

BABERGH DISTRICT COUNCIL

From: Head of Contract and Asset Management	Report Number: L47
To: OVERVIEW & SCRUTINY (STEWARDSHIP) COMMITTEE	Date of Meeting: 12 July 2011

ANNUAL REPORT ON THE COUNCIL'S PROCUREMENT STRATEGY ACTION PLAN (2008/2011)

1. Purpose of Report

- 1.1 To provide an update on progress for the third year of the Action Plan included in the Council's Procurement Strategy & Framework Document (2008-2011)
- 1.2 To advise that the 2010/11 financial target of £50,000 savings generated through procurement initiatives has been exceeded, as has the 'stretched' target of £100,000.
- 1.3 To advise that the 3-year accumulative target of £150,000 has been exceeded, as has the stretched target of £300,000.

2. Recommendations

- 2.1 That Committee note the progress made against the actions in original Action Plan, and note the new targets introduced (bearing in mind that, as a 'live document', new targets are introduced whenever new opportunities or initiatives appear).
- 2.2 That Committee note the level of procurement savings achieved.

3. Financial Implications

- 3.1 The objective of the Strategy is to generate savings activity. Financial implications are therefore in relation to savings generated through procurement initiatives based on an original target of £150,000 over the 3-year life of the Strategy.
- 3.2 The savings achieved to date are:

Financial Year	Saving (£)
2008/09	87,600
2009/10	157,200
2010/11	182,900
Total	427,700

- 3.3 It can be seen therefore that the 'stretched' targets of £100,000 were exceeded in the last two years, and the overall 'stretched' target of £300,000 was also exceeded.
- 3.4 Of the savings achieved in 2010/11 some 57% were related to the General Fund and hence 43% were related to the Housing Revenue Account.
- 3.5 It is therefore considered that the use of a 'stretch' target of £100,000 a year should be maintained.

4. Risk Management

4.1 Risk table:

Risk Description	Likelihood	Serious or Impact	Mitigation Measures
The shared services agenda does not deliver anticipated procurement savings	Low	Critical	Ensure that, wherever possible, detailed Business Case assessments are prepared in advance of the actual procurement
The current recession	Significant	Critical	Greater financial vetting of companies involved in procurement initiatives

5. Equality and Diversity Impact

There are no implications from this proposal.

6. Shared Service/Partnership Implications

- 6.1 The shared services agenda includes for savings through joint procurements. It is important therefore, particularly in the next few months before staffing mergers take place, to identify every possibility for joint procurements.
- 6.2 The Collaborative Procurement Partnership now developed between the Suffolk local authorities will now also play a part in generating future procurement savings.

7. Key Information

- 7.1 The Council has adopted a Procurement Strategy & Framework for 2008-2011.
- 7.2 The framework document included an Action Plan, which is included as Appendix '1' to this report
- 7.3 The Action Plan is continually being improved to include new and revised targets which are designed to further improve our procedures and generate future savings. It contains three key objectives:
- Achieve savings and efficiencies and improve value for money

- Support the local economy
- Sustainability

- 7.4 As already indicated the Action Plan is a live document, so the version attached is that applicable as at 31st March 2011. It is amended or updated at each Task Group meeting should any new initiatives or opportunities appear. By reference to the Action Plan it is possible to identify where new targets have been introduced. Changes for each Task Group meeting are also identified in shaded text for ease of reference by Members.
- 7.5 The Action Plan also includes a table that reflect the areas where savings have been achieved in 2010/11. This is attached as Appendix 2 to this report.
- 7.6 The original financial target set for the Strategy was £150,000 over its 3-year life i.e. £50,000 per. annum.
- 7.7 This annual target was exceeded in the first year of the Action Plan, so a ‘stretched’ annual target of £100,000 was introduced for 2009/10 and future years. The overall 3-year target was increased to £300,000.

8. Appendices

Title	Location
Appendix 1 – Action Plan to 31 st March 2011 Appendix 2 – Savings generated in 2010/11	

9. Background Documents

9.1 None

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ACTION PLAN (updated 31st March 2011)

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
OBJECTIVE 1 - ACHIEVE SAVINGS AND EFFICIENCIES, and IMPROVE VALUE FOR MONEY			
<p>1A. Partnerships, Shared Services and Collaborative Working</p> <p>1A (continued)</p>	<p>New Action:</p> <ul style="list-style-type: none"> • Through membership of the Suffolk Countywide Procurement Group actively lead and contribute to investigating shared services and joint procurement opportunities, repackaging and combining services where appropriate (new combined action) • Pursue further partnering opportunities on construction-related contracts 	<p>New Target:</p> <ul style="list-style-type: none"> • Ensure that the Joint Collaborative Procurement initiative for Suffolk is fully integrated into the Council’s procurement requirements <p>Target: By November 2010 enter into at least three partnering contracts in the financial year 2010/11</p> <p>New Target: Enter into at least three partnering contracts in the financial year 2011/12</p>	<ul style="list-style-type: none"> • New project underway – Shared Contracts D-Base/Contract Management System <p>COMPLETED</p> <ul style="list-style-type: none"> • Windows & doors evaluated and contractor appointed for the next 5 years • Business Rates independent evaluation contract awarded for BDC & MSDC • Discussions underway regarding recycling of street sweepings – New supplier now in place on behalf of BDC & MSDC • Treasury management contract awarded for BDC & MSDC <p>Target exceeded by end of financial year</p>

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p>1B. E-Procurement</p>	<ul style="list-style-type: none"> • Use e-technology to ensure that internal processes operate efficiently both internally and with suppliers / contractors • Introduce procurement cards for low value, high volume transactions • Reduce transaction volumes and make the procure to pay cycle as efficient as possible 	<ul style="list-style-type: none"> • Fully implement the e-tendering web-based system introduced as part of the collaborative procurement initiative by December 2011 <p>New Target:</p> <ul style="list-style-type: none"> • Monitor spend on the number of transactions and volume of spend to establish whether further cards should be introduced 	<ul style="list-style-type: none"> • End of year (09/10) spend on procurement cards was £63,000. Comparison will be made at end of 10/11.
<p>1C. Consortia / Approved Suppliers</p>	<ul style="list-style-type: none"> • Seek to purchase as many goods and services as possible through Professional Buying Organisations (PBO's) or Regional Buying Consortia • Use only approved suppliers and avoid off-contract spend 	<ul style="list-style-type: none"> • No specific target <p>New Target:</p> <ul style="list-style-type: none"> • Review of spending in 2010/11 to identify any other areas where PBO's would be effective – by April 2011 	<ul style="list-style-type: none"> • ON-GOING - Several PBO contracts already adopted – stationery, general consumables, office paper, mobile telephones, photocopiers, protective clothing, cleaning products, energy, hotel accommodation • End of year spend and transaction numbers to be reported.

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p>1D. Developing Skills & Capacity</p> <p>1D. (continued2)</p>	<ul style="list-style-type: none"> • Increase Member and officer skills, knowledge and awareness through appropriate training and advice • Conduct divisional procurement reviews with Heads of Service (and team leaders) to identify improved procurement and contracting opportunities • Implement a process whereby procurement savings, both central and departmental, are recorded and monitored on an on-going basis 	<p>Target: Undertake divisional refresher training in 2011</p> <p>New Targets:</p> <ul style="list-style-type: none"> • Undertake training on the new Contract Management System by end of May • Fully implement the web-based System by December 2011 	<ul style="list-style-type: none"> • No dates fixed yet • No progress to date • This will all now be recorded in the Suffolk Contract Management System

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p>1E. Governance and Scrutiny</p>	<ul style="list-style-type: none"> • Through the Procurement Task Group monitor and review procurement activity and this Action Plan • Embed key procurement disciplines through use of the Contract Procedure Rules and the Procurement Code of Practice • Adopt clear option appraisal and business case approaches in making strategic procurement decisions • Ensure that a forward plan of all renewable (and any other appropriate) contracts exists to enable the timely consideration of procurement options • Apply best value criteria, not lowest price, in awarding contracts 	<p>Target:</p> <ul style="list-style-type: none"> • Submit first annual report to O&S • On-going <p>Target:</p> <ul style="list-style-type: none"> • Complete by September 2009 • On-going <p>New Targets:</p> <ul style="list-style-type: none"> • Ensure that the Contract Register is fully updated with existing contracts by June 2011 • Ensure that the Contract Register has a forward planning section • On-going 	<ul style="list-style-type: none"> • COMPLETED - First annual report submitted to the Task Group and Overview and Scrutiny Committee in March 2009 • Next annual report to be submitted to Overview and Scrutiny (Stewardship) in May 2011 • COMPLETED • None since last meeting • COMPLETED - Contract Register is now available on BEN on the procurement page • This will be improved when the new contract management system is in place • Advice included in the Code of Practice

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p>1E. (Continued2)</p>	<ul style="list-style-type: none"> • Undertake appropriate market testing for services and contracts • Communicate procurement activity to Members and other key stakeholders via appropriate channels including websites 	<ul style="list-style-type: none"> • On-going • June 2009 • On-going • On-going • July 2011 • September 2009 	<ul style="list-style-type: none"> • Tender lists for major projects are subject to a Pre-Qualification Questionnaire (PQQ) process. Tender evaluation is also often based on Price/Quality Assessments for major contracts • COMPLETED - Use of 'supply2gov' and other procurement routes to market to identify potential new points of supply – Supply2gov is about to be phased out and will be replaced by a new government backed portal called Contracts Finder. This will have the same format as supplier2gov and will be used for all low value contracts • Make use of the Contracts Finder portal to maximise access to the market • Quarterly report to the Procurement Task Group • Annual Report to O & S Committee • COMPLETED - Procurement Strategy and Contract Procedures now displayed on our website and Intranet. Code of Practice to be displayed on Intranet only

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
OBJECTIVE 2 – SUPPORT THE LOCAL ECONOMY			
<p>2A. Small Business Friendly Concordat</p>	<ul style="list-style-type: none"> • Ensure that all sectors of the economy are considered when undertaking Procurement, including SME's and local contractors/suppliers • Widely advertise procurement opportunities by setting up a BDC Procurement Section on our website • Review 'Selling to the Council' guide 	<p>Targets:</p> <ul style="list-style-type: none"> • On-going • January 2009 <p>New Target:</p> <ul style="list-style-type: none"> • December 2011 	<p>Use of Contracts Finder portal</p> <ul style="list-style-type: none"> • ACHIEVED – Our website now has a 'current tenders' page. Supply2Gov has also been tested successfully but is now being replaced by 'Contracts Finder' • All contracts will be placed on the new Contracts D-Base/Management system – the system is web-based and will be available to all who register. It is planned that there will also be a link to this on the Babergh website • New version to have further review in December 2011
<p>2B. Consortia / Approved Suppliers</p>	<ul style="list-style-type: none"> • Liaise with local suppliers and contractors through the Chambers of Commerce and other means to promote bidding / consortia approaches 	<p>Targets:</p> <ul style="list-style-type: none"> • Initial contact – December 2008 • Chamber of Commerce by April 2009 	<ul style="list-style-type: none"> • ACHIEVED - Initial meeting with local business forums undertaken • COMPLETED – the Suffolk Chamber of Commerce have attended the Countywide Procurement Group

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p>2B (continued2)</p>	<ul style="list-style-type: none"> Encourage prime contractors to form consortia with SMEs and 'Third Sector' organisations when bidding for large jobs. Encourage prime contractors to include smaller organisations in their supply chain 	<ul style="list-style-type: none"> On-going On-going On-going 	<ul style="list-style-type: none"> COMPLETED - Regular contact established with local Chambers of Commerce and local suppliers/contractors by the Procurement Manager COMPLETED – Working with Economic Development and Suffolk Chamber of Commerce to encourage local suppliers to sign up to the Suffolk B2B. Several contracts advertised through B2B website but with little success so far. Now working with Economic Development to mail shot all Babergh Businesses to encourage use of B2B. Some financial assistance being sought through Chamber of Commerce. Suffolk Chamber of Commerce attended Business Evening in October 2009 – feedback from suppliers was good No projects of sufficient scale identified to date

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p>2C. Governance and Scrutiny</p>	<ul style="list-style-type: none"> • Liaise with the local business sector, e.g. through Business Link, “Meet the Buyers” events etc. • Monitor spend on locally supplied goods & services, and give appropriate consideration to the impact on local suppliers when procuring major contracts 	<ul style="list-style-type: none"> • During 2011 • May 2011 	<ul style="list-style-type: none"> • Meet the Buyer held in February at SCC. Stand shared with colleagues in Economic Development • Initial contact with Business Link – TF provides help to enable them to help SME’s obtain business from us e.g. how to fill in PQQ’s. • The current ‘Supply 2 Gov’ website is being phased out. • The new system - “Contracts Finder” will be fully integrated into the Business Link website. CWPG are about to adopt a standard PQQ for all authorities in Suffolk – this should make things easier for SME’s if they are filling in the same information for any contract opportunity within Suffolk • 29 out of 36 construction-related contracts (80%) were awarded to local companies in 2009/10 • Number of contracts in 10/11 to be established

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
OBJECTIVE 3 – SUSTAINABILITY			
<p>3A. The Environment</p>	<ul style="list-style-type: none"> • Ensure that sustainability is a factor considered in all Procurement decision-making • Consider whether further actions are required as a result of attendance at a conference by the Procurement Manager by June 2011 • Consider procurement options that reduce climate change and achieve carbon reductions, and give favourable consideration to contractors and suppliers who can demonstrate positive practice in relation to environmental management (revised action) • Adopt "Green" Purchasing policies and actively endorse procurement of 'Fair-trade' products 	<ul style="list-style-type: none"> • November 2008 New Target: August 2011 Target: • September 2009 • On-going 	<ul style="list-style-type: none"> • ACHIEVED - Tender documentation for all large contracts includes provision for tenderers to identify their approach to environment and sustainability • In hand • COMPLETED – the Code of Practice identifies that tender evaluation processes can include a reference to the fact that tenders demonstrating sustainability and an environmentally friendly approach will receive favourable consideration (subject to financial constraints) • Example – canteen contract uses local suppliers and Fair Trade products • All white copier paper purchased is from recycling sources • Air source heat pump contract

<u>Key Themes, Enablers</u>	<u>Actions</u>	<u>Specific Targets</u>	<u>Progress to Date</u>
<p>3B. Economic / Social</p> <p>)</p>	<ul style="list-style-type: none"> • Promote equalities in the procurement of goods, works and services • Ensure equal opportunities in contract selection to businesses owned by all members of the business community • Encourage the potential of the local business community that employ local labour • Protect vulnerable persons and undertake rigorous healthy and safety checks when using contractors 	<ul style="list-style-type: none"> • On-going • Ongoing • On-going • Ongoing 	<ul style="list-style-type: none"> • ACHIEVED - Tender documentation for large contracts includes provision for tenderers to identify their approach to equality & diversity. • Countywide Procurement Group indicates that no authority is looking ways of monitoring Equality and Diversity at present • ACHIEVED – Tender processes and the Council’s approach to equality & diversity ensures that no sections of the business community are discriminated against • Tenders for all large contracts include provision for tenderers to identify their approach to environment and sustainability • ACHIEVED – The selection process for contractors requires that they have adequate Health & Safety Plans, and the projects are also subject to the CDM Regulations

APPENDIX 2 – PROCUREMENT SAVINGS 2010/11 – TARGET £50,000 (STRETCH TARGET £100,000) by 31.3.2011

PROJECT	COMMENT	SAVING (£)	WHEN ACHIEVED
Installation of air-to-air heat pumps in rural council properties	Partnering arrangement entered into with 'Renewables East' has generated a saving of £1700 per property.	£34,000	April 2010
Canteen Contract	Re-negotiation of canteen contract undertaken.	£8,000	June 2010
Insurance Renewals	Year 3 of joint procurement with other Suffolk authorities	£59,700	From joint procurement exercise in 2008
BT One Bill	Invoice reduction efficiency – reduction in £4.50 standing charge for each invoice	£2,090	From negotiation in 2008
BT	Contractual saving from reduced rates – new figure as signed up to new OGC framework	£4,785	From 2009
Whole House Servicing Contract & Responsive Repairs	Reconciliation undertaken of the impact of the contract on reactive maintenance budgets	£31,050	To be evaluated at end of year
Waterless Urinals	Usage of water down by 50%	£5,170	To be evaluated at end of year
Print Room Equipment	Re-negotiation of existing contract – savings over three year period £1348.20	£449	From November 2009
Professional services for Building Control	Negotiation of contract with alternative supplier	£2,000	June 2010
Recycling of street sweepings	This initiative generates £0.76p/tonne surplus	£668	July 2010
Negotiation of termination of central heating leases	Successful negotiation of reduced settlement figures with leasing company using specialist financial consultant	£13,171	April 2010
Overpayment of photocopying charges	Investigations as to why coping charges so high on a machine found machine to set up incorrectly	£18,000	March 2011
Disconnection of telephone lines	Review of all telephone lines	£12,000	April 2010
	Accumulated Saving to Date	£182,953	