

POLICY REVIEW & PERFORMANCE
SCRUTINY COMMITTEE

15 May 2013

COMMISSIONING & PROCUREMENT

Reason for the Report

1. To provide Members with background details of the Council's Commissioning & Procurement strategy and procedures, which the Committee agreed to consider as part of its work programme for 2012/13.

Background – Commissioning & Procurement Strategy

2. All Service Areas rely on the external procurement of goods, services and works in the delivery of their services. Annual external spend for is over £300m. It is important that the Council manages its market position sensibly to ensure that best use is made of available resources through smarter, sustainable procurement.
3. In December 2010 the former Committee membership was advised of a change in the Council's approach to procurement and agreed to monitor procurement with interest. The previous Committee membership was presented with the Council's draft Commissioning & Procurement Strategy 2011-2015 at its 18 May 2011 meeting. The Strategy was approved by the then Executive at its meeting on 15 September 2011.¹
4. It was stated that the Commissioning & Procurement Strategy had been developed in the context of an unprecedented challenge to balance the ever-

¹ The Strategy can be found with Executive Business Meeting papers of 15 September 2011 or at: [http://www.cardiff.gov.uk/content.asp?nav=2872%2C3250%2C4875&id=&parent_directory_id=2865&textonly=&language=&\\$state=calendarmeeting&\\$committeeID=1421&\\$meetingdate=15/09/2011](http://www.cardiff.gov.uk/content.asp?nav=2872%2C3250%2C4875&id=&parent_directory_id=2865&textonly=&language=&$state=calendarmeeting&$committeeID=1421&$meetingdate=15/09/2011)

increasing demands and expectations for services at a time when budgets were being reduced. The Commissioning & Procurement Strategy aimed to:

- Establish a clear strategic direction and priorities for change;
- Establish key commissioning and procurement policy principles;
- Set out what the Council was going to do and how it would support delivery of the Council's vision;
- Provide a framework to plan and deliver the changes required to meet the vision.

5. The Commissioning & Procurement Strategy also set out a number of objectives which would be completed over its lifetime:

- Develop and implement a coherent and consistent approach to **commissioning** across the Council to ensure services meet statutory obligations and deliver positive outcomes for citizens, communities and customers;
- Manage and organise all of our procurement activities using **category management** to ensure effective prioritisation and co-ordination of resources across the Council;
- Use **strategic sourcing** to lever scale through aggregation of related spend across the Council and manage demand to avoid unnecessary costs and spend;
- Strategically manage markets and key suppliers with a stronger focus of **supplier relationship management** and **contract management**;
- Make use of and support **collaborative sourcing** where it represents value to the Council;
- Invest in the Council's **organisational structure** and ensure people are **aligned** across the organisation to deliver the new ways of working;
- Recognise the value and importance of **partnering** and **collaboration** across the public, private and third sector;
- Invest in the **development** and **capability** of all Council staff involved in commissioning and procurement;
- Simplify and standardise **core processes** and ensure the Council's **controls** mandate compliance with process, contracts and suppliers;

- Invest in **effective use of technology** to underpin and simplify our core processes for both staff and suppliers;
 - Create and share **information** to allow effective **performance management** and decision making.
6. Category Management is defined by the Strategy as the best practice approach to managing procurement. It organises the Council's spend and resources into specific spend categories and provides a clear, structured framework. As an approach it should deliver improved value for money from the Council's external spend on goods, services and works by challenging what the organisation buys and improving how it is bought.
7. Cardiff's spend, like that of most local authorities, is extremely diverse. Under the Category Management approach, the Council's expenditure has been split into six categories: Social; People and Professional Services; Construction & Special Projects; Environment; Transport & Facilities Management; and Corporate & ICT.
8. Underpinning this approach is a Strategic Sourcing process, which aims to actively challenge current practices, satisfying the Council's procurement needs from markets via the proactive and planned analysis of supply markets and the selection of suppliers with the objective of delivering solutions to business needs.
9. The previous Committee membership had a number of questions and around the new Commissioning and Procurement approach. A copy of the Chair's letter relating to its consideration of the draft Commissioning & Procurement Strategy is attached at **Appendix A**. The response from the then Executive Member for Finance and Service Delivery, Councillor Mark Stephens, is attached at **Appendix B**.
- Members were keen to establish how internal category management skills would be developed, supported and monitored, and were concerned that the focus appeared to be on recruiting new skills. They felt that training must be made available to support existing staff development in the new skills required. The Executive responded that the focus of the programme had been

to build in-house skills and capabilities, although some external support had had to be brought in for interim support;

- The Committee highlighted the role procurement has to play in the economic development of the City. They were pleased to hear that the Council wanted to encourage small suppliers to tender for its contracts. However the Members had concerns that the e-tendering process and the expectations of the Councils equality policy were so complex it could deter many SMEs from doing so. The Executive responded that the 'Source Cardiff' initiative (referred to within the strategy) focused on creating a more open and accessible tender process and improving the capability of suppliers to bid successfully for public sector business;
- The former Committee membership also highlighted the importance of legal support on procurement matters. They were pleased to hear work was underway with legal services to standardise contract negotiation, but queried the level of external legal expertise that might be required to support this agenda.

Background – Commissioning & Procurement 'Transformation' programme

10. In early 2011, a Commissioning & Procurement programme was established under the then Transformation programme. As part of the delivery mechanism for the Commissioning & Procurement Strategy, the programme aimed to:

- Deliver cashable savings of £18.5m p.a. by 2013/2014;
- Embed a strategic approach to Commissioning and Procurement through the development and delivery of category management and strategic sourcing processes and capabilities;
- Deliver Commissioning and Procurement excellence and a model for Best Practice within local government;
- Simplify, standardise and e-enable procurement processes for internal customers and for suppliers;
- Upskill commissioning and procurement resource with the required capability to support the new way of working.

11. The programme initially received some support from external consultants.

However, part of the programme's activity was to introduce a Commissioning & Procurement team structure, as well as the policies and processes to enable the internal team to adopt the category management approach. A major recruiting exercise was undertaken by the programme, and the Commissioning & Procurement team is now fully staffed. Category management processes have also been introduced and these are being further developed by continuous improvement activity within the new team.

Issues

12. In 2011/12 under the Transformation Commissioning & Procurement programme, the Council achieved £1.615m of savings in this area (a shortfall of £162k against the £1.777m target set in that year's budget). In 2012/13 budget a target of £3.598m of savings was set to come from the Commissioning and Procurement programme. At quarter 1, when this Committee last had an update on the former Transformation programme, an outturn of £2.597m was projected, a shortfall of £1.001m.

13. The 2013/14 budget proposals also contained significant levels of savings from procurement initiatives. This included £2.306m from the ongoing effects of the Transformation Commissioning & Procurement activity. £60k is projected to be saved within Communities from procurement sources such as Building Maintenance. Savings of £507k were targeted from Central Transport Services category management fleet spend and another £360k from Passenger Transport Category Management procurement.

14. During its consideration of the 2013/14 budget proposals, the Committee heard from the Operational Manager Commissioning & Procurement that a five-year plan was under development in order to drive out savings of £15m. The Committee also heard that efficiencies in procurement should be balanced with the potential negative effect on the local economy if local suppliers are pushed too hard.

Way forward

15. In attendance for this item to answer Members' questions will be Councillor Russell Goodway, Cabinet Member, Finance, Business & Local Economy; and Christine Salter, Corporate Chief Officer – Corporate Services, and Steve Robinson, Operational Manager, Commissioning & Procurement; will present further detail regarding the Council Commissioning and Procurement current and future activities

Legal Implications

16. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

17. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

The Committee is recommended to:

- (i) Consider the information presented to them in this report and at the meeting;
- (ii) Consider whether Members' previous concerns have been addressed; and
- (iii) Consider whether it wishes to relay any comments or observations for consideration by the Cabinet.

MIKE DAVIES

Head of Service

Scrutiny, Performance & Improvement

9 May 2013

Date: 1 June 2011

Councillor Mark Stephens
Executive Member, Finance & Service Delivery
County Hall
Cardiff
CF10 4UW

Dear Mark,

**Policy Review & Performance Scrutiny Committee:
Commissioning & Procurement Strategy**

I wish to take the opportunity of thanking you and your officers for attending the Policy Review & Performance Scrutiny Committee on Wednesday 18 May 2011 for consideration of the Commissioning & Procurement Strategy. Following discussions at the Way Forward the Committee has asked that I pass on a number of comments and concerns for the Executive's reflection in developing the Commissioning & Procurement Strategy.

Monitoring & training

The Members were keen to establish how the internal category management skills will be developed, supported and monitored. They were a little concerned that the focus appears to be on recruiting new skills, and feel training must be made available to support existing staff development in the new skills required.

SME support

The Committee made a point of highlighting the role procurement has to play in the Economic Development of the City. They were pleased to hear that there is an attitude that the Council wants to encourage small suppliers to tender for its contracts. However the Members had concerns that the e-tendering process and the expectations of the Councils equality policy are so complex it will deter many SME's from doing so. Would you therefore clarify the support that will be made available to enable small businesses to tender for Council contracts?

Legal Advice

Members highlighted that legal support on procurement matters is vital and were pleased to hear work is underway with legal services to standardise contract negotiation. The Committee acknowledged that it will occasionally be necessary to seek external specialist legal advice for major contracts where the Council does not have the necessary expertise. Would you therefore clarify what level of legal technical back up is required and from where it will be sourced.

Future progress

The Committee was pleased to hear that the organisation is forecasting a saving of £18.5million over the next 3-4 years through the commissioning & procurement transformation programme. Members were interested that those contracts will generally be awarded for 4 years and that the framework to be used includes market testing for the most economically advantageous tender.

The Committee identified a determination to deliver this new approach to procurement, and felt that with the arrival of the new Chief Executive there is renewed energy to achieve the savings.

The Members understand that the whole team will be in place by March 2012, they would however like clarification of the starting point for measuring the delivery of the 3-4 year programme. They felt it was unclear whether March/April 2012 was the starting point.

Once again my sincere thanks to you and the officers for the time you have committed to the Policy Review & Performance Scrutiny Committee. The concerns raised in this letter will require a response where indicated.

Yours sincerely



DIANNE REES
CHAIR, POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE

cc Councillor Mark Stephens, Executive Member Finance & Service Delivery
Christine Salter, Corporate Chief Officer (Corporate)
Steve Robinson, Operational Manager, Commissioning & Procurement
Joanne Blaney, Executive Office Manager.

**EXECUTIVE OFFICE
SWYDDFA WEITHREDIAETH**

My Ref: EM18555
Your Ref: T: Scrutiny/PRAP/Com Papers/2011.5.18

Date: 27 June 2011

Councillor Dianne Rees
Chair, Policy Review, & Performance Scrutiny Committee
County Hall
Atlantic Wharf
Cardiff
CF10 4UW

Dear Dianne

Policy Review & Performance Committee - Commissioning & Procurement Strategy

I refer to your letter dated 01 June 2011 and would respond as follows:-

Monitoring & training

From the start of the Programme the focus has been on developing our existing staff to build the in-house skills and capabilities required to deliver the new ways of working, particularly category management. Although we have brought in three interim experienced category managers, their primary role has been to support our existing staff in carrying out category management activities which will start to provide them with the knowledge, skills and confidence required to deliver category management. The in-house team have also received formal category management training from PMMS, the appointed WG procurement training provider.

SME support

The Source Cardiff initiative (which is referred to within the strategy) is focused on creating a more open and accessible tender process and improving the capability of our suppliers to bid successfully for public sector business. This will include taking steps to simplify the pre-qualification process by adopting the WG developed Supplier Qualification Information Database (SQuID) which will ensure that questions including those in relation to equality are proportionate to the procurement value and risk.

Legal Advice

The degree of additional legal technical back-up will be dependent on the volume and complexity of any future procurement activity and the degree to which we

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can use standard terms and conditions and adopt collaborative arrangements. Where additional external support is required, this will be provided through the All-Wales Legal Services framework.

Future progress

Although the whole team will not be in place until March 2012, due to the need to make early progress, the programme start date was April 2011 with savings scheduled for delivery this financial year. Obviously the pace of change and level of savings delivered will be dependent on the redeployment / recruitment of staff which we hope will commence in September 2011.

I trust the above clarifies the concerns raised.

Yours sincerely,

**COUNCILLOR MARK STEPHENS
EXECUTIVE MEMBER FINANCE & SERVICE DELIVERY**