

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	25 JANUARY 2016
SUBJECT:	PROCUREMENT STRATEGY AND POLICY UPDATE
PORTFOLIO HOLDER(S):	COUNCILLOR H E JONES
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LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

Recommendation

The Executive is requested to note the contents of the report and to note the progress made to date in developing and implementing a procurement strategy and policy.

Reasons

An Internal Audit report in January 2013 identified the absence of a procurement framework to support services in how they procured works, goods and services. This opinion was further strengthened by a "Fitness Check" undertaken by KPMG and completed in January 2014. The "Fitness Check" made a number of recommendations to improve the Procurement function within the Council and this led to a development of an action plan. Progress in implementing the action plan is shown in the report attached as Appendix 1.

A well managed and robust Procurement function not only ensures that the Council is better placed to comply with procurement legislation but can also lead to lower costs and improved value for money through improved management of contracts.

At this time of financial constraints, it is important that the Executive takes a lead role in procurement in order to ensure that all the potential benefits are delivered.

At its meeting on the 20 April 2015, when the Executive approved the Procurement Strategy and Policy, it was agreed that an update would be provided on how successful the Strategy had been in engaging local businesses in the procurement process. This update is included in the report.

B - What other options did you consider and why did you reject them and/or opt for this option?

N/A

C - Why is this decision for the Executive?

Update only – no formal decision required.

CH - Is this decision consistent with policy approved by the full Council?

N/A

D - Is this decision within the budget approved by the Council?

The budget for the Procurement Team forms part of the annual approved budget. Any procurement undertaken will be within the budget constraints set by the Council.

DD - Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	The comments of the Chief Executive have been taken into account in drafting the report
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	Comments made by Legal Services have been taken into account when drafting the report
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	
E - Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	
F - Appendices:		
Appendix A – Procurement Position Statement – January 2016 Appendix B – What Procurement does for the Authority		
FF - Background papers (please contact the author of the Report for any further information):		

PROCUREMENT - JANUARY 2016

A procurement improvement project was set up within the Authority in January 2015 in order to address the following key drivers:-

- KPMG Fitness Check (Dec 2013) – This report identifies that we need to strengthen our Procurement activities.
- Internal Audit Report (Mar 2013) – this report identified a lack of a procurement framework to support services
- Meeting the efficiencies targets – there is an expectation that better procurement will lead to cashable and non-cashable savings

The project was set up for 3 years with an interim Corporate Procurement Officer post created in order to deliver the project. The post has now been vacant since June 2015; we were unsuccessful in filling the post following 2 recruitment exercises. The post has now been filled through a secondment with the member of staff to start April 2016; this means that for ten months the post has been vacant. This has had an effect on the procurement unit's ability to deliver all the outcomes within the timescales set in order to concentrate on tenders that are either non-compliance or going to produce cashable savings for the Authority. Overall the project is running to timescale and is being reported quarterly to the Project Board. To date savings of £163k have been taken out of budgets from procurement savings.

Actions delivered by the Corporate Procurement team since January 2015:-

Actions	Resources	Measurement of task completion	Status	RAG Status
Procurement Strategy	Procurement	Implemented	Completed	GREEN
Procurement Policy	Procurement	Implemented	Completed	GREEN
Centralisation of corporate budgets in order to reduce spend and comply with corporate contracts	Resources	Savings achieved and budgets amended to reflect the savings	Completed	AMBER
Contract Procedure Rules up dated and approved	Legal / Procurement	Implemented	Completed	GREEN
Corporate training sessions on procurement to staff	Procurement	Staff have been fully trained	Completed	GREEN
Local Supplier Engagement	Procurement	Meet the buyer events held, adverts being put on websites, social media	On-going	AMBER
Procurement Handbook completed	Procurement	Implemented and uploaded on Monitor	Completed	GREEN
Procurement champions have been identified within departments	Procurement	Identified and working relationships being built up	On-going	AMBER
A corporate contract register has been produced	Procurement	Produced	On-going – potential problems with departments not updating the register	AMBER
Complete 'How to do business with the Council' document in order to ensure that all suppliers are aware of what we require from suppliers	Procurement	Draft format	First Draft	AMBER
Contracts Management Strategy	Draft format	Needs to be approved by SLT and Exec	Completed needs to go to SLT	AMBER

Next Steps:

ACTION	Responsibility	Target Date	Expected outcomes	Issues	RAG Status
Identify potential saving areas from the Authority's spend analysis, working strategically across departments.	CPU and Heads of Services	Jan 2016	Cashable savings of circa £200k	Working with departments in order to ensure that they are fully on board, if they are not it could lead to delays in timescales.	AMBER
Liaising with Pembrokeshire Council in order to see how they have managed to procure 25% of goods and services locally.	CPU	July 2016	More engagement with local suppliers and that will hopefully lead to awarding tenders locally.	This will take place from April 2016 when there will be more capacity in the central team.	RED
Working with Value Wales to carry out a 'self-assessment' on the Procurement Fitness check prior to the KPMG external fitness check that will take place in April 2016.	CPU	March 2016	Ensure that we have all the necessary supporting evidence in place in order to be 'moving towards conforming' in the external fitness check.	Departments will need to work with the CPU to ensure that all necessary documentations are collated as supporting evidence.	AMBER
External Procurement Fitness Check	CPU	May 2016	Authority should have moved from 'non-conforming' in the previous fitness check to 'moving towards conforming'.	Departments will need to work with the CPU to ensure that all necessary documentations are collated as supporting evidence.	RED
Carry out an audit of procurement activities within departments in order to ensure that they comply with procurement legislations and CPR's.	CPU	March 2016	Identify areas of spend that are non-compliant and departments not adhering to procurement rules.	This will take place from April 2016 due to a new member of staff starting in post.	RED
Further training on the 'sell2wales' website for internal staff.	CPU	March 2016	Staff will be fully trained on sell2wales. All tenders/quotations should be advertised via this website.	N/A	AMBER
Roll out of the contracts management strategy, need to seek approval from SLT and Executive	CPU	Feb 2016	By having a contracts management strategy, this should improve value for money if a contractor is not performing.	Departments will need to work with CPU and training will be rolled out to services	AMBER

ACTION	Responsibility	Target Date	Expected outcomes	Issues	RAG Status
Training on Contract Management for internal staff – this has been highlighted as a weak point within the Authority in the KPMG fitness check report.	CPU and HR Training department.	Feb 2016	All contracts should be correctly managed in accordance with the specification and terms and conditions.	This will take place from April 2016 when there will be more capacity in the central team.	RED
Starting a project on supplying to the local economy, the project includes working closely with the NPS in order to notify suppliers of frameworks in the pipeline. Ensuring that loACC explores every opportunity to ensure that they are aware of up-coming commercial opportunities. This will be carried out via the loACC's website, meet the buyer events, working closely with Business Wales and ensuring that our specifications are geared towards the needs of local suppliers	CPU, Business Wales and Economic Development	Dec 2016	Local Business should be in a better position to complete tender documentation and winning tenders issued by the Authority.	This will take place from April 2016 when there will be more capacity in the central team.	AMBER
Put in place communication channels with local businesses to ensure that they are able to engage fully with local authority procurement activities in Anglesey.	CPU	July 2016	More engagement with local suppliers and that will hopefully lead to awarding tenders locally.	This will take place from April 2016 when there will be more capacity in the central team.	RED
Preparing spend analysis in order for the Authority to have a detailed analysis of where the £90m on goods and services is distributed. This can also tell us how much of the Authority's money is spent locally on Anglesey.	CPU, Finance and Value Wales	April 2016	More intelligent information on where the Authority's £90m third party spend is distributed	Ensuring that the correct information is extracted from the finance ledger	AMBER
Ensuring that procurement plans and the medium term financial plan are both reviewed annually on the same timetable and that the Procurement Plan is engineered to deliver maximum cash saving for the MTFP.	CPU and Resources	Aug 2016	Maximising possible savings	Not started.	RED

ACTION	Responsibility	Target Date	Expected outcomes	Issues	RAG Status
Working with the Transformation team on exploring 'alternative delivery models' to deliver services within the Authority.	Various services including Transformation and Procurement	March 2016	Ensuring that services are delivered to the same standards at the least possible cost.	Various	RED
Setting up a procurement and 'how to do business with the Council' on IoACC's external website. Ensuring that tender opportunities are advertised on social media e.g. Twitter and Facebook.	CPU and Economic Development	April 2016	Exploring every opportunity to advertise tenders.	N/A	RED

We have identified areas of non-compliance across the Authority. We have also identified cross departmental spend for the same 'commodities' i.e. Housing and Property Services. The CPU will work with the Services to ensure that there is a corporate framework agreement in place in order to achieve cashable savings and comply with CPR's and EU Procurement regulations. We have identified a possible cashable savings figure of £200k if we go out to the market. Benchmarking has taken place against some of the commodities but others we have provided % savings. The savings achieved from these tenders would be classed as 'quick wins' savings hopefully completed within the next 12 months.

The Procurement Unit is also working closely with the Transformation Unit to look at 'Alternative Delivery Models' to deliver in-house services.

ENGAGING LOCAL BUSINESSES IN THE PROCUREMENT PROCESS

Although procurement regulations make it difficult to favour local suppliers, it can be seen from the actions to deliver the overall strategy that work is ongoing to make local suppliers more aware of how to bid for Council contracts. Also, NPS are aware of individual Council's desire to ensure that as much of the Council's spend remains within the local area and they have also reviewed their policies and processes when they set up new frameworks e.g. individual Councils can request that a 'meet the buyer event' can be held locally or ensure that current suppliers are made aware of up-coming tenders. Framework agreements can also be split into lots in order to make them more attractive for local suppliers and make it easier for them to compete against larger companies.

The new strategy and policy has been in place for just over 6 months. In that time, a number of contracts has been awarded locally or awarded to a company that has a base on Anglesey, therefore, employing local companies. Tenders have been issued and many awarded to local companies e.g. School buses (20 Routes), Repairs and maintenance in the BMU (12 contracts), electrical work etc.

The Corporate Procurement Unit is liaising with Pembrokeshire Council in order to see how they have managed to set up their procurement processes so that a high percentage of their expenditure is spent locally.

The Procurement Unit has also completed a document 'What Procurement can do for Anglesey'; this will be visible on the external website (Appendix B).

CYNGOR SIR YNYS MÔN ISLE OF ANGLESEY COUNTY COUNCIL

PURPOSE OF THE DOCUMENT - WHAT PROCUREMENT DOES FOR THE AUTHORITY?

INTRODUCTION:

Procurement is a devolved function within the Authority. Procurement spend is circa £90m annually. It recognises that the procurement of goods, works and services has a major impact on many aspects of the Authority's corporate aims, including the savings agenda and economic development. Effective procurement is fundamental to the Isle of Anglesey County Council and the delivery of value for money, community well-being and sustainability through procurement will only be achieved by the adoption and practice of the procurement vision and aims promoted by this Strategy.

Procurement decisions for the Authority will be made to deliver best 'value for money' outcomes for the Authority and will deliver results that 'best serve' the needs of the local community.

It is vital that these services are delivered to the highest possible standards within existing budget constraints and we must demonstrate that we have explored all areas of possible savings. This will, therefore, lead to a contracting process that affords the greatest value for the Council and the community.

It is recognised that efficiencies in procurement will make a vital contribution towards the Council's overall savings targets. The Isle of Anglesey County Council will procure goods, services and works by the most efficient, sustainable and cost effective way to ensure we achieve value for money.

WHY PROCUREMENT MATTERS?

- There is a duty on procurers in local government to apply the key principles of public procurement in order to demonstrate best value for money.
- Public sector procurement is governed by the UK regulations that implement the EU procurement directives. These apply to the majority of procurements with a total value over a specified threshold.
- Procurements which are below threshold are not covered by the UK regulations, but are still subject to EU Treaty principles.
- **Accountability:** - Effective mechanisms must be in place in order to enable departmental Accounting Officers and their equivalents in other public bodies to discharge their personal responsibility on issues of procurement risk and expenditure.
- **Efficiency:** - Procurement processes should be carried out as cost effectively as possible.
- **Integrity:** - There should be no corruption or collusion with suppliers or others.
- **Legality and compliance with the Law:** - Public bodies must conform to European Union Legislations and other legal requirements when carrying out procurement, if not they could be challenged under the Remedies Directive 2009. This could have a significant financial implication to the Authority.
- **Transparency:** - Public bodies should ensure that there is openness and clarity on procurement policy and its delivery.
- **Better cost control and value for money for the Authority** - By testing the market through Procurement we can ensure that value for money is achieved and that we have cost control. The Authority spends circa £90m on goods and services each year, therefore, the procurement function has the potential to deliver significant financial

benefits to the Authority. Savings are achieved through testing the market, working with services to ensure that what they are purchasing is needed or if there is a more efficient way of purchasing. This is illustrated by procurement so far having delivered savings of £163k since January 2015.

- **Compliance** – Procurement must ensure that the Authority complies with EU procurement regulations and Contract Procedure Rules within the Authority.
- **Tendering Systems** - By using tendering systems like E Tender Wales and 'sell2wales' to advertise and score tenders electronically we have a better audit trail and it is less time consuming and more efficient for suppliers. E Tender Wales can be very beneficial for small suppliers who don't have the luxury of employing a team to respond to tender documents, it's a system where they fill in the information once on a database and the responses are recorded on a database.
- **Control over centralised budgets** - Within procurement we have recently centralised budgets for commodities such as 'stationery', 'office furniture', 'printing' and energy. By doing this, we have much better control over purchases and savings have been achieved. Budgets have been adjusted in order to reflect the savings. Last year within the budget process, budgets were devolved to services but they have now been centralised and managed by procurement, spend has decreased and savings of £175k achieved to date.

How can procurement engage better with the Local Economy?

Procurement legislation does not allow the Council to simply favour small or local businesses over others. Its supplier selection and tender evaluation procedures must be transparent, non-discriminatory and based on best value. However, it is possible to take sustainability and quality into account, such as response times etc., when service delivery options are being considered. Legislation allows factors such as carbon footprint, replacement cycles and social benefits to be taken into consideration wherever it is appropriate to the contract. Social benefits would clearly have to be defined beforehand in order to be taken into consideration.

The correct stage to address local sustainability issues is right at the beginning of the procurement process – during the formation of the business case and in the writing of the specification. In order to do this successfully, those involved in the procurement and commissioning process need to be knowledgeable and familiar with what the market can offer in terms of added value and this can only come about by regular dialogue and consultation with providers and potential providers. To ensure the Council gives appropriate opportunity and consideration to the local business community:-

The Council has signed up and is fully committed and supported to the principles of the Welsh Assembly Government's Opening Doors Charter and will fully apply all details of that Charter to help ensure that local small to medium size enterprises are given full opportunity to compete for and provide goods, services and works to the Authority.

Working in connection with Business Wales, the Council will engage with the local business community and aim to raise awareness of "how to do business with the Council".

The Council will seek to encourage, support and develop Small to Medium Size Enterprise (SME's) markets where possible to maximise the local benefit of procurement opportunities, subject to compliance with relevant procurement regulation.

The Authority holds 'meet the buyer' events prior to the tendering process in order to ensure that current and potential suppliers are aware of any commercial opportunities that will arise. We work with Business Wales, they are there to guide suppliers on filling in the tender documents, example would be 'repairs and maintenance' framework.

We can ensure that we build in response times to tenders that require a supplier to be on site within so many hours e.g. responsive repair works, this will ensure that local suppliers will stand a good chance to win the business.

By ensuring that we engage in a more efficient way with the local economy by holding 'meet the buyer' events etc. we don't just support them by purchasing locally it also creates jobs for local people if we ensure that we maximise the opportunities for the local supply market. We can also include 'community benefits' in our contracts which will also lead to supporting the local communities.

We have drafted a document on 'how to do business with the Council' in order to help the local suppliers understand how we go out to the market for our requirements. This document can be found on the website.

NATIONAL PROCUREMENT SERVICES

The 2010 review of procurement in the Welsh Public Sector "Buying Smarter in Tougher Times" recommended that for common repetitive spend, contracts should be established on a "Once for Wales" basis. The Compact emphasised this commitment by confirming the development of a business case to establish a National Procurement Service (NPS). The proposed NPS will undertake procurement for between 20% and 30% of the total spend across the public sector in Wales. The categories of spend are all 'common and repetitive spend' across Authorities in Wales.

The National Procurement Service (NPS) for Wales has been set up to enable the Welsh public sector to collaborate more closely in procuring goods and services. The NPS brings together public sector purchasing power of over £1bn, representing 20% to 30% of the Welsh annual expenditure in common and repetitive spend. The claimed benefit of this arrangement is that it will save £25m per year once operational to allocate to public services in the face of unprecedented budgetary pressures. However, it has proved extremely difficult to translate that into specific savings for individual Authorities. Only £10k savings can be identified for Anglesey.

While savings in goods and services will be a priority, it will not be the only priority and promoting local economic regeneration, community benefits and supporting SMEs and the voluntary sector in competing for Welsh public sector contracts will be important.

The Isle of Anglesey County Council signed up to the NPS in 2012 to use the framework to cover all 'common and repetitive spend' areas. Currently to date the NPS has let 6 framework agreements (see attached). The Authority has signed up to use 3 out of the 6, those three have been benchmarked and financial savings will be achieved without having a negative impact on the local economy.

There is an 'opt out' process in place, therefore, if we feel that we wouldn't benefit financially or that the Local Economy would suffer and only a low value saving achieved, then we can opt out of using the NPS framework but would still need to run a procurement exercise internally in order to be compliant with procurement regulations. We need to manage the balance with financial savings and supporting the local economy and ensuring that the benefits to Anglesey are maximised.