

Report to: **Cabinet**

Date: **3 August 2004**

By: **Deputy Chief Executive & Director of Corporate Resources**

Title of report: **Corporate Procurement Strategy and Improvement Plan**

Purpose of report: **To set out a strategy for ensuring that the Council meets the requirements of the National Procurement Strategy for Local Government and its local priorities for procurement as set out in the Council Plan**

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## **RECOMMENDATIONS**

**Cabinet is recommended to approve the Corporate Procurement Strategy and Improvement Plan and support its delivery through the high level Procurement Board and the Procurement Steering Group.**

### **1. Financial Appraisal**

1.1 Delivery of the Corporate Procurement Strategy and Improvement Plan is mainly dependent on existing resources within the Corporate Procurement Team and support internally from other departments through the Procurement Steering Group, and externally through the South East Centre for Procurement Excellence (SECPE). Delivery of the agenda, in the light of the Spending Review 2004 (SR2004) / Gershon 'expectations', does however raise issues about the sufficiency of current capacity.

1.2 The Improvement Plan highlights the financial savings from procurement which must be achieved as part of the CBOSS Project. Further efficiencies will need to be found to meet the 2.5% savings targets set out in SR2004 / Gershon.

1.3 The CBOSS Project provides for additional funding of £30,000 to support the actions to put in place a wider range of corporate contracts to deliver the procurement savings target of £280,000. The CBOSS project is also funding the majority of the costs associated with the E-procurement Projects Officer post which was appointed to in July 2003, initially for 2 years, and has made provision towards the cost of implementing e-tendering as part of phase 3. E-Government Steering Group has approved a bid for funding to progress the remaining e-procurement projects, however, further resources will be required to purchase and implement solutions once identified. Additional resources may be required depending on the level of support offered by SECPE and the impact of SR2004 / Gershon expectations.

### **2. Drivers for change in procurement**

2.1 There is a clear Council Plan objective to ensure that procurement supports the delivery of corporate priorities and service improvements – procurement is an essential part of our wider excellence agenda.

2.2 The ODPM's National Procurement Strategy for Local Government aims to help councils recognise the potential of effective and innovative procurement to improve service delivery and to realise potential savings and other benefits from working together in partnership. The Strategy sets out clear objectives and targets for all councils across five key themes:

- Cultural shift
- Providing leadership and building capacity
- Partnering and collaboration
- Doing business electronically
- Stimulating markets and achieving community benefits

2.3 The Government and the LGA propose to support the delivery of the Strategy by making a significant investment over the next 3 years to build capacity in local government for procurement and

partnering. This will include both regional centres of excellence and national training and development programmes. Whilst this is a welcome move there will be no direct funding to individual councils to support the delivery of the agenda. The South East Centre of Procurement Excellence (SECPE) covers 74 local authorities and is hosted by Kent CC.

2.4 From 2005 the Audit Commission's Comprehensive Performance Assessment will have a far greater focus on cost effectiveness within the use of resources assessment and how procurement practices help to deliver this. In addition the IDeA, 4ps and SOPO have consulted on a set of key performance indicators for procurement which will allow councils and central government to measure progress in improving procurement and implementing the National Strategy. It seems a logical conclusion that progress against the targets set in the National Strategy and the KPIs will form part of a wider assessment process i.e. CPA.

2.5 SR2004 / Gershon expect that local government will make savings of 2.5% pa over each of the next 3 years, a total of £6.45bn across the sector by 2007/08, through more collective and professionalised purchasing across the public sector, and improvements in the provision of back office systems and transactional services.

### **3. Development of the County Council's Procurement Strategy**

3.1 The Corporate Procurement Strategy seeks to ensure that that the Council meets the requirements of both local and national drivers in a way that works for East Sussex. The Strategy has been informed by a series of workshops which have engaged members of the Procurement Steering Group, procurement professionals and other key stakeholders across the Council. As well as identifying areas for improvement we have highlighted good progress against the National Strategy themes, for example, in e-procurement and collaboration with other Councils through the East Sussex Procurement Group.

### **4. Risks and tensions**

4.1 Early indications from the SECPE launch are that the achievement of procurement efficiency savings will form the main focus of its work. It is not clear how it intends to fulfil its wider brief of supporting the delivery of the National Strategy. Equally there are a number of potential conflicts between the narrow focus of Gershon and the wider National Strategy Agenda, for example, regional contracting v use of local suppliers. It is not clear how these will be reconciled.

4.2 The Council will need to demonstrate its approach to delivering SR2004 / Gershon efficiency savings. Savings of this magnitude cannot be achieved through the current back office replacement or CBOSS procurement savings based mainly on un-contracted spend on equipment and supplies. We will need to seek efficiency savings in areas of major spend such as social care and waste. It is questionable how deliverable such savings will be.

4.3 The current profile of, and engagement with procurement at the Council must visibly improve if we are to deliver against the National Strategy and SR2004 / Gershon. Failure to do so will not only have financial consequences but will adversely affect future CPA outcomes.

### **5. Conclusion and Reason for Recommendation**

5.1 There are clear opportunities for the Council to meet its local aspirations through engaging positively with the National Procurement agenda and building on the improvements that have already been made. There are also potential risks both financially and through the CPA. For this reason it is essential that the whole Council signs up to the delivery of the Corporate Procurement Strategy and Improvement Plan.

5.2 A high level Procurement Board, modelled on the E-government Steering Group and including the Lead Member, will be established to drive forward the Council's procurement agenda and to ensure that efficiency savings in major spend areas are rigorously pursued. A first step in this process will be for procurement to have a higher profile in the Reconciling Policy and Resources process.

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