



## Performance and Audit Scrutiny Committee 30 April 2012

### Annual Procurement Report 2011-12

#### 1. Purpose of the Report

This purpose of this report is to provide an annual update to the Performance and Audit Scrutiny Committee on progress with the Council's Procurement in 2011/12.

#### 2. Recommendations

##### 2.1 That the Committee:

- notes highlights of the progress made on the Procurement during 2011/12 as detailed in section 4 below;
- notes the Procurement Savings achieved in 2011-2012, totalling £454,367, as detailed in Appendix A.

#### 3. Corporate Objectives

##### 3.1 The recommendations meet the following objective, as contained within the Corporate Plan:-

- (a) Corporate Priority: *"To raise Corporate standards and efficiency".*

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#### **4. Procurement Highlights**

- 4.1 Prior to June 2009, the Council shared a Procurement Officer with Forest Heath and Babergh. Upon the resignation of this staff member, it was agreed to refocus the Council's efforts in terms of SEBC procurement, and therefore a full time Procurement Manager was appointed in June 2009.
- 4.2 Previously procurement progress was reported to the 'Procurement Standards Board'. However, this board was dissolved in March, 2009 and it was subsequently agreed that Procurement should report directly to the Performance and Audit Scrutiny Committee. This is the third of these reports.
- 4.3 The Committee is asked to note the following progress achieved during 2011-12:
- Procurement savings of £454,367 were delivered during 2011-12. (Please see Appendix A for details). These savings were the result of significant work across a range of sections in the Council, generally led by the Procurement Manager.
  - An electronic tendering system was implemented in SEBC, which is used by all local authorities in Suffolk. As a result of this, SEBC is running most of its quotation and tender activities through this system. This is a secure electronic system which enables 'end to end' quotation and tender exercises to be run electronically all with a clear audit trail.
  - An electronic contract management system was also rolled out at SEBC. This is, again, a joint initiative of all local authorities in Suffolk. This system is capable of managing all aspects of Contract Management. One of the key features of this system is that all suppliers will be able to find upcoming local authority procurement opportunities in one place.

A total of 26 SEBC officers were trained in using above electronic sourcing systems.

- All central government departments have adopted a policy to publish any quotation or tender opportunity above £10,000, using a website known as 'Contracts Finder'. While it is mandatory requirement for the all central government Departments, the Department for Communities and Local Government made this an option for local authorities. St Edmundsbury Borough Council has proactively adopted this policy and currently publish all quotation or tender opportunity above £10,000 on the 'Contracts Finder' website. The following benefits are delivered :

Buyers benefits include:

- getting procurement opportunity advertised to a wider audience, which will attract more suppliers to ensure competition, free of charge;
- creating public understanding of their procurement intentions and processes;
- improving value for money in procurement and contracting;
- encouraging and obtaining innovative solutions from suppliers;
- SEBC making savings of approximately £10,000 from newspaper advertisements by making this as the default option for advertising tenders.

Suppliers benefits include:

- gaining additional insights into the public sector marketplace;

- accessing, and being alerted to, opportunities to do business with the public sector in one place, free of charge;
- improving their marketing both for traditional and new areas of the public sector;
- judging the demand patterns being exhibited by their (potential) clients;
- developing innovative solutions to meet client demand.

The public benefits include:

- developing an understanding of the nature of commercial and procurement behaviour in government;
- being able to call the public sector to account for how they spend taxpayers' money;
- developing confidence in the public sector's approach to its suppliers.
- A Procurement Newsletter – an internal quarterly newsletter has been introduced for everyone connected to any procurement activities in SEBC. The newsletter provides a brief update on procurement activities, procurement regulations, procurement best practice initiatives and other relevant procurement news and information.
- 'Spend Analysis' are carried out on a quarterly basis; primarily involving Procurement and Finance. Based on initial findings, procurement has become involved with departments to discuss and identify opportunities in further detail, which has created a dynamic base of procurement priorities and savings plans.
- The Procurement pages of the SEBC Website have been enriched and updated to be more informative, user friendly and purposeful. They now include a section called "Winning the Contract" course for Suppliers, This is a free resource to help businesses (and in particular Small and Medium Enterprises - SMEs) learn about public procurement and how to bid for public sector contracts, expected to help local suppliers.
- The SEBC Intranet Procurement pages have been enriched and updated with best practice guidance, latest tools, templates documents; e-Learning modules and also includes a section called "Negotiator's e-Pocketbook" and another section called "Guidance for Elected Members".
- Collaborative Procurement Initiatives – SEBC procurement supported the following collaborative procurement exercises:
  - Procurement of new planning and building control system (IDOX) via GPS Framework;
  - Procurement of CCTV Maintenance services with many public sector organizations via an ESPO (Eastern Shires Purchasing Organisation) Framework.
  - Procurement of Treasury Management Advisory Services with Forest Heath District Council (FHDC) and East Cambridgeshire District Council.
  - GPC (Govt Procurement Card) procurement through joint tendering with 7 other UK public sector organizations, including, Heriot-Watt University, HM Treasury Group ( including UK Financial Investments & Asset Protection Agency), Kirklees Council, Nuclear Decommissioning Authority, The Woodland Trust, University of Aberdeen, Western Sussex Hospitals NHS Trust
  - Procurement of Wheeled Bins with FHDC through multiple suitable frameworks.

	<ul style="list-style-type: none"> <li>• Procurement of electronic Tendering system and electronic contract management system with other Suffolk local authorities via Government Procurement Service (GPS) Framework</li> <li>• Bulk Fuel Purchase with FHDC via GPS Framework.</li> <li>• Procurement of Renewable Energy generation (solar power) with many public sector organizations via Yorkshire Purchasing Organization (YPO) Framework.</li> <li>• Procurement of specialist refuse vehicles (so far 16 ordered) via Central Buying Consortium (CBC) Framework</li> </ul> <ul style="list-style-type: none"> <li>• Procurement is continuously supporting departments to find collaborative working opportunities by working closely with the Countywide Procurement Officers' Group in Suffolk.</li> <li>• In line with the Shared Services Agenda, SEBC Procurement is closely working with FHDC Procurement in finding areas for collaborative procurement, as well as in aligning procurement policies and strategies.</li> </ul>
<p><b>5.</b></p> <p>5.1</p>	<p><b>Other Options considered</b></p> <p>N/A</p>
<p><b>6.</b></p> <p>6.1</p> <p>6.1.1</p> <p>6.2</p> <p>6.2.1</p>	<p><b>Community impact</b> <i>(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)</i></p> <p><u>General</u></p> <p>The opening up of the Council's procurement activities through more accessible website pages and e-tendering has provided easier access for local suppliers to become engaged with the Council.</p> <p><u>Diversity and Equality Impact</u> <i>(including the findings of the Equality Impact Assessment)</i></p> <p>Procurement decisions take into account whether there are any diversity or equality impacts. For procurement projects with high value and risk profile, managers with responsibility for Diversity and Equality are involved in evaluating suppliers/contractors compliance level at early stages of procurement.</p>
<p><b>7.</b></p> <p>7.1</p>	<p><b>Sustainability Impact</b> <i>(including environmental or social impact on the local area or beyond the Borough)</i></p> <p>The Procurement Strategy takes the sustainability of all procurement activity fully into account. The strategy acknowledges that there are many social or environmental factors which impact on Procurement decision-making, including the need to adopt sustainable or "green" practices where appropriate. For procurement projects with high value and risk profile, managers with responsibility for Environment and Sustainability are involved in evaluating suppliers/contractors compliance level at early stages of procurement.</p>
<p><b>8.</b></p> <p>8.1</p>	<p><b>Consultation</b></p> <p>N/A</p>
<p><b>9.</b></p> <p>9.1</p> <p>9.2</p>	<p><b>Finance implications</b> <i>(including asset management implications)</i></p> <p>The Committee is asked to note that there is a strong link between savings made through Procurement and the financial planning and budgeting process. Significant contributions are expected from procurement activities for DR-IVE savings.</p> <p>The savings achieved through Procurement in 2011/12 are detailed in Appendix A.</p>

**10. Risk Assessment** *(potential hazards or opportunities affecting corporate, service or project objectives)*

<b>Risk area</b>	<b>Inherent level of Risk</b> (before controls)	<b>Controls</b>	<b>Residual Risk</b> (after controls)
Risk of Procurement Activity or Contract Award being challenged	Medium	Robust Contract Procedure Rules in place, involvement of Procurement and Legal officers involved in letting of key contracts, embedded Project Management processes making it highly unlikely for important tenders to slip through the net	Low
Procurement activity is not achieving Best Value	Medium	Procurement awareness is a key priority of the Procurement Manager, with training sessions being delivered on an ongoing basis, and a quarterly newsletter being issued.	Low
<p><b>11. Legal or policy implications</b> 11.1 None.</p>			
<b>Ward(s) affected</b>	All	<b>Portfolio Holder(s)</b>	Resources
<b>Background Papers</b>		<b>Subject Area</b>	Resources

**APPENDICES :**

- A - SEBC Procurement Savings Record for 2011-2012

**BACKGROUND PAPERS REFERRED TO:**

- SEBC Procurement Strategy

## Appendix A - SEBC Procurement Savings Record for 2011-2012

No	Area of Saving	Approx Annual Spend	Comments	Amount saved per Annum	Procurement DR-IVE	Damage Limitation	Saving for others	Efficiency saving for reduction in invoices
1	Insurance Services	£450,000	Note – Savings delivered for 2011/12 from tender exercise undertaken in 2009/10. Savings achieved through collaborative procurement with 12 other local authorities.	£200,000	Yes		Yes.	
2	Facilities Management Services Contract	£250,122	Note – Savings delivered for 2011/12 from tender exercise undertaken in 2009/10.  Spend and Savings mentioned here are for SEBC only. It was a collaborative procurement together with Suffolk County Council (SCC) and Havebury Housing Partnership. SCC achieved savings of same amount.  Savings achieved for SEBC through competitive EU tendering	£68,034	Yes.		Yes.	
3	Cleaning Services at SEBC Operational Buildings	£372,00	Note – Savings delivered for 2011/12 from tender exercise undertaken in 2009/10.  Savings achieved for SEBC through competitive EU tendering. Part of the savings achieved was also due to changes in requirements regarding public conveniences.	£111,573	Yes.			
4	Window Cleaning Contract	£31,200	Savings achieved by competitive tendering.	£20,000	Yes			
5	Mobile Telephony Contract	£30,000	£4,000 savings achieved by competitive tendering through mini-competition via GPS Framework. Efficiency savings achieved through negotiation to get FREE IBS (In Building Solution) from chosen supplier. (of worth £16,000 one-off savings)	£20,000	Yes			
6	Car Parks Ticket printing	£4,000	Savings achieved through advertisement discounts	£3,260	Yes.			
7	Managed Tyre Contract	£54,000	Note – Savings delivered for 2011/12 from negotiation undertaken in 2009/10.  Savings made through negotiation with the supplier	£8,000	Yes.	Yes.		

8	Wheeled Bin Procurement	£100,000	Note – Savings figure is estimated. Savings made through using suitable Framework Agreements	£3,500	Yes.	Yes.	Yes.	
9	Fuel purchase with FHDC	£500,000	Saving made through procuring via Buying Solution framework agreement.  Note – Saving is shared between SEBC & FHDC	£20,000			Yes.	
10	Procurement of IT Hardware, Software, Fuel through Buying Solutions Framework	£178,000	Saving made through procuring via Government Procurement Service (GPS) framework agreement.  Note – Savings reported here is estimated; savings report from GPS yet to be received.	£25, 000	Yes.	Yes.		
<b>Total savings</b>				<b>£454,367</b>				

Notes: 'Damage limitation' is the term used to describe where procurement involvement has reduced an increase (e.g. energy)  
'Savings for others' are where procurement involvement with budget holders has helped to secure a saving for that department  
'Efficiency savings for reduction in invoices' are non cashable Gershon savings based on reducing invoices. Based on £28 per invoice saved  
'NHH' means Non Half Hourly which is an electricity tariff for medium to low usage. 'HH' means Half Hourly which is a high user tariff



*St Edmundsbury*  
BOROUGH COUNCIL

# Procurement Strategy

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January 2008



# **Procurement Strategy**

## **1) Introduction and Rationale**

- 1.1 The Procurement landscape, both locally and nationally, has undergone some significant changes. Nationally, the importance and prominence of the various public sector Professional Buying Organisations (PBO's) continues to grow, and they are now seen as leading the Procurement agenda, particularly with regard to the purchasing of Goods and Commodities. Locally, there is growing co-operation amongst Suffolk's Procurement officers, particularly through the Countywide Procurement Group.
- 1.2 The more widespread use of electronic methods of Procurement within the public sector is also creating Procurement challenges to which authorities must respond.
- 1.3 Taking the local perspective, there are challenges for Procurement arising from the 2006 Local Government White Paper, "Strong and Prosperous Communities". In addition, the proposed Boundary Commission review of Local Government in Suffolk will have a significant impact on the future of Procurement across the County, particularly with the drive towards more collaborative or "Shared Services" working models.
- 1.4 By working in partnership with our colleagues at Forest Heath and Babergh, the 3 West Suffolk authorities aim to encourage collaboration, promote best practice and share knowledge. The Councils intend to make themselves more accessible to suppliers by adopting similar practices and procedures.

## **2) Governance, Implementation and Monitoring**

- 2.1 It is expected that all Heads of Service will adopt the principles of the Procurement Strategy and promote its implementation within their own service area. This will operate within the framework of the Councils' Contracts Procedure Rules.
- 2.2 Members are expected to use the strategy as a sense-check to review officer Procurement decision-making, whether through the relevant committee or sub-committee, or ultimately via the Procurement Standards Board.
- 2.3 Procurement Standards Board

<b>Governance Body</b>	<b>Constituents</b>	<b>Meeting Frequency</b>
Procurement Standards Board	6 members (politically balanced)	Quarterly

### **3) What is Procurement?**

3.1 According to the National Procurement Strategy for Local Government:-

*'Procurement is the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. The process spans the whole life cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical 'make or buy' decision.'*

In the broadest possible terms, everything a Local Authority uses in the provision of services to the public – people, tools, vehicles, time, systems, expertise, energy etc. – can all be “Procured”.

### **4) Why Procurement matters?**

4.1 Monitoring of Procurement activity forms part of a Local Authority's Comprehensive Performance Assessment (CPA) – it is seen as an important element of delivering better, more cost-effective services to local tax-payers. Improvements in Procurement can contribute significantly to the results in the Council's Annual Efficiency Statement (AES), and in achieving targets arising from the Gershon Efficiency Report of 2004.

### **5) Summary view of Procurement**

- 5.1 St Edmundsbury views Procurement as an enabling activity. It is NOT a “one size fits all” discipline where the same behaviour can be routinely applied to every single Procurement exercise. However, there are a number of guiding principles outlined in the Procurement strategy, which must be considered and applied wherever they can be.
- 5.2 It is not always possible to define what constitutes “good” and “poor” Procurement, but the Chartered Institute of Purchasing and Supply (CIPS) as an over-riding definition for “**Procurement Success**”.

Success in Procurement involves having the:-

RIGHT Product in the  
RIGHT Place at the  
RIGHT Time in the  
RIGHT Quantity to the  
RIGHT Quality from the  
RIGHT Source

## Key Themes and Policies

THEME	AIM	POLICIES
<b>1) Working in Partnership</b>	The Council will always attempt to work in partnership with other public sector organisations at local, regional, and national level, in order to increase buying power and / or procure more efficiently.	<p>The Council will:-</p> <ul style="list-style-type: none"> <li>• Seek to purchase all Goods and Commodities via PBOs (Professional Buying Organisations) or regional buying consortia</li> <li>• Actively pursue opportunities to procure goods and services in partnership with other bodies</li> <li>• Consider all possible collaborative routes to Procurement, including opportunities through the West Suffolk Procurement Partnership, Regional Centre of Excellence East, PBOs, and any other appropriate regional or national projects.</li> <li>• Seek not to duplicate Procurement activity which has already been undertaken suitably elsewhere</li> <li>• Widely advertise existing contracts and forthcoming opportunities, in order to encourage collaboration with other partners</li> </ul>
<b>2) Contract Management</b>	The Council will adopt a robust system for the management of its' contracts, including appropriate recording, maintenance, and review, including market testing whenever appropriate	<p>The Council will:-</p> <ul style="list-style-type: none"> <li>• Ensure that all renewable (and any other appropriate) contracts are entered onto the Eastern Region Contracts Register</li> <li>• Select contracts on the basis of Best Value, and not solely on the basis of lowest Cost</li> <li>• Thoroughly review all contracts in advance of their expiry date, to determine the subsequent Procurement process</li> <li>• Not enter into or maintain "rolling" contracts</li> <li>• Take early and decisive action to address failing or unsatisfactory contracts</li> <li>• Ensure that Procurement always plays a role in the establishment of contracts, whether renewable or project-based</li> <li>• Use Procurement expertise in contract disputes, negotiations, problem resolution, and annual contract renewals</li> <li>• Ensure that Procurement is considered and involved at the initiation of major projects</li> </ul>
<b>3) Electronic Procurement</b>	The Council aims to trade electronically with all suppliers as its' first preference across the whole Procure to Pay cycle,	<p>The Council will aim to: -</p> <ul style="list-style-type: none"> <li>• Raise all Purchase Orders electronically</li> </ul>

<p><b>and Streamlined Processes</b></p>	<p>including quotations, tenders, purchase ordering, invoicing, and payment, with the added benefit that such electronic trading will assist in delivering simplified and streamlined Procurement processes.</p>	<ul style="list-style-type: none"> <li>• Pay all Suppliers via BACS or similar electronic means</li> <li>• Promote and encourage the use of electronic invoicing by suppliers</li> <li>• Facilitate and promote the use of electronic tender and quotation processes</li> <li>• Encourage innovation aimed at making Procurement more efficient</li> <li>• Increase the use of ICT to replace and simplify manual Procurement processes</li> <li>• Update Contracts Procedure Rules to reflect the most efficient processes</li> <li>• Continuously aim to reduce the volume of orders raised, invoices processed, and the number of active suppliers</li> </ul>
<p><b>4) Best Value</b></p>	<p>The Council aims to treat each Procurement activity as an opportunity to achieve Best Value, either by improving service at no extra cost, or receiving the same service at a lower cost.</p>	<p>The Council will:-</p> <ul style="list-style-type: none"> <li>• Maximise its' buying power using the principles of "Working in Partnership"</li> <li>• Challenge contract price increases (e.g. annual renewals, contract variances) to ensure that Best Value is maintained</li> <li>• Seek to reduce the on-costs of Procurement by simplifying and improving tender and quotation processes</li> <li>• Eliminate spending on goods and commodities from non-contracted suppliers</li> <li>• Award contract on Best Value principles, not just lowest price.</li> </ul>
<p><b>5) Developing Skills and Capacity</b></p>	<p>The Council will ensure Procurement is a corporate priority, with the necessary support and resources, including training, to guarantee continuous improvement.</p>	<p>The Council will:-</p> <ul style="list-style-type: none"> <li>• Ensure that officers are aware of and fully comply with the Council's Contracts Procedure Rules</li> <li>• Ensure that officers with Procurement responsibility are given the necessary resources and training to fulfil their responsibilities</li> <li>• Ensure that members with a responsibility for Procurement are given access to the necessary training, materials, and documentation to stay fully up-to-date</li> <li>• Produce and maintain a "Procurement Code of Practice" which provides a one-stop reference point for staff</li> <li>• Liaise with the Regional Agencies, Procurement Beacon authorities and other appropriate organisations and bodies, with regard to identifying and implementing "Best Practice"</li> </ul>

		<ul style="list-style-type: none"> <li>• Reduce reliance on external expertise to provide support and assistance by encouraging the development of retained staff</li> </ul>
<b>6) Mixed Economy</b>	The Council will ensure that it adopts a mixed provision of suppliers, by balancing the targeting of Best Value against the need to support the local economy	<p>The Council will:-</p> <ul style="list-style-type: none"> <li>• Ensure that all sectors of the economy are considered when undertaking Procurement</li> <li>• Consider support for the local economy as a factor in Procurement decision-making</li> <li>• Take opportunities to liaise with the local business sector, e.g. through Chambers of Commerce, Business Link, "Meet the Buyers" events etc.</li> <li>• Ensure that all officers understand how to respond to approaches from businesses wishing to work with the Council</li> <li>• Advertise tenders as openly as possible, including the use of electronic advertising</li> <li>• Sign up to and support the principles of the "Small Business Friendly Concordat"</li> </ul>
<b>7) Recording and Measuring Savings</b>	The Council will ensure that all savings arising from Procurement activity are recorded and that they feed into financial planning and budgeting activity	<p>The Council will:-</p> <ul style="list-style-type: none"> <li>• Ensure that all savings made on renewable contracts are reflected in subsequent budget setting</li> <li>• Encourage the use of Procurement resources and expertise to achieve savings against ongoing or project budgets</li> <li>• Respond positively to challenges, both internal and external, which identify potential cash or efficiency savings</li> </ul>
<b>8) Equality, Sustainability, and Procurement Culture</b>	The Council will aim for positive outcomes from Procurement activity with regard to sustainability, equality, and other "non-tangible" or cultural benefits	<p>The Council will:-</p> <ul style="list-style-type: none"> <li>• Ensure that sustainability is a factor considered in all Procurement decision-making</li> <li>• Not deal with suppliers who demonstrate poor practice in relation to environmental management</li> <li>• Not deal with suppliers who are seen to discriminate in any way against any group or individual</li> <li>• Encourage the use of voluntary or "third" sector organisations</li> <li>• Encourage small and local suppliers to apply for contracts with the Council</li> </ul>