

ITEM

ITEM

Executive 07 June 2007

e-PROCUREMENT POLICY and STRATEGY

Report of the Head of Improvement Unit

Statutory Powers: Local Government Act 1999

Financial Implications: This relates to a more rigorous approach to e-purchasing and is estimated to be self-funding on an invest to save basis.

The first year of funding for E-Tendering and @UKPLC Marketplace have been/ will be provided by funding through The South West Centre of Excellence (SWCoE) and the Devon Procurement Partnership (DPP) but there will be ongoing costs on an annual basis thereafter of approximately £6,700 which should be met through reduced costs handling invoices.

The appointment of a shared Procurement Officer with one or more other authorities was approved in the budget round for 2006/07 and will serve to achieve economic, efficient and effective procurement in a shorter timescale.

Purpose

To put in place a corporate e-Procurement Policy and Strategy which will assist with the delivery of corporate priorities CP2 economic growth and CP6 value for money

Recommendations

That the Executive Committee RESOLVES to

Adopt the attached e-Procurement Policy and Strategy which includes:

- a. Investment in e-procurement technology;**
- b. Use and promotion of e-procurement methodologies;**
- c. Rationalisation of our purchasing and supplier base.**

Background

1. The current use of corporate procurement is limited to:
 - a) Devon Procurement Partnership's (DPP) framework agreements for stationery and furniture.
 - b) Corporate contracts from a single source e.g. utilities.
 - c) ITC consumables via ITC.
 - d) Temporary staff via Personnel.
2. It is believed that there is a great deal of 'off contract' spend outside these arrangements with a wide variety of suppliers. With e-procurement, rather than expansive paper systems, in place it will be possible to monitor where spending is occurring and ensure that compliance with corporate guidelines is mandated.

3. There are areas of good contracting practice, but focused on the needs of each department and not on the council as a whole. As a result of a multitude of costs codes there is little or no knowledge available as to what is spent, on what, by whom and why?.
4. The Executive Member responsible for Procurement is monitoring progress on moving e-procurement forward, but there is no formal governance or reporting structure for managers and staff responsible for procurement in the council.
5. It is proposed that the Gershon Steering Group, currently the only body that oversees efficiency savings, adopts the management role. This will entail approving strategies and implementation plans and measuring the success of the project i.e. utilisation of e-procurement methodologies and the recovery of savings. It will report to via SMT to the Executive on a half-yearly basis.
6. The single most important reason for the lack of progress on procurement has been the lack of staff resources required to initiate a council wide improvement programme for procurement e.g. the work required in preparation, implementation, integration, supplier adoption, maintenance and benefit recovery.
7. We are committed to the opportunities to be gained from collaborating with Teignbridge and other district councils on procurement and contracting, including the appointment of a shared procurement officer. Progress on this matter has been slow but an officer has now been recruited and will commence work in July 2007.
8. Pending this appointment some element of improvement has taken place.
 - a) Finance and ICT have implemented Civica's e-procurement module (version 7.5) in our finance system and have commenced the rollout of this solution to raise all orders. Orders are raised on the system and then sent to suppliers using fax or mail (nor currently e-mail). It effectively works as an electronic order pad for staff, which provides efficiency and accuracy in the drafting, storage, retrieval and approval of orders.
 - b) Whilst it would be possible for catalogues to be hosted through the e-ordering system they are not currently used as it would present the authority with the burden of managing and controlling them. Currently therefore there is no enforced compliance, nor an easily accessible source of management information, or restrict / control spend where necessary.
 - c) The business case for using a collaborative marketplace, with catalogues managed by the DPP and their suppliers is therefore easy to make as the task of catalogue management will be greatly reduced through the adoption of a marketplace. It will be necessary for the council to implement an integrated marketplace in order to retain some

key functions, such as budget allocations, that are in use within the finance system.

d) We are undertaking:

- a. a supplier analysis for both 2005/06 and 2006/07 via the SWCoE to better understand who is supplying what to us, at what cost and under what invoicing regime.
- b. a purchase analysis by sampling receipts over a 3 month period in order to produce a 'could have saved' calculation by comparing purchases with existing contracts and framework agreements (stationery, furniture, fuel, personal protective equipment, temporary staff).
- c. Expert guidance and support during some of the work is being provided by South West Centre of Excellence (SWCoE).

Risk Assessment

| Risk | Mitigation |
|---|---|
| Local business will suffer as a result of e-purchasing methods | We will ensure that local businesses are advised how to trade in the modern environment. E-trading will improve cash-flow and profitability. |
| Rationalisation of our supplier base may result in some local businesses ceasing to obtain work from us. | The spend analysis indicates there are a number of businesses, local and otherwise, where the costs of transactions are greater than the goods supplied. It is unlikely that rationalisation will have a detrimental effect on any business profitability but will improve cash-flow. |
| Buyers may dislike having a choice of supplier removed from them together with resentment about the introduction of systems that monitor buying activities. | Training and assistance will be made available to explain the rationale. It will be made in the interests of the services to ensure that the corporate systems are adopted |
| Gershon savings proposed will not be realised as a substantial delay in the adoption of a marketplace (or other suitable e-procurement technology) will hamper the council's ability to secure the savings required from procurement. | Prompt adoption of the policy and strategy together with the interim actions and the early appointment of a shared procurement officer will enable us to make maximum use of collaborative contracts, the SWCoE Spend Analysis, Procurement Cards, E-Tendering and E-Marketplaces to ensure that the maximum efficiencies are achieved. |

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| If there are insufficient resources committed to the marketplace project the project will likely fail. | We will seek the assistance of SWCoE, DPP and DCC pending the appointment of a shared (professional) procurement officer with Teignbridge DC |
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Human Rights Act

9. There are no obvious human rights implications.

Conclusion

10. The e-Procurement Policy and Strategy will put in place the technology required across the devolved procurement function and enable us to promote within the authority and local business community modern methods of seeking business and trading not only locally but also across the national and international e-trading environment.

Roger Nicholson
Head of Improvement Unit

Executive
07 June 2007

Background Documents:

Procurement Policy and Strategy
Report by TICON consultants to SWCoE