

# Procurement

**Plymouth City Council**

**Audit 2005-2006**

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# Summary report

## Introduction

- 1 There has been an increasing focus on procurement in local government in recent years. In 2003, the Office of the Deputy Prime Minister (ODPM) and the Local Government Association (LGA) published the '*National Procurement Strategy for Local Government*'. The national procurement strategy sets out how councils can improve procurement, working together and with partners from the public, private and voluntary sectors. It also sets milestones for all councils to achieve in developing a strategic approach to procurement between 2004 and 2006. In 2004, the ODPM established nine regional Centres of Procurement Excellence, whose role is to facilitate the implementation of the National Procurement Strategy. The Gershon Efficiency Review identified the procurement of goods, services and property construction as a potential source of significant cost savings in local government.
- 2 In the publication of its findings from the Comprehensive Performance Assessments (CPA) of single tier and county councils, the Audit Commission concluded that one of the key reasons for strong performance was a 'robust approach to procurement, based on a well-developed mixed economy'.

## Background

- 3 Previous Audit Commission reports have been critical of procurement at Plymouth City Council. In 2002, the Commission carried out a wide-ranging review of procurement at the Council, which identified some significant weaknesses, particularly the lack of a corporate framework and the disparity of practice and skills across departments. The CPA report of 2002 noted that the Council had by then developed a procurement strategy but concluded that 'despite this the Council has been slow to explore alternative means of delivering services'. The Commission also reviewed the Council's processes for awarding capital contracts in 2002/03 (final report July 2004). The review found that, despite actions taken by the Council to improve procurement, there were instances of poor evidencing of tender evaluation, non-compliance with standing orders, and suggestions of anti-competitive behaviour, although no evidence of contracts being awarded improperly.
- 4 Against this background, the Council has taken recent steps to strengthen the procurement function. This has involved the establishment of a Strategic Procurement Unit, and the development and implementation of a strategy for taking procurement forward. The Corporate Assessment Review of 2004 acknowledged these initiatives and referred to the changing approach to procurement as one of the building blocks that the Council was putting in place for future improvement.

## Audit objectives

- 5 The objectives of this audit are to:
- assess the Council's progress in addressing the issues identified in our previous audit reports and in implementing the recommendations made;
  - determine whether the Council's procurement policies and processes are in accordance with the recommendations of the National Procurement Strategy; and
  - identify potential improvements.

## Audit approach

- 6 Our conclusions are based on the following.
- The review of relevant documents and data.
  - The review of procurement processes in selected areas of operation.
  - Interviews with:
    - the Deputy Leader of the Council (who has portfolio responsibility for procurement);
    - the Head of Strategic Procurement and other staff members of the Strategic Procurement Unit;
    - staff from the Social Services Directorate and the Engineering Directorate with responsibility for procurement; and
    - Internal Audit staff.
- 7 Our report covers:
- corporate arrangements for procurement;
  - procurement policies and procedures;
  - managing procurement processes;
  - partnering, collaboration, and support for the local economy;
  - e-procurement; and
  - skills and training.

## Main conclusions

### Corporate arrangements for procurement

- 8 Plymouth City Council has significantly strengthened its corporate arrangements for procurement, although there is scope for strengthening some aspects of these. In summary:
- The establishment of the Strategic Procurement Unit has been central to the improvement in corporate arrangements for procurement. The unit is providing the co-ordinated, strategic approach to procurement that the Council previously lacked. Its work has resulted in improvements in the effectiveness and efficiency of procurement processes and in the value for money secured by these.
  - Strong political and senior management support has raised the profile of procurement within the Council and is helping to take its development forward. However, the Council should strengthen its governance arrangements for procurement by clarifying the membership, roles and responsibilities of the three corporate officer and councillor procurement groups.
  - The Council involves councillors in large, complex procurements, which helps to ensure that these exercises support corporate objectives. However, the scrutiny committees have not scrutinised procurement processes or monitored the outcomes of major procurements. Scrutiny by councillors would help to ensure that procurement exercise are providing savings and better value for money and supporting the Council's corporate objectives.
  - The procurement strategy and associated work plans together provide a well-defined programme for taking procurement forward in the Council and good progress has been made in implementing the strategy. However, procurement policies for some issues (for example, equalities and sustainability) are not fully developed and the procurement strategy is not linked in detail with the Council's efficiency programme.
  - The Council has adopted some of the Audit Commission's local performance indicators for procurement but is not yet using these to measure procurement performance and report this to the senior management team and councillors.
  - The Strategic Procurement Unit (SPU) has established a procurement savings register. However, the register only records gains realised from SPU procurement and does not include gains realised by the directorates. The Council does not, therefore, have a single record of total council-wide procurement gains.

- The Council does not have systematic arrangements for monitoring the compliance of procurement exercises with contract standing orders, delegated authorities and relevant legal requirements. Systematic audits by Internal Audit would provide the Council with assurance that procurement exercises complied with internal regulations and legal requirements.

## **Procurement policies and procedures**

- 9 The Council has made progress in developing and publishing corporate procurement policies and procedures, but has not produced a procurement manual, to provide comprehensive guidance for officers on procurement matters. In summary:
- The Council has revised its contract standing orders (CSOs) and scheme of delegation, to a facilitate flexible, modern approach to procurement. It has also introduced standard contract documents, in support of a consistent approach to dealing with tenders and contracts across the organisation, as appropriate.
  - The Strategic Procurement Unit has introduced a procurement plan and a contracts register, both of which are potentially valuable tools for the strategic management of procurement across the organisation.
  - The Council does not have a procurement manual and thus lacks a single source of guidance on a range of procurement issues. However, the Strategic Procurement Unit's service plan shows that the unit will start publishing guidance in 2006/07 and complete the procurement manual in 2007/08.
  - There is no corporate guidance on assessing and managing procurement risks.

## **Managing procurement processes**

- 10 The Council has made significant improvements in the management of procurement processes, but has not yet addressed weaknesses in contract management. In summary as follows.
- The Council retains a high proportion of in-house services in comparison with other councils. However, recent procurement initiatives and the transformational change programme demonstrate a clear willingness to consider new service delivery arrangements.
  - Improvements in arrangements for letting contracts include the implementation of framework contracts for common-use goods and supplies and construction work. The Council is also taking a structured approach to major strategic procurements (for example, waste management), based on project management disciplines.

- The Council has recently opened a 'doing business with the Council' page on its website, which provides guidance on its procurement policies and links to the Devon Procurement Portal. However, the website does not provide guidance on bidding for Council contracts or details of forthcoming contract opportunities. Providing this information would help to encourage new suppliers to the Council and to thereby foster a varied and competitive market place.
- There are council-wide weaknesses in contract management. Some major service contracts are not monitored on a systematic basis and the directorates do not in general take a strategic approach to the ongoing management of contracts and supplier relationships.

### **Partnering, collaboration, and support for the local economy**

11 The Council takes a proactive approach to partnering, collaboration and support for the local economy. In summary:

- the Council has been involved in several partnering arrangements for construction contracts and is working with other councils and public sector bodies on joint procurement exercises; and
- the Council has taken initiatives to support local businesses and to encourage them to do business with it.

### **E-procurement**

12 The Council has an e-procurement strategy and has made progress in implementing this. In summary:

- the development of a business case for e-purchasing means that, in addition to meeting national policy requirements, there is also a clear rationale in terms of costs, benefits and risks for the Council's investment in this;
- the Council had put an e-purchasing system in place by the end of 2005, meeting the national target for this. It is now equipped to realise the process efficiencies and procurement savings outlined in the business case; and
- collaboration on e-procurement with the Devon Procurement Partnership has generated a number of significant benefits, including funding from the South West Centre of Excellence, the establishment of the Devon Procurement Portal, and the development of a sub regional electronic market place.



## Skills and training

- 13 The Council has recognised the need for procurement training and is delivering a major programme at the current time. In summary:
- the Strategic Procurement Unit has arranged training programmes for staff with procurement responsibilities in the directorates, which have helped to ensure that they are appropriately trained and that their skills are kept up-to-date; and
  - the Council has not provided councillors with procurement training. Providing procurement training and development programmes for appropriate councillors would equip them to take a strategic role in the development of procurement and partnering.

## The way forward

- 14 Appendix 1 includes an action plan, which has been approved by the Head of Strategic Procurement.

## Acknowledgement

- 15 We thank the staff of Plymouth City Council for their help and co-operation throughout this audit.

## Detailed report

### Corporate arrangements for procurement

#### Strategic Procurement Unit

- 16 The Council has significantly strengthened its corporate arrangements for procurement by establishing a Strategic Procurement Unit (SPU). The SPU comprises the Head of Strategic Procurement, a procurement specialist of wide experience who was appointed in 2004, and other recently recruited specialist procurement officers. The primary responsibilities of the SPU are:
- developing and implementing a procurement strategy;
  - setting council-wide policies and procedures for procurement;
  - being a driver for appropriate change and continuous improvement in procurement;
  - providing access to procurement training, information and best practice and market intelligence;
  - leading on collaboration with external agencies and potential partners;
  - supporting all high value/high risk tendering;
  - providing internal procurement consultancy services to directorates;
  - monitoring directorate compliance with procurement policies and procedures; and
  - creating and expanding new supply markets to facilitate service delivery.
- 17 Most of the Council's procurement activity will continue to be conducted at directorate level, by staff with specialist knowledge of service-user and client-side requirements in the service markets for which they are responsible. But the activities of the SPU mean that the Council is now taking the co-ordinated, strategic approach to procurement that it previously lacked. This approach has already led to improvements in the effectiveness and efficiency of procurement processes and in the value for money secured by these.

## Political and senior management support

- 18 There are clear political and senior management responsibilities for procurement. In the Corporate Plan, 'ensuring the most cost effective procurement of goods and services' is one of the corporate objectives that the Council has set under the theme of 'transforming the Council into a modern organisation fit for the new challenges ahead'. The Deputy Leader of the Council is the portfolio holder for procurement - and is an active champion for procurement - and has regular meetings with the Head of Strategic Procurement. The Head of Strategic Procurement reports directly to the Chief Executive. This political and senior management commitment has raised the profile of procurement within the Council and is helping to take its development forward.

## Governance

- 19 The Council has established governance arrangements for procurement but there are weaknesses in these. Three corporate councillor and officer groups have procurement-related roles:
- the members Steering Group;
  - the Project Board; and
  - the Capital and Procurement Board.
- 20 However, there is a lack of clarity about the roles, membership and responsibilities of these groups. In particular:
- the membership and responsibilities of the members Steering Group and the Project Board are not documented and there are no minutes for the meetings of these groups.
  - although the Capital and Procurement Board has clear terms of reference and has made some progress in its work, it is not yet taking a systematic approach to 'planning, evaluating and monitoring procurement projects', as its remit requires.
- 21 As a result of these weaknesses in governance, councillor and officer accountabilities both for the strategic development of procurement and the overview of capital expenditure and procurement projects are not clear.

### **Recommendation**

*R1 Strengthen governance arrangements for procurement by reviewing the membership, roles and responsibilities of the Council's various corporate procurement committees and groups.*

## Councillors

- 22 The Council involves councillors in large, complex procurements. For example, councillors are members of the project team that is overseeing the waste management procurement exercise, and their involvement is helping to ensure that this exercise develops in line with the Council's corporate objectives. Portfolio holders have delegated authority from Cabinet to award contracts up to £3 million, which expedites major contracting exercises. In line with probity requirements, councillors are not actively involved in routine procurement decisions.
- 23 The Council's scrutiny committees have not scrutinised procurement processes or monitored the outcomes of major procurements. Scrutiny by councillors would help to ensure that procurement processes are providing savings and better value for money and supporting the Council's corporate objectives.
- 24 Councillors have not received procurement training. (See below: skills and training.)

### **Recommendation**

*R2 Councillors should scrutinise procurement processes and monitor the outcome of major procurements, in order to ensure that these are providing savings and better value for money, and support the Council's corporate objectives.*

## Procurement strategy

- 25 The Council has a clear procurement strategy. The document 'Corporate Procurement Strategy 2004 to 2007' sets out strategic objectives for procurement in this period and planned initiatives for achieving these. The key initiatives involve the development of:
- the Strategic Procurement Unit;
  - framework agreements across the Council, including framework agreements for construction;
  - procurement training;
  - a procurement guidance manual;
  - a procurement plan and a corporate contracts register;
  - project management for major procurements; and
  - e-procurement.
- 26 The delivery plans for these initiatives are the Strategic Procurement Unit's unit and officer work plans. The procurement strategy and work plans together provide a well-defined programme for taking procurement forward in the Council, and good progress has been made in implementing this programme.

- 27 The procurement strategy also sets out some key supporting policies but there is scope for developing these. In line with the recommendations of the National Procurement Strategy for Local Government, the procurement strategy sets out the Council's policies on:
- the promotion of a 'mixed economy' of service provision;
  - service delivery options, including partnering and collaboration;
  - workforce issues;
  - support for the local economy; and
  - sustainable procurement.
- 28 However, the procurement strategy does not set out the Council's approach to equalities issues and support for black and ethnic minority businesses.
- 29 As stated in the procurement strategy, the above policies are brief, very high level statements of principle. These policies do not address the relevant good practice 'check points' in the National Procurement Strategy and the Council has not developed initiatives for taking them forward. Furthermore, the procurement strategy is not linked in detail with the Council's efficiency programme.

<b><i>Recommendations</i></b>
<i>R3 Include policies on equalities issues and support for black and ethnic minority businesses in the procurement strategy.</i>
<i>R4 Link the key supporting policies in the corporate procurement strategy to the relevant good practice check points in the National Procurement Strategy and develop initiatives for taking these policies forward.</i>

## **Performance management**

- 30 The Council does not have fully developed performance management arrangements in place for procurement and there are weaknesses in information reporting. In particular the following.
- Reports to the senior management team and councillors on procurement matters relate mainly to progress on major procurement exercises (for example, the renegotiation of utility contracts). The Strategic Performance Unit (SPU) does not make written reports on progress in implementing the procurement strategy or performance against the development 'milestones' set by the National Procurement Strategy (NPS). However, the SPU's service plan records progress against the NPS milestones (compliance was 42 per cent in March 2005).

- Following agreement with the Devon Procurement Partnership, the SPU has adopted some of the procurement local performance indicators published by the Audit Commission and included these in its service plan. However, SPU has not yet used these indicators to measure and report quarterly performance. There are no corporate procurement performance reports providing summary information on:
  - the cost of procurement processes;
  - cost savings and quality gains realised from major procurement exercises;
  - the outcomes achieved by major procurement exercises;
  - the performance of major capital projects against budget and timetable;
  - client satisfaction; or
  - compliance with CSOs, the scheme of delegation and legal regulations.

31 Without comprehensive reports on procurement performance, the Council cannot know if the aims of its procurement strategy are being met.

**Recommendation**

*R5 Measure procurement performance using the local PIs adopted by the Council, and report performance to the senior management team and councillors.*

32 The Strategic Performance Unit (SPU) has developed a procurement savings register. Savings achieved from SPU procurement exercises are ratified by the finance function and then recorded in this register. However, the register maintained by the SPU only records cost savings and quality improvements realised from the SPU's own central procurement exercises. This register does not record procurement cost savings and quality improvements realised by other directorates. The Council does not, therefore, have a consolidated corporate register of the savings and improvements realised from all council-wide procurement, as a measure of the total contribution from procurement to Gershon efficiency targets.

33

**Recommendation**

*R6 Use the SPU's savings register to record cost savings and quality improvements realised from all council-wide procurement (not just SPU exercises), as a measure of the total contribution from procurement to Gershon efficiency targets.*

## Compliance

- 34 The Council does not have systematic arrangements for monitoring the compliance of procurement activities with contract standing orders, delegated authorities and relevant legal requirements. At present, compliance reviews are limited to the checks that the Strategic Procurement Unit makes against creditor reports, to identify maverick (ie off-contract) spending, and ad hoc reviews of procurement issues by Internal Audit. Systematic audits by Internal Audit would provide the Council with assurance that procurement activities were in compliance with internal regulations and legal requirements.

### **Recommendation**

*R7 Undertake systematic audits of procurement exercises, to monitor compliance with contract standing orders, delegated authorities and legal requirements.*

## Procurement policies and procedures

### Contract standing orders

- 35 The Council has revised its contract standing orders (CSOs) and scheme of delegation. The revised CSOs were adopted in 2004 and provide a clear statement of the Council's rules for probity, openness and accountability and reflect legal requirements. They also reflect procurement good practice and best value principles. The Council has produced a summary guide to its CSOs and distributed this to employees. In 2005, the Cabinet approved new delegated powers to portfolio holders and heads of service for awarding Council contracts. All these new arrangements are facilitating a flexible, modern approach to procurement.

### Corporate standards

- 36 The Council has implemented standard contract documents, where appropriate. The previous lack of corporate standards contributed to inconsistencies in the way different departments deal with tenders and contracts. The Strategic Procurement Unit has introduced corporate standards for tenders, tender evaluation and contracts and has worked with departments (for example, in Social Services) to implement these. Corporate standards are also being implemented by means of the framework contracts that the Council is introducing for major areas of expenditure - for example, consultancy services and construction. The development and implementation of corporate standards is improving the quality and consistency of procurement processes.

## Procurement plan

- 37 The Council has introduced a corporate procurement plan. The plan lists 95 contracts valued at £293 million which the Council will let during 2005/06 and analyses these by department. It provides an important overview of the Council's major procurement activities and assists in the planning and management of these. However, including detailed information in the plan about current suppliers and supplier markets would make it a more effective tool for reviewing and challenging existing contracts.

### **Recommendation**

*R8 Include detailed information about current suppliers and supplier markets in the corporate procurement plan, in order to make it a more effective tool for reviewing and challenging existing contracts.*

## Contracts register

- 38 The Strategic Performance Unit (SPU) has developed a contracts register. However, this register includes only central contracts managed by the SPU, not contracts maintained by other directorates. Expanding the SPU's contract register to include all contracts awarded by the Council's directorates would make it a more effective tool both for procurement information reporting and for the council-wide strategic management of procurement.

### **Recommendation**

*R9 Expand the SPU's contract register to include all contracts awarded by the Council's directorates, in order to make it a more effective tool both for procurement information reporting and for the council-wide strategic management of procurement.*



## Procurement manual

- 39 The Council does not have a procurement manual, in either hard copy or electronic form. Without a manual, the Council lacks a single source of guidance for procurement staff on key procurement processes such as:
- the implementation of CSOs;
  - 'make or buy' decisions and service delivery options;
  - EU procurement procedures;
  - tendering procedures and tender evaluation;
  - cost/quality models;
  - the Gateway process (an independent review conducted by 4ps of the management of major procurement exercises);
  - risk analysis; and
  - contract management.
- 40 However, the Strategic Procurement Unit's service plan shows that the unit will start publishing guidance in 2006/07 and complete the procurement manual in 2007/08.

### ***Recommendation***

*R10 Develop a comprehensive procurement manual and make this available on the intranet.*

## Risk management

- 41 Although the Council identifies and manages the risks arising from major strategic procurement exercises, there is no general corporate guidance on assessing and managing procurement risks and sharing these with suppliers.

### ***Recommendation***

*R11 Provide corporate guidance on assessing, managing and sharing procurement risks.*

## Managing procurement processes

### Options appraisal

- 42 The Council retains a high proportion of in-house services in comparison with most other councils but is demonstrating a clear willingness to consider new service delivery arrangements, where appropriate. Evidence for this approach is provided by:
- the commitment to a 'mixed economy' of service provision in the procurement strategy;
  - the initiatives taken by the Strategic Procurement Unit to promote effective and innovative procurement as a means of improving service delivery; and
  - the appointment of external consultants to conduct a transformational change programme which will challenge all existing service delivery arrangements.
- 43 These developments are evidence of a cultural change that will support the continuing development of procurement and partnership working.

### Letting contracts

- 44 The Council has improved the effectiveness and efficiency of its arrangements for letting contracts.
- The Strategic Procurement Unit has implemented framework contracts for major common-use goods and supplies - for example, stationery, taxi services and agency staff. This has resulted in savings in the costs of these goods and services, and in procurement costs. For example, the Annual Efficiency Statement (Backward Look) shows that the Council achieved annual efficiency savings of £202,000 (£182,000 cashable) on contracts for stationery and computer consumables in 2004/05.
  - The support provided to procurement staff in directorates (for example, Social Services) by procurement specialists from the Strategic Procurement Unit has resulted in improvements in the quality and consistency of directorate procurement processes.

- The Council has developed a structured approach to major strategic procurements - for example, waste management. The key elements of this approach are:
  - strategic procurement advice and support from the Head of Strategic Procurement;
  - the appointment of a project board and project manager, with appropriate terms of reference;
  - the adoption of a project management methodology, based on PRINCE2;
  - establishing a risk register; and
  - commissioning external consultancy support in areas where the Council does not have the requisite technical skills internally.
- The Strategic Procurement Unit has worked with departments in Lifelong Learning, Asset Management, and Housing and Highways to develop framework construction contracts. Contracts have been developed for general building, property maintenance, housing maintenance and highways. The benefits of these framework contracts include:
  - potential cost savings;
  - new opportunities for partnering and collaboration;
  - standardised and more robust processes for tendering and contract management;
  - the use of key performance indicators to measure construction performance and drive improvements in this; and
  - a single standing list of approved contractors.

### **Online guide to doing business with the Council**

- 45** The Council has recently opened a 'doing business with the Council' page on its website but this is not yet complete. Visitors to the website are able to download the procurement strategy and contract standing orders, together with information on the role of the Strategic Procurement Unit. There are also links to the Devon Procurement Portal, the Devon Procurement Partnership and the Official Journal of the European Union (OJEC). However, the website does not provide guidance on bidding for Council contracts or details of forthcoming contract opportunities. Providing this information would help to encourage new suppliers to the Council and to thereby foster a varied and competitive market place.

#### ***Recommendation***

*R12 Provide guidance on bidding for Council contracts and details of forthcoming contract opportunities on the website.*

## Contract management

- 46 There are council-wide weaknesses in contract management. Construction and some other capital projects are monitored for technical performance. However, some major service contracts are not monitored on a systematic basis - for example, personal care contracts in Social Services. Directorates do not in general take a strategic approach to the ongoing management of contracts and supplier relationships. Without pro-active and professional contract management, there is a risk that even the best specified and procured contracts will fail to deliver what was expected of them.

### **Recommendation**

*R13 Review contract management arrangements across the Council and take steps to strengthen these, so as to ensure that contracts deliver what is expected of them.*

## Partnering, collaboration, and support for the local economy

### Partnering

- 47 The Council has been involved in several successful partnering arrangements for construction contracts. These partnering relationships have led to improved communications and earlier identification of problem issues, in support of value for money. Examples of successful partnering arrangements include the Council's contracts for:
- highway engineering design and consultancy services;
  - the construction of the A386 junction (with the Department of Transport, and including open book accounting); and
  - the capping of Chelson Meadow waste disposal site.

### Collaboration

- 48 The Council is working with other councils and public sector bodies on joint procurement exercises. It is an active member of the South West Procurement Federation and the South West Centre of Excellence. It also belongs to the Devon Procurement Partnership, which includes most councils in Devon and is the basis of a partnership approach to joint purchasing and e-procurement. The partnership's recent major successes include:
- the negotiation of an open framework agreement for stationery; and
  - the joint procurement by the Council and Devon County Council and Torbay Council of gas and electricity, at competitive prices from the wholesale energy markets.

- 49 The Council has also collaborated successfully with district council partners on the joint commissioning of housing-related personal care services under the Supporting People programme. There is, however, scope for increasing joint purchasing with councils and public sector partners, on a local and regional basis.

### **Support for the local economy**

- 50 The Council has taken initiatives to support the local economy, including:
- hosting events as part of the Plymouth Enterprise Week;
  - a presentation to local suppliers on e-procurement and advice to the business community on its development of a Plymouth portal; and
  - holding workshops for existing and prospective suppliers to the Council.

## **E-procurement**

### **Strategy**

- 51 The Council has an e-procurement strategy, supported by a detailed business case. The primary aim of the strategy is to implement an e-purchasing system by the end of 2005, as required by National Procurement Strategy, the ODPM (as 'priority outcome R9') and under Implementing Electronic Government (IEG) (BVPI 157). The strategy is being delivered through enhancements to the Council's new Radius financial system (implemented in 2004), which provides most of the basic functionality required for e-procurement, and through collaboration with the Devon Procurement Partnership (see below). The Council's e-procurement strategy is supported by a detailed business case for e-purchasing (approved by the Technology Programme Board in January 2005) and has also been reviewed by consultants from the National eProcurement Project (NePP). The development of a business case for e-purchasing means that, in addition to meeting national policy requirements, there is also a clear rationale in terms of costs, benefits and risks for the Council's investment in this.
- 52 The Council has made progress in implementing its e-procurement strategy and has met the national requirement to have an e-purchasing system in place by the end of 2005. The key elements of its e-procurement solution are as follows.
- E-sourcing: the Council has bought and implemented an electronic tendering system, in partnership with Devon County Council and Torbay Council, which enables it to advertise and receive tender documentation electronically.
  - E-ordering: the Council has made progress in implementing e-ordering - approximately 50 per cent of orders are emailed to suppliers, and about 25 per cent of invoices are matched electronically to orders generated by the Radius system.

- Electronic catalogues: departments purchase a large proportion of standard use supplies (for example, stationery) from electronic catalogues held on the Radius system. The Council is migrating to a 'punch out' system, whereby suppliers host their own catalogues. This new facility will be provided by the electronic market place (@UK) to which the Council will have access as a member of the Devon Procurement Partnership (see below), which has adopted this as a sub-regional system.
  - E-payments: the Council does not receive invoices electronically but is piloting XML invoices with its largest invoice provider (a stationery supplier). The electronic market place will also provide a hub that will enable suppliers to send electronic invoices to the Council. The Council is also making use of electronic self-billing - Social Services generates virtual invoices and automated payments for clients in residential care or foster care. However, the Council still makes a relatively high proportion of payments to suppliers by cheque (approximately 40 per cent) rather than BACS.
  - Government Procurement Cards (GPC cards): the Council is increasing its use of GPC cards for staff who do not have access to the Radius system.
- 53 With the key building blocks in place, the Council is now equipped to realise both process efficiencies from e-procurement, and savings in the costs of goods and services, in line with the stage plan and financial projections that form part of the business case.
- 54 The Council is collaborating with the Devon Procurement Partnership (DPP) to develop a Devon-wide solution to e-procurement. This approach has brought a number of benefits, including funding from the South West Centre of Excellence and the establishment of the Devon Procurement Portal, which provides suppliers with a single point of access to all DPP members (including tender notices). The joint approach to e-procurement is also helping smaller councils to access framework agreements and contracts awarded by larger councils like Plymouth. In addition, the adoption of @UK as the sub regional electronic market place will provide small- and medium-sized enterprises with affordable access to this market. The Council's collaborative approach to procurement is thus generating both technical gains and several wider benefits.

## Procurement skills and training

- 55 The Strategic Procurement Unit has arranged training programmes for staff with procurement responsibilities in the directorates. The programmes have covered basic procurement skills, PRINCE2 project management and EU procurement regulations. This training has helped to ensure that all staff with procurement responsibilities are appropriately trained and that their skills are kept up-to-date. A particular benefit has been a greater general recognition of the importance of developing a comprehensive business case to support major procurement proposals.

- 56 The Council has not provided councillors with procurement training. Providing procurement training and development programmes for appropriate councillors would equip them to take a strategic role in the development of procurement and partnering.
- 57 The Council has not specified core procurement competencies and incorporated these into appraisals and development plans of directorate staff with procurement responsibilities.

<b><i>Recommendations</i></b>
<i>R14 Provide councillors with procurement training and development programmes, in order to equip them to take a strategic role in the development of procurement at the Council.</i>
<i>R15 Incorporate procurement competencies into the appraisals and development plans of staff with procurement responsibilities.</i>

## Appendix 1 – Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	R1 Strengthen governance arrangements for procurement by reviewing the membership, roles and responsibilities of the Council's various corporate procurement committees and groups.	2	Head of Strategic Procurement (HoSP)	John Cremins (JC)	To be completed by first quarter 2006/07.	June 2006
12	R2 Councillors should scrutinise procurement processes and monitor the outcome of major procurements, in order to ensure that these are providing savings and better value for money, and support the Council's corporate objectives.	2	HoSP	JC	Bi-annual performance review with CMT/Cabinet and Scrutiny as part of the performance management framework.	June 2006



Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
13	R3 Include policies on equalities issues and support for black and ethnic minority businesses in the procurement strategy.	2	Strategic Procurement Manager	JC	Guidance, policy and training to be delivered by January 2007. Training to be ongoing.	January 2007
13	R4 Link the key supporting policies in the corporate procurement strategy to the relevant good practice check points in the National Procurement Strategy and develop initiatives for taking these policies forward.	1	HoSP	JC	The milestones from the National Procurement Strategy are monitored as part of the performance management of the Strategic Procurement Unit. The milestones are prioritised within the corporate procurement strategy to reflect local needs and capacity.	August 2007
14	R5 Measure procurement performance using the local PIs adopted by the Council, and report performance to the senior management team and councillors.	3	HoSP	JC	Following agreement with Devon Procurement Partnership, the Council has adopted some of the Audit Commission's local performance indicators for procurement and will use these for performance reporting and management.	December 2006

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
14	R6 Use the SPU's savings register to record cost savings and quality improvements realised from all council-wide procurement (not just SPU exercises), as a measure of the total contribution from procurement to Gershon efficiency targets.	2	HoSP	JC	The SPU has established a savings register and will continue to develop this so that it captures corporate efficiency savings.	December 2006
15	R7 Undertake systematic audits of procurement exercises, to monitor compliance with contract standing orders, delegated authorities and legal requirements.	2	Head of Internal Audit	SW	Internal Audit will undertake a series of procurement audits during financial year 2006/07.	March 2007

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
16	R8 Include detailed information about current suppliers and supplier markets in the corporate procurement plan, in order to make it a more effective tool for reviewing and challenging existing contracts.	2	HoSP	JC	This information (where relevant) will be published with the next procurement annual plan in April 2006 and completed for the April 2007 procurement plan.	April 2007
16	R9 Expand the SPU's contract register to include all contracts awarded by the Council's directorates, in order to make it a more effective tool both for procurement information reporting and for the council-wide strategic management of procurement.	3	HoSP	JC	First register complete but needs to be continually updated.	March 2006

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
17	R10 Develop a comprehensive procurement manual and make this available on the intranet.	1	Strategic Procurement Manager	JC	This is one of the objectives contained within the corporate procurement strategy. Elements of the manual have already be published on the Council's internet site and the manual will be completed by August 2007.	August 2007
17	R11 Provide corporate guidance on assessing, managing and sharing procurement risks	2	HoSP	JC	To be published as part of the procurement manual (see above).	August 2006
19	R12 Provide guidance on bidding for Council contracts and details of forthcoming contract opportunities on the website.	3	Strategic Procurement Manager	JC	To be published by 31 March 2006.	March 2006

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
20	R13 Review contract management arrangements across the Council and take steps to strengthen these, so as to ensure that contracts deliver what is expected of them.	3	HoSP	JC	This is one of the objectives contained in the corporate procurement strategy. Contract management training will be provided during 2006/07 with comprehensive guidance and systems implemented.	March 2007
23	R14 Provide councillors with procurement training and development programmes, in order to equip them to take a strategic role in the development of procurement at the Council.	1	HoSP	JC	Training courses to be agreed and developed during 2007/08.	March 2008
23	R15 Incorporate procurement competencies into the appraisals and development plans of staff with procurement responsibilities.	1	HoSP	JC	To be included in appraisals during 2007/08.	April 2008