

NORTH LINCOLNSHIRE COUNCIL

CABINET

**ANNUAL JOINT NLC/NELC JOINT PROCUREMENT UNIT UPDATE
& PROCUREMENT STRATEGY 2010 – 2013**

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 This report provides an update on the progress made by Procurement Alliance North and North East Lincolnshire (PANNEL) during the last 12 months and introduces an updated joint procurement strategy for the period 2010 - 2013.

1.2 The key points in this report are:

- PANNEL has made further progress over the last 12 months. Key highlights are set out in this report.
- An updated joint procurement strategy has been produced for the period 2010 – 2013 which builds on progress and provides a clear forward direction.
- The joint strategy has been updated to reflect national developments and local priorities.
- The strategy is supported by an updated 3-year delivery plan.

2. BACKGROUND INFORMATION

2.1 The council's joint procurement unit with North East Lincolnshire Council, Procurement Alliance North & North East Lincolnshire (PANNEL), co-ordinates the £212m spent every year on supplies, services and works across both councils. The joint team has now been operational for 4 years.

2.2 PANNEL has continued to make progress over the last 12 months across a broad range of development activities. A summary of key performance highlights over the last 12 months is set out below:

Performance

- Positive Audit Commission commentary on procurement performance in both councils' value for money assessments
- Joint cashable procurement savings of £3.6m identified in 2009/10 (£1.4m NLC; £2.2m NELC)
- Successful delivery of a wide range of joint and major council specific procurement projects with demonstrable efficiency, economic, social and environmental benefits

- Positive supplier/bidder feedback from Small & Medium sized firms and Voluntary & Community organisations tendering for council contracts
- Procurement framework rated as “strong” under the equalities standards assessment
- Level 3 of the National Sustainable Procurement Action Plan achieved with good progress made towards Level 4.
- Positive benchmarking findings on procurement performance within the CIPFA family group – high upper quartile position (low cost/high performance)
- Standing in regional and national awards
- High levels of procurement expenditure with local suppliers relative to other councils
- Further evidenced increase in the proportion of spend which is channelled via pan-government and other collaborative public sector contracts to maximise economies of scale and demonstrate best commercial practice

Developments

- Introduction of a “Category Management” model to more effectively control ICT expenditure
- Procurement expenditure analysed by leading external analysts to enhance our procurement planning capability
- Five procurement events delivered to local businesses, including Small Medium Enterprises (SMEs) & Voluntary Community Organisation’s (VCOs) in support of the Recession Pledge.
- Contract Procedure Rules (CPRs) comprehensively updated and fully harmonised with NELC
- Continued positive relationships with Voluntary Action North Lincolnshire and Voluntary Action North East Lincolnshire.
- Procurements over £10k are now advertised on a supplier portal and conducted electronically using the regional eTendering system - c. 350 procurements have been transacted electronically across both councils to-date
- Improved focus on benefits realisation with procurement savings more effectively captured in the council’s financial planning processes

2.3 To build on this progress, an updated joint procurement strategy has been produced to ensure that our procurement activity continues to support national agendas and deliver local priorities.

2.4 At national and regional level the procurement landscape remains dynamic with expectations from the new coalition government that public sector procurement will continue to drive cost reduction and economic growth.

2.5 At local level the essential role of good procurement in the successful delivery of projects as well as supporting service commissioning, efficiency, cost-reduction and local economic development is now widely recognised.

2.6 These aspirations and priorities are reflected in the updated strategy. Four improvement themes have been determined to help focus our procurement development work:

1. Cost Reduction & VFM

- Raising the bar for procurement performance as part of the council's response to the Government's budget deficit agenda
- Delivery of further joint savings of £1.75m by 2011/12 through smarter collaborative procurement targeted at key categories of high value spend
- Better integration of our corporate and service based (Adults & Children's) commissioning and procurement resources
- Further development of "Category Management" (managing procurement activity centrally by expenditure category) to strengthen control of demand-side cost drivers such as compliance, specification and volume
- Increase the proportion of our spend which is procured collaboratively
- More effective use of modern procurement tools such as electronic auctions, frameworks and dynamic purchasing systems

2. Improved Sustainability

- Achieve Level 4 of the National Sustainable Action Plan
- Ensure that procurement supports the achievement of both councils carbon reduction plans

3. Strong and Effective Governance

- Maintain high standards of ethical and professional conduct
- Support greater transparency of local decision making and expenditure
- Continued recognition of the essential role of procurement in the delivery of major projects

4. Economic Growth

- Ensuring that procurement continues to support our recession and skills pledges
- Continuing to develop better relationships with the third sector and small business community
- Increase the proportion of spend channelled into the local area through supplier development activity in partnership with the economic development team

2.7 The strategy will be delivered through the completion of the actions set out in the challenging 3 year business plan appended to it. A copy of the strategy has been deposited in the political group offices and is available on request.

3. OPTIONS FOR CONSIDERATION

- 3.1 **Option One:** Accept the joint strategy
Option Two: Modify or reject the joint strategy

4. ANALYSIS OF OPTIONS

- 4.1 **Option One:** Endorsement of the revised joint strategy would provide clarity and certainty of both direction and priorities.

Option Two: See above. The strategy had been endorsed by officers across both councils.

5. **RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1 The financial implications are described in the main body of the report.

6. **OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)**

6.1 An integrated impact assessment has been completed with no adverse findings.

7. **OUTCOMES OF CONSULTATION**

7.1 The strategy and business plan have been considered and agreed by the council's Strategic Procurement Group, which comprises of representatives from key procuring/commissioning services. Chief Officer's of VANL/VANEL have also been consulted. NELC's cabinet will consider it in October.

8. **RECOMMENDATIONS**

8.1 That the progress of the joint team over the last year is noted.

8.2 That the procurement strategy for 2010 - 2013 is considered and approved.

8.3 That an update on progress with implementing the strategy and PANNEL's performance is submitted to Cabinet in October 2011.

SERVICE DIRECTOR FINANCE

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Background Papers used in the preparation of this report:

Procurement Strategy 2010 - 2013