

## **Cheltenham Borough Council**

### **Cabinet – 27 July 2010**

#### **Procurement Review**

#### **Report of the Cabinet Member Corporate Services**

### **1. Executive Summary and recommendation**

#### **1.1 The issue**

**1.1.1** The procurement strategy was revised, approved and re-published in 2008. Since this date there have been changes to the procurement team and updates to parts of the document.

#### **1.2 I therefore recommend that Cabinet:**

**1.2.1** approves the proposed amendment to the corporate procurement strategy strengthening the text relating to ethical procurement, and reflecting changes in the Equality Act 2010, and

**1.2.2** notes the review of the implementation of the strategy action plan, procurement performance over the past year and planned activity against targets for this financial year.

#### **1.3 Summary of implications**

##### **1.3.1 Financial**

The procurement savings target for 2010/11 as agreed by Council in its budget setting meeting on 12<sup>th</sup> February 2010 is £120,000. The work plan detailed within 7.1 outlines how it will aim to achieve this target.

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### 1.3.2 Legal

As set out in the report, sections 6.2 (Equal Opportunities) and 6.3 ( Ethics, ethical trading, code of conduct and human rights) of the Corporate Procurement Strategy 2007 to 2012 have been updated to recognise the impact of the Equality Act 2010. The revised obligations will be cascaded to staff as part of the on going in – house training sessions on procurement and contracts.

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### 1.3.3 HR

There are direct HR implications arising from this report.

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## **1.4 Implications on corporate and community plan priorities**

- 1.4.1** The service is aligned with the cross-cutting objective – **Ensuring we provide value for money services that meet the needs of our customers - We will deliver cashable savings.** The procurement function has a target within the MTFS to deliver cashable savings as well as improved contract arrangements.
- 1.4.2** The procurement team will continue to deliver cashable savings and have a work plan to assist with the achievement of the cashable savings within the medium term financial strategy.

## **1.5 Statement on Risk**

- 1.5.1** The risk register is included as Appendix 2

The key risks identified are:-

- Impact of other strategic projects on the time and resources available in the procurement team
- Continued support from service areas required in order to ensure effective data analysis for each tender/contract.
- Identification of budgets where cashable savings can be made.

## **2. Introduction**

- 2.1** Approval is required from Cabinet for the strengthening of the corporate procurement strategy relating to ethical procurement and the Equalities Act 2010. The timing of this report also presents an excellent opportunity to appraise the Cabinet on recent procurement activity and the planned activity for this financial year in the context of a number of related demands on the service.

## **3. Background**

- 3.1** The procurement team's function is to procure third-party goods, services and supplies that meet user's needs which are fit for purpose, at optimum lifetime cost whilst using processes which are economic, efficient and effective.
- 3.2** The team supports all areas of the council with drafting of procurement documentation ensuring that all procurement projects, that come through the team, are undertaken in line with the contract rules (Constitution part 4i).
- 3.3** The function also includes spend analysis work to inform the work plan and is involved in strategic projects such as the shared Enterprise Resource Planning (ERP) project with other district authorities, commissioning and other high profile procurements.
- 3.4** The function is working towards the delivery of a higher cashable saving in 2010/11 enabled by the implementation of the Category Management technique and the expansion of the procurement team.

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## 4. Proposed enhancement of the procurement strategy

**4.1** The attached strategy, Appendix 1, has been updated based on government best practice and legislative requirements, to reflect the new structure of the team and to strengthen the sections on Equal Opportunities and Ethics, Ethical Trading, Code of Conduct and Human Rights to recognise impact of the Equality Act 2010. The action plan, included, has also been updated. (All changes have been highlighted)  
Review implementation of the strategy action plan

**4.2** The action plan has been amended to show the new workstreams being undertaken such as Category Management and Commissioning.

**4.3** **Category management** is a procurement process where categories are made up of similar expenditure areas across all functions of the council which takes advantage of economies of scale leading to better leverage in the marketplace to drive down costs with no detriment to quality of goods and services. Category management gives procurement a strategic focus with the organisation.

For each category, the procurement professional works within virtual teams of officers that influence the sourcing process ie setting specifications or defining the business needs. These category teams are wholly responsible for the sourcing operations, supplier relationships and contracts within their expenditure group by:

- defining total business needs, challenging demand and redesigning function
- optimising contract value through economies of scale
- setting appropriate evaluation criteria
- supplier market understanding, and
- contract compliance and cost control.

Category management is on the journey to effective cross-functional working.

**4.4** **Commissioning** is the whole process of deciding what public services are needed and how best to use the resources available to improve outcomes for local people. It is usually described as a cycle of assessing need, planning services (including specifying the outcomes to be achieved), sourcing and procuring service delivery, then monitoring the service and reviewing what is needed.

## 5. Performance review

**5.1** Since the revised strategy was approved, the procurement function has established a reputation for good performance and the savings it creates have become an important element of the annual budgetary savings.

**5.2** The corporate procurement service has generated cashable savings in the year 2009/10 amounting to £14,350 with non-cashable savings amounting to a further £41,952. Taking into account the corporate procurement activity since the service started the cumulative reduction in overall budget is £319,250 from 2006/07 base.

**5.3** The reduction in cashable savings in 2009/10 was a result of prioritisation of time

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available being diverted to corporate strategic projects. Over the past year the procurement manager played an important role in supporting major strategic projects and is currently the procurement lead on the GO5 programme board and the commissioning programme.

- 5.4** Where appropriate, the corporate procurement service continues to work in partnership with other councils and agencies to take advantage of economies of scale. The council has worked jointly on contracts with Gloucestershire College for cash collection and secure waste destruction, Tewkesbury Borough Council on its Service and Maintenance of Fire Equipment and is one of the founder members of the South West Regional District Procurement Forum. The Gloucestershire Procurement Partnership now has a more county-based function which does not always fit in with district needs, but work plans are periodically exchanged although no other authority has approached Cheltenham Borough Council for inclusion on any of their procurement activities in the last 12 months.
- 5.5** The introduction of electronic procurement, in line with the Glover Report, has achieved greater efficiency in procurement procedures. In addition the use of the Delta electronic tendering on-line service has streamlined procurement procedures to the benefit of both the council and its suppliers.
- 5.6** The procurement service continued to work with Cheltenham Borough Homes in 2009/10 with major emphasis on maximising cashable savings from the implementation of contracts for reactive maintenance which resulted in over 20 contracts being put in place and also for their vehicle tracking contract. Any savings are allocated to the ring-fenced Housing Revenue Account (HRA).

## **6. Procurement activity planning**

### **6.1 Procurement Work Plan for 2010/2011**

<b>Procurement Work plan 2010-2011</b>	<b>Projected % saving</b>	<b>Budget Total</b>	<b>Budget Savings</b>
<b>Personal Protective Equipment, Clothing &amp; Uniforms</b>	10%	£39,900	£3,990
<b>Cleaning products, to include public conveniences, offices etc.</b>	5%	£17,800	£890
<b>Advertising To include advertising, design, media, promotion and marketing</b>	15%	£340,800	£48,945
<b>Fire prevention - tenders currently being evaluated</b>	5%	£8,600	£430
<b>Security systems / protection, burglar alarms, monitoring, maintenance, CCTV.</b>	5%	£32,400	£1,620
<b>Supply of Chemicals for swimming pool</b>	5%	£10,000	£500

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<b>Grounds Maintenance to include weed control, grass verges, etc</b>	10%	£348,200	£34,820
<b>Procurement Work plan 2010-2011, continued</b>	<b>Projected % saving</b>	<b>Budget Total</b>	<b>Budget Savings</b>
<b>Horticultural Supplies To include flowers, plants, seeds, compost, pots and trays</b>	10%	£79,500	£7,950
<b>Entertainment Equipment, To include, audio, sound and lighting equipment.</b>	10%	£2,800	£280
<b>Courier Services (excl Democratic Services)</b>	5%	£6,300	£315
<b>Telecommunication - Virgin Media, BT</b>	5%	£40,000	£2,000
<b>Vehicle Fuel</b>	2%	£430,900	£8,618
<b>Lifts Service and Maintenance</b>	5%	£7,700	£385
<b>Hygiene Service, Mats, Towel Machines, Sanitary Bins.</b>	10%	£6,300	£630
<b>Municipal Vehicles - Hire and Service</b>	10%	£170,400	£17,040
<b>Plant and Machinery To include, plant hire, salt spreaders, cherry pickers</b>	10%	£18,900	1,890
<b>Totals</b>		<b>£1,609,200</b>	<b>£130,303</b>

This is a snapshot of the work plan at the time of drafting the report as it is constantly being updated. Changes may be required to reflect operational needs of the services involved. It's implementation and the achievement of the target also depend on the availability of the procurement team, as the officers are required at times to work on other priority procurement related work, and the sustained commitment of the senior leadership team.

## 6.2 Other work being undertaken

The procurement team are involved in the project for the refurbishment of the chapel and crematorium and are currently undertaking an OJEU tender for the replacement of the cremators and the abatement plant. This contract is worth £1,000,000 and the advert has been published calling for expressions of interest from suppliers.

## 6.3 GO-5 Enterprise Resource Planning System project. T

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The work of the GO-5 project is critical because of the potential to benefit from cost savings through working together – benefiting from economies of scale that one council could not achieve alone. GO-5 has the potential to provide better value for money for the Gloucestershire district and West Oxfordshire council tax payers

Through **co-ordinated procurement** ensure the right goods and services are provided at the best possible cost. It will also play a role in stimulating and maintaining local economies.

Produce **cashable savings** from shared project and procurement costs, shared implementation and support costs, and shared transactional processing. These savings could be used to protect frontline services.

**Shared Procurement:** Sharing procurement information to facilitate category management to improve procurement strategies and enable further efficiency savings to be delivered. Aggregating spend to achieve better prices. Rationalising Bidders to reduce the cost of procurement administration. Standardising specifications to help simplify purchasing aggregation

## 7. Consultation

- 7.1** The development of the work plan, 7.1 above, is a consultative process. Procurement will be working closely with finance and service managers with the aim of creating, through category management, the best economies of scale, consistent specifications and quality goods, services and supplies to optimise cashable savings.

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### Appendices

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| 1 | Corporate Procurement Strategy, including action plan |
| 2 | Risk Log  |

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### Background Papers

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| <b>Accountability</b>    | Cllr Colin Hay, Cabinet Member Corporate Services   |
| <b>Scrutiny Function</b> | Economy and Business Improvement  |