

## **BABERGH DISTRICT COUNCIL**

**FROM:** Procurement Task Group

**REPORT NUMBER:** **H215**

**TO:** OVERVIEW & SCRUTINY  
(STEWARDSHIP) COMMITTEE

**DATE OF MEETING:** 24 March 2009

### **ANNUAL REPORT ON THE COUNCIL'S PROCUREMENT STRATEGY ACTION PLAN (2008/2011)**

#### **1. PURPOSE OF REPORT**

- 1.1 To provide the first indication of progress on the Action Plan included in the Council's Procurement Strategy & Framework Document (2008-2011).
- 1.2 To advise that the 2008/09 target of £50,000 savings generated through procurement initiatives has been exceeded.

#### **2. RECOMMENDATION**

- 2.1 That the progress made in 2008/09 against the original Action Plan, and the inclusion of new targets introduced (bearing in mind that, as a 'live document', new targets will also be introduced during 2009/10) be noted.
- 2.2 That the original target of £150,000 savings over the period of the Strategy i.e. 2008-2011 be retained, and a 'stretch' target of £300,000 be introduced.
- 2.3 That the Procurement Task Group continue to monitor delivery of the Action Plan in 2009/10.

The Committee is able to resolve these matters.

#### **3. FINANCIAL IMPLICATIONS**

- 3.1 The objective of the Strategy is to generate savings activity. Financial implications are therefore in relation to savings generated through procurement initiatives based on an overall target of £150,000 over the 3-year life of the Strategy.
- 3.2 Savings of £80,000 in 2008/09, and predicted savings of £25,000 in 2009/10 already indicate that the overall target has every chance of being exceeded.
- 3.3 It is therefore considered that a 'stretch' target of £300,000 should be introduced as well.

#### 4. **RISK MANAGEMENT**

4.1 The future potential to maximise savings is currently influenced by:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Serious or Impact</b>	<b>Mitigation Measures</b>
Loss of the Joint Procurement Officer	Significant	Critical	Review the current joint arrangement with St. Eds and Forest Heath.
The LGR process	Low	Marginal	Although the LGR process could affect major procurements, there are very few of these planned e.g. Hadleigh Community Facility
The current recession	Significant	Critical	Greater financial vetting of companies involved in procurement initiatives

#### 5. **KEY INFORMATION**

5.1 The Council has adopted a Procurement Strategy & Framework for 2008-2011.

5.2 The framework document included an Action Plan, which forms Appendix 'A' to this report.

5.3 The Action Plan has been improved to include new and revised targets designed to further improve our procedures and generate future savings.

5.4 Appendices B, C and D have been added to the Action Plan to reflect the areas where savings have been achieved, or are projected to be achieved in future years. These tables will be populated over time as opportunities arise.

5.5 The original financial target set for the Strategy was £150,000 over its 3-year life.

5.6 The Action will require further review in early 2009 based on the outcomes of the Audit Commission 'Use of Resources' assessment, which includes several references to procurement activity.

#### 6. **BACKGROUND PAPERS**

None.

#### 7. **APPENDICES**

Appendix A – Action Plan (also includes Appendices B, C and D).

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**BABERGH DISTRICT COUNCIL – PROCUREMENT STRATEGY**

**APPENDIX A - ACTION PLAN (updated 28<sup>th</sup> February 2009)**

<b><u>Key Themes, Enablers</u></b>	<b><u>Actions</u></b>	<b><u>Specific Targets</u></b>	<b><u>Progress to Date</u></b>
<b>OBJECTIVE 1 - ACHIEVE SAVINGS AND EFFICIENCIES, and IMPROVE VALUE FOR MONEY</b>			
<p><b>1A. Partnerships, Shared Services and Collaborative Working</b></p>	<ul style="list-style-type: none"> <li>• Fully embrace the shared services, partnership and joint working culture at Member and Officer level</li> <li>• Through membership of the Suffolk Countywide Procurement Group actively lead and contribute to investigating shared services and joint procurement opportunities, repackaging and combining services where appropriate (<b>new combined action</b>)</li> </ul>	<ul style="list-style-type: none"> <li>• Adoption of the Procurement Strategy &amp; Framework (2008-2011) by the Council</li> <li>• Enter into at least one joint contract with members of the Procurement Group in the financial year 2008/09</li> </ul> <p><b>New Target:</b></p> <ul style="list-style-type: none"> <li>• Enter into at least three joint contracts with members of the Procurement Group in the financial year 2009/10</li> </ul>	<ul style="list-style-type: none"> <li>• COMPLETED</li> <li>• ACHIEVED -Three joint contracts awarded:               <ul style="list-style-type: none"> <li>○ Building Control Partnership with Ipswich Borough Council and Suffolk Coastal DC</li> <li>○ Joint Insurance Initiative with Suffolk Coastal Dc and Waveney DC</li> <li>○ Countywide software procurement and project management for the Choice Based Lettings System</li> </ul> </li> <li>• ON-GOING - Limited progress at present due to the uncertainties generated by the LGR process</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
	Pursue further partnering opportunities on construction-related contracts	<p><b>New target:</b></p> <ul style="list-style-type: none"> <li>• Investigate opportunities to advise town &amp; parish councils on procurement</li> <li>• Enter into at least one partnering contract in the financial year 2008/09</li> </ul> <p><b>New target:</b></p> <ul style="list-style-type: none"> <li>• Enter into at least three partnering contracts in the financial year 2009/10</li> </ul>	<ul style="list-style-type: none"> <li>• Not started</li> <li>• Partnering contract entered into (through the Energy Savings Trust) for the provision of loft insulation to achieve the Babergh Standard, and maximum grant availability</li> <li>• Potential for a joint procurement of council housing reactive repairs examined with Mid Suffolk DC, but eventually discounted due to the uncertainties around the LGR process</li> <li>• Consideration required during the summer of the partnering arrangements for kitchen supply, and the installation of pvcU windows &amp; doors</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p><b>1B. E-Procurement</b></p>	<ul style="list-style-type: none"> <li>• Use e-technology to ensure that internal processes operate efficiently both internally and with suppliers / contractors</li>   <li>• Introduce procurement cards for low value, high volume transactions</li>   <li>• Make the procure-to-pay cycle as efficient as possible</li> </ul>	<ul style="list-style-type: none"> <li>• March 2009</li> </ul> <p><b>New target:</b></p> <ul style="list-style-type: none"> <li>• Integrate the system into the Council's outside operations e.g. TIC's, sheltered units etc., by March 2010</li> </ul> <ul style="list-style-type: none"> <li>• March 2009</li> </ul> <p><b>New target:</b></p> <ul style="list-style-type: none"> <li>• Review expenditure volumes for 2008/09 and consider whether an increased number of cards will generate greater efficiencies by July 2009</li> </ul> <p><b>New target:</b></p> <ul style="list-style-type: none"> <li>• June 2009</li> </ul>	<ul style="list-style-type: none"> <li>• ACHIEVED - Agresso e-procurement has been rolled out to all divisions in the HQ</li>   <li>• Not started yet</li>   <li>• ACHIEVED - Six P-cards are in use by key personnel within the authority (£72,000 spend to date)</li>   <li>• Not started yet</li>   <li>• It is proposed that a "No Purchase Order / No Payment" system is introduced. Awaiting approval from the Director of Finance/Internal Audit</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<b>1C. Consortia / Approved Suppliers</b>	<ul style="list-style-type: none"> <li>• Seek to purchase as many goods and services as possible through Professional Buying Organisations (PBO's) or Regional Buying Consortia</li> <li>• Use only approved suppliers and avoid off-contract spend</li> </ul>	<ul style="list-style-type: none"> <li>• On-going</li> </ul> <p><b>New target:</b></p> <ul style="list-style-type: none"> <li>• Review of spending in 2008/09 required to identify any other areas where PBO's would be effective – August 2009</li> </ul> <ul style="list-style-type: none"> <li>• On-going</li> </ul>	<ul style="list-style-type: none"> <li>• ACHIEVED - Several PBO contracts already adopted – stationery, general consumables, office paper, mobile telephones, photocopiers, protective clothing, cleaning products, energy</li> <li>• New “Standing list of Contractors” for construction-related projects developed for three years from 1<sup>st</sup> April 2009</li> </ul>
<b>1D. Developing Skills &amp; Capacity</b>	<ul style="list-style-type: none"> <li>• Increase Member and officer skills, knowledge and awareness through appropriate training and advice</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake divisional briefing sessions between Oct 2008 and Jan 2009</li> </ul>	<ul style="list-style-type: none"> <li>• ACHIEVED - Officer briefing sessions held within each Division (with attendance by Members of the Procurement Task Group) to promote: <ul style="list-style-type: none"> <li>○ the new corporate procurement function with the Contract &amp; Asset Management Division</li> <li>○ the revised Contract Procedure Rules</li> <li>○ greater procurement advice and awareness</li> </ul> </li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p>1D. (continued1)</p>	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>• Ensure the new procurement function within the Contract &amp; Asset Management Division ( and the Joint Procurement Officer shared with SEBC and FHDC) exert influence over all major procurement activity</li> </ul>	<p><b>New target:</b> Incorporate a procurement element within the Council's staff induction process by Sep 09</p> <p><b>New Target:</b> Staff responsible for procurement complete the 'Passport to Procurement' learning module for public service procurement by Sep 09</p> <p><b>New target:</b> Review the impact of the above targets with divisional heads</p> <ul style="list-style-type: none"> <li>• On-going</li> </ul> <p><b>New target:</b></p> <ul style="list-style-type: none"> <li>• Consider whether the shared Joint Procurement Officer arrangement is still required for 2009/10</li> </ul>	<p>Not started</p> <p>Not started</p> <p>Not started</p> <ul style="list-style-type: none"> <li>• SUBSTANTIALLY ACHIEVED – but will require 'refreshing' at certain intervals to maintain the level of awareness</li> </ul> <p>Discussions currently being held with Bury St Edmunds &amp; Forest Heath Councils</p>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<b>1D. (continued 2)</b>	<ul style="list-style-type: none"> <li>• Develop a procurement Code of Practice for guidance in relation to the Procurement Strategy and the Contract Procedure Rules</li> <li>• Conduct divisional procurement reviews with Heads of Service (and team leaders) to identify improved procurement and contracting opportunities</li> <li>• Establish a Procurement Protocol which ensures the involvement of a member of the Procurement Team in tendering / renewing contracts and the evaluation of tenders</li> <li>• Implement a process whereby procurement savings, both central and departmental, are recorded and monitored on an ongoing basis</li> </ul>	<p><b>New target:</b></p> <ul style="list-style-type: none"> <li>• March 2009</li> </ul> <p><b>New target:</b></p> <ul style="list-style-type: none"> <li>• July 2009</li> </ul> <p><b>New target:</b></p> <ul style="list-style-type: none"> <li>• March 2010</li> </ul> <p><b>New target:</b></p> <ul style="list-style-type: none"> <li>• September 2009</li> </ul>	<ul style="list-style-type: none"> <li>• Under way</li> <li>•</li> <li>• Not started</li> <li>• Protocol yet to be established but, through the awareness training undertaken, involvement is increasing The Procurement Team have visibility of all tenders above 50k</li> <li>• Recording is currently on an ad-hoc basis. A methodical system is currently being developed by FHDC, which will be considered for use by BDC &amp; St. Eds.BC</li> </ul>
<b>1E. Governance and Scrutiny</b>	<ul style="list-style-type: none"> <li>• Through the Procurement Task Group monitor and review procurement activity and this Action Plan</li> </ul>	<ul style="list-style-type: none"> <li>• On-going</li> </ul>	<ul style="list-style-type: none"> <li>• First annual report due for submission to the Task Group in March 2009 (followed by a report from the Task Group to O &amp; S Committee)</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
	<ul style="list-style-type: none"> <li>• Embed key procurement disciplines through use of the Contract Procedure Rules and the Procurement Code of Practice</li> <li>• Adopt clear option appraisal and business case approaches in making strategic procurement decisions</li> <li>• Ensure that the Contract Register contains a forward plan of all renewable (and any other appropriate) contracts exists to enable the timely consideration of procurement options</li> </ul>	<ul style="list-style-type: none"> <li>• September 2009</li> <li>• On-going</li> </ul> <p><b>New targets:</b></p> <ul style="list-style-type: none"> <li>• Ensure that the Contract Register is fully updated with existing contracts by March 2009</li> </ul>	<ul style="list-style-type: none"> <li>• PART ACHIEVED - Officer briefing sessions held within each Division to promote the revised Contract Procedure Rules. Further sessions required regarding the Code of Practice when available</li> <li>• Recent examples – Hadleigh Community Facility, Loft Insulation Works</li> <li>• 95% complete</li> </ul>
		<ul style="list-style-type: none"> <li>• Ensure that the Contract Register is updated with historical, but 'live' contracts by May 2009</li> <li>• Ensure that the Contract Register has a forward planning section for contracts by July 2009</li> </ul>	<ul style="list-style-type: none"> <li>• Not started</li> <li>• Not started</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p><b>1E.</b> <b>(continued 1)</b></p>	<ul style="list-style-type: none"> <li>• Apply best value criteria, not lowest price, in awarding contracts</li>   <li>• Undertake appropriate market testing for services and contracts</li>   <li>• Communicate procurement activity to Members and other key stakeholders via appropriate channels including websites</li> </ul>	<ul style="list-style-type: none"> <li>• September 2009</li>   <li>• On-going</li>   <li><b>New targets:</b> <ul style="list-style-type: none"> <li>• Quarterly report to the Procurement Task Group - March 2009 / June 2009 / September 2009 / December 2009 / March 2010</li> <li>• Annual Report to Overview &amp; Scrutiny Committee - March 2009 &amp; March 2010</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Advice to be included in the Code of Practice</li>   <li>• Tender lists for major projects are subject to a Pre-Qualification Questionnaire (PQQ) process. Recent examples – Hadleigh Community Facility, Reactive Repairs &amp; Void Repairs Contracts for our housing stock. Tender evaluation is also often based on Price/Quality Assessments for major contracts</li>   <li>• Use of ‘supply2gov’ and other procurement routes to market to identify potential new points of supply</li>   <li>• March 2009 report approved by the Task Group</li> </ul>

<b><u>Key Themes, Enablers</u></b>	<b><u>Actions</u></b>	<b><u>Specific Targets</u></b>	<b><u>Progress to Date</u></b>
<b>1E. (Continued 2)</b>		<ul style="list-style-type: none"> <li>Procurement Strategy, Contract Procedures and Code of Practice to be displayed on our website (and Intranet) - Sep 2009</li> </ul>	<ul style="list-style-type: none"> <li>Strategy &amp; Contract Procedure Rules already available</li> </ul>
<b>OBJECTIVE 2 – SUPPORT THE LOCAL ECONOMY</b>			
<b>2A. Small Business Friendly Concordat</b>	<ul style="list-style-type: none"> <li>Ensure that all sectors of the economy are considered when undertaking Procurement, including SME's and local contractors/suppliers</li> </ul>	<ul style="list-style-type: none"> <li>March 2009</li> </ul>	<ul style="list-style-type: none"> <li>Review of “approved supplier” list underway focusing on SME's and local contractors &amp; suppliers</li> </ul>
	<ul style="list-style-type: none"> <li>Widely advertise procurement opportunities by setting up a BDC Procurement Section on our website</li> </ul>	<ul style="list-style-type: none"> <li>January 2009</li> </ul>	<ul style="list-style-type: none"> <li>ACHIEVED – Our website now has a ‘current tenders’ page. Supply2Gov has also been tested successfully</li> </ul>
	<ul style="list-style-type: none"> <li>Produce a new ‘Selling to the Council’ guide</li> </ul>	<ul style="list-style-type: none"> <li>November 2009</li> </ul>	<ul style="list-style-type: none"> <li>Previous edition removed from website. Prospective suppliers are currently referred to the Council's Procurement Officer</li> </ul>
<b>2B. Consortia / Approved Suppliers</b>	<ul style="list-style-type: none"> <li>Liaise with local suppliers and contractors through the Chambers of Commerce and other means to promote bidding / consortia approaches</li> </ul>	<ul style="list-style-type: none"> <li>Initial contact – December 2008</li> </ul>	<ul style="list-style-type: none"> <li>ACHIEVED - Initial meeting with local business forums undertaken</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
		<ul style="list-style-type: none"> <li>• April 2009</li> </ul>	<ul style="list-style-type: none"> <li>• Arrangements made for the Suffolk Chamber of Commerce to attend the Countywide Procurement Group</li> </ul>
		<p><b>New target:</b> On-going</p>	<ul style="list-style-type: none"> <li>• Regular contact with local Chambers of Commerce and local suppliers/contractors by the Procurement Group</li> </ul>
	<ul style="list-style-type: none"> <li>• Encourage prime contractors to form consortia with SMEs and 'Third Sector' organisations when bidding for large jobs. Encourage prime contractors to include smaller organisations in their supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• On-going</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness raised but no projects yet of sufficient scale to implement this action</li> </ul>
<p><b>2C. Governance and Scrutiny</b></p>	<ul style="list-style-type: none"> <li>• Liaise with the local business sector, e.g. through Business Link, "Meet the Buyers" events etc.</li> <li>• Monitor spend on locally supplied goods &amp; services, and give appropriate consideration to the impact on local suppliers when procuring major contracts</li> </ul>	<ul style="list-style-type: none"> <li>• March 2010</li> <li>• On-going</li> </ul>	<ul style="list-style-type: none"> <li>• On-going – expand on the initial work done with local businesses and the Suffolk Chamber of Commerce, including the promotion of contract opportunities to Suffolk-based businesses</li> <li>• Example – full consideration given to local contractors in the PQQ process for the Hadleigh Community Facility</li> </ul>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<b>OBJECTIVE 3 – SUSTAINABILITY</b>			
<p><b>3A.</b> <b>The Environment</b></p>	<ul style="list-style-type: none"> <li>• Ensure that sustainability is a factor considered in all Procurement decision-making</li> <li>• Consider procurement options that reduce climate change and achieve carbon reductions, and give favourable consideration to contractors and suppliers who can demonstrate positive practice in relation to environmental management (<b>revised action</b>)</li> <li>• Adopt "Green" Purchasing policies and actively endorse procurement of 'Fair-trade' products</li> </ul>	<ul style="list-style-type: none"> <li>• November 2008</li> <li><b>New target:</b></li> <li>• September 2009</li> <li>• On-going</li> </ul>	<ul style="list-style-type: none"> <li>• <b>ACHIEVED</b> - Tender documentation for all large contracts includes provision for tenderers to identify their approach to environment and sustainability</li> <li>• The proposed Code of Practice will need to identify that tender evaluation processes will include a reference to the fact that tenders demonstrating sustainability and an environmentally friendly approach will receive favourable consideration (subject to financial constraints)</li> <li>• Recent example – canteen contract uses local suppliers and Fair Trade products</li> </ul>
<p><b>3B.</b> <b>Economic / Social</b></p>	<ul style="list-style-type: none"> <li>• Promote equalities in the procurement of goods, works and services</li> <li>• Ensure equal opportunities in contract selection to businesses owned by all members of the business community</li> </ul>	<ul style="list-style-type: none"> <li>• November 2008</li> <li>• September 2008</li> </ul>	<ul style="list-style-type: none"> <li>• <b>ACHIEVED</b> - Tender documentation for all large contracts includes provision for tenderers to identify their approach to equality &amp; diversity</li> <li>• <b>ACHIEVED</b> – Tender processes and the Council's approach to equality &amp; diversity ensures that no sections of the business community are discriminated against</li> </ul>

<b><u>Key Themes, Enablers</u></b>	<b><u>Actions</u></b>	<b><u>Specific Targets</u></b>	<b><u>Progress to Date</u></b>
<b>3B. (continued)</b>	<ul style="list-style-type: none"> <li>• Encourage the potential of the local business community that employ local labour</li> <li>• Protect vulnerable persons and undertake rigorous healthy and safety checks when using contractors</li> </ul>	<ul style="list-style-type: none"> <li>• On-going</li> <li>• September 2008</li> </ul>	<ul style="list-style-type: none"> <li>• The production of the Council's Select Tender List takes full account of the need to include local companies when suitable</li> <li>• ACHIEVED – The selection process for any medium or large project requires that contractors have adequate Health &amp; Safety Plans, and the projects are also subject to the CDM Regulations</li> </ul>

<b>APPENDIX B – PROCUREMENT SAVINGS 2008/09 – TARGET £50,000 (STRETCH TARGET £100,000)</b>			
<b>PROJECT</b>	<b>COMMENT</b>	<b>SAVING (£)</b>	<b>WHEN ACHIEVED</b>
<b>Ticket machines to car parks</b>	Consortium purchase saved advertising costs (£1,000) and achieved greater discount (£8,700) than direct quotes	9,700	April 2008
<b>Water Testing to Private Properties</b>	Tender exercise generated discounts from standard charges	1,400	April 2008
<b>Insurance Renewals</b>	Joint procurement with other Suffolk authorities	59,750	August 2008
<b>Treasury management</b>	Negotiated reduction	500	September 2008
<b>Building Control Partnership</b>	Consultancy services (from Tribal) reduced by £2,800 for each authority by joint procurement of specialist consultants	2,817	December 2008
<b>Telephony</b>	Procurement of base services through OGC Framework	2,938	January 2009
<b>BT 'One Bill' system</b>	Substantial reduction in individual invoice processing (£4.50 per bill)	2,938	January 2009
<b>Choice Based Lettings publicity brochure</b>	Saving by selecting same supplier through the DTF Framework Agreement	1,349	January 2009
<b>Window Cleaning Contract (HQ, Sheltered Units, other properties)</b>	PQQ process applied	Under evaluation	January 2009
	<b>Accumulated Saving</b>	<b>87,639</b>	<b>By 31<sup>st</sup> March 2009</b>



<b>APPENDIX D – PROCUREMENT SAVINGS 20010/11 – TARGET £50,000 (STRETCH TARGET £100,000)</b>			
<b>PROJECT</b>	<b>COMMENT</b>	<b>SAVING (£)</b>	<b>WHEN ACHIEVED</b>
	<b>Accumulative Saving</b>		<b>By 31<sup>st</sup> March 2011</b>