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|       | <p style="text-align: center;"><b>Performance and Finance Select<br/>Committee</b><br/>17<sup>th</sup> February 2009</p> <p style="text-align: center;"><b>Report from the Director of Finance and<br/>Corporate Resources</b></p> |
| For Action   | Wards Affected:<br>ALL   |
| <p style="text-align: center;"><b>Report Title: Update on Procurement at Brent</b></p> |  |

## 1.0 Summary

- 1.1 This report provides the committee with an annual update on procurement and information regarding the anticipated changes to the procurement approach and function at Brent as part of a review linked to the Improvement and Efficiency Strategy.

## 2.0 Recommendations

- 2.1 The committee note the report.

## 3.0 Detail

### Background

- 3.1. The collaborative agenda arising from the Gershon report is 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 as also outlined in the Gershon report, 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.

3.2 The Corporate Procurement Strategy addresses 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

3.3 The last report to this committee in October 2007 detailed a number of actions required to enable Brent's procurement activities to meet the objectives of the National Procurement Strategy. Those actions and details of progress against them are as follows:

- Systematically review all current contracts (and non-contract expenditure) **to** identify improvements through more effective demand aggregation, more suitable re-packaging of the specification and alternative methods of service delivery (including partnership / collaborative / outsourcing / internalising options) *Savings of approx £1 million delivered as a result of the procurement unit's support and advice on 60% of major procurement projects in 2008. This was an increase over our 30% involvement in the prior year. This has greatly contributed to a single, project based approach to our key strategic procurement activities. Actual savings may be greater than this but it was not possible to quantify figures where the baseline cost from previous contracts was not available. Savings calculated are over the life of the contracts. **Appendix 1** to this report provides detailed information regarding current projects with procurement involvement and the main procurement projects undertaken in the last year.*
- Carry out additional contract award and contract management training. *Additional contract management training has been provided to two service areas; procurement is now part of the standard corporate training schedule and an introduction to procurement is now a standing item on the standard employee induction course.*
- Complete the review of procurement policies, procedures, regulations and guidance and issue updated versions. *The review of procurement policies, procedures, regulations and guidance has now been completed. The revised contract management manual will be posted on the intranet this month.*
- 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. *An additional year's expenditure data has been gathered and analysed, the*

*analysis has also been incorporated into an analysis of expenditure across the boroughs within the West London Alliance (WLA).*

- 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. *The Strategic Procurement Board has not yet been established but is one of the recommendations made as part on the One Council procurement report.*
- Prepare an e-procurement solution business case on agreement regarding the single accounting system software. *The single accounting system is not yet fully in place therefore it is not possible to implement a full e-procurement solution pending the full roll-out of the Oracle system across the council. However, Government Procurement cards have been extended to approximately 40 additional users and a further, successful e-auction has been conducted.*

3.4 It was identified that in order to build upon these successes a change in the way we approach our procurement activity would be necessary. It was proposed to change from a re-active operational based procurement model to a pro-active category management procurement model. Category Managers take a cross-council view of groups of related expenditure, identify strategic procurement opportunities and ensure the council's procurement approaches are linked with current market practice and innovations. Taking a whole-council, external partner and market informed view they make recommendations to clients and the Strategic Procurement Group. The benefits to be accrued from such a change include:

- Alignment of whole council procurement approaches to the council's corporate strategy and service objectives
- Portfolio analysis of our expenditure, identifying strategic, bottleneck, leverage and routine areas of our expenditure and the development of appropriate procurement strategies. It also offers an improved ability to identify strengths, weaknesses, opportunities and threats in our supply chain
- The availability of market information and innovation across the council. Aids in establishing strategies to control or manage external markets
- Pro-active longer term planning, as whole-council interlinked expenditure is reviewed
- Better positioning for partnership procurement
- The utilisation of cross-functional teams with appropriate participation by the relevant service on the implementation of procurement projects arising from category reviews.
- Aggregation of requirements to obtain better cost efficiencies

- Ability to ensure that key areas of legislation/drivers are uniformly applied across all our procurement processes e.g. equalities/diversity, sustainability
- Quickly identifies internal anomalies in expenditure such as duplicate contracting and highlights areas where we should procure collaboratively. A previous review of expenditure identified a number of suppliers who had negotiated separate contracts with individual service areas, for example an office supplies contractor with five different contracts in five service areas, offering different pricing structures and 14 contracts for the provision of water – both areas have now been addressed with council-wide contracts in place.

3.5 The agreement of a new Improvement and Efficiency led the way to a number of One Council Reviews. These are seeking to examine current practice and make recommendations that lead to improved standards and co-ordination across the whole council. A cross-functional procurement task group was formed with Terry Osborne, Borough Solicitor as Corporate Management Team (CMT) champion and Alison Matheson, Head of Procurement Strategy and Risk Management as Lead Officer. The task group reviewed Brent's procurement activities across the council and delivered its report to CMT in December 2008. The key recommendations are:

- Review departmental and corporate roles and responsibilities in relation to the procurement and commissioning and contract management functions across the Council and consider any structural or resourcing implications that may arise in order to strengthen those roles.
- To consider, as part of the above review, the way in which the Council identifies potential efficiency opportunities and how they are developed and taken forward and what needs to be done within the procurement or commissioning function to achieve the aspirations set out in the Improvement and Efficiency Strategy.
- To develop the commissioning roles and contract management arrangements across the Council and to improve the way we analyse needs and options for delivery prior to the procurement phase and after the contract is let.
- To adopt a project management model for procurement and ensure this is reflected in corporate standards and in training. The model will include a requirement for a Project Initiation Documents to be prepared (in a form appropriate to the size of the project) for every procurement exercise, amongst other things.
- Establish a high level procurement steering group to be chaired by the Director of Finance and Corporate Resources or the Borough Solicitor.
- Move to a category led approach to procurement thereby developing a more strategic approach to those areas of procurement where a category led approach is applicable.

- Review and re-launch the Corporate Procurement Strategy.
- To include within the updated Corporate Procurement Strategy a strategy for addressing equalities in procurement. This will set out the Council's approach to ensure equalities and diversity is addressed in a meaningful way within the procurement processes, specifications, criteria, evaluation process, monitoring, etc. This strategy should also address how we will ensure clear outcomes are set and achieved and will include a strategies for sustainable procurement and for building capacity amongst SMEs and faith and voluntary sector organisations in the borough in order to enable them to bid for and win Council and other contracts.
- Review the way in which we involve tenants, service users and other stakeholders in the procurement process, from specification through to evaluation.
- Review the Council's use of consultants and identify efficiencies and improvements in the selection and appointment of consultants and the governance arrangements therefore. This review will consider the role and use of framework agreements for the selection of consultant.
- Update the decision making and reporting requirements for tender and award approvals, including updating and clarifying the process and grounds for granting a waiver of standing orders.
- Issue a series of guidance notes on policy and procedure to assist practitioners.
- To consider how better use of ICT will improve the procurement function.

3.6 The report and its recommendations will be considered by CMT as part of a full One Council report review in March of this year. Prioritised actions will then be implemented and taken forward by the Procurement Unit and other officers. It is proposed that a further report be brought to this committee early next year to update on the changes implemented and benefits accrued.

#### **4.0 Financial Implications**

4.1 In order to deliver the additional workload generated by the need to provide procurement support to service areas and on major cross-council procurement projects, three agency staff Category Managers have been in place for the last twelve months. To continue to provide this necessary support, complete the move to a category management led approach and implement the recommendations of the One Council Procurement report two new Category Manager permanent positions and one new Senior Buyer permanent position will be created. The move to permanent staff from agency staff will result in savings of approximately £120,000 per annum in interim procurement manager rates and agency fees.

## **5.0 Legal Implications**

5.1 None

## **6.0 Diversity Implications**

6.1 Appropriate impact reviews will be conducted as and when new policies or procedures are considered

## **7.0 Staffing/Accommodation Implications (if appropriate)**

7.1 Two additional Category Managers and one Senior Buyer will be recruited, no accommodation implications.

## **8.0 Background Papers**

8.1 One Council Task Group: Procurement report

## **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 5, Brent Town Hall Annexe, Wembley, Middlesex HA9 9HD, Tel. No. 020 8937 1363

**DUNCAN McLEOD**

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