

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No

meeting date: 24 NOVEMBER 2009
title: PROCUREMENT UPDATE
submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

1.1 To let you know the latest position with regard to procurement at Ribble Valley Borough Council.

1.2 Relevance to the Council's ambitions and priorities:

The establishment of effective arrangements to govern the Council's procurement activities is key to prudent financial management. Whilst not directly linked to the Council's ambitions, this report links most closely with the overarching ambition to be a well-managed Council providing efficient services based on customer need.

2 BACKGROUND

2.1 Procurement has received an increasingly raised profile over the last few years, particularly within the public sector where effective and efficient procurement practices had previously lagged behind the development of good practice within the private sector.

2.2 The initial external driver behind this improvement within the public sector was the Byatt Report commissioned by the DETR and the Local Government Association (LGA) and published in June 2001.

2.3 In 2003 the Office of the Deputy Prime Minister (ODPM) and LGA launched the *National Procurement Strategy for Local Government* to encourage more Councils to implement best practice. This recommended that Councils seek commitment from their leaders, chief executives, members and officers towards making procurement a top priority supported by the necessary resources.

2.4 Ribble Valley's procurement arrangements were criticised in the Council's Comprehensive Performance Assessment (CPA). The inspection report of May 2004 found that:

The Council has not developed a corporate procurement strategy. There is a traditional and departmental approach to the procurement of goods and services, but (there are also) some examples of exploring partnering arrangements such as the East Lancashire e-partnership (ELEP) to deliver e-enabled services across East Lancashire.

2.5 In response to this, a Procurement Strategy was developed, and the Council continued to be an active partner in the East Lancashire e-partnership, particularly as this related to procurement matters.

3 IMPROVING PROCUREMENT AT RVBC

- 3.1 A new post of Procurement Assistant was created in the Resources Department to support the procurement function, and together with some input from senior staff, procurement has developed considerably, gaining a much higher profile.
- 3.2 The Procurement Assistant has been successful in passing a number of stages in the examinations for the Chartered Institute of Purchasing and Supply, and the expertise developed from this has enhanced our procurement function considerably.
- 3.3 A new procurement system was brought in from 1 April 2006 at the same time as the financials system (general ledger, creditors and debtors) and was integrated with the financials system.
- 3.4 The system has been operating successfully for over three and a half years, and enables goods and services to be requested by staff on an intranet based system. These requests are automatically forwarded to line managers for online authorisation, at which point the system sends all orders via email or fax to suppliers.
- 3.5 The system enables real time commitment accounting on the general ledger, keeping managers fully informed of their current budget position.
- 3.6 There is added security as goods received notes (GRNs) have been in use since the system was introduced. Staff log on to the system and receive goods and services on the system before the system allows payment.
- 3.7 When an invoice is entered onto the financials system for payment, coding and order details are automatically completed for staff in departments, improving the procure-to-pay process.
- 3.8 The central purchasing system makes use of its own eMarketplace where supplier catalogues for approved contracts are uploaded for staff to buy from. This in turn helps prevent 'maverick' (off contract) spend. Any such spending is closely monitored in order to maximise savings.
- 3.9 Staff have received training on procurement in general, and in particular on how to get the best out of the system. However, the Council is looking to fully utilise the pooled resources of the Procurement Hub in providing future training.
- 3.10 Substantial savings have been achieved through ELEP by conducting joint tender exercises as a whole, or by jointly comparing framework agreements that were already available for the member councils to join.
- 3.11 In addition the Council has developed the use of framework agreements outside the ELEP, and has procured a wide range of goods and services via them. A framework agreement is an arrangement between the Council and the supplier where both parties agree the terms of future dealings between them, without committing to, or guaranteeing any specific purchase or contract.
- 3.12 The range of suppliers has been rationalised, with considerable benefits to the Council, and we have been working constantly to minimise the cost of the procure to pay process, minimising the volumes of orders raised, and where possible requesting monthly invoices.

4 EAST LANCASHIRE E-PARTNERSHIP

- 4.1 The ELeP partnership provided the Council with a valuable procurement knowledge base, which was available to provide training to procurement staff and other service staff.
- 4.2 Together with ELeP and the North West Centre of Excellence a standardised set of documents was developed for use by North West Councils. The documents being used by the Council include:
- o Contract Award and Rejection Letters
 - o Contract Procedure Rules
 - o Equality and Diversity Guidance
 - o Financial Thresholds
 - o Pre Qualification Documentation
 - o Tender Documents
 - o Terms and Conditions
- 4.3 Each of the 6 partner Councils paid an equal financial contribution towards the core staffing and operating costs of the partnership. In 2007/08 the Council, along with the other 5 districts paid a contribution of £50,000 each to cover procurement and also joint consultation activities provided by the Partnership

5 LANCASHIRE PROCUREMENT HUB

- 5.1 The success of ELEP prompted extensive discussions with Lancashire County Council and the other 8 districts in Lancashire.
- 5.2 In line with North West Improvement and Efficiency Strategy, all 15 Councils in Lancashire agreed there was a need for a collaborative Procurement Hub to support the drive for efficiency savings within the sub region.
- 5.3 The collaborative Procurement Hub was established in 2008 and ensures collaborative purchasing opportunities are undertaken and not missed, so that the sub region can enjoy real economies of scale. The Hub has received funding from the Regional Improvement and Efficiency Partnership which covers all of the costs for 2008/09 and 2009/10.
- 5.4 It co-ordinates and facilitates the sharing of expertise and skills across Lancashire to promote a professional procurement culture within all of the authorities and to councils supplier bases.
- 5.5 The Lancashire Procurement Hubs aim is 'to enable the sub region to deliver a streamlined, efficient, effective and skilled service that has the capacity and expertise to manage its supply chain and contracts to deliver real cashable savings for Lancashire and the region'.
- 5.6 At a high level the objectives are to:
- Demonstrate measurable cash savings in order to demonstrate the sustainability of a shared resource
 - Develop standard processes
 - Share procurement training across the sub region to ensure consistent performance and delivery

5.7 These objectives are being delivered by:

- Supporting a process to improve the levels of competence in procurement across Lancashire and to help member authorities to achieve a minimum of Level 3 UoR KLOE
- Addressing resource deficits by managing collaboration across Lancashire
- Removing duplication
- Standardising processes
- Undertaking research and sharing information across the sub regions, region and nationally
- Aggregating spend where it offers most value for money
- Providing training and guidance to the Lancashire procurement community

5.8 The Council has been talking with officers from the Hub following their offer to provide training to staff, and will take full advantage of the centralised resources which are now available there

6 CURRENT EXTERNAL AUDIT ASSESSMENT

6.1 Following the recent Use of Resources assessment the Council's external auditor's view is that the Council has good procurement procedures which support the priorities in the Sustainable Community Strategy, but needs to demonstrate a greater awareness and understanding of the full range of community needs in relation to its procurement and commissioning plans and activities.

6.2 The Council has already engaged the services of Greenfield Training, who have provided the Council with a comprehensive demographic analysis of the Borough across all equality strands. This information is now being used to inform future community engagement. A Community Engagement Strategy is being developed, and will be shared with the Local Strategic Partnership.

7 PAST, CURRENT AND PLANNED PROCUREMENTS

7.1 Initially procurements were focused on areas of quick wins, achieving savings in the following areas:

- o Office Stationery
- o Paper
- o IT Consumables
- o Janitorial Supplies
- o Personal Protective Equipment (PPE)
- o Vehicle Fuel
- o Gas
- o Electricity
- o IT Hardware
- o Office Furniture
- o Landline Telecommunications

7.1 All of these contracts have since been retendered and while it was not possible to repeat the more substantial savings that were achieved on the first round of tendering, in most cases further modest savings have been achieved

Recent areas of procurement work include:

- Occupational Health
- Fleet, including; Grounds Maintenance, Refuse Vehicles and Street Sweepers
- Agency Staff
- Garden Tooling
- Protective Clothing and Uniforms
- Consultancy Fee
- Dog Kennelling – out of hours
- Secure Cash Collection
- Asset Management
- Training

7.2 The following areas are currently being looked at, or are proposed to be looked at in the next few months. The Council's capital programme for the next financial year has yet to be agreed; however this will also inform our future procurement plan.

- Vehicle Fuel
- Banking Services
- Photocopying
- Cheque printing
- Allpay
- Polling booths
- Waste hygiene services
- Facility repairs and maintenance
- Multi Functional Devices
- Gas
- Electricity
- Agency staff

8 SUSTAINABLE PROCUREMENT

8.1 Certain priority spend areas have been identified in the Local Government Sustainable Procurement Strategy, developed by the Improvement and Development Agency (IDEA) and the Local Government Association (LGA), and these are set out below together with some of the achievements made so far by the Council:

8.2 **Construction**

Energy saving light bulbs and movement sensors have been installed in many of the Councils buildings, and sensory taps and flushes in a number of toilet facilities.

Wherever possible, reclaimed stone was used in the Restoration of Clitheroe Castle and Museum.

The Council opened a £34,000 eco-loo at Ribchester, which was the first in the country to be powered by a wind turbine.

The toilets at Slaidburn attracted a "Green Apple Award" from the environmentalist and television personality David Bellamy, and the toilet block was constructed from reclaimed local stone. They are also energy and water efficient, with anti-vandal sensory taps and flushes, and energy saving light bulbs.

8.3 ***Social Care***

As a district council, Ribble Valley does not have direct responsibility for social care, however the council does commission the “third sector” for the delivery of its meals on wheels service.

8.4 ***Food***

Once more this is not an area where the Council has had any direct responsibilities, except in the case of vending machines at certain outlets, and inviting tenders for the rental of certain cafes and kiosks.

8.5 ***Energy***

The Council procures its gas and electricity through the Yorkshire Purchasing Organisation. In securing its supply of electricity the Council has stipulated that 100% of the energy it procures from the framework must be green energy. As mentioned above under construction, the toilets at Ribchester are powered by wind turbine.

The Council has also been carrying out research regarding the possibility of using wind energy at other council sites. Unfortunately the Council was unable to carry out its plans to power Ribblesdale Pool using a wind turbine due to a lack of wind in the area. The Council has instead carried out research into the potential use of solar energy.

8.6 ***Transport***

Over recent years the Council has been procuring bio-diesel for use in its vehicles including grounds maintenance, works administration, refuse collection, pest control, mobile office and the mayoral car. In developing the framework agreement the Council is continuing to procure bio-diesel.

9 **RISK MANAGEMENT**

(a) Resources: Continuing and effective procurement has the potential to deliver substantial efficiency savings across the Council. The procurement function is adequately supported by a full time member of staff, together with additional input from a senior member of staff. In addition, many members of staff are involved in detailed procurement on a day to day basis.

(b) Technical, Environment, Environment and Legal: none.

(c) Political: none

10 SUMMARY AND CONCLUSION

- 10.1 As indicated above a wide range of procurement activities are currently taking place within the Council, and this will continue year on year. The external auditors view on our achievements and procedures are generally positive, but the comments regarding awareness and understanding of the full range of community needs in relation to our procurement and commissioning plans will be taken into account.



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