

Report to:	Performance Scrutiny Committee
Date of Meeting:	8th December 2016
Lead Member/Officer:	Lead Member for Finance, Performance and Corporate Plan Head of Facilities, Assets & Housing
Report Author:	Facilities, Assets and Housing Programme Manager – Business Change
Title:	Procurement Strategy & Contract Procedure Rules (CPRs) – progress and impact to date

1. What is the report about?

Following approval at Council on 23rd Feb 2016, the Council adopted a new Procurement Strategy and CPRs. The Procurement Transformation Board are requesting that Performance Scrutiny considers how effectively the strategy is being implemented and its impact, and how consistently the contract procedure rules are being applied across the organisation.

2. What is the reason for making this report?

To provide information regarding the Procurement Transformation Programme, specifically:

- What progress has been made on implementation of the Procurement Strategy?
- Has implementation of the Procurement Strategy resulted in efficiency gains?
- What impact has implementation of the Procurement Strategy had on the local economy?
- Are services across the organisation applying the revised contract procedure rules?

3. What are the Recommendations?

For the Committee to determine whether the new Procurement Strategy and revised CPRs have resulted in improved performance of the organisation in relation to procurement activity, and/or identify areas where further work/improvement are necessary.

4. Report details

The Strategy (attached as appendix 1) focusses around achieving two outcomes:

- Denbighshire County Council achieves value for money from the goods, services and works it procures; and

- Denbighshire County Council improves the contribution its procurement activity has on the local economy.

In terms of the first outcome, progress has been made in several areas:

- New processes have been introduced with the new CPRs, including the introduction of a “Commissioning Form” (attached as appendix 2) which is now required at the planning stage for any contract over £25K. This form requires the service where the procurement activity is taking place to outline what is planned, timescales, financial requirements, etc. The form is then assessed by the Procurement Team and any comments passed back to the service for final consideration and sign-off by the management structure in that service. This new process has improved the planning of procurement activity and has enabled much earlier scrutiny and quality assurance, helping to avoid problems before they occur. It has also helped provide a better corporate overview of what procurement activity is taking place at any one time in the organisation.
- Within the new CPR’s the authorisation processes for procurement decisions have been standardised and aligned with the scheme of delegation in the Constitution. Previously, different financial thresholds and different authorisers were required at different points in the process, leading to errors where the wrong thresholds were being applied to a decision. Standardisation has removed these errors and thus created efficiencies.
- The Council has adopted Proactis as our Procurement system and this is now being used consistently across the organisation for the award and evaluation of all contract over £10K. The electronic system creates a “pathway” for users, ensuring that all required tasks are completed before moving on to the next stage. This has created a much more consistent approach and ensures compliance. The Procurement Team has also introduced a number of quality assurance procedures whereby they regularly check the content being inputted into Proactis, and are taking action where issues are identified. Often this is in the form of additional training or support for the service in question,
- Following the introduction of the new strategy and CPR’s, regular communication was made with the middle management team to ensure there was widespread awareness of the changes and key new requirements. In conjunction with this, a training course on the strategy and CPR’s was run, and by the end of Q2 (Sep 16) – 17 courses had been run with 183 officers attending, 94% of whom rated the training as either good or very good.

In terms of the second outcome, progress has been somewhat hampered by a series of long-term illness absences within the Procurement Team which has reduced capacity. Despite this, the following has been achieved:

- Development of the Procurement Strategy and CPR’s was undertaken with the involvement and endorsement of the Federation of Small Businesses (FSB) and the NW Business Council, with the FSB still having representation on the

Procurement Transformation Board to ensure that the needs of local businesses remains a key consideration.

- The Procurement Team has attended a number of events, including the Flint & Denbigh Show and the NW Business Council, providing direct advice and support to local businesses on procurement issues.
- Publication of a new “Selling to the Council” guide (attached as appendix 3), outlining what potential bidders need to do in order to do business with the Council.
- The website has been refreshed to present a more “business friendly” approach to procurement information, with links to the Council’s electronic procurement system available from the website.

The performance measures for this outcome are as follows:

- 2014/15 – 31% (£35,529,000) spend with Denbighshire businesses
- 2015/16 – 24% (£31,161,000) (Note that there was a significant increase in capital spend in this year, predominantly associated with the new Rhyl school, and as expenditure for this measure is against the main contractor, the figures do not reflect the 68% spent on this major contract with local businesses)
- 2016/17 (end of Q2) – 31% (£16,096,502); 50% with NW businesses (£26,073,095); and 55% (£29,033,710) with Welsh businesses.

Overall, progress against these two outcomes in the first 6 months of implementation has been positive. Confirmation that the new approach is having a positive impact is borne out in a survey of middle managers. When the survey was first undertaken in summer 2015, only 8% of middle managers considered their knowledge of procurement to be either good or very good, with a very significant 49% considering their knowledge to be poor. When this survey was repeated in summer 2016, 37% considered their knowledge to be either good or very good, with only 5% considering their knowledge to be poor (the majority considered their knowledge to be OK).

5. How does the decision contribute to the Corporate Priorities?

The strategy and CPRs relate to priorities within the Economic & Community Ambition Strategy and in relation to this will address the two specific pieces of work within the Corporate Plan of:

- How the council works with its suppliers; and
- Community benefits

6. What will it cost and how will it affect other services?

There is no additional cost associated with the implementation of the Procurement Strategy and CPRs – costs are contained within existing budgets. The delivery of the transformation programme impacts on all services, as all services procure. Regular presentations and engagement with the Senior Leadership Team, and

communication with middle managers, have taken place to ensure all services are engaged and aware of all the changes.

7. What are the main conclusions of the Well-being Impact Assessment?

This is a review of activity to date and as such no Well-being Impact Assessment is required. Development of the strategy and CPRs pre-dated the requirement to undertake a Well-being Impact Assessment.

8. What consultations have been carried out with Scrutiny and others?

Development of the new Procurement Strategy and revised CPRs has been subject to a comprehensive internal and external consultation process.

9. Chief Finance Officer Statement

The new arrangements should enhance the council's procurement processes and help ensure compliance with internal and external regulations. A robust procurement framework will help ensure value for money is achieved.

10. What risks are there and is there anything we can do to reduce them?

Full details of the risk associated with the Procurement Transformation Programme have been entered and are managed through Verto – the Council's project management system.

11. Power to make the Decision

Section 111, Local Government Act 1972

Section 7.4.2(b) of the Council's Constitution outlines Scrutiny's powers in relation to policy objectives and performance.

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