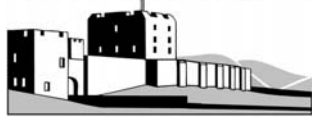


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# **CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE**

## **Committee Report**

**Public/Private\***

**Date of Meeting:** 19 October 2006

**Title:** CORPORATE PROCUREMENT UNIT - PROGRESS REPORT AND PROPOSED ACTION PLAN

**Report of:** The Director of Corporate Services

**Report reference:** FS45/06

### **Summary:**

The following information is designed to inform members of progress being made by the Council's procurement unit over the financial year 2006-07. This report further aims to provide details of the collaborative and shared service activities of the service throughout Cumbria.

### **Recommendations:**

Members are requested to: -

- Note the content of this report and the attached Activity plan.
- Approve the direction of the Procurement Working Group and further development of the Procurement plan.
- Note the potential implications on the Cumbria supplier base and activities of the Centre for Regional Economic Development.

**Contact Officer:** Malcolm Mark

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City of Carlisle

To: The Chairman and Members of the  
Corporate Resources Overview & Scrutiny Committee  
19 October 2006

FS45/06

**CORPORATE PROCUREMENT UNIT**  
**PROGRESS REPORT AND PROPOSED ACTION PLAN**

1. Background.

1.1 As part of the City Council's reorganisation agenda the Council's former devolved procurement function was reviewed and centralised within the Corporate Services Directorate in April 2006. This reorganisation has seen the transfer in May 2006 of 1 Manager from the Commercial Services section of the Council to Corporate Services, the transfer of the Council Buyer from the same unit in July 2006 and it is further anticipated that the current Assistant Buyer will also transfer from Commercial Services in December to complete the team. It should be noted that the Manager is not fully engaged on procurement activity as the new role incorporates the development and support of financial and management information systems and the responsibility of 8 other staff within the Development and Support Team.

1.2 The aim of the new structure is to achieve and harness Gershon savings (both cashable and non-cashable) to formulate supplier arrangements and facilitate procurement activities throughout the Council. The Corporate Procurement Unit (CPU) does not in itself act as a central purchasing function. Rather, it has an objective to create an environment in which each Directorate has the ability to utilise those contracts and arrangements created utilising electronic procurement methods, which meet the government's National Procurement Strategy requirements.

1.3 The main initiative of the CPU during the interim period has been focussed on the formulation of an achievable action plan, the identification of an appropriate project team, analysis of Council procurement and expenditure, supplier analysis, the progression of the Cumbria Procurement Initiative (CPI) and the shared services agenda.

2. Cumbrian Procurement Initiative.

2.1 Carlisle City Council is a leading member of the Cumbrian Procurement Initiative (CPI) which is a collaborative working group formed from the six Cumbrian District Councils. The County Council, Lake District National Park and Cumbrian Constabulary. This group meets monthly and is

supported by the Northwest Centre of Excellence (NWCE) and Office of Government Commerce (OGC).

2.2 The CPI reports to the Cumbria Local Authorities Strategic Board (CLASB) through the Connected Cumbria Partnership and is currently undertaking the “shared services” review of Procurement within Cumbria. A report will be presented in early October with a range of proposals and options for consideration and will be reported back in due course. The “shared services” report will incorporate the current status of procurement in Cumbria, including total spend analysis, progress with electronic procurement, scope of procurement, scope of service, potential savings, proposed delivery model and recommendations.

2.3 In addition the CPU and partner members of the CPI have received funding from the NWCE to carry out a spend analysis to enable a base line of activities to be developed. This has enabled the Council to understand where it spends its money, who it spends its money with, what commodity items it purchases, its’ use of small, medium or large enterprises and what reliance the community places on Local Government expenditure. This information has provided the City Council with a number of target areas on which to focus activities.

2.4 In addition to producing base line information the Council has undertaken two major collaborative procurement exercises with partner members of the CPI. These exercises were focussed on:

- New Telephony system for Carlisle City Council and Allerdale Borough Council (complete)
- New HR & Payroll system for Carlisle City, Allerdale Borough and South Lakeland District Council’s (in-progress).

Savings generated for Carlisle City Council via collaborative procurement arrangements are: -

	Single Council Price £	Via Collaborative Price £	Savings £
Telephony	243,189	211,423	-29,966
HR & Payroll	239,278	196,916	-42,362

(The above are non-cashable savings in the Gershon definition).

2.5 Further exercises have also been undertaken on I.T. Consumables and Stationery, the Capital funded alternative weekly collection programme and the Desk Top replacement programme (the DTP is currently in progress and no data is yet available). Initial results indicate that adoption of partnering arrangements with members of the CPI will generate savings as follows: -

	Existing Agreement annual expenditure £	Revised via Collaborative Agreements £	Savings £
Stationery	86,500	83,905	-2,595
I T Consumables	58,500	52,650	-5,850

(The above items are cashable savings in the Gershon definition.)

	Original Price	Via Collaborative Agreements.	Savings
Wheelie Bins			
140litre	13.00	11.89	-1.11
240litre	14.50	13.19	-1.31
Approximately 45,000 are required: the cumulative saving being £57,750			

(The above are both cashable and non-cashable savings in the Gershon definition.)

- 2.6 In addition to supplier and expenditure activity the CPU has also progressed the E-procurement needs of the Council as part of its e-Government programme. Current developments include access to a "Marketplace" and to a hosted "purchase to pay" (P2P) service. The Council's financial management system (CIVICA) is currently being enhanced to enable easy integration with the IDeA Marketplace, this will ensure the Council obtains a tool to e-enable procurement activities, including sourcing, ordering and commissioning, receipting and making payments for the whole spectrum of the authority's activities.
- 2.7 This e-procurement process is incorporated in the "shared service" agenda an element of which will be directed to provide a Cumbria wide supplier base where all suppliers are appropriately adopted, monitored, prices are consistent and supplier information is validated.
- 2.8 It is recognised that the implementation of collaborative arrangements and electronic procurement activities will have an impact on the existing County-wide supplier base as the consortium seeks to rationalise its' purchasing arrangements. The consequence of which will see a major reduction in the number of suppliers the Cumbria consortium actually does business with.
- 2.9 In recognition of the impact on suppliers the CPI have arranged via the NorthWest Development Agency (NWDA), the North West Centre of Excellence (NWCE) and the Chamber of Commerce to fund an investigation by the Centre for Regional Economic Development (CRED).

2.10 The purpose of the research is to analyse the current pattern of procurement associated with local authority expenditure within Cumbria and to investigate its impact upon supply chains within the county. This project brings together two areas of policy-related research that have until now been considered as separate issues. These concern the assessment of the impacts of public expenditure on local economies and the efficiency of procurement processes within authorities.

2.11 The main aim of the research on behalf of the Cumbria Procurement Initiative (CPI) is to target top tier suppliers and to ascertain the impact of procurement activities upon the local economy. A key part of the analysis will be to identify the characteristics of businesses that appear to influence their propensity to purchase locally. The research aims are: -

- To analyse the spatial pattern of expenditure on goods and services by local authorities in Cumbria.
- To assess the supply chain effects of the main suppliers on other businesses in Cumbria.
- To assess the level of dependency of these suppliers on contracts with the local authorities in the County
- To develop an analytical model of the types of businesses that are likely to buy or subcontract locally.

2.12 An interim report will be completed by the end of December 2006. This will contain the outcome of a literature review, analysis of existing data, a detailed explanation of the research design, details of the "survey of business" questionnaire and initial findings from the survey data.

2.13 A draft report will be completed by the end of February 2007. This will add the outcome of information obtained from in-depth interviews with managers/heads of those businesses selected for interview.

2.14 Dissemination materials will be prepared and presentations given on the findings during March 2007.

### 3. Environmental and Sustainable Procurement.

3.1 Sustainable development means achieving four objectives at the same time:

- Effective protection of the environment
- Prudent use of natural resources
- Social progress which recognises the needs of everyone
- Maintenance of high and stable levels of economic growth and employment.

The CPU and City Council's Sustainability Officer have identified a number of proposals aimed at achieving the above environmental and

sustainable objectives and the economic and social requirements identified in the Councils Corporate plan. These elements are further detailed in the Sustainable Procurement National Action Plan and have been incorporated in a Cumbria wide approach to sustainability being adopted by the CPI. The City Council and members of the CPI will be meeting with sustainability officers throughout Cumbria shortly to develop a Cumbria wide action plan to address these issues.

#### 4. Procurement Action Plan.

- 4.1 The attached action plan (Appendix 1) has been discussed with officers of the Procurement Project Group and their comments have been incorporated.
- 4.2 The plan currently contains only a few specific timetables, as this is highly dependent on the outcome of the shared service agenda, the availability of resources and the needs of all members of the CPI.
- 4.3 The plan contains a range of activities and projects, which are both Council specific and Cumbria wide. Several of these have various economical, political and environmental implications, some of which require consideration by senior management and elected members at the appropriate stage.

#### 5. Recommendation.

##### 5.1 Members are requested to: -

- Note the content of this report and the attached Activity plan.
- Approve the direction of the Procurement Group and further development of the Procurement plan.
- Note the potential implications on the Cumbria supplier base and activities of the Centre for Regional Economic Development.

ANGELA BROWN  
Director of Corporate Services

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### **Proposed Activity for Corporate Services Procurement Section.**

The following information is a summary of those items, which the Corporate Procurement and Efficiency unit will be undertaking during the short to medium term.

#### **Progress Report as at 21/08/2006.**

Ref.	Detail/Activity	Actions Required	Resources	Progress	Target Date
1	Addressing the 5 key themes identified in the National Procurement Strategy – <ul style="list-style-type: none"> <li>• Cultural Shift</li> <li>• Providing Leadership and Building Capacity.</li> <li>• Partnering and collaboration</li> <li>• Doing Business Electronically</li> <li>• Stimulating Markets and Achieving Community Benefits</li> </ul>	The NPS sets out a number of key themes which it requires each Council to have addressed and actioned by Target dates. The document is available from the Action Plan folder.  (Relevant sections are identified for reference.)	CPU has identified Corporate Procurement Project Group (PPG) following report submitted to SMT on 4 <sup>th</sup> July and 8th August 2006.	Individual officers notified and initial meeting arranged mid August after Holiday period.  Report submitted to SMT on 4 <sup>th</sup> July and 8th August 2006.  NPS to be summarised and main points circulated to Project Group for views/actions.	Ongoing
2	Driving forward the Cumbrian Procurement Initiative. The CPI has 9 work packages: - <ul style="list-style-type: none"> <li>• Governance and Terms of reference – Implementing a Protocol for collaborative working</li> <li>• Spend Analysis.</li> <li>• Sharing information about upcoming activities.</li> <li>• Collaborative procurements.</li> <li>• Cumbria Supplies</li> <li>• ACE 2 activity,</li> <li>• IT Buyers Best Practice</li> <li>• Electronic Procurement</li> <li>• Intra-district Collaborations.</li> </ul>	These are available from the Action Plan Folder. Identified, as Agenda item No 5 Cumbria Chief Executives Group.	Cumbria Procurement Initiative/NWCE.  CPI also leading shared services agenda for Cumbria.  Also see item 13 in action plan file for E-Procurement issues.	Regular Monthly meetings, minutes and Highlight reports circulated. CPU currently progressing each strand with main focus on E-Procurement, Spend Analysis and Collaborative Procurements. Business Plan is at final draft stage (see item 2 in Action plan folder) with the objective of forming a more centralised approach and combined agenda for efficiencies for the whole of Cumbria.	Ongoing – Progress is subject to Shared Service Outcome.



3	Shared Procurement Service	The Cumbria local Authorities Strategic Board (CLASB) has commissioned a Business case for a Procurement Shared Service. The project supports the realisation of Gershon savings both cashable and non-cashable. It also facilitates a coherent interface with the business community in Cumbria. (Copy of report is on K drive and in Action Plan file).	Cumbria Procurement Initiative/CPU	Business Case produced, PID and Project plan to be submitted to the Connected Cumbria Project Programme Board on 6 <sup>th</sup> September. They will be asked to accept the Business case and approve the submission to the CCP Strategic Board on 27 <sup>th</sup> September. CCP Strategic Board will be asked to approve the submission to CLASB who will meet on 6 <sup>th</sup> October 2006.	Ongoing – Progress is subject to Shared Service Outcome.
4	Carlisle Procurement Strategy	Revise and Update. Ensure compliance with Council guidance. Identify who does what, roles and responsibilities.	PPG with Director and Deputy Chief Executive.	Draft in final stages of completion. Need to incorporate future developments with Small Business Concordat and Sustainability Agenda.	31/10/2006
5	Introduction of a tender evaluation policy.	Consider fully the Council's priorities and best value principles	PPG with Legal Services	Draft produced but needs to consider recent developments on Sustainability issue, Council Environmental Policy and SME Concordat.	31/12/2006
6	Gershon Efficiencies	Provide detailed assessment of efficiency proposals. Before and After scenarios. Regular reports to CROS SMT etc.	Development & Support in Finance Section.	Backward Look submitted and accepted. Forward look report currently in progress. CPU Working with Barry Williams to obtain evidence.	Ongoing

7	Produce Measurable targets and achievements	Benchmarking/KPI's with other Councils and NWCE.	PPG/CPU	IDEA and Audit Commission have produced a range of potential KPI's which PPG and CPU will consider. Need for Benchmark data to be produced! Some difficulty as Eureka/ Costing information not recorded by all Departments therefore what is available is an estimate only and subject to some challenge internally.	Resources Required – possibly 01/04/2007
8	Framework Agreements	Implement framework agreements for a range of applicable services.	CPU./Facilities and Legal	Report produced for Executive. Legal to consider wider implications to constitution see item 12.	Ongoing
9	Produce a “How to do Business Guide”	Produce guides, update and publish on Web.	CPU/ITC	Could be overtaken by events in the Shared services agenda. Progress on hold pending clarity of Direction.	Subject to Shared Services outcome
10	Produce a 3-year prospectus.	Produce and publish on web.	CPU /ITC	As item 8 above.	As 9 above.
11	Management Information/Spend Analysis.	Monitor and co-ordinate Directorate expenditure, identify maverick purchasing, propose alternative suppliers.	CPU	Spend Analysis detail now available for year ending 30/10/2005 CPU to circulate information for SMT. This is historical and new Team will focus on supplier reduction and consolidation and liase with CPI.	Data available but subject to shared service outcome – 01/04/2007
12	Carlisle Procurement Policy	Review Procurement Strategy and introduce new Policy document and ensure this is embedded within the organisation. (Training of officers to be carried out).	CPU	Policy to be drafted in liaison with Econ' Development/ Sustainability and SMT.	Links in with shared services – 01/04/2007

13	Review Council Constitution	In collaboration with Legal and Democratic update and amend the constitution to reflect amended procedures.	CPU/Legal	Legal to include issues relating to E-Auctions/e-tendering and e-sourcing.  See item 7 Framework Agreements.	Subject to Shared Services agenda
14	NePP/Electronic P2P	Implement and Administrate a Purchase to Pay system throughout the Council. This to include Authorisation, Commitment Accounting, Financial integration, Electronic Marketplace and Electronic Invoicing.	CPU/CPI/NWCE	CPU has arranged a meeting with Civica and IDeA to map out the processes for P2P implementation. Meeting arranged for 15/08/06.  Funding available from NWCE if business plan and system compatibility stack-up.	01/04/2007
15	Authorised Signatories	Maintain Council Signatory List and ensure this integrates with item 13.	CPU	Awaiting resolution of new structure and availability of CPU resources.	01/04/2007 linked to item 14.
16	Central Contracts Register	Maintain and monitor Corporate Contracts Register.	CPU	Awaiting resolution of new structure and availability of CPU resources.	01/04/2007 subject to shared services agreement.
17	Produce Procedure Manuals for Officers	Guidance to be produced on Purchasing, Appointing Consultants, Due Diligence, Framework Agreements, Formalisation of contracts, OJEU.	CPU	Draft protocol in progress will liaise with Legal on changes to constitution.	Ongoing
18	Implement Policy for SME's	Local Suppliers, Sustainability, Whole Life Costing, Equality etc.	PPG/CPU	Met with Don Taylor (Ec Dev) and mapped out way forward. Will involve CPI and NWCE plus chamber of commerce. May require steer from Executive on local or national policy.	Subject to shared services outcome

19	Procurement/purchasing co-ordination.	Provide assistance and guidance to Directorates. Co-ordinate Tender Purchases/Source appropriate suppliers.	CPU	1 Officer (M Farren) available and working across Council. Need to complete team and ensure consistent approach in all areas.	Completion of team by 31/12/2006
20	Co-ordinate and maintain the Council's current e-purchasing facility.	Monitor purchasers, suppliers, catalogues, prices and associated activities.	CPU/IT/Civica	Awaiting developments on new P2P but existing system to be upgraded and tested. This forms part of Ledger Development plan which, is being discussed with Civica.	01/04/2007.