

Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Report Reference: FCC-003-2009/10.

Date of meeting: 15 June 2009.

Portfolio: Finance and Economic Development.

Subject: Procurement Strategy 2009-12.

Responsible Officer: Dawn Jolley (01992 564355).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

To consider, and if appropriate amend, the updated Procurement Strategy and recommend it to Cabinet for adoption.

Executive Summary:

The current Procurement Strategy 2007 – 2009 was adopted by Cabinet in December 2006. A number of significant developments in the Council's procurement activities have taken place since the current strategy was adopted and this report seeks to update Members and refresh the strategy.

Reasons for Proposed Decisions:

We are nearly at the end of the period covered by the current procurement strategy and before it expires an updated strategy needs to be adopted to guide work in this increasingly important area.

Other Options for Action:

Members are invited to consider and amend the attached draft Procurement Strategy 2009 – 2012 as they feel appropriate to either increase or reduce the relative importance of any of the issues covered in the strategy, or indeed to introduce any additional elements.

Report:

1. The first stage in raising the profile of procurement was the issue of the National Procurement Strategy in October 2003. A key element of this was the pursuit of the "e-agenda" and as part of that strategy a National e-Procurement Project was developed. To implement the project local authorities were given targets to achieve and progress was monitored by consultants on behalf of the Office of the Deputy Prime Minister (ODPM). Following a review by ODPM consultants, Cabinet received a report on 10 October 2005 proposing the purchase of the Essex Marketplace ordering system and creation of a Procurement Analyst post. The purchase of the system was agreed but the new post was not.

2. The next significant report to Cabinet on procurement was on 9 October 2006, when Members agreed to join the Essex Procurement Hub. At the time this was done primarily as a cost effective way of ensuring the re-letting of the waste management contract was fully compliant with EU requirements. There was not sufficient in-house capacity in Legal Services

to support the project and quotes were obtained indicating likely legal fees of £90,000 and consultancy fees of £40,000 to deliver the project. The annual subscription of £36,000 for Hub membership offered a substantial saving and provided three days a week of specialist procurement advice.

3. Before the senior management restructuring, responsibility for procurement was shared between the Head of ICT and the Head of Finance. With the medical retirement of the Head of ICT the responsibility for procurement was included in the remit of the new post of Director of Finance and ICT. The savings achieved through combining the Finance and ICT services allowed for the creation of a post with specific responsibility for corporate procurement. This post was necessary to provide better co-ordination and control of procurement to improve value for money.

4. Historically procurement has taken place on a silo basis within services with very little being done to put council wide contracts in place for commonly purchased items. This meant that whilst individual services could argue they were achieving value for money for their own limited procurement, a council wide view when the spending of services was aggregated did not show such good value. Previous reviews by Internal Audit have highlighted different areas of the same service using different suppliers and suppliers charging different prices to different services. One of the items in the action plan of the updated strategy is to conduct a spend analysis to ensure appropriate contracts are in place and being complied with.

5. When the current Procurement Strategy was written it was an ambitious document that encompassed what was seen as best practice at that time. In reviewing the strategy it has become clear that it was too complex and overly bureaucratic for an authority of this size. To illustrate this point, the strategy proposed the adoption of a "Gateway Methodology" under which a Procurement Strategy Group would oversee all procurements over £100,000. This would have involved three gates of outline business case and procurement plan, contract recommendation and award, then contract management and annual review. Whilst the approach cannot be faulted in principle in practice it would require additional staff, would delay procurements and has the potential to cost more than it saves.

6. The updated Procurement Strategy still seeks to encompass best practice but is a more straightforward and practical document. Given the collaboration on procurement amongst a number of districts facilitated by the Hub, an attempt has been made to more closely align the procurement strategies of the members. This has been possible as Braintree and Castle Point District Councils have also recently updated their strategies.

7. A report on both internal work on procurement and the work of the Hub is planned for the next meeting of this Committee.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

The work of the Hub helps ensure that the Council complies fully with EU Procurement Regulations. The work undertaken internally on procurement should ensure better compliance with Contract Standing Orders and Financial Regulations.

Safer, Cleaner, Greener Implications:

The Strategy contains a section on sustainability and is consistent with the existing Climate Change and Safer, Cleaner, Greener strategies.

Consultation Undertaken:

The staff and other members of the Essex Procurement Hub have been consulted.

Background Papers:

None.

Impact Assessments:Equalities

The strategy seeks to promote equality within the activities of both the Council and its suppliers.

Risk Management

The main risk with procurement is that if it is not properly co-ordinated and controlled the Council is unlikely to achieve good value for money.