

	<p style="text-align: center;">Performance and Finance Select Committee 9th October 2007</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p>
For Action	Wards Affected: ALL
<p style="text-align: center;">Report Title: Progress on Delivering the Procurement Strategy</p>	

1.0 Summary

- 1.1 This report is provided to the committee as a result of their request for further detail after their consideration of the procurement report presented in 2007.
- 1.2 The National Procurement Strategy requires Councils to have a corporate procurement strategy in place which has been endorsed by members. The Strategy is attached as Appendix 1 to this report. Procurement also features heavily in the criteria for assessing councils under the government's CPA framework. The Strategy sets out the framework within which the Council seeks to operate its procurement activity across all service areas.

2.0 Recommendations

- 2.1 The Committee note the report and Strategy.

3.0 Detail

3.1 Background

- 3.2 The Corporate Procurement Unit is a strategic unit located within Finance and Corporate Resources, which is responsible for setting strategy, guidance, policies and procedures related to Brent Council's procurement activity. The Council's current Procurement Strategy was approved by the Council's Executive in December 2005 after consultation with Performance and Finance Select Committee, Legal and Democratic Services and the Corporate Management Team. The key functions, benefits of employing best practice procurement and the linkages with partners (both internal and external) are as follows:

(a) To ensure all procurement activity taken by and on behalf of the Council is carried out in an ethical manner and is compliant with all relevant legislation and that it is conducted in a fair, objective and transparent manner:

- Contract Management Guidance
- Training
- Standardised procurement templates
- Contract review, both during the life of the contract and approaching the end of the contract
- Direct project management of key strategic contracts
- Specific guidance procurement matters

Partners: Legal and Democratic Services, Service Areas, West London alliance (WLA), London Centre of Excellence (LCE).

Partner involvement	Legal	Service Areas	WLA	LCE
Agree best practice approach to contract management	X		X	
Nominate staff for contract management training		X		
Agree best practice standardised procurement templates	X		X	X
Require use of best practice toolkits within service areas	X	X		
Participate in contract and expenditure category reviews		X		
Agree the forward acquisition plan and involve procurement in project management	X	X		
Nominate staff for procurement training		X		

Benefits

- Cost reduction as a result of better procurement and better specifications
- Earlier placing of good contracts
- Procurement process time savings in service areas

- Good contract management principles established as part of tender process
 - Reduced risk during tender phase
- (b) Ensure appropriate procurement skills are developed and embedded throughout the organisation (recognising the devolved nature of the organisation and the fact that the great majority of spending is carried out by front-line staff in service areas):
- Targeted and generic training
 - Development of a Brent Procurement qualification

Partners: Legal, Service Areas, WLA (common training approach).

Partner involvement			
	Legal	Service Areas	WLA
Agree required levels of qualification	X	X	X
Nominate staff for training		X	

Benefits

- Direct price reductions as a result of better tendering and negotiation
 - Reduced use of consultants
 - Better contracts and processes
 - Reduced risk through improved knowledge
- (c) Identify and pursue a range of options and tactics most suitable to the procurement project:
- Use of a standard procurement positioning matrix to identify procurement options
 - Conduct both internal and external market reviews
 - Benchmark across the market and with other public and private sector bodies

Partners: Legal, Service areas.

Partner involvement		
	Legal	Service Areas
Participate in contract and expenditure category reviews		X
Participate in internal review of processes	X	X

Benefits

- Direct price reductions as a result of better tendering and negotiation
 - Better control of external markets
 - Ensure value for money achieved through fair market prices
- (d) Systematically review all current contracts (and non-contract expenditure) to identify improvements through:
- More effective demand aggregation
 - More suitable re-packaging of the specification
 - Alternative methods of service delivery (including partnership/collaborative/outsourcing/internalising options)
 - Procurement representation on the council’s Efficiency Board and participation in the procurement projects identified by the Board

Partners: Service Areas, WLA, LCE, Efficiency Board (EB).

Partner involvement	EB	Service Areas	Legal	WLA	LCE
Develop effective west London forward plan to drive demand aggregation		X		X	X
Participate in a flexible approach to procurement options appraisals	X	X	X	X	X
Include category reviews in EB projects	X	X	X		

Benefits

- Increased multi-authority deals which are likely to achieve economies of scale and opportunities to control external markets
- Better specifications
- Direct price reductions from better control of category spend (i.e. sub-groups of external expenditure which could be packaged together for purposes of review and tendering), rather than fragmented contract awards. A typical example of a category group would be expenditure on the hire of temporary staff. Prior to reviewing our temporary staff expenditure agencies had individual agreements negotiated with different service areas. By taking a broad view of almost all our temporary staff and treating it as a category of expenditure we were able to negotiate a single contract

which led to decreased costs, standardised rates, formalised agreements and better management information.

- Greater negotiating power through aggregation of Brent demand
- Reduction in invoices and orders and related processing costs

(e) Recognise the Council’s position in the local community as both a significant customer and a key player in the well-being of the local economy, seeking to develop a range of procurement initiatives to encourage development of the local Black and Minority Ethnic and Small to Medium size Enterprise (BME/SME) supplier base:

- BME/SME supplier workshops
- Standardised, simplified documentation
- Work with Policy and Regeneration on supplier development as part of regeneration programmes
- Simplified, widely published detail of upcoming tenders and existing contracts
- Publish a forward acquisition plan
- Developing the internet based “Selling to Brent” guide

Partners: Suppliers, Service Areas, Legal, WLA, LCE.

Partner involvement	Legal	Service Areas	WLA	LCE
Agree use of standardised, simplified documentation	X	X	X	X
Involve procurement in regeneration work		X		
Provide details of upcoming tenders and contract work	X	X	X	X

Benefits

- Promote local economic development through public procurement
- An overall upgrade of business skills within the community

(f) To actively encourage the identification and utilisation of a range of environmentally friendly products by the Council as a whole, contributing positively to the Council’s sustainability approach:

- Work with Environment and Culture colleagues in line with the Council’s adopted Environmental Procurement Strategy

Partners: Environment and Culture and Legal

Benefits

- Obtain best value from environmental procurement work by means of reviewing procurement options, specifications and collaborative opportunities
 - Facilitate investigation of opportunities for environmental improvement throughout all stages of the procurement process
 - Achieve sustainability and Co2 emissions targets
- (g) To present a positive image of Brent Council to the marketplace, positioning Brent Council as a partner with whom suppliers and contractors would wish to do business by demonstrating:
- Good standards of procurement
 - A balanced approach to risk
 - Open and fair conduct throughout

Benefits

- Broader supplier base willing to engage in business with Brent
 - Greater opportunities for the development of true partnerships with our suppliers
- (h) To review and develop efficient and effective information and e-procurement systems relevant to modern-day procurement activity:
- Expenditure database
 - Market research and benchmarking
 - Contracts database
 - Forward acquisition plan
 - Develop e-procurement business case, strategy and implementation action plan

Partners: Service Areas, WLA, LCE.

Partner involvement			
	Service Areas	WLA	LCE
Provide information relevant to the wider development of an expenditure database	X	X	X
Provide information to facilitate benchmarking work	X	X	X
Inform procurement of all contracts let	X	X	

Benefits

- Direct price reductions as a result of better control of category spend
- Greater negotiating power
- Cost reduction from better tendering
- Better management information
- Reduction or elimination of “maverick” spending by identifying “off-contract” areas of spending

3.3 Outcomes delivered by full implementation of the procurement strategy

3.3.1 Full implementation of the strategy and use of best practice procurement will deliver the following:

- All staff working on procurement projects will be trained to the appropriate level, leading to timely management of procurement projects and high quality contract management procedures. The correct level of contract management will help us to ensure our contractors deliver in accordance with our contracts, maintain quality of services or goods and prevent unauthorised cost overruns.
- The combination of detailed expenditure analysis and the development of both Brent and WLA forward acquisition plans will allow us to take a more strategic approach to our procurement activity leading to greater opportunities for collaborative procurement.
- Lower prices/costs through greater economies of scale. Increased efficiencies through the streamlining of processes.
- Greater access to market innovation.
- Greater opportunity to develop a buyer-controlled market through increased buying power.
- Category reviews will be conducted for our key strategic areas of expenditure. The category reviews will consider procurement options, market conditions, supplier innovations and past performance of contracts in place. This process will serve to better inform procurement activity ensuring Brent's procurement work is carried out in line with current best practice. The Strategic Procurement Board will review recommended procurement activity developing from these reviews.
- Further e-Auctions conducted in collaboration with other agencies or authorities are anticipated to deliver savings, typically in the region of 10% for most e-Auctions.
- Implementation of Procurement Cards will lead to a reduction in both time and numbers related to invoice processing, freeing up staff for more productive work-streams.
- Work related to SME/BME suppliers in conjunction with WLA partners, Park Royal Partnership, Wembley Stadium and Brent's BME Steering Group will lead to greater opportunities for suppliers within the borough, in

turn supporting re-generation, supplier capacity building and increasing the amount of expenditure remaining within the borough.

3.4 Procurement drivers

3.4.1 The collaborative agenda arising from the Gershon report is also a key driver in our procurement approach. Sir Peter Gershon's report "*Releasing Resources from the Frontline: Independent Review of Public Sector Efficiency*" HM Treasury, July 2004 outlined new approaches and guidelines for achieving efficiency in public sector procurement. The report addressed the fact that many public sector bodies purchased the same or similar goods or services through a variety of individual contract methods. The report identified the potential these public sector bodies (including local authorities) had to combine their purchasing power and bring costs down by means of collaborative procurement. This drive towards collaborative procurement, coupled with the push to develop shared services tends to lead procurement towards an increased number of large contracts or framework agreements. Our work on forward acquisition planning for Brent and the West London Alliance coupled with our strategic category reviews will ensure that collaborative projects are pro-actively considered. However, this does create an element of tension between meeting our goals for collaborative working and those related to SME/BME supplier development.

3.4.2 The Corporate Procurement Strategy takes account of the objectives and targets contained in the National Procurement Strategy for Local Government. The National Procurement Strategy provides a number of procurement milestones to be achieved by local authorities. These milestones are grouped under four key themes:

- Providing Leadership and Building Capacity
- Partnership and Collaboration
- Doing Business Electronically
- Stimulating Markets and Achieving Community Benefits

The Corporate Procurement Strategy is defined by these four areas and considerations of where our use and development of procurement can promote the Council's Corporate Strategy objectives and corporate policies.

3.5 Progress update linked to the four key themes is provided as follows:

- The Procurement and Risk Management Unit is working with Service Areas on a number of exciting projects to gain better value for money across the Council.
- On the 8 October 2007 a report to the Executive was tabled to recommend the use of The Government Procurement Card. The aim of this Project is to reduce the number of invoices that Brent receives as well as obtaining cashable savings from supplier rebates and discounts.
- The Council are rolling out a number of other e –solutions including e-auctions and e-tendering. A recent e-auction for IT Hardware realised

savings of 30% across a range of IT solutions, a further e-auction for the purchase of servers is scheduled.

- The other key area is changing the way the Council procures services to improve efficiency. An example of this is the Supporting People Strategy where we are working together to rationalise the number of contracts with a four year programme whilst retaining competition in the market place and encouraging SMEs and the Voluntary Sector to work with Council. A programme to improve supplier capability in this market commenced this year.

3.6 Providing Leadership and Building Capacity

- A review of the Council's procurement related policies, regulations and procedures is approximately 40% complete, updated guidance has been published in the council's contract management guidelines. Work is continuing to complete the review.
- The revised guidance has been published on the intranet and has been shared with procurement colleagues in the West London Alliance.
- Targeted contract management training has been provided to the all Environment and Culture colleagues who are involved in procurement work. The training has been tailored to match the level of complexity required by the individual.
- The Procurement and Risk Management Unit has provided expert procurement project management services on several key projects including: Civic Centre project; Wembley toilets; Client Index contract; Cleaning contract; IT contracts; Supporting People procurement strategy amongst many others.
- The Procurement and Risk Management Unit have conducted extensive analysis work on Brent's expenditure database. Each Service Area received a complete overview of its expenditure including: spend by supplier, spend by category of goods or services, collaborative opportunities within the service area, collaborative opportunities within the council (these two categories refer to areas where there appears to be multiple contracts in place across the council for the same or similar goods or services) and an overview of spend matched or unmatched to contract.
- Forward Planning. Appendix 2 to this report is Brent's suggested Forward Acquisition Plan. Appendix 3 to the report shows a breakdown of expenditure by category of spend and the services areas with expenditure in each category. The Plan seeks to proactively identify contracts due for renewal and build in sufficient procurement lead time to ensure our procurement projects are managed prudently, in accordance with all appropriate legislation and consider all procurement options and market innovations prior to contract award. Some key projects within the next twelve months are: framework of contracts with a total value of £12million inked to the Supporting People programme, the re-tender and potential expansion of the Agency Staff contract with an estimated annual value of

£12 million and the property consultancy framework, conducted with Hounslow with a approximate value of £2 million per annum.

3.7 Partnership and Collaboration

- Brent has led the way on developing a forward acquisition plan for West London. The plan is currently being finalised and agreed by the WLA procurement officer's group. The West London Alliance procurement forward plan will serve to identify potential areas of collaborative contracting. The plan will also build in sufficient lead-time to allow best practice management of our collaborative projects.
- Brent has participated in the West London Alliance procurement project related to the hiring of Agency Staff. The resultant contract with Matrix has delivered direct savings of £ 353,178 and indirect savings of £765,450 in the last financial year and is expected to produce direct savings of approximately £1 million over the life of the contract.
- Brent has collaborated with six local authorities to determine a joint approach to managing Adult Social Care purchasing. The two main purchasing activities in Adult Social Care by value are:
 - Residential and nursing placements
 - Homecare
- Homecare is completely contracted out and comparisons with other council's shows that Brent gets a very competitive price. Very little of residential and nursing care is covered by block contracts. The widespread introduction of block contracts has been explored but it was concluded that they are only likely to achieve very modest price reductions while carrying the risk of increased costs due to empty beds that would nevertheless have to be paid for. Instead the strategy has been:
 - To reduce the cost of expensive placements by reviewing what additional care is needed and what is being charged for it
 - To reduce the number of placements in residential care by increasing the use of (cheaper) extra care sheltered units and homecare
 - To return out-of-borough clients to homes in Brent at lower costs
 - Impose annual fee increases of less than RPI for the last 3 years (in association with other West London councils).

These measures have been very successful in achieving savings especially for learning disabled and mentally ill clients.

3.8 Doing Business Electronically

- Brent participated in a highly successful pan-London e-auction for the procurement of specified IT hardware. Savings generated by this e-auction are anticipated to be in the region of £500,000 over the life of the contract.
- The Efficiency Review Board in conjunction with the Procurement and Risk Management Unit, is also investigating the potential use of

Procurement Cards as a payment vehicle, pending approval by the Executive in October.

- On-line tendering was utilised for the e-auction purchasing IT hardware and will be used for the pending e-auction for servers. We will continue to develop our access to on-line tendering and are currently working with WLA partners to define an appropriate on-line tendering tool for recommendation.

3.9 Stimulating Markets and Achieving Community Benefit

- Brent is participating in a West London project to develop a single supplier monitoring system within the six West London Alliance authorities.
- Brent led on the pilot and development of a West London wide expenditure database categorising all external contract expenditure. This database has since been extended across London with plans to link up the Regional Centres of Excellence to create a national local authority expenditure database.
- The Head of Procurement Strategy sits on the Park Royal Partnership Board to develop opportunities for supplier capacity building within the Borough.
- The Head of Procurement Strategy attends the quarterly meetings of the BME steering group, provides feedback and works with the group to identify areas for improvement.

3.10 Next Steps

- Carry out additional contract award and contract management training.
- Complete the review of procurement policies, procedures, regulations and guidance and issue updated versions.
- Conduct more detailed analysis of Brent's expenditure to include trend analysis of the last three year's data. Develop a rolling review of strategically and operationally important areas of expenditure.
- Establish a Strategic Procurement Board chaired by the Director of Finance and Corporate Resources. The Board should have Director level membership and be representative of all service areas. The Board will review planned procurements identified by both the Brent and WLA forward acquisition plans and consider procurement recommendations and options.

4.0 **Financial Implications**

4.1 Effective procurement is crucial to the Council's delivery of efficiency savings. These support the re-direction of resources to corporate priorities and help achieve a balanced budget.

4.2 Examples of such savings are set out in the report. The Council is required to prepare an Annual Efficiency Statement (AES) which is returned to central government detailing procurement savings.

5.0 Legal Implications

5.1 None arising directly from this report.

6.0 Diversity Implications

6.1 Several areas within the Corporate Procurement Strategy are related to the Council's current Race Equality Scheme priorities. The Procurement and Risk Management team continues to work with the Corporate Diversity team to review the equality issues arising from the recommendations made in the Strategy.

7.0 Staffing Implications

7.1 None.

8.0 Background Information

1. National Procurement Strategy for Local Government, ODPM October 2003.
2. Annual Efficiency Statements.

9.0 Contact Officers

9.1 Any person wishing to inspect the above papers should contact Alison Matheson, Head of Procurement and Risk Management, Room 26, Brent Town Hall Annexe, Wembley, Middlesex HA9 9HD, Tel. No. 020 8937 1363

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