

## WIRRAL COUNCIL

### COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

12 JULY 2011

<b>SUBJECT:</b>	<b>PROCUREMENT STRATEGY</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR ADRIAN JONES</b>
<b>KEY DECISION?</b>	<b>YES</b>

#### **1 EXECUTIVE SUMMARY**

- 1.1 This report presents the revised Procurement Strategy which was agreed by the Cabinet on 2 June 2011. The previous Strategy was approved by Cabinet on 24 September 2009. In December 2009 the Audit Commission published a review of commissioning and procurement activity and as a result Cabinet approved amendments to the Strategy on 4 February 2010. This revision has been developed in the context of enhancing good procurement practice to support better value purchasing and delivery of specific financial targets agreed in the 2011-12 Budget.

#### **2 RECOMMENDATION**

- 2.1 That the revised Procurement Strategy be noted.

#### **3 REASONS FOR RECOMMENDATION**

- 3.1 There is increasing national and local emphasis on 'procurement' being a stronger, strategic lever to securing better value and better outcomes from purchasing activity. This is articulated financially in a savings target of £2.7m in the 2011-12 Budget.
- 3.2 The evolution of the Procurement Strategy is set in the context of a new Corporate Plan and an emerging outcome-based commissioning framework that supports the Localism and Big Society agenda. It also takes account of a changing public sector environment that demands a reduction in bureaucracy, greater transparency and fairness, and socially responsible purchasing.
- 3.3 The approach to procurement needs to be fully compliant with relevant legislation and needs to be subject to more robust corporate governance arrangements. Compliance with this Strategy needs to be mandatory for all officers and Members. This will be achieved through aligning the Strategy to the Contract Procedure Rules and monitoring compliance with them. This is considered an essential pre-requisite to the successful delivery of the savings targets agreed by Council and the avoidance of litigation from an increasingly litigious commercial sector.

- 3.4 This revised Procurement Strategy therefore strengthens the role of the Procurement Unit to oversee all major purchases across the Council. This is, and will continue to be, a supporting role to other Departments. It may require further centralisation of some purchasing co-ordinator activity and contract monitoring.

#### **4 BACKGROUND AND KEY ISSUES**

- 4.1. The Audit Commission Review in 2009 identified the need to drive procurement forward in order to maximise the benefits across the Council and that the Procurement Strategy was not adequately supported with an action plan with milestones to provide the basis for effective performance monitoring. The Review also stated that commissioning and procurement were not fully integrated and recommended that the Procurement Strategy should include a clear link between commissioning and procurement. The Audit Commission recommended that these issues be addressed as soon as possible.
- 4.2. The revised Procurement Strategy is attached to this report as Appendix 1. It details the commitment to best practice procurement and sets out key objectives to achieve implementation. Universal adoption of the Strategy will ensure that all purchasing activity and associated business processes are fully compliant with European Directives on public procurement, and supportive of the Council duty on equality and fairness.
- 4.3. Members are asked to note the following key changes to the procurement agenda since February 2010:-
- (a) The Strategy establishes a Corporate Procurement Board which will:-
    - oversee all major procurement initiatives across the Council
    - develop the Strategy in line with changing legislation and best practice
    - monitor compliance with procurement governance
  - (b) The following procurement efficiency targets were agreed in the Budget:-
    - £2.0m procurement savings from contract renewal
    - £0.5m savings in 2011-12 from reviewing the Top-50 Contracts
    - £0.2m staffing savings through streamlining the payments system
  - (c) Cabinet endorsed new guidance on Social and Community Benefits to be included in Council Contracts on 4 November 2010.
  - (d) The 'Equalities in Procurement Guidance' approved by Members on 9 April 2009 has been fully implemented.
  - (e) There is now a commitment to advertise all Council contracts with a whole life value of over £10,000 electronically on the 'Due North' E-portal in accordance with the Glover Report published in November 2008.

- 4.4 The following extracts from the Procurement Strategy set the tone for delivery:-
- (a) Compliance with the Procurement Strategy needs to be mandatory for all Members and officers of the Council
  - (b) The Strategy aims to centralise aspects of the procurement process
  - (c) Effective procurement is integral to the delivery of the goals agreed in the Corporate Plan and to budget stability
  - (d) Procurement is the 'buying' process within the commissioning cycle of needs assessment, planning, implementation and review.
  - (e) Procurement is an open, evidence-based assessment of what delivers good value.
  - (f) European Union legislation governs much of procurement. Public procurement in particular is very tightly controlled by law
  - (g) The Leader of the Council has overall responsibility for procurement

4.5 The Strategy identifies good procurement as:-

- (a) delivering efficiency, and value for money, and improving quality
- (b) focussing on outcomes
- (c) including the monitoring and evaluation of contract performance
- (d) ensuring assessed need reconciles with available resources
- (e) having a real impact on the local economy
- (f) shaping markets and driving improvements in quality standards
- (g) being conducted wherever practicable on a regional basis
- (h) promoting socially responsible buying
- (i) improving the reputation of the Council

## **5 RELEVANT RISKS**

5.1 Procurement activity has an impact on the Council achieving its objectives. The Procurement Strategy is therefore essential to delivering the savings agreed in the 2011-12 Budget.

5.2 Failing to adhere to strict procurement governance arrangements could expose the Council to litigation under the European Union procurement remedies directive.

5.3 Universal implementation of this Strategy will mitigate these risks.

## **6 OTHER OPTIONS CONSIDERED**

6.1 None.

## 7 CONSULTATION

7.1 Consultation is ongoing with all Council Departments

## 8 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are none arising directly from this report. The Procurement Strategy will support the engagement and participation of the voluntary, community and faith groups.

## 9 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

9.1 There are none arising directly from this report. Implementation of the Strategy will significantly support the achievement of efficiency targets.

## 10 LEGAL IMPLICATIONS

10.1 Implementing this Strategy will ensure the Council acts in accordance with procurement legislation. This revision takes account of the requirements of the Bribery Act 2010.

## 11 EQUALITIES IMPLICATIONS

11.1 The Strategy includes the Social and Community Benefits Guidance for officers to work more closely with Small and Medium Enterprises and the voluntary, community and faith sectors which will provide equality of opportunity for these providers to run Council services.

## 12 CARBON REDUCTION IMPLICATIONS

12.1 The Strategy makes clear reference to the need to ensure environmental issues are considered in making procurement decisions. This is particularly the case in helping the Council to meet its carbon reduction targets.

## 13 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1. There are none arising directly from this report.

FNCE/105/11

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## APPENDICES

Appendix 1 – Wirral Council Corporate Procurement Strategy.

## REFERENCE MATERIAL

Corporate Procurement Strategy – February 2010.

Audit Commission Review – Commissioning and Procurement, December 2009.

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Dates</b>
<b>Cabinet</b>	<b>2 June 2011</b>
<b>Cabinet</b>	<b>4 November 2010</b>
<b>Cabinet</b>	<b>4 February 2010</b>
<b>Cabinet</b>	<b>24 September 2009</b>
<b>Cabinet</b>	<b>9 April 2009</b>
<b>Cabinet</b>	<b>4 September 2008</b>