

minutes



Meeting PROCUREMENT SELECT COMMITTEE

Date Monday, 18th September 2006 (commencing at 10.30 am)

Membership

Persons absent are marked with 'A'

COUNCILLORS

A	Kenneth Bullivant	A	Nellie Smedley
	Jen Cole	A	Mark Spencer
	Stan Heptinstall MBE		2 vacancies (Labour Group)
	Joe Lonergan MBE		

APPOINTMENT OF CHAIR AND VICE-CHAIR

The appointment by the Overview and Scrutiny Committee on 12th July 2006 of Councillor John Knight as Chair of the Committee and Councillor Joe Lonergan as Vice-Chair of the Committee was noted.

MEMBERSHIP

The Membership of the Select Committee, as set out on the agenda, was noted.

It was confirmed that there were 2 vacancies for which nominations were awaited from the Labour Group.

APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Nellie Smedley.

DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

PROCUREMENT SCRUTINY REVIEW

Richard Ratcliffe , Assistant Treasurer (Procurement & Trading), in the Resources Department gave a presentation to the Select Committee. He indicated that the total influencable spend with trade suppliers was in excess of £200m. This did not include schools. There were approximately 5,000 core trade suppliers where the spend was more than £1,000. Ninety one per cent of the County Council's business was with 20% of our suppliers. There were approximately 300,000 invoices which were split between departments. The process by which invoices were handled he felt could be improved. Thirty six percent of the spend was

with local suppliers which was a reasonable figure compared with other authorities. He explained that if one was after purely cost reductions, the logic was that one of larger volumes with fewer suppliers – driving savings and quality of service. From the County Council's point of view, however, there was a wish to support local businesses, as well as ensuring our compliance to National agenda's and EU regulations, and so there was a balance to be made. He thought that it would be possible to reduce the number of suppliers and at the same time increase meet the growing number of requirements faced by the Authority (ie Equality, Sustainability, regulations and National procurement objectives).

He indicated that a 3 year business plan was being developed to support procurement opportunities. He explained that there was a 3 step process to the development of the business plan which was due for completion by the end of September 2006. The first step was to obtain an up to date spend analysis for the authority as it was essential to know the 'base line'. This was done by a web based system which had 12 months trading data extracted from the Authorities core financials. The next step was to select an external partner to help develop the plan; and a single consultant – Deloitte Touche had been selected following a tender and evaluation process. The third step was to generate the business case for change where workshops were held with stakeholders from key areas across the organisation. The identification of key spend categories and potential savings were estimated.

He suggested that the Select Committee may want a demonstration of the spend analysis tool. The key features of this was that it was an interactive database containing 370,000 transactions covering 12 months of activity within the Council. It provided an analysis by spend, transactions, category, geography, risk and collaboration and was an essential component and first step towards the identification of savings and areas for improvements. There was now an East Midlands spend analysis tool which showed the areas the County Council could collaborate with other local authorities. Councillor Heptinstall emphasised the importance of quality as well as cost.

Details of the work Deloitte Touche was undertaking were given. This included the development of a category management concept for the authority. This was different to the way the authority currently operates. The category managers will manage areas of spend on behalf of a newly formed Procurement Board. Workshops with key stakeholders for each directorate to understand the proposed plan have taken place. A 3 year implementation plan would be created which would identify key areas for procurement gains & improvements.

Councillor Heptinstall stated that the cost of the process had to be taken into account. Richard Ratcliffe stated that there would be service improvements and cost reductions. He explained that there were 14 staff in the Corporate Procurement Unit working on a range of projects. The unit has been in operation for two years, with the majority of staff joining from County Supplies.

He pointed out that because of the devolved nature of procurement within the Authority, it proves difficult to co-ordinate activities across the departments. Therefore, projects that aim to improve value for money or aim to standardise a common approach to procurement tend to be difficult to implement.

Richard Ratcliffe outlined the key changes emerging from the business plan.

Firstly, the establishment of a Procurement Board which will act as a central point for procurement related decisions within the authority. The Board would be responsible for delivering the 3 year business plan and target savings. The Corporate Procurement Unit would then become a resource to support projects emerging from the Board.

The second key change is the establishment of a category management approach for key areas of spend for the authority. Named individuals will become responsible for category spend areas, and will align objectives for their areas as agreed by the Board.

Thirdly, the Corporate Procurement Unit would be more strategic in nature and with their workload aligning to the business plan objectives. The direction would be set by the Procurement Board and the Unit would manage the category management process. The Unit would report levels of compliance direct to the Procurement Board.

Councillor John Knight suggested that Deloitte Touche be invited to the next meeting to give a presentation. He pointed out that the Select Committee were scrutinising and needed to consider whether they were happy with the model. He commented that as far as he was aware there had been no political input into the process so far. Councillor Bullivant felt that there was a need to look after small businesses in the county. Councillor Stan Heptinstall stated that he was interested in how questions of quality were dealt with as part of the process. He also wondered how customers views were taken into account. Richard Ratcliffe pointed out that value was not just about cost. Councillor John Knight stated that although he understood costs he was not sure what other aspects made up value. Richard Ratcliffe agreed to produce a template for the next meeting on this.

Councillor Lonergan stated that if we had 17,000 suppliers he was not sure how this process would reduce the number and still conform to the view that we should have local small suppliers. Richard Ratcliffe pointed out that according to the statistics, much of the current spend was off contract, and that there were benefits to be gained by higher levels of compliance.

Councillor Heptinstall stressed that overall value was not just financial. The question was should we maximise value for the County Council and customers.

Lynn Senior, Head of Scrutiny, also referred Members to the national definition of “best value for money” which was contained within the scoping document for this study. “Best Value for money” includes a range of other issues other than cost.

In response to a question from Councillor Lonergan, Richard Ratcliffe stated that schools had their own budgets. Schools could buy from our contract if they wanted but we had no control over schools spend.

It was agreed:-

- (1) to invite Deloitte Touche, Richard Ratcliffe and Councillor John Stocks to the next meeting.

- (2) to make arrangements for the Select Committee to be given a demonstration of the spend analysis tool.

DATE OF NEXT MEETING

It was suggested that the next meeting be held on either 16th or 30th October. The date would be finalised following consultation with the Whips.

The meeting closed at 11.45 am.

CHAIR

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