



Achieving Excellence in Procurement

Cambridgeshire Procurement Strategy

February 2011

Cambridgeshire County Council

Procurement Strategy

Index

<i>Section</i>	<i>Topic</i>	<i>Page</i>
1	Forward	3
2	Purpose of Strategy	3
3	What is Procurement	4
4	Where we are now	5
5	Where we want to be	7
6	What we will do	8
7	Resources and Category Management Approach	10
8	Monitoring Progress & Performance	11
9	Glossary of Terms	12
Appendix A-	Summary of potential collaborative contract Opportunities	13

1. Forward

As the lead Member for Procurement, I am pleased to introduce the Council's Procurement Strategy as a measure of our commitment to achieving procurement excellence.

We recognise that procurement reaches and affects every facet of Council activity and the crucial role of procurement in meeting the difficult financial challenges the Council face. The effectiveness of how we procure and how suppliers perform does impact the quality of services which people receive and impact on local businesses and partners.

2. Purpose of Strategy

The Council has historically spent in the region of £350m annually on procuring goods, works and services and there is an urgent need to get improved value for money from this expenditure. Whilst this spend is likely to fall significantly due to budget reductions it is essential to deliver maximum value from the remaining spend to help protect front line services.

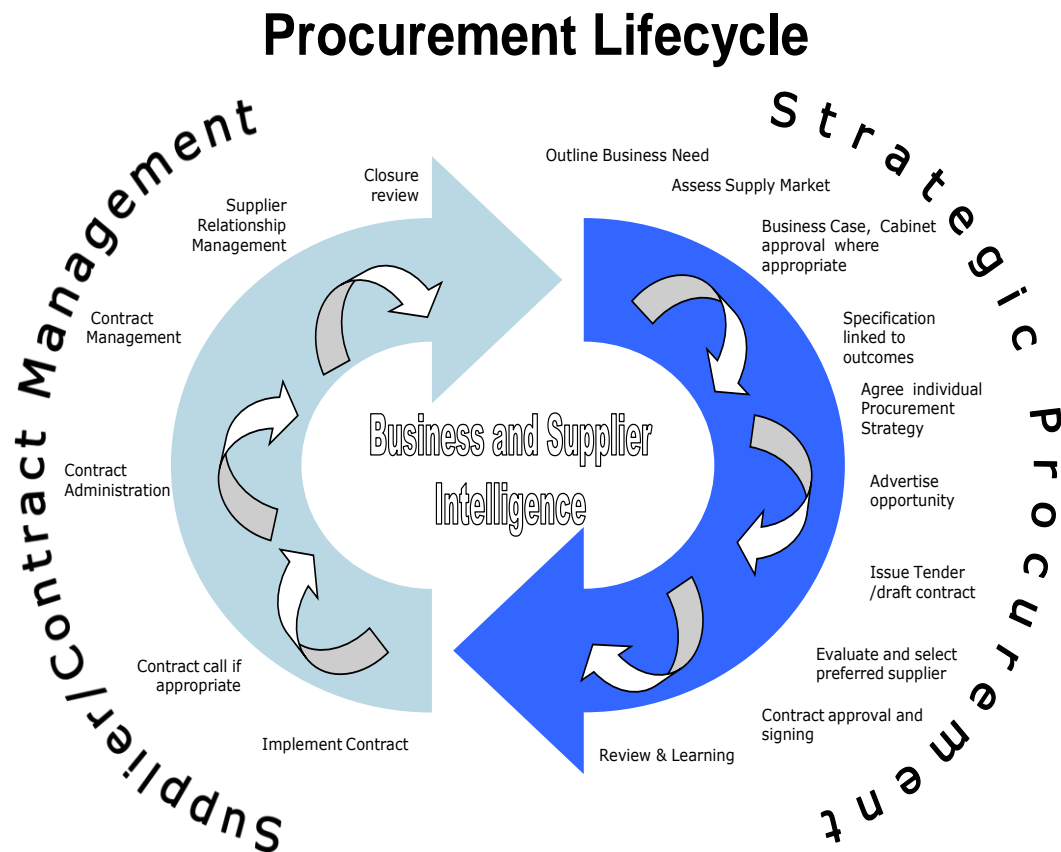
This strategy sets out the purchasing direction for the next three years and will be reviewed annually. The strategy will form an integral part of the procurement strategy covering our Local Government Shared Service (LGSS) partnership between Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC) that provides business support services to both partners.

The strategy maps out the actions necessary to put firm foundations in place to maximise the contribution from procurement for the Council both from its own spend and by leveraging economies of scale from the combined LGSS spend. Individual strategies will be developed jointly with service owners to cover the approach towards each key category of spend across both LGSS partners.

The Head of LGSS Procurement holds overall responsibility for delivery of the strategy. Performance against the outcomes defined in the strategy will be measured on a quarterly basis via the annual procurement service plan.

3. What is Procurement?

Best practice procurement in leading companies and public bodies spans the whole life cycle of procuring goods, works and services from the initial concept and definition of business needs, through to contract closure.



Public sector procurement is impacted by European Union (EU) Procurement Legislation that places a number of legal requirements on the Council on the way we undertake some procurement activity. Whilst EU Procurement Legislation may limit our flexibility, it in no way alters the necessity for procurement to make a significant contribution to delivering financial benefits and value for money on the goods and services we procure.

Procurement in the public sector is about finding innovative solutions to support radical change in how services are delivered and about making informed choices to deliver the optimum combination on whole life cost, quality and risk.

The creation of our LGSS provides a platform to provide improvements in procurement across the partner authorities both in the way we procure as well as benefiting from aggregation via joint contracts.

4. Where are we now?

The Member led review in April 2010 into 'Getting Maximum Value for Money in Procuring Goods, Services and Works' identified a number of weaknesses in the current arrangements for undertaking procurement in Cambridgeshire and highlighted opportunities for how procurement could add extra value.

The findings from the Member led review and earlier audit reports have been built upon to compare current performance against best practice and a brief summary of the major areas of improvement are detailed below:

Leadership

- Historically there has been a lack of commitment to procurement that has undermined its contribution
- There is no overall procurement strategy approved by Cabinet
- There is no mandated involvement of the Procurement team in the development of strategic contracts leading to inconsistent engagement often at a very late stage in the procurement cycle

Procurement Structure

- Procurement in the Council is carried out in a devolved manner with a very small central team and eighty plus individuals performing limited procurement roles often as part of a wider contract management role
- The current structure does not reflect best practice such as a 'category management' approach adopted by other leading public bodies and companies
- There has been a lack of expertise and capacity

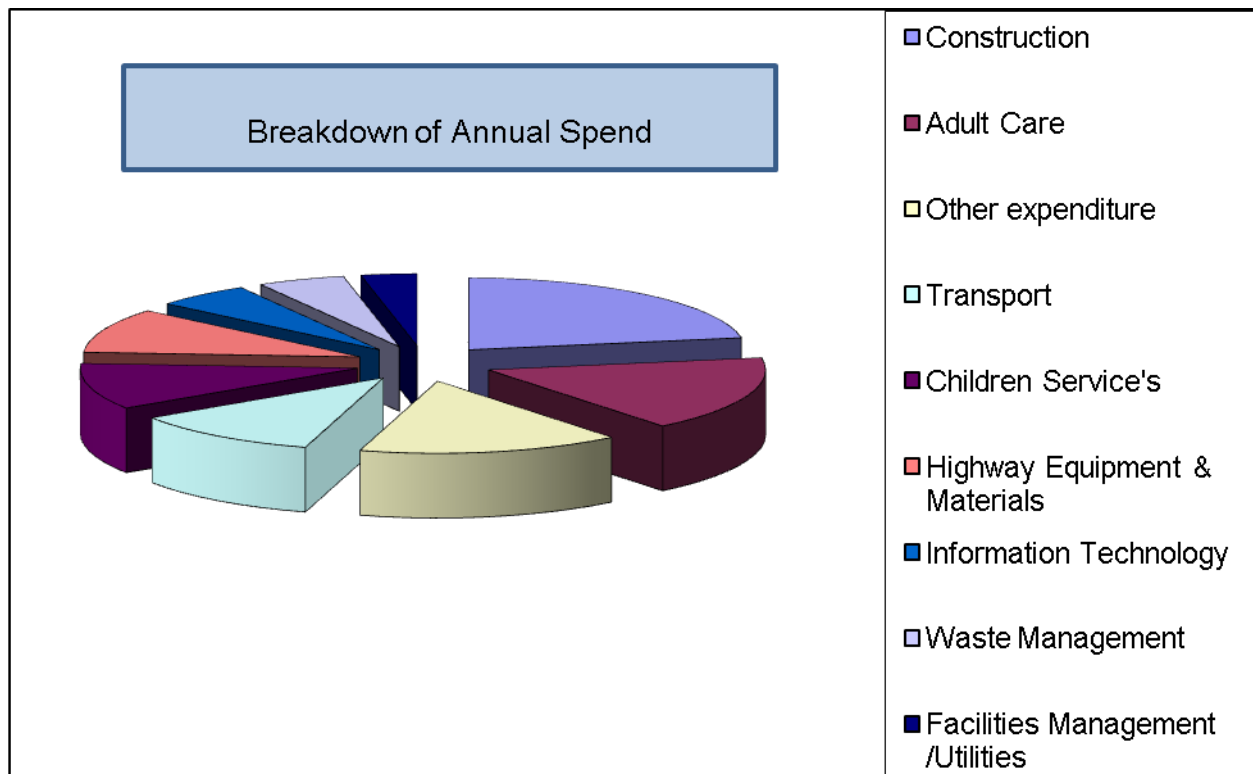
Management Information and Collaboration

- The quality and use of management information has been poor
- Procurement performance is not measured in any meaningful way
- Collaborative procurement has not been consistently exploited

A number of the improvement areas identified in the Member report are currently being addressed including:

- The creation of a joint procurement team within LGSS to support both partner Council's under a single Head of Profession who is now in place
- Collaborative procurement is being addressed as a priority and the recent joint procurement with NCC for our joint Oracle Enterprise Resource Planning (ERP) Hosting contract delivered total savings of nearly £7 million over the seven year life of the contract
- A category management approach towards procurement is currently being consulted on which is scheduled to be live from April 2011
- A central contracts register to cover contracts in both LGSS partner authorities is being populated to allow both improved planning for contract renewal and the identification of collaborative opportunities
- A high level analysis of spend has been completed to identify priorities and shape the category approach

The diagram below shows the approximate breakdown of our historic £350m annual spend by category. On average approximately £40 to £50m of this overall expenditure will be subject to a competitive process each year, although this will fluctuate depending on the renewal of contracts and number of capital schemes. The focus of the procurement team will be to achieve the maximum benefit from this competition as well as supporting service owners in improving value from existing contractual arrangements.



5. Where we want to be

The aim is for LGSS Procurement to be recognised nationally as one of the leading procurement functions within the public sector both for its expertise and its contribution to financial efficiencies. To achieve this, a firm foundation for a more effective procurement function needs to be laid, with a rapid move to improved delivery. The outcomes that will be pursued include:

"Make every £ count", by ensuring that all goods and services are procured in the most effective and efficient way using competition where appropriate to delivery financial savings and ensure value for money is achieved.

"Leadership and engagement" by ensuring that procurement has a clear direction and is an integral part of the planning in all new contracting activity to enable it to act as a change agent.

"Effective local markets" by ensuring we encourage and support the local supplier market including the voluntary sector.

"Improving capacity and expertise" by ensuring the new LGSS procurement team has the right skills and capacity to serve the Council.

"Informed Buyer" by introducing a category management approach and improving the quality and use of management information we will improve our market knowledge so we can shape our strategy on how we procure services for each category of spend.

"Excellent procurement processes" by ensuring the procurement policies, procedures and processes across LGSS are converged and that they offer both protection to the Council and are viewed as professional, straightforward and fair by potential suppliers.

"Leaders in collaborative procurement" by ensuring collaborative procurement is at the centre of our thinking exploiting opportunities at a national and regional level and with local partners in Cambridgeshire.

6. What we will do?

The table below shows a summary of the actions and initiatives planned over the next 12 months to achieve the outcomes defined in Section 5. A target date for completion has also been included. Where appropriate a specific measure has been included in the 2011/12 Procurement Service Plan and a summary of the relevant measures are shown in Section 8.

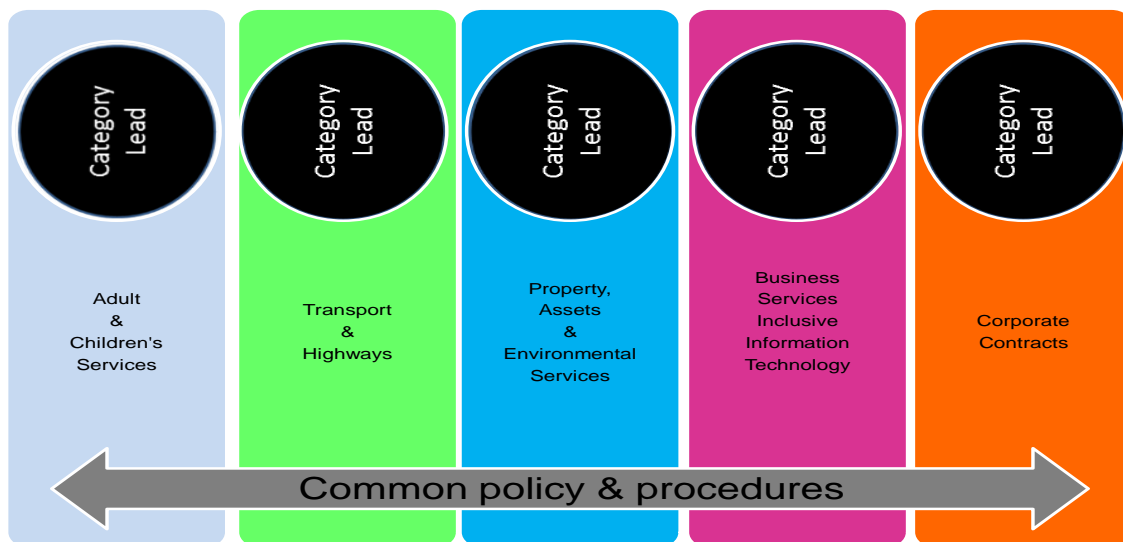
Table 1 - Actions to achieve procurement outcomes

Outcome	Actions and initiatives to deliver	Target date
Leadership		
Leadership and engagement	Provide leadership via single Head of Service	Q1 2011
	Procurement strategy approved by Cabinet with quarterly updates on delivery against outcomes to the responsible Cabinet Holder	Q1 2011
	Implement a category management approach for procurement as part of the new LGSS structure	Q2 2011
	Redefine policies to mandate the engagement of procurement at an early stage in the contracting process	Q2 2011
	Establish senior officer board to review and challenge the approach on all significant contracts over £500,000 in value	Q2 2011
	Review the optimal balance of resourcing and responsibilities between central and devolved procurement activity	Q3 2011
Finance		
Make every £ count	Deliver at least £6,200,000 of in budget year financial benefits over the next three years as a result of procurement input, increased competition and leverage from LGSS	Q1 2014
	Introduce measures to improve compliance on the use of approved contracts to avoid off contract spend and duplication of procurement effort	Q2 2011
	Reduce the cost across the entire procure to pay process including the extension of the use of Purchasing Cards for low value orders	Ongoing

	Introduce benchmarking for a range of goods and services across a number of public sector bodies.	Q2 2011
	Work with service owners to implement a review process for our top 50 revenue contracts to maximise the value and outcomes from these contracts	From Q2 2011
Effective local markets	Engage with local suppliers and the voluntary sector to increase awareness of contract opportunities and understanding of our procurement processes	Ongoing
	Evaluate the most effective way to advertise forthcoming contract opportunities	Q2 2011
Improve capacity and expertise	Increase the number of professionally qualified procurement category managers available to support the Council	Ongoing
	Develop and implement an education program to raise commercial, procurement and contract management skills across the Council	Ongoing
Information and Collaboration		
Informed Buyer	Increase our market knowledge in key spend areas	Ongoing
	Develop specific procurement strategies for key spend areas with service areas outlining our future contracting approach and areas for collaboration	From Q2 2011
	Implement a 18 month forward plan of contract renewals	From Q3 2011
Excellent Procurement Policies and Procedures	Introduce common best practice procurement policies and procedures across LGSS partners	Q3 2011
	Update and seek approval for revisions to the Council Contract Procedure Rules (Standing Orders)	Q4 2011
Leaders in collaborative procurement	Seek out opportunities to increase the % of Council spend delivered via collaborative contracts including maximising the benefits from our participation in the Eastern Shires Purchasing Organisation (ESPO)	From Q1 2011

7. Resources & Category Management Approach

A category management approach across LGSS will fully utilise the capacity and expertise across both authorities at a lower cost than would have been achieved as individual authorities. The approach is based on providing a dedicated focus on specific areas of spend so that procurement can fully contribute towards our future contracting approach and provide innovation and challenge to service owners. The approach has already successfully been applied in NCC and other organisations such as Leicestershire County Council. The diagram below illustrates the proposed split of categories:



Each Category lead will be responsible for:

- Analysing spend and current supply market dynamics
- Work with services to develop future procurement strategies for each key spend category
- Seek out and deliver effective procurement collaboration
- Review opportunities to drive efficiencies in existing contractual relationships
- Work in partnership with the service to develop innovative approaches to procurement to deliver improved value and benefits to our customers such as the selective use of reverse electronic auctions
- Research and identify best practice both in the public and private sector in each category and recommend the procurement approach that provides the best commercial outcome for the Council
- Identify underdeveloped markets and work with services to encourage new supplier provision

8. Monitoring progress and Performance

A quarterly report on progress against the outcomes detailed in Table 1 will be provided to the Cabinet Member responsible for Procurement and to the Director of Finance. The key measures detailed in Table 2 below will be included in the 2011/12 Procurement Service Plan and also be reported quarterly.

Table 2: Summary of proposed measures.

Measure and baseline in 2010/11 where known	Minimum Target 2011/12	Target 2012/13	Target 2013/14
Financial benefits achieved in budget year resulting from procurement input and increased competition. Measure based on benefits achieved for 12 month period from contract award and includes benefits shown in LGSS Business Case from Procurement *Targets to be reviewed following development of individual category strategies	£1,200,000	£2,000,000*	£3,000,000*
Ratio of financial benefit from procurement compared to cost of function Measure based on 50/50 split of LGSS Procurement budget between partners	2 to 1	3.2 to1	5 to1
% value of new contract spend over £75,000 in value that has been subject to input and advice from the central procurement team	70%	85%	90%
% of procurement spend achieved via collaborative contracts	20%	30%	40%
Value of orders paid by Purchasing Cards. Anticipated spend in 2010/11 £1m	£1.25m	£1.5m	£1.8m
% of Procurement Category Manager and above in central team holding a professional procurement qualification. Base in 2010/11 33%	70%	80%	90%
% of new contracts over £75,000 in value subject to competition or called off from approved contracts	90%	95%	97%

Glossary of Terms

Category Management This involves co-ordinating and providing the procurement lead on specific areas of expenditures.

Contract Procedure Rules (Standing Orders) These are the rules that must be followed by the Council employees every time the Council enters into a contract for work, goods and/or services.

Local Government Shared Service (LGSS) A shared service set up under a Joint Committee arrangement to provide a range of business support services including procurement to both partners of LGSS that are Cambridgeshire County Council and Northamptonshire County Council

Eastern Shires Purchasing Organisation (ESPO) A local authority purchasing and distribution consortium formed in 1981. It provides a comprehensive purchasing service to its 7 member authorities (including Cambridgeshire County Council)

Purchasing Cards This is a charge card, which works in a similar way to a credit card and is used to purchase low value, high volume routine Transactions. They replace paper based purchase orders and invoices.

Reverse Electronic Auction A web-based real time auction aimed at reducing the costs of purchasing equipment, materials or services.

Appendix A – Summary of potential collaborative contract opportunities

A detailed review of collaborative opportunities is still being developed. The list below shows potential opportunities identified with Northamptonshire County Council and via ESPO.

Category	Contract Area
Adult & Children Services	Occupational Therapy Equipment Stair lifts, Lifts, overhead tracking & Hoists (Supply & Maintenance) Electronic Homecare monitoring & rostering Home Care Foster Care Services Meals on Wheels Provision of Adult Drug Treatment Services Childminding Development & Support Services Support & Advice pre-school
Consultancy and External Resource	Advertising & Recruitment Consultancy Services Consultancy Services Technical Resource Agency staff
Business & IT Services	Energy efficiency products Vendor neutral training IT related products & associated Services Document Scanning/Management solutions Data equipment & services Business support software Employee Assist Services Provision of Procurement Cards Banking Services
Other Goods & Services including buildings	Multi Functional Devices (photocopiers) Petroleum Products & Liquid Fuels Cleaning services in buildings Playground Equipment – Outdoor Library Books & related Services Minor Works Property Support Services
Transport related services	Fuel-card Solutions Home to School Transport Vehicles-Commercial & Passenger Transport Vehicle Leasing/Contract Hire