

STRATEGIC PROCUREMENT REVIEW

Report of the Director of Finance

SUMMARY OF REPORT

- 1.1 This report outlines the Terms of Reference for the forthcoming review of procurement and details the proposed Project Plan.
- 1.2 It is anticipated that the review will be completed by October 2002 with a final report prepared by December 2002.

RECOMMENDATION

2. Cabinet to approve the terms of reference project plan for the strategic procurement review.

REASONS FOR RECOMMENDATION

3. Cabinet to approve the terms of reference project plan for the strategic procurement review to proceed.

MATTER FOR CONSIDERATION

- 4.1 At Executive on 12 March 2002, it was agreed that following the recent self-assessment of procurement, a review of the Council's procurement arrangements should be completed. The review will use the findings of the self-assessment and will consider how the recommendations of the Local Government Procurement Taskforce can be used to address the issues raised in the IDeA/Capita report as well as the recent Audit Commission publication 'Competitive Procurement'.
- 4.2 The review team will consist of a core group of three officers who will report to the Cabinet Member Councillor Amar Nath, Regeneration and Performance Management (Deputy Leader):
 - John Cornall, Assistant Director of Financial Services and Lead Officer
 - Gordon Stirling, Strategic Review Manager
 - Chris Earnshaw, Procurement Officer.

The Trade Unions will be kept informed of the progress of the review and, where appropriate, be invited to provide feedback and comments.

- 4.3 Procurement is currently managed in a number of ways throughout the Council, there being both central and devolved procurement functions.
- 4.4 For the purpose of this review, the procurement function can be defined as 'function responsible for acquiring by purchase, lease or other legal means, the goods, works and services used by the Council to discharge its functions in an effective, efficient and economic manner'.

The procurement process spans the whole life cycle of procured goods, works or services – from initial concept and definition of business needs, through to the end of life of an asset or the end of a service contract. Both conventionally funded and more innovative types of funded projects are included for example Private Finance Initiative – PFI – schemes.

- 4.5 The terms purchasing and procurement are often regarded as synonymous but it is generally accepted that procurement is the wider term in the sense that purchasing is a procurement activity.
- 4.6 The review will be looking at procurement as a strategic corporate function and will therefore concentrate mainly on the strategic aspects of procurement.
- 4.7 The essence of the review is captured in the following. The review will challenge:
- how important procurement is as a Council activity
 - whether the structure and organisation of procurement activities is efficient, economic and effective
 - whether the procurement function has the right levels of skill and capabilities to help achieve the Council's objectives on efficiency, modernisation and competitiveness
 - whether the Council could make better use of its purchasing power and collective expertise
 - what levels of savings are achievable through more efficient and effective procurement.

- 4.8 The anticipated outcomes of the review are:
- a clear assessment of current performance
 - a detailed strategy with planned actions, milestones and targets for improving the economy, efficiency and effectiveness of the Council's procurement activity to meet its current and future needs
 - an assessment of the achievable savings through more economic, efficient and effective procurement.
- 4.9 The key issues to be addressed by the review form the Terms of Reference and these are included at Appendix A.
- 4.10 It is anticipated that the review will be completed by October 2002 with a final report prepared by December 2002. A Project Plan for the review is included at Appendix B.

FINANCIAL IMPLICATIONS

5. The review will consider the potential for achieving savings through more efficient and effective procurement.

LEGAL IMPLICATIONS

6. None directly arising.

PERSONNEL IMPLICATIONS

7. None directly arising.

ENVIRONMENTAL IMPLICATIONS

8. The review will consider 'green procurement' issues.

EQUALITIES IMPLICATIONS

9. None directly arising.

APPENDIX A

TERMS OF REFERENCE

The procurement review will address the following key issues. The review will . . .

1. Identify and review the purpose and objectives of the procurement function to ensure that they are linked directly to the corporate plan and to the wider policies and objectives of the Council.
2. Identify and review the existing structure and organisation of the procurement function across the Council – including the roles and relationships between the ‘centre’ and the departments and their performance and effectiveness.
3. Identify and review the level of skills and capabilities required to deliver a best value procurement function that meets the Council’s objectives on efficiency, modernisation and competitiveness.
4. Identify and review the information requirements of an informed procurement function and the systems needed to provide that information – comparing and contrasting those requirements with existing systems.
5. Identify and review procurement procedures, tools and techniques used at each stage of the procurement process, including initiatives that affect the procurement process as a whole.
6. Identify and review alternative procurement arrangements to assess their use and suitability for procuring goods, works and services including the risks and benefits associated with each arrangement.
7. Identify and review the existing corporate standards and controls that are in place to ensure procurement is legal, ethical and transparent/
8. Identify and review the performance monitoring framework for the procurement function to establish whether the existing performance measurement techniques and indicators are adequate to support continuous improvement of the procurement function overall.

APPENDIX B

PROJECT PLAN

Activity	Target Date
Prepare Terms of Reference	May 2002
Terms of Reference to Chief Officer Group	June 2002
Prepare Baseline Assessment	June 2002
Main review activity start	July 2002
Progress report to Chief Officer Group	August 2002
Main review activity completed	October 2002
Draft final report to Chief Officer Group	November 2002
Final report to Cabinet	December 2002
Report to Scrutiny Management Commission	January 2003
Report back to Cabinet	February 2003
Implementation of recommendations	February 2003 onwards