

REPORT TO THE Overview and Scrutiny Committee

Report No.8

Date of Meeting	30 th November 2006
Title of Report	Procurement Strategy - Progress Report
Link to Corporate Priorities	Council priorities refer to national targets in terms of the Efficiency Agenda, Procurement and Value for Money. Better purchasing contributes to a lower cost base releasing resources for other corporate priorities.
Public Report	Yes

Summary of Report

1. The Procurement Strategy is directly related to partnership arrangements with public bodies in Wiltshire and the South West and these continue to thrive and grow in importance.
2. Three new contracts have been concluded on a partnership basis relating to Agency Staff, Advertising and Stationery.
3. The Council's invoice reduction project, based mainly on the introduction of purchase cards continues with 31 Officers now signed up to use the system.
3. Performance Indicators for Procurement have been introduced.
4. The Wiltshire Procurement Federation have been formally subsumed into the Wiltshire Customer First Partnership.
5. The work on Shared Services continues with the first preliminary report on building control produced for consultation.
6. The national procurement target of a fully integrated procure to pay and marketplace system by December 2005 has not been achieved. Consideration will need to be given to the long term replacement of the Council's financial software.
7. The Council's policy on sustainable procurement will need to be re-written in view of the Government's Paper on Climate Change. This will be done by December of this year.
9. The new EEC Procurement Directive is beginning to have an impact on tender and contract procedures. The changes limit public contracts to a general four year period and introduce new concepts on openness and transparency as well as enabling local economic, sustainability and community issues to be factored in.

Officer Recommendations

That the report be noted.

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
None	None	None	None	None

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1. Introduction

- 1.1 The Council has a procurement strategy which reflects the Government's National Procurement Strategy. Much of the work under this heading is now done under partnership arrangements with the Wiltshire Procurement Federation (WPF) and the South West Centre for Excellence (SWCOE). The aim of the national strategy is to increase the quality of the procurement decision, build capacity, create electronic systems, encourage sustainably, support the local economy and seek value for money in the procurement cycle.

2. Options and Options Appraisal

- 2.1 Option 1:
To note the report
- 2.2 Option 2: .

To reject the report and refer it to the Executive Committee

3. Background Information

- 3.1 This report is part of the Committee's monitoring system to track the progress of strategies which are considered important both in terms of national targets but also in relation to the Council's own efficiency agenda.
- 3.2 The past few years has seen the gradual transformation of procurement practice and culture with a move to a more strategic approach to the procurement of goods and services. This has resulted in much more partnership arrangements for the procurement of goods and services and many of the Council's purchasing is derived from framework or joint contracts. This rests on the principle that combined purchasing power is often reflected in lower prices.
- 3.3 However procurement is not merely about goods and services, it encompasses the totality of the Council's approach to the way it delivers its priorities and services. Thus the concept of shared services between local authorities is being considered by the Wiltshire Customer First Partnership. A number of areas where shared services might be possible are being explored at present.
- 3.3 It should be noted that purchase costs, although important, are not the only cost factors to be considered within the procurement strategy. The resources devoted to tendering, contract arrangements and monitoring, as well as in the placing and payment of orders, all generate considerable transaction costs. Any measure to reduce these costs is to be welcomed.
- 3.4 The Council has a Procurement Officer's Group which steers and implements the strategy and co-ordinates its work in partnership with the WPF and SWCOE.

4.0 Specific Actions

- 4.1 Contracts have been or about to be signed through the Wiltshire Procurement Federation on Agency Staff, Advertising and Stationery. Reviews are taking place on fuel oil, furniture, insurance and vehicle leasing. All Wiltshire I.T hardware for contributing authorities will be purchased through a Hampshire Consortium framework agreement.
- 4.2 The Council's invoice reduction project, mainly based on the use of Purchase Cards, continues with 31 cards issued to participating Officers. An average of £8k per month is currently being spent through the card issue. The use of a purchase card is calculated to be around £22 a reduction in transaction costs of £40 plus. The use of the cards is expected to double when Officers become familiar with the system.
- 4.3 In line with the national procurement strategy, performance indicators for procurement have recently been introduced. These will be reported within the performance management framework in future.
- 4.4 The Wiltshire Procurement Federation has been re-organised and subsumed into the Wiltshire Customer First Partnership. It will continue to work on a project basis based on the amount of local authority expenditure which is not subject to formal contract and tender arrangements or where there are clear grounds for a review.
- 4.5 The recent Government Paper on Climate Change has reinforced the need to be very clear about the way in which the Council conducts its procurement policy in relation to sustainability. This aspect of the procurement strategy will need to be re-written with a much more active role in the selection and commitment of suppliers. The aim will be to do this by the end of the current calendar year.
- 4.6 Procurement extends beyond the straightforward purchase of goods and services, it includes the consideration of how and where services are delivered. Through the Customer First Partnership, a number of reviews of possible shared service areas are taking place. A preliminary report on building control has been produced for consultation.
- 4.7 The "Buy Wiltshire" web site has been created and will gradually be rolled out over the next few months. It is designed to produce a shop window for local companies and to give an opportunity for small and medium sized enterprises to become involved in public sector contracts. Officers will need to think ahead in terms of future contract opportunities to give SME's the opportunity to bid for, or least participate in public body contracts.
- 4.8 The Government target for an electronic market place and a fully electronic procure to pay system has not have been achieved by the due date of December 2005. This is directly attributable to the need to review the Council's current financial systems. Major decisions will need to be made on the replacement of existing software and whether this can be done within a partnership framework. It makes little sense to purchase and implement an expensive add-on module to an existing old system which needs replacing. A report will be available soon to set out the long term future options on the Council's financial software system as it applies to the procure-to-pay and marketplace systems advocated by Government. It should be noted however that considerable progress has been made on the electronic payment systems through b.a.cs.

Appendices:	None
Background Documents Used in the Preparation of this Report:	Agenda and Minutes of the Wiltshire Procurement Federation Information from the South West Centre of Excellence

Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference
Procurement Progress Report	Overview and Scrutiny 16.2.2006	0132