

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No

meeting date: 22 AUGUST 2012  
title: 2012 PROCUREMENT UPDATE  
submitted by: DIRECTOR OF RESOURCES  
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### 1 PURPOSE

- 1.1 To inform committee of the latest position with regard to procurement at Ribble Valley Borough Council.
- 1.2 Relevance to the Council's ambitions and priorities:
- To sustain a strong and prosperous Ribble Valley
  - To ensure a well-managed Council providing efficient services based on identified customer needs
  - To encourage economic development throughout the borough
  - To maintain critical financial management and controls, and ensure the authority provides council tax payers with value for money.
  - The establishment of effective arrangements to govern the Council's procurement activities is key to prudent financial management

### 2 BACKGROUND

- 2.1 The last update to Committee on Procurement was presented in November 2009, when members were informed how the profile of procurement had been raised, particularly within the public sector, over previous years.
- 2.2 Reference was made to the various external drivers behind this improvement within the public sector, including the Byatt Report in June 2001, the National Procurement Strategy for Local Government launched in 2003, and in the Council's case, the Comprehensive Performance Assessment (CPA) report in May 2004.
- 2.3 A new post of Procurement Assistant was created in the Resources Department in June 2006 to support the procurement function, and together with input from senior staff, procurement has developed over the years considerably, gaining a much higher profile.
- 2.4 The Council's Procurement Assistant is now very proficient in guiding the Council's procurement activities, and has successfully passed all of the examinations for the Chartered Institute of Purchasing and Supply (CIPS).
- 2.5 The Council has been an active partner in the East Lancashire e-Partnership (ELeP) particularly through procurement related matters, being at the forefront of some procurement activities such as online eAuctions for the joint procurement of a number of contracts. The successor of ELeP, the Lancashire Procurement Hub, was developed in 2008 and has provided many joint procurement opportunities.

- 3.1 There are a number of documents that the Council have in place to guide its procurement activities. A number of these form part of the Council's Constitution and therefore these procedures must be strictly adhered to. There are other documents such as the Ribble Valley Environmental Action Plan which should also be considered in any procurement activity.

#### Financial Regulations

- 3.2 The Council's Financial Regulations were agreed at the Policy and Finance Committee meeting in November 2011 and form part of the Council's Constitution and must be strictly adhered to.
- 3.3 In line with the Financial Regulations, the letting of contracts should be done with demonstrable transparency and in accordance with Council policies, including the policy on fraud and corruption. It is essential for maintaining public confidence that the Council and its Officers are seen to act with complete fairness and impartiality in the letting of contracts.
- 3.4 The Financial Regulations prescribe the procedures to be followed for such areas as:
- Placing Orders for Works, Supplies and Services
  - Receipt of Works, Supplies and Services
  - Payment for Works, Supplies and Services
  - Delegation
  - Declaration of Interests and Segregation of Duties

#### Contract Procedure Rules

- 3.5 The Council's Contract Procedure Rules provide more detailed and prescriptive information on the procurement of goods and services. They are standing orders of the Council (made pursuant to Section 135 of the Local Government Act 1972) with respect to the making of Contracts and again form part of the Council's Constitution and must be strictly adhered to.
- 3.6 The Contract Procedure Rules provide a corporate framework for the procurement of all goods, services and works for the Council. The Rules are designed to ensure that all procurement activity is conducted with openness, probity and accountability. Above all, the Rules are designed to ensure that the Council obtains value for money and the required level of quality and performance in all contracts that are let.
- 3.7 Specified within the Contract Procedure Rules are such areas as:
- Requirements at different value levels
  - Declaration of Interests
  - Competitive Tendering Procedures – Receipt and Opening of Tenders
  - Execution of Contracts
  - Contract Variation
  - EU Procurement Requirements

### Ribble Valley Environmental Action Plan

- 3.8 The Council approved its Environmental Action Plan in April 2010 at Policy and Finance Committee.
- 3.9 The purpose of the plan was to raise awareness on issues surrounding climate change and look at how the Council could reduce its contribution to greenhouse gas emissions. The Council had already shown its commitment to tackle climate change by signing the Lancashire Climate Change Strategy.
- 3.10 The action plan reviews the statutory obligations under the Climate Change and Sustainable Energy Act 2006, reviewing what has been achieved to date and where it can improve further, both as an employer and a service provider.
- 3.11 The key areas covered are:
- Protecting the Environment
  - Waste management
  - Water Management
  - Energy Use Reduction
  - Reduce, Reuse and Recycle
  - Reduce transport Emmissions
  - Sustainable Procurement

### Procurement System

- 3.12 The Council's computerised procurement system has been operational since April 2006 and is fully integrated with the Financials system. It 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.
- 3.13 The system enables real time commitment accounting on the general ledger, keeping managers fully informed of their current budget position. 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.
- 3.14 When an invoice is entered for payment, coding and order details are automatically completed for staff in departments, improving the procure-to-pay process.
- 3.15 The central purchasing system makes use of its own eMarketplace as supplier catalogues for approved contracts are uploaded for staff to buy from.
- 3.16 Substantial savings have been achieved through joint tender exercises with neighbouring authorities, or by jointly comparing framework agreements that are available for Council's to join. In addition we have developed the use of wider framework agreements from across the country in order to secure value for money and minimise the costs of tendering exercises.

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 Each of the 6 partner Councils paid an equal financial contribution towards the core staffing and operating costs of the partnership. This contribution covered procurement and also joint consultation activities provided by the Partnership.

Lancashire Procurement Hub

- 4.3 The success of ELeP prompted extensive discussions with Lancashire County Council and the other 8 districts in Lancashire.
- 4.4 The Lancashire collaborative Procurement Hub was established in 2008 and ensured collaborative purchasing opportunities were undertaken and not missed, so that the sub region could enjoy real economies of scale. The Hub received funding from the Regional Improvement and Efficiency Partnership which covered all of the costs for 2008/09 to 2011/12.
- 4.5 The Procurement Hub coordinated and facilitated the sharing of expertise and skills across Lancashire to promote a professional procurement culture within all of the council's. The activities of the Hub ended on 31 March 2012, when funding ended.

Collaboration with Other Local Authorities

- 4.6 Many of the strengths of the Lancashire Procurement Hub and ELeP have continued to work on an informal basis and the sharing of knowledge and joint working on certain projects has continued since the disbanding of the Hub and ELeP.

Framework Agreements

- 4.7 Framework agreements are contracts which allow eligible public sector organisations to appoint a supplier without undertaking a separate tendering process and are fully EU compliant. In some cases, framework agreements are open to public sector organisations in a particular region. In other cases, they are open to a particular type of organisation, such as district councils. However, framework agreements can also be very wide-ranging, with some being open to all public sector organisations nationwide.
- 4.8 A large proportion of our contracts now originate under framework agreements, and the use of these agreements is an efficient and effective way to make sure we comply with procurement requirements, and at the same time get value for money. They also provide savings on the procurement process, avoiding the need for lengthy and costly procurement processes.

Constructionline

- 4.9 The Council has recently signed up to Constructionline, which is a partnership between Capita and the Department for Business Innovation and Skills. Constructionline provides an up-to-date register of pre-qualified suppliers for construction contracts. The uncertainty of the suitability of suppliers is removed by the checks that have already been carried out on suppliers at the time of signing up to the scheme.

4.10 The scheme monitors suppliers on a daily basis and can save considerable time in the procurement process, particularly in the Pre Qualification stages of the process. The key areas checked by Constructionline include:

- Financial Standing
- References
- Licenses and Certificates
- Staff Skills and Qualifications
- Health and Safety
- Equal Opportunities

4.11 The use of Constructionline also has the added benefit for Small and Medium Enterprises (SMEs), in that they provide their information once in a standard format, for use by any number of organisations in the future, therefore reducing the burden on them.

## 5 PROCUREMENT WORKPLAN

5.1 Over the last few years our procurement function has helped services throughout the council achieve some substantial savings, much of which has been through joint procurement with our neighbours, and also more widely through the use of framework agreements which are active around much of the country. Examples of the larger savings areas have been:

- Office Stationery
- Janitorial Supplies
- Vehicle Fuel
- Gas
- Electricity

5.2 In a number of the procurement areas that have been explored, it has been possible to achieve substantial savings at the first time of tendering. Experience has shown that further savings on services have been limited at the time of future retenders, as the bulk of the savings have already been reaped.

5.3 It has been important that we continue to explore new areas of potential saving and this is undertaken through the assessment of our spending year-on-year in order to identify any spending categories that could be reviewed in the future

5.4 More recent larger procurement work that has been undertaken with the assistance of the procurement function has included:

- Flood Protection works at Whalley and Ribchester
- Amenity Cleansing Road Sweeper Hire
- CCTV monitoring (joint working with other neighbouring councils)
- Lease Vehicles (Pan Government framework)
- Office Stationery (London Universities framework)
- Telecommunications – voice calls and lines
- Purchase of Refuse Vehicles (Yorkshire Purchasing Organisation framework)
- IT Hardware (Government Procurement Service)
- Refurbishment of the Platform Gallery and Council Offices reception area (tender using Constructionline)

- 5.5 Looking forward to areas that will be reviewed in the shorter term, these include the following:
- Cash Collection services
  - Gas
  - Replacement Van
  - Banking Services
- 5.6 Within our procurement activities it is recognised that a balance must be maintained in ensuring that the local economic community is supported, whilst also ensuring that the best value for money is achieved in our activities in line with the council's Financial Regulations and the Contract Procedure Rules.
- 5.7 At times this can be difficult, particularly where larger areas of spend can aggregate to a level which dictates that formal tendering is required, or even EU Procurement legislation requires advertising of those contracts across Europe.
- 5.8 Due to the size of some of the contracts, particularly where joint procurements are undertaken, many Small and Medium Enterprises (SMEs) and social enterprises can be deterred from taking part in the procurement due to the intricacies, complexities or even volume of paperwork that can sometimes be required.
- 5.9 The Council work where ever possible to engage with SMEs and social enterprises, which includes offering guidance on the Council's website on participating in tenders for work, which was prepared by Social Enterprise Lancashire Network (selnet).
- 5.10 Two-thirds of the Council's expenditure on goods and services is undertaken by around 100 suppliers. This includes large one-off items such as the purchase of vehicles and large contracts for the provision of insurance, energy and utilities, IT software and hardware and also our external audit fees. However, the other one-third is undertaken by over 600 individual suppliers, with an average annual spend per supplier of just over £1,400.
- 5.11 The great majority of these are Small and Medium Enterprises (SMEs), and the Council is conscious of the important role these play in supplying our goods and services, and of the role the Council can play in encouraging their sustainability and growth.
- 5.12 While these suppliers come from all over the United Kingdom, nearly 55% are based in the North-West of England, and the encouragement of these suppliers helps the economy of the region.
- 5.13 Working with SMEs can offer real benefits to the Council, including:
- Quick and flexible response to the Council's needs
  - A source of innovation, ideas and products
  - Often they are in close proximity to the Council
  - Able to offer cash savings, improved quality, service and effectiveness
  - Some, like social enterprises and those operating in the voluntary and community sector, may have better access to our hard to reach customer groups.
  - They may attach more importance to doing business with a Council.
- 5.14 As indicated above, we have recently signed up to Constructionline, which is a partnership between Capita and the Department for Business Innovation and Skills. Since signing up, we have used them to procure the refurbishment of the Platform Gallery and the Council Offices reception area, and the work was awarded to a local SME.
- 5.15 There has also been much work in the past on developing standardised tender documents within

the council, and also working towards standardisation across district councils. This helps SMEs through familiarity with the documentation required for tendering opportunities and increase their likelihood to participate.

- 5.16 The procurement team will also continue to provide training for staff within the Council on the procurement of goods and services and are always involved in any tendering exercises that are undertaken, guiding staff through some of the complexities around our own financial regulations, contract procedure rules, and also EU law.

## 6 COUNCIL SPEND ANALYSIS ON GOODS AND SERVICES

- 6.1 A total of £2.9m was spent on goods and services during 2011/12, using 720 individual suppliers. The largest majority (£2.03m) was spent with just 105 suppliers. The table below provides details of our top 10 spend by supplier, and again highlights the areas of highest spend as being items such as the purchase of vehicles and large contracts for the provision of insurance, energy and utilities, IT software and hardware and also our external audit fees.

Supplier	Type of Supply	Total Spend 2011/12 £	Percentage of Total %
Samuel Cooke & Company Ltd	Fuel Oil	186,400	6.4
Zurich Insurance Company	Insurance	123,500	4.3
Audit Commission	Audit Fees	102,400	3.5
David Johnston Builders Ltd **	Building Works	99,000	3.4
Wicksteed Leisure Limited	Provision and Installation of Playground equipment	90,400	3.1
Viridor Waste Management Ltd	Collection and Disposal of Waste Paper	85,900	3.0
Sweeper Hire B&T Tippers Ltd	Street sweeping service	80,800	2.8
United Utilities PLC	Water and Sewerage	77,300	2.7
Northgate Information Solutions	Computer Software and Support	73,900	2.5
Npower	Electricity	71,500	2.5
		<b>991,100</b>	<b>34.2</b>

\*\* Local supplier

- 6.2 The total spend on goods and services over the last financial year is shown in the table below and demonstrates the geographical spread of the council's spend. A large proportion of the spend is dictated by the location of our 100 main suppliers, and particularly the top 10 shown above.

Area	Number of Suppliers	Total Value of Supplies 2011/12 £	Percentage of Total %
Ribble Valley	112	482,100	16.62
Rest of North West England	264	923,900	31.85
Yorkshire	55	245,200	8.45
North East	2	1,400	0.05
East Midlands	51	284,400	9.80
South West	45	277,300	9.56
West Midlands	26	107,500	3.71
South East	129	446,300	15.38
Northern Ireland	2	500	0.02
Wales	15	89,500	3.09
Scotland	13	41,800	1.44
Overseas	6	1,000	0.03
<b>Total</b>	<b>720</b>	<b>2,900,900</b>	<b>100.00</b>

- 6.3 A large proportion (48.47%) of the Council's spend is focused within the North West. The large number of businesses listed within the South East in the table above reflects that some organisations tend to have their head office located in this region. This can skew the details shown in the table above, as many of these may have a North West regional hub from where their business is provided; however, it has not been possible to reflect this in the analysis given.

## 7 FUTURE ISSUES IN PROCUREMENT

- 7.1 A review of the volume of suppliers that the Council deals with has been part of the procurement team's workload, as the rationalisation of our supplier base can lead to further savings in the procure to pay process. However, this work can have implications where some areas of spend are aggregated and result in the need for a separate tender exercise and the potential loss of that business for local suppliers. This can be particularly of concern where the Council may be one of the supplier's core customers.
- 7.2 Where our services are provided "in-house" there are well established procedures to ensure that the Council's interests are protected, and the service is provided efficiently and effectively. However, where goods and services are provided by external suppliers the management of those contracts is essential to ensuring that these interests are protected and value for money is achieved.

- 7.3 The procurement team aim to ensure that this is maintained together with receiving services, through:
- the effective management, measurement and recording of performance of suppliers,
  - the establishment of formal and informal communication channels with the suppliers,
  - building trust and openness,
  - establishment of problem solving structures,
  - managing payments,
  - controlling and recording changes to any contracts
- 7.4 It is essential that appropriate officers within each spending department are designated as the responsible person for managing each contract and through future training it is hoped to strengthen these areas of contract management.
- 7.5 Where procurement for particular goods and services has been carried out before, expertise on contract management is built up by the appropriate officer. However, where an officer is dealing with this for the first time, or where new goods and services are being procured, it is essential that suitable training takes place to build up this expertise.
- 7.6 It is also essential that other officers in the procurement process receive appropriate training to maximise the benefit the Council gets from this process.
- 7.7 In addition to developing contract management skills, our continual monitoring of maverick, or 'off-contract' spend, is key to ensuring that the council maximize the benefits of the contracts it has in place.
- 7.8 The use of the Council's electronic ordering system is also monitored in order to ensure that official orders are always raised for goods and services ordered. This ensures that the Council's interests are protected through the contractual nature of the official order and the associated binding terms and conditions that accompany it.

## 8 CONCLUSION

- 8.1 As indicated, an extensive range of procurement activities are currently taking place within the Council, and this will continue year on year.
- 8.2 Close working with sections internally has been developed over past years, and working relationships with other local authorities is continuing to build.

SENIOR ACCOUNTANT

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AA13 -12/RB/AC  
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BACKGROUND PAPERS:

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