
REPORT TO:	Finance & Management Committee	AGENDA ITEM: 13
DATE OF MEETING:	4th May 2006	CATEGORY: DELEGATED/ RECOMMENDED OPEN
REPORT FROM:	Director of Corporate Services	
MEMBERS' CONTACT POINT:	David Wilson, Corporate Procurement Manager (Ext 8726)	DOC: s:\cent_serv\committee reports\finance and management\2006\4 may 06\procurement strategy 2006.09.doc
SUBJECT:	Procurement Strategy 2006/9	REF:
WARD(S) AFFECTED:		TERMS OF REFERENCE: FM14

1.0 Recommendations

- 1.1 That Members approve the Procurement Strategy and supporting action plan.
- 1.2 That Members receive a report on an annual basis in order to assess the contribution made towards the Corporate Plan, in particular the need to produce efficiency savings and to review the strategy and actions to ensure they are viable and up to date.

2.0 Purpose of Report

- 2.1 This strategy aims to provide a framework for the full range of procurement activity carried out across the Council and ensures that procurement planning reflects both the Council's and National Government's standards and objectives.
- 2.2 The strategy and supporting action plan have in place key delivery mechanisms for delivering efficiency savings

3.0 Executive Summary

- 3.1 The Procurement Strategy will provide an opportunity not only to co-ordinate current processes but also provide a clear pathway for identifying and acting on improvements to ensure that best value is being obtained consistently when goods and services are procured. It sets out areas for strategic consideration and development. In October 2005 Finance and Management Committee approved the formation of the Procurement Working Group to review and co-ordinate the Council's approach to procurement.
- 3.2 Procurement activity is subject to scrutiny from both internal and external audit. It is also assessed by CPA and 'Use of Resources' inspections and reports.
- 3.3 The strategy has been reviewed externally by the ODPM, East Midlands Centre of Excellence and has had peer review from other Councils. Once approved The Centre of Excellence have indicated they would like to use it as an exemplar template for other Councils.

4.0 Detail

4.1 Background

4.1.1 It is a duty of the Best Value legislation that each local authority should have a procurement strategy. This was followed by a review of local government procurement in June 2001 (Byatt report) to consider recommendations and principles that would both assist in strategy development and also raise standards overall.

4.1.2 This report noted that "good procurement can raise the quality of services for citizens, by buying goods, works and services that better meet their needs". This strategy seeks to address issues raised in the report and reflect good practice established in other local authorities since then.

4.1.3 In addition, the Government issued a National Procurement Strategy in October 2003 with a series of key milestones to be achieved over a 3-year period (see Appendix A). This procurement strategy will, within its action plan, ensure that South Derbyshire District Council meets all the relevant milestones. (See Appendix B.)

4.1.4 The Government has also established nine Centre of Excellences to help develop expertise, capacity and networking on procurement and the efficiency agenda. South Derbyshire District Council is aligned to the centre for the East Midlands based in Nottingham.

4.1.5 It is vital that the Authority focuses on procurement as a major opportunity to alleviate budget pressures. The national e-procurement project has also outlined the potential cost savings that could be made as a result of modernising procurement processes by using technology. The project highlighted the need for Councils to examine the effectiveness of procurement processes, managing the supply chain, using technology and collaborating to realise the benefits of effective procurement.

4.1.6 There are high expectations for procurement to deliver significant savings. The HM treasury spending review sets an expectation for procurement to deliver savings in cost efficiencies and cost reductions in goods and services procured. A key priority of the Efficiency Review is to explore opportunities for strategic procurement savings.

4.2 The objectives of the Strategy are as follows:

- to improve current procurement practices to achieve better value for money and ensure customer/client needs are met
- to ensure procurement best practice is highlighted and used consistently throughout the Council
- to align procurement activities with other strategies adopted by the Council and to ensure that corporate objectives are addressed
- to ensure that current and future procurement activities are planned, monitored and reviewed effectively
- to identify opportunities for working with others, both in the public and private sectors, in order to widen the scope for maximising purchasing power and identifying innovation.

4.3 In taking this strategy forward, the Council can expect to realise the following benefits:-

- Improved value for money
- More efficient procurement
- Improvements in procurement outcomes
- Effective partnerships to be developed with suppliers/service providers
- Improved risk management
- Improved project planning
- Integration with Council's overall objectives and business plans

4.4 The strategy defines procurement in two categories:-

- A. Routine Procurement** – this sets out the processes supporting routine/low cost purchasing and procurement and ways of developing/improving the effectiveness of these activities.
- B. High Value/Strategic Procurement** – This is where procurement is planned for specific services and needs to take account of issues such as market and partnering opportunities, contract renewals and current performance (cost & quality).

4.5 In addition the Strategy identifies the need to:

- Manage Risks in line with the Councils Risk Management Policy
- Ensure employees are consulted and all relevant employee legislation is adhered to
- Encourage sustainable development and environmentally friendly procurement practices, and
- Comply with all equalities standards

4.6 Leadership and Responsibility

4.6.1 Currently members of staff in all the Council's services carry out procurement. A Corporate Procurement Manager is now in post and this Officer will be working on improvements in corporate procurement and developing good practice documents and a Procurement Manual in line with the actions outlined in the Appendix.

Implementation of this strategy requires clear functional responsibility to be assigned and both a Member (currently Councillor Roy Bell) and Officer (Director of Corporate Services) have been designated as 'Procurement Champions'.

5.0 Financial Implications

5.1 It is expected that efficient and effective procurement will bring about efficiency savings for investment in Council priorities. In addition to reporting procurement activities annually to this Committee, any savings identified will be recorded and reported to Members as part of the Quarterly Financial Monitoring Report and will be taken into account in the Council's Medium Term Financial Plan.

6.0 Corporate Implications

6.1 The delivery of key actions from this strategy will achieve one of the targets in theme 4 (High Quality Services) of the new Corporate Plan.

6.2 The strategy will also provide clear direction for all officers in the Council when undertaking procurement, the aim being to devolve procurement with centralised control.

7.0 Community Implications

7.1 Efficient procurement will bring benefits to the Community as services will be more cost effective and efficient and resultant savings will be directed to those services deemed as a priority for the community.

8.0 Conclusions

8.1 The implementation of this strategy is one of the key delivery mechanisms for delivering the new Corporate Plan.

9.0 Background Papers

9.1 The relevant web links are given throughout the strategy.