
REPORT TO:	FINANCE & MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	17th MARCH 2011	CATEGORY: DELEGATED
REPORT FROM:	CHIEF EXECUTIVE	OPEN
MEMBERS' CONTACT POINT:	HEAD OF CORPORATE SERVICES KEVIN STACKHOUSE (595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/procurement/procurement strategy 2011
SUBJECT:	PROCUREMENT STRATEGY 2011 TO 2013	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 13

1.0 Recommendations

- 1.1 That the updated Procurement Strategy for 2011 - 2013 and the associated Action Plan be approved.

2.0 Purpose of Report

- 2.1 To inform the Committee of the key changes and actions arising from the review of the Council's Procurement Strategy. This follows a review and initial work undertaken by Northgate Public Services in accordance with the Partnership arrangement.

3.0 Executive Summary

- 3.1 The IT and Business Improvement service plan for 2008/11 contains an action to develop and publish an updated Procurement Strategy for the Council.
- 3.2 The previous Procurement Strategy, approved by the Council in July 2009, defined the Council's position at that time and set out the strategic procurement direction for the Council.
- 3.3 The updated Procurement Strategy sets out the strategic direction for Procurement, plus the operating framework at the Council to deliver cost savings, improve quality, tighten control and deliver efficiency gains through aggregation achieved by the adoption of category management.

4.0 Detail

- 4.1 The Procurement Strategy for 2011/13 will be available on the Council's intranet and internet sites if approved.

4.2 The previous strategy was produced in 2009. This newer version includes key changes to support the introduction of a new purchasing system which will be available as part of the upgrade of the Financial Management System (“Agresso”) upgrade which is due for implementation on the 1st April 2011.

4.3 Vision

The vision for procurement at South Derbyshire District Council by the end of the strategy is to continue to:

- Deliver significant cost and efficiency savings through adoption of category management and aggregation of spend across directorates in the Council.
- Ensure all procurement activities are fully compliant with the Council’s own financial standing orders, European and UK legalisation including the correct administration of relevant taxation.
- Introduction of enhanced supplier controls which ensure approval prior to use, including where relevant robust Health & Safety verification.
- Further progress E trading with the introduction of E remittances and wider expansion of E orders.
- Introduction of a performance management framework which includes comprehensive contracts register, on/off contract spend, spend with local suppliers etc.
- Central purchasing function to act in gate keeping role, this will include providing an overview of proposed spend as well as support for formal tenders etc.

4.4 Objectives

In order to achieve our vision for procurement we will need to aim to complete a number of objectives.

- Ensure our procurement activities support the sustainable community strategy.
- Provide support to encourage more local supplier engagement.
- Ensure staff has the relevant qualification and expertise to support the ongoing procurement activities within the council.
- Ensure that consultation with service users and the local community drives our actions in commissioning and procurement
- Use benchmarking to assess our performance
- Embed sustainable procurement as part of our processes
- Embed equality and diversity issues in our activities as a way of life
- Assess and improve the procurement skills level within the organisation and improve whole life cycle costing in tenders
- Continue partnership working to achieve value for money across the region
- Improve the ways in which we purchase goods and services
- Adoption for settlement for all suppliers via BACS and withdrawal of cheques over the next three years.

The specific actions associated with each of these objectives are outlined in **Appendix One**.

4.5 Benefits

Achieving the objectives laid out in this strategy will:

- Ensure that UK & EU Procurement Regulations are satisfied
- Support the Council's EMAS accreditation
- Provide contracts framework which enable timely renewal of tenders and visibility of contracted spend across the authority.
- Deliver a procurement strategy aligned with the Sustainable Community Strategy
- Reporting of non compliances.
- Provide reassurance of the effectiveness of value for money purchasing in the Council.
- Provide greater transparency of spend through enhanced reporting and timely information.
- Streamline and reduce the number of supplier records maintained from approx 11,500 to approx 600. This includes clearing down old suppliers and bringing the database up-to-date.
- Achieve cost savings and rationalise the supply base in line with the Council's principles on sustainable procurement
- Increase the level of contracted/aggregated spend therefore maximising the councils buying power.

4.6 Governance & Leadership

This strategy is the responsibility of the Head of Corporate Services and will be updated annually in accordance with progress to date.

The strategy and action plan will be reviewed quarterly at the Business Improvement Project Board, which includes a member representative and corporate management team members.

At the Board mitigation on actions not on target against individual project plans will be agreed and implemented

5.0 Financial Implications

- 5.1 The financial implications of the Procurement Strategy should benefit the Council through achieving efficiency and cost savings. 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 help to continue to achieve the Council's aims of delivering value for money services.
- 6.2 The strategy will also assist Officers in delivering good procurement practice through the sharing and transfer of skills from the Central Procurement Department operated by Northgate.

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 in the Corporate Plan.

Appendix 1 - Procurement Action Plan 2011- 2013

Strategic Objective	Target	Actions	Completion	Owner
Improve the ways in which we purchase goods and services	- Reduce transactional volumes in the purchase to pay process, helping suppliers to reduce transactional costs when doing business with the Council	Introduction of e remittance and e ordering	Apr -11	Procurement and Business Improvement Manager
		Achieve minimum of 50% of all transactions via e remittance and e ordering	Mar-12	Procurement and Business Improvement Manager
		Achieve minimum of 80% of all transactions via e remittance and e ordering	Mar-13	Procurement and Business Improvement Manager
	- Increase the level of contracted spend. Reduce the level of 'non-contract' spend - Reduce cost of purchased goods and services - Reduce number of suppliers	Review and analyse existing supplier database	March-11	Procurement and Business Improvement Manager
		Identify current spends as on or off contract	Oct -11	Procurement and Business Improvement Manager
		Review and improve supplier payment methods, target of 95% of payments via BACS	Oct-11	Procurement and Business Improvement Manager
		Introduction of category management	Apr-11	Procurement and Business Improvement Manager
		Ongoing category review rolling 3 year programme	annual	Procurement and Business Improvement Manager
		Introduction of new supplier control framework	June -11	Procurement and Business Improvement Manager
			Aug-11	Procurement and Business Improvement Manager
Performance Management	- Introduce performance management framework	Establish performance management framework	Aug-11	Procurement and Business Improvement Manager
		Annual performance review and target setting	Aug -12	Procurement and Business Improvement Manager
		Annual performance review and target setting	Aug -13	Procurement and Business Improvement Manager
		Benchmark Procurement performance across sectors and industries	Annual	Procurement and Business Improvement Manager
Supporting local suppliers	Encourage local suppliers to trade and contract with the council	Establish spend monitor	Jun-11	Procurement and Business Improvement Manager
		Local Supplier Day event	annual	Procurement and Business Improvement Manager

		One off tender support days in conjunction with relevant tender designed to encourage engagement with local businesses/SME's etc.	When required	Procurement and Business Improvement Manager
Embed sustainable procurement as part of our processes	- Green Purchasing section of the Procurement Manual	Review Green Purchasing Guide section in the Procurement Manual continues to meet the needs and aspirations of the council.	Oct 12	Procurement and Business Improvement Manager
Embed equality and diversity issues in our activities as a way of life	- Meet Council requirements for Equalities	Review Procurement activity continues to support Council equality and diversity policy	Mar-12	Procurement and Business Improvement Manager
		Review Procurement activity continues to support Council equality and diversity policy	Mar-13	Procurement and Business Improvement Manager
Continue partnership working to achieve value for money	- SDDC participation in relevant opportunities	Use existing frameworks where possible for sourcing goods and services	Ongoing	Procurement and Business Improvement Manager
		Continue participation in the Derbyshire Procurement Forum	Ongoing	Procurement and Business Improvement Manager
Consultation	- Consultation driving actions	Ensure Procurement is included in consultation exercises	Ongoing	Policy and Communications Manager
Sustainable Community Strategy	- Procurement activities support the strategy	Ensure Procurement is informed of the sustainable community strategy and requirements	Ongoing	Policy and Communications Manager
Controls & Governance	- Contract procedure rules remain up to date - Review Procurement Strategy action plan	Review contract procedure rules annually in light of changed processes	Mar -11	Head of Finance
		Hold Business Improvement and Procurement Review Board quarterly	Ongoing	Procurement and Business Improvement
		Review of terms and conditions	April 11	Procurement and Business Improvement Manager