

# APPENDIX H

## WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 7 JULY 2009

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**Title:**

**STRATEGIC PROCUREMENT RESOURCE**

**[Portfolio Holder for Finance: Cllr M H W Band]**

**[Wards Affected: N/A]**

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**Summary and purpose:**

The purpose of this report is to request the Executive to approve the creation of a central strategic procurement resource on a cost-neutral basis. The report identifies a range of options for acquiring this resource and the Executive is asked to approve a delegation of authority to develop and implement the most appropriate solution.

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**How this report relates to the Council's Corporate Priorities:**

The effective, efficient and economic procurement of goods and services is central to all of Waverley's services and activities and fits with other key priorities such as ethical spending and the use of local suppliers. A significant amount of the Council's spending relates to purchases from suppliers and achieving good value for money in procurement underpins Waverley's corporate objectives.

**Equality and Diversity Implications:**

It is important that Waverley's procurement policies and practice help support equality and diversity objectives. Waverley supports a range of social enterprises and voluntary and community organisations. Developing improved procurement practices will also enable good practice to be shared with them.

**Resource and legal implications:**

Fresh analysis of Waverley's procurement activity will be undertaken to enable a better understanding of current spending patterns and opportunities for achieving improved efficiencies. However, in headline terms, officers consider that the total annual value of spending and the nature of the current procurement arrangements give the potential to generate sufficient cash savings to fully finance the costs of the proposals. It is the intention that procurement savings should exceed the costs and generate savings on both ongoing and one-off project costs.

The proposed resource would aim to make some 'quick wins' and produce savings in the first year. However, there is also some major set-up work to undertake to design and implement new ways of working and this activity will not generate immediate savings. This report request the approval of up to £50,000 over two financial years

2009/10 and 2010/11 to establish the procurement resource required, which is less than 1% of the £7m spending identified in paragraph 4 below. Clearly there is a risk in the first year that the full cost may not be recovered from procurement savings, therefore it is proposed to underwrite the cost from the vacancy factor. Close monitoring during 2009-10 should identify whether further vacancy savings are required and this will be reported to Members as part of the budget monitoring process.

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## **Background**

1. In recent years, spending officers have received procurement support on an ad-hoc basis from two officers who have assumed 'procurement lead' responsibility, namely The Director of Community Services and the Head of Internal Audit. Whilst the Council has achieved some good outcomes from its procurement in larger contracts, its performance across smaller purchases of ongoing and one-off supplies and services is not currently measured and it is unclear, therefore, whether the full potential for achieving economies from Waverley's significant expenditure base is being realised. Currently there are pockets of expertise and experience but no consistency of approach across all purchasing activity.
2. There are a number of reasons for needing to strengthen Waverley's procurement activities at this time:
  - With over £26m spent on supplies, services and contracts each year across capital and revenue and General Fund and HRA budgets, improved procurement could be one of the ways of responding to significant pressures on Waverley's finances in the future.
  - The imminent retirement of the Director of Community Services and the pressure on the Head of Internal Audit since taking on the Monitoring Officer responsibilities will leave little or no corporate support for procurement
  - Waverley has not undertaken a strategic analysis of its overall spending for two years and does not compare its performance against others
  - The Audit Commission is now placing particular focus on procurement performance in its revised Use of Resources assessment.
  - A comprehensive review of procurement policies or procedure rules has not been undertaken for a number of years
  - Need to meet demanding efficiency targets
  - With the senior management structure bringing greater devolvement of responsibilities to service heads, improved support is necessary.
  - Issues about how local businesses could be more involved in supplying to Waverley were raised at the NNDR (National Non Domestic Rates) consultation meeting in January. This has raised the need for improved communication of opportunities and information about best practice both within the council and among the business community.

## **The role of a Corporate Procurement Resource**

3. In order to be effective in Waverley's procurement activity a number of activities have been identified for the procurement resource to take forward. These include actions to:

- identify and deliver cost savings through more effective, joined-up and innovative procurement practice
- implement new procurement priorities for Waverley, including the local purchasing initiative (see Annexe 1) and the Green Procurement scheme (report to Members in the Autumn)
- Undertake initial and regular analysis of spending, how much, with whom, and periods of contract.
- implement a performance monitoring framework for procurement arrangements, testing and comparing with others to ensure value for money is achieved
- monitor contract-end dates and identify opportunities to maximise economies when renewing or extending, including the major contracts
- explore and develop joint working and partnership arrangements that will bring efficiencies and economies to service provision
- develop a procurement policy framework based on best practice and legal requirements that takes account of equality and local procurement objectives
- develop guidance and support heads of service in procurement decisions and options analysis
- prepare for and present to inspectors on Waverley's procurement achievements
- undertake training for staff and Members
- Provide opportunities to coach or train social enterprises and voluntary sector organisations providing services within the Borough
- Provide opportunities for local suppliers to be geared up to supply public sector organisations
- Liaise with and submit annual returns to the DCLG regarding EU procurement directives.

## **Arrangements in other Surrey authorities**

Elmbridge	Dedicated procurement officers – shared between the two authorities
Epsom and Ewell	
Guildford	In-house procurement team
Mole Valley	In-house procurement officer
Runnymede	In-house procurement officer
Tandridge	Function covered by other officers with a lead officer (like WBC)
Spelthorne	Function covered by other officers with a lead officer (like WBC)
Surrey Heath	Function covered by other officers with a lead officer (like WBC)
Woking	Function covered by other officers with a lead

	officer (like WBC)
Reigate and Banstead	In-house procurement officer

### **Headline analysis of Waverley's Spending**

4. Waverley's annual spending on contracts, supplies and services amounts to approximately £29million. This covers all HRA and General fund capital and revenue activities and includes the major and longer-term contracts.

<b>Spending area</b>	<b>Approx spend in 2008-09 £m</b>
Housing capital works	£11.5m
Ongoing contracts	£9.4m
Utilities	£0.9m
Other building works	£1.3m
Equipment	£1.3m
Other	£4.6m
<b>Total</b>	<b>£29.0m</b>

5. The table above shows that a significant amount relates to major contracts, utilities and housing works. Whilst there is potential to achieve further efficiencies from these areas in the medium/long term, much of this expenditure has been delivered by applying sound procurement practice. The remaining £7million offers more immediate opportunity for achieving cost savings and procurement efficiencies as it includes many high frequency, low value payments to a large number of suppliers.
6. Comprehensive analysis of spending is required and CMT has agreed to participate in an exercise being coordinated by Reigate and Banstead's procurement lead officer (on behalf of the Surrey Procurement Network) to undertake this and produce some comparisons. The last such exercise was undertaken in 2007 and an action plan was considered by the Network; it is anticipated that a new action plan will be prepared upon conclusion of the new exercise. Officers will also undertake further analysis from its payments records.

### **Options for provision on procurement resource**

- Directly employ an officer on a permanent or fixed-term basis
  - Employ officer jointly with other authority/s
  - Buy-in to capacity of other authority's existing resource
  - Employ a consultant on a retained basis
  - Employ support on self-employed basis – pay on commission basis of savings delivered
7. Officers will evaluate these options to identify the most advantageous for Waverley in the longer term, taking account of the forthcoming procurement opportunities and projects, and a further report will be made to Members in the future to seek any approval necessary. Officers, in conjunction with the

finance portfolio holder, will identify and implement the option that secures the best value for money for Waverley. This will involve discussions with other authorities and the regional procurement advice bodies.

8. In the short term, Corporate Management Team request that the Executive approve a temporary appointment for up to a year, of a skilled and suitably qualified procurement officer to implement the measures necessary to improve Waverley's procurement arrangements and to generate significant savings. A budget of up to £50,000 is requested for the first year, split over two financial years, with the aim of fully offsetting this cost from procurement savings and efficiencies. It is proposed that the Procurement Officer would report to the Head of Economic Development and Partnerships. If the project is successful, in the longer-term it is intended that Waverley's resource could work collaboratively with other community organisations and seek opportunities for developing joint working with other authorities.

### **Procurement Review with Local Businesses**

9. Since the NNDR Consultation meeting in January, officers have worked with the Waverley Business Forum, Federation of Small Businesses, Surrey Chambers of Commerce and Business Link Surrey to review some of the current practices and procedures and look at the Procurement Strategy Framework. A number of good ideas have been raised and some of these are set out at Annexe 1. The feedback from this work has been very positive and Waverley has been requested to write up the process as a case study. The implementation of a procurement resource would be welcomed by the business community.

### **Conclusion**

10. It is clear that Waverley needs to strengthen its resource for the procurement function in order to maximise the opportunity of achieving cost savings in the future and to ensure that good procurement practice is consistently applied throughout the Council's services and ensure that opportunities are promoted locally wherever possible to support the local economy. Officers consider that there is potential for delivering sufficient procurement savings to at least offset the costs of providing the additional resource.

### **Recommendation**

It is recommended that the Executive:

1. approve the principle of providing an additional corporate resource to develop and undertake Waverley's procurement activities in the future;
2. approve the temporary appointment for 12 months with an option to extend, of a Procurement Officer;

3. approve a budget of up to £50,000 split between the 2009/10 and 2010/11 financial years to be fully offset by procurement savings and efficiencies, with any shortfall in the first year being met from the vacancy factor;
4. requests the Deputy Chief Executive, in conjunction with the Finance Portfolio Holder, to evaluate, select and implement the most appropriate option for Waverley in the longer-term, subject to this being on a cost-neutral basis; and
5. requests officers to report back on progress after six months of the Procurement Officer being in post.

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#### Background Papers (DCEX)

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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