<p><b>3. RECOMMENDATIONS</b></p> <p>It is recommended that members note the progress to date.</p>
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<b>Wards Affected</b>	All
<b>Forward Plan Reference No.</b> (if applicable)	
<b>Portfolio Holder(s)</b>	Cllr Alan Melton, Leader and Portfolio Holder, Policy and Resources Cllr John Clark, Portfolio Holder, Quality Organisation
<b>Report Originator</b>	Rob Bridge, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant Alvin Harrison, Insurance and Procurement Manager
<b>Contact Officer(s)</b>	Rob Bridge, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant Alvin Harrison, Insurance and Procurement Manager
<b>Background Paper(s)</b>	Procurement Strategy and Code of Procurement.

## **1. BACKGROUND TO THIS REVIEW**

- 1.1 At the request of the Leader of the Council, the Chairman of Overview and Scrutiny was asked to conduct a review of current Council procurement arrangements.
- 1.2 Members will be aware of the considerable financial challenges the Council has faced over the last two years and is forecast to continue to face over the medium term. Significant savings have been required to achieve a balanced budget and together with the staffing changes which have taken place over the last two years, savings from 'procurement of services' have also made a substantial contribution.
- 1.3 Over the next few years, the Council is forecast to need to make additional savings to achieve a balanced budget. It is, therefore, essential that the Council's Procurement Strategy (its' overall aims and objectives) and its' Code of Procurement (the detailed processes for procuring services and part of the Council's Constitution) ensure that the Council achieves value for money when procuring goods and services.
- 1.4 In addition, with the continuing national and international economic challenges, it is essential that the Council continues to promote procurement opportunities to the local economy and to assist businesses and employment within Fenland, wherever possible. The current Strategy and Code of Procurement already includes these objectives and this review will establish any further measures where appropriate.

## **2. AIM AND OBJECTIVES OF THIS REVIEW**

- 2.1 The aim of this review is to review the Council's current procurement strategy and processes to ensure it is fit for purpose, efficient and non-bureaucratic and supports the local economy.
- 2.2 The objectives of this review can be summarised as follows:
  - To understand the range of goods and services procured by the Council and to quantify the procurement savings achieved by the Council over the last few years.
  - Provide details of the proposed improved processes for procurement and ordering within the Council and also linking in with the 'Source Cambridgeshire' portal.
  - Review the Council's Procurement Strategy and Code of Procurement to make sure it is:
    - Fit for purpose and up to date
    - Flexible
    - Less bureaucratic
    - Easy to follow
  - Establish how the Council's procurement approach can support the local economy, businesses and employment within Fenland.

## **Timescales of Review Process**

- 2.3 The revised Procurement Strategy and Code of Procurement resulting from this review will be required to be approved by the Corporate Governance Committee before being formally adopted by Council. Consequently the timing of this review is proposed as follows:
- **Overview & Scrutiny Panel – 21 May 2012.**  
To consider the objectives of the review and to understand the nature of the goods and services procured by the Council.
  - **Overview & Scrutiny Panel – 25 June 2012.**  
To review the Council's Procurement Strategy and Code of Procurement recommend updated versions for approval by Corporate Governance Committee and Council.
  - **Corporate Governance Committee – 10 July 2012.**  
To review the updated versions of the Procurement Strategy and Code of Procurement.
  - **Council – 26 July 2012.**  
To review and approve the updated version of the Procurement Strategy and approve the updated version of the Code Procurement for inclusion within the Council's Constitution.

## **3. SPEND ANALYSIS**

### **Revenue Expenditure 2011/12**

- 3.1 The Council's projected gross revenue expenditure for 2011/12 is around £23.9 million. This is currently being finalised as part of the year end accounting process. This excludes Housing and Council Tax Benefit payments.
- 3.2 Of the projected £23.9 million expenditure for 2011/12, £17.7 million (74%) is expenditure which has no procurement requirements. This includes staffing costs, business rates, internal drainage board levies, water rates, external audit fees, member allowances and community grants.
- 3.3 Around £5 million (21%) is expenditure which relates to what could be classed as 'specialist' contracts – ie. contracts which have followed the Council's procurement processes and are carried out by either nationally based or specialist companies. This includes insurance provision, electricity, gas, grounds maintenance, cleaning, provision of diesel fuel, equipment lease and maintenance, postages, telephones, ICT hardware and software licences and maintenance, bailiff and legal fees, banking and cash collection contracts, training, care and repair agency, and any specialist consultants required.

- 3.4 Within the expenditure and contracts detailed in 3.2 and 3.3 above, there is limited scope for the provision of these services by the local economy. However, of the remaining £1.2 million (5%) of expenditure, there were significant opportunities for the local economy. Local companies provide services relating to building repair and maintenance, office equipment purchases, printing, marketing, refreshments.

### **Capital Expenditure 2011/12**

- 3.5 The Council's projected capital expenditure for 2011/12 is around £6.2 million. This is currently being finalised as part of the year end accounting process.
- 3.6 Of this projected expenditure figure, £2.2 million relates to contributions this Council has made towards community projects – eg. College of West Anglia, Thomas Clarkson, Chatteris Leisure facilities and several grants to Parish Councils and other community organisations. These contributions had no direct procurement impact on this Council.
- 3.7 Of the remaining £4 million of expenditure which was subject to the Council's normal procurement processes, there were significant opportunities for the local economy. Local companies have been involved in some notable capital projects such as South Fens Business Park and numerous others. Local companies are also used to carry out disabled adaptations via the care and repair agency.
- 3.8 However, the forecast capital programme over the next three years shows expenditure reducing from £5.033 million in 2012/13 to £2.723 million in 2013/14 and £3.760 million in 2014/15. This forecast programme is largely funded from forecast capital receipts from the sale of land and if these receipts are not received in this timescale, the programme will need to be re-visited to ensure the necessary funding is in place before any procurement exercises are started for individual projects.

## **4. PROCUREMENT SAVINGS**

- 4.1 Savings from procurement have played an important part over the last few years in achieving the overall savings required to achieve a balanced budget. Examples of revenue savings realised include the following:
- Grounds Maintenance Contract – re-tendered November 2010. Savings of £70k per annum.
  - Insurance Contract – re-tendered August 2010. Savings of £20k per annum.
  - Dry Recycling Contract – joint procurement with other Cambridgeshire Districts – re-tendered November 2009. Savings of £200k per annum.
  - ICT Outlook/Groupwise – April 2011. Savings of £35k per annum.
- 4.2 In addition the new contract for the supply of electricity and gas, effective from 1 April 2012, arranged through the ESPO (Eastern Shires Purchasing Organisation) consortium, has mitigated the very large increases in these costs, which the Council was facing.

## **5. IMPROVEMENTS IN PROCESSES**

- 5.1 The Council's financial management system (Agresso) has recently been upgraded. This will enable substantial improvements to be made to the Council's processes for procurement, ordering and payment of suppliers – the procure to pay process.
- 5.2 The upgraded Agresso system enables the whole process to be improved and as all transactions will be on the system, from ordering to payment, it will enable more accurate recording of committed expenditure, allow more detailed analysis of supplier spend and result in a more efficient payment process. It will also enable more effective control of contractual arrangements with suppliers.
- 5.4 The current plan is to roll-out the procure to pay process across the whole organisation by the end of this financial year, on a phased basis, beginning in July 2012.
- 5.5 In addition, FDC is now an affiliated member of Source Cambridgeshire, a web-site administered by Cambridgeshire County Council, which will have details of all this Council's contracts which are subject to a tendering process (currently anything in excess of £25,000 for supplies and services and £100,000 for works). The web-site will also have details of contracts from all other Cambridgeshire Districts as well as the County Council. There are also links to Council contracts in other areas.
- 5.6 The intention of this web-site is that it will allow local companies the opportunity to tender for Council contracts across the whole of Cambridgeshire and beyond.
- 5.7 The Council has also developed a range of business support measures and has a proactive relationship with local businesses through its work with the various business groups in the district (the Chambers of Commerce etc) and the Federation of Small Businesses (FSB). The Council has signed up to the FSB's 'Small Business Engagement Accord' which includes support for the 'prompt payment code'.
- 5.8 The business support measures will form an integral part of the Council's strategy to support the local economy, businesses and employment within Fenland.

## **6. NEXT STEPS**

- 6.1 The Procurement Strategy and Code of Procurement is currently being reviewed by officers in line with the objectives of this review. The updated versions of these will be available at the next meeting of this Panel for detailed discussion.
- 6.2 In addition, further detailed analysis of supplier spend is currently being carried out in order to determine how much of this Council's expenditure is with local companies and how much of the Council's future contracts and spend will be available for them to tender for.
- 6.3 Officers are in the process of finalising a detailed contracts database which will be provided to Improvement East who will be able to advise the Council on any joint procurement opportunities across the eastern region, which could potentially lead to further procurement savings.