

14 November 2013		ITEM: 7
Corporate Overview and Scrutiny Committee		
Delivering Value to Our Community – Procurement Strategy 2013-15		
Report of: Councillor Phil Smith, Portfolio Holder for Central Services		
Wards and communities affected: All	Key Decision: Key	
Accountable Head of Service: N/A		
Accountable Director: Barbara Brownlee – Director of Housing		
This report is public		
Purpose of Report: To consider and agree the council’s new procurement strategy.		

EXECUTIVE SUMMARY

The Council spends nearly £170m each year with third party organisations, much of which contributes to the way our core services are shaped and the quality of the outcomes achieved. The range of goods and services that we acquire each year exceeds that of most public and private organisations and it is provided by over 5,000 companies ranging from large corporations to sole traders (micro businesses).

We are required to ensure compliance – i.e. that this money is spent wisely and in a transparent way, while complying with our legal and financial rules. At the same time there is a significant opportunity to consider how the way we spend this money can contribute to the Councils core policies on matters such as local economic regeneration, job creation, and sustainability. This new strategy is designed to help us strike the right balance with our major procurement decisions so that we can aim to achieve both financial and social value.

1. RECOMMENDATIONS:

- 1.1 To note the outcome of consultation with the Business Board and CVS on the strategy in May outlined in Section 4 of this report.**
- 1.2 To approve the 2013-15 procurement strategy.**

2. INTRODUCTION AND BACKGROUND:

- 2.1 English local authorities spend £60bn each year through their procurement activities, much of which goes to delivering a wide range of services to local**

people. The way this money is spent and how decisions are taken have clear financial, legal, social and other policy implications.

- 2.2 All local authorities publish a procurement strategy which sets out a high level the way they will tackle these issues, bearing in mind their local priorities and the huge range and complexity of goods and services that are purchased each year.
- 2.3 The new procurement strategy has been produced following a detailed procurement health check undertaken last year. This suggested that the existing procurement strategy focused largely on legal / financial compliance without addressing how we could use this expenditure to promote our other social policies such as economic regeneration and job creation / apprenticeships. While we have been doing this already, redrafting our procurement strategy allowed us to formalise matters and also take into account the implications of the Public Services (Social Value) 2012 Act which came into force on 1st February 2013.
- 2.4 The new procurement strategy covers 2013-2015 allowing it to be brought into line with the Medium Term Financial Strategy, to which it has a clear link, and allow us to update it as we fulfill its stated goals and objectives

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

- 3.1 In broad terms our procurement expenditure covers:
 - Key infrastructure for Thurrock, such as all buildings, roads, schools, social housing and communications
 - Community services, such as elderly care provision, street cleansing, rubbish collection, libraries, and leisure facilities
 - Supporting equipment and services, such as translation services, technology, books and equipment and materials to maintain the infrastructure
 - Utilities, such as electricity, gas and water
- 3.2 Managing this expenditure from the early stages of commissioning through to the discharge of a contract involves a lot of people in the Council and can often be complex. The Council is also in a regulated sector, which means that it has to comply with laws and regulations laid down by both the European Union and the UK Government.
- 3.3 Although the Council may collectively have a clear idea of what kind of outcomes it wants to achieve, the policies that it wants to apply and the type of suppliers / providers it wishes to engage, no one person or department can be expected to know all of the answers.
- 3.4 This means that we need a dynamic procurement strategy to:

- Ensure there is a clear direction for fulfilling the Council’s vision and goals for strategic procurement and commissioning
 - Contribute to the financial health of the council by delivering sustainable sources of cashable savings in our commissioning and procurement activity
 - Provide social value, linking commissioning and procurement to other important aspects of the Councils work, including economic regeneration, financial control, and sustainability
 - Set out our policies and priorities for delivering a continuous programme of outcome improvement and the achievement of best value and how these will be measured
 - Show how we intend to work with our partners in the local community, in the private sector, and in other parts of the public sector such as other councils and the NHS
- 3.5 This strategy is our focal point to help ensure that everyone in the Council and beyond knows where we want to be and how we intend to go about making it a reality.
- 3.6 After internal consultation and debates we have established a common vision for commissioning and procurement which is:
“We want to commission, acquire and manage our third party expenditure so that it achieves optimum cost efficiency while actively contributing to the fulfilment of the policy aims set out in the Thurrock Community Strategy”
 NB: For the purposes of clarification cost means the whole life cycle not just the initial price paid
- 3.7 Making our vision a reality will be achieved through six goals:
- Dynamic links to other Council policies and objectives, particularly the *Thurrock Community Strategy and Corporate Plan and Medium Term Financial Strategy (2012-15)*
 - Sound governance, transparency, accountability and probity but achieving proportionality in our control processes
 - An integrated and unified approach to managing the activities in the commercial cycle and in engagement with markets and suppliers
 - Effective engagement with other public sector partners including other local authorities, the Procurement Agency for Essex and Improvement East
 - Full exploitation of our technology investments for reporting and savings capture
 - Making the most of our people, up-skilling and building an in-house strategic procurement and commissioning team

- 3.8 Each of these six goals is then explored in more detail with a definitive statement setting out where the Council wishes to be in 2015.
- 3.9 Overarching this whole strategy will be the need to manage the cultural changes that will be encountered during this transformation journey. This means ensuring that we identify all the people and groups internally and externally that have an interest in what we are trying to achieve, addressing their concerns and issues and ensuring their active support.

4. CONSULTATION (including Overview and Scrutiny, if applicable)

- 4.1 The draft vision and strategy were subject to widespread internal consultation during November and December. This included to the nineteen officers that were interviewed during last year's health check, the Procurement and Efficiency Management Board (PEMB) and the Joint Strategy Group. Feedback has been received from four officers and the Procurement Board and has been overwhelmingly positive.
- 4.2 The draft strategy was considered at Cabinet on 10 April and at that meeting it was agreed that it would be referred to Thurrock Business Board and Thurrock CVS for detailed discussion.
- 4.3 The Business Board considered the Procurement strategy on 23 May and discussed the importance of local businesses to delivering a strong sustainable procurement strategy. There was appreciation of the clarity linking this strategy to Thurrock's Community Strategy as well as the priority given to ensuring what is commissioned has a direct benefit to the local community – including such things as the use of local and small businesses, the voluntary sector and the creation of local apprenticeships.
- 4.4 The Business Board discussed the fact that not all contracts would ever be awarded to local companies but there was also clear understanding that the council will work hard to make sure that any national contractors are be tied to using local supply chains and people in the delivery of services to the council. The strategies emphasis on planning and transparency was also welcomed as local businesses are clear that they ahve a better chance of completing fairly given time and support to bid for contracts.
- 4.5 CVS – also received the strategy at the Business Board as well as receiving a copy directly. Discussions with the Chief Executive highlighted the need for the council to make sure all procurement going forward is proportionate in its demands of the voluntary sector and that only appropriate references, etc are demanded.

5. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

- 5.1 The new strategy formalises the procurement contribution to the Corporate Plan and Medium Term Financial Strategy (2012-15) and the Thurrock Community Strategy.

6. IMPLICATIONS

6.1 Financial

Implications verified by: **Michael Jones**
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There are no direct financial implications arising from this report. However the link created between the Procurement Strategy and the Council's MTFE in the business cycle will help to identify future savings and efficiencies on a whole life costing basis.

As noted in the report procurement costs are circ £170m per annum covering a wide range of services and purchases. Improved practises and joint workings with other public sector bodies, private sector and community groups will further strengthen the council's purchasing power and should deliver better procurement.

6.2 Legal

Implications verified by: **Daniel Toohey**
 Telephone and email: **01375 652049**
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The provision of public sector procurement is heavily regulated by the Public Contracts Regulations 2006, supplemented in recent years by onerous amendments allowing for new remedies against public bodies , including orders resulting in the setting aside of contracts and damages against such bodies. In addition the Council is subject to a statutory duty to obtain best value in relation to the manner in which it spends public monies.

The attached Procurement Strategy, which seeks to transform and update the Council's aims and processes for achieving best practice in procurement, will be beneficial in managing the compliance with these statutory duties and requirements.

6.3 Diversity and Equality

Implications verified by: **Samson DeAlyn**
 Telephone and email: **01375 652472**
sdealyn@thurrock.gov.uk

There are none.

6.4 **Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

There are none.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):

- Procurement Review – Finding and Recommendations – 12th October 2012
[*location to be confirmed*]

APPENDICES TO THIS REPORT:

- Delivering Value to our Community – Procurement Strategy 2013-15

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