

NORTH YORKSHIRE COUNTY COUNCIL

CORPORATE AND PARTNERSHIPS OVERVIEW & SCRUTINY
COMMITTEE

13 June 2011

PROCUREMENT UPDATE

Report of the Corporate Director – Finance and Central Services

1.0 PURPOSE OF REPORT

1.1 To update the Committee on a number on recent procurement related issues.

2.0 BACKGROUND

2.1 This report deals with a range of procurement matters that have been dealt with over recent months, and which will impact on procurement activity during the current year and into the future.

3.0 CORPORATE PROCUREMENT STRATEGY AND ACTION PLAN

3.1 The previous approach to preparing a Corporate Procurement Strategy has been reviewed, involving input from the Corporate Procurement Members Working Group (CPMWG), and a simplified approach is being proposed as the most effective way of highlighting the key drivers for our Strategy.

3.2 Following discussion in the Officer Corporate Procurement Group, the draft Strategy has been endorsed by CPMWG and by the Executive, and will now go to the County Council for approval. A copy of the draft Strategy is attached as **Appendix 1**.

3.3 The Procurement Action Plan for 2011/12 has been developed and aligned with the draft Strategy. In particular, the structure of the Action Plan follows closely the objectives set out in the Strategy together with a number of governance related issues that need to be progressed. The Procurement Action Plan is attached as **Appendix 2**.

3.4 Although the work to develop the Strategy and Action Plan was undertaken in advance of the agreement of the “One Council” Programme, many of the issues reflected in the “Procurement and Contract Management Workstream” of the programme are already reflected in the priorities identified from this planning work. Any issues arising from further consideration of the One Council work will be reflected in updates to the Action Plan.

4.0 **ANNUAL PROCUREMENT REPORT**

- 4.1 The forward work plan for the Committee includes an Annual Procurement Report to be submitted to the September meeting.
- 4.2 Previously, the more detailed annual report considered by the Committee concentrated on sustainability. The intention is that the report this year will deal with sustainability, including follow up issues from last years report, but also more generally with procurement activity during 2010/11.

5.0 **SUSTAINABILITY FACTOR IN TENDER EVALUATION MODELS**

- 5.1 The previous guidance on including sustainability as a factor in the procurement process included the need for a standard 5% *minimum* sustainability factor to be reflected in tender evaluation models.
- 5.2 This has been reviewed in the light of experience applying this over the last year or so, and a report was submitted to the CPMWG on 25th May seeking a change to that approach to allow more flexibility. A copy of that report is attached as **Appendix 3**. CPMWG supported this revised approach.
- 5.3 The approach is best described in the wording that will now be contained in the Procurement Manual as follows:

“Consideration must be given to the inclusion of appropriate criteria and weighting to sustainability issues, when developing the tender evaluation model. When sustainability is reflected, it should be proportionate. A weighting of 5% is a useful guide, but a variation up or down from this may be appropriate depending on the nature of the procurement.”

For more significant procurements, over the current EU limit of £156k, Officers should undertake a Sustainability Impact Assessment. This should be integrated into the Gateway 1 process. If a sustainability weighting of less than 5% is considered appropriate as part of this impact assessment, then the Sustainability Manager, and the NPG Lead Officer for that procurement, must be consulted on the element to be included, and the reason for that decision.”

6.0 **POSSIBLE IMPLICATIONS OF THE LOCALISM BILL ON PROCUREMENT ARRANGEMENTS**

- 6.1 Under the terms of the Localism Bill, there is a proposal to introduce a “Community Right of Challenge”. The way in which this might work in practice would be set out in regulations, and the consultation on those draft regulations closed in early May.

- 6.2 The proposal in the Bill is that voluntary and community bodies, charities, parish councils and two or more staff of the council could submit an expression of interest to deliver all or part of a service on behalf of the council. The council would have to consider the expression of interest and must either accept, accept with modification, or reject it. If the service is currently delivered by another provider, any change would only take place with effect from the end of the current contract (unless by mutual agreement).
- 6.3 If it accepts with modification or rejects an expression of interest, it must publish the reasons for its decision. There will be a limited number of reasons why the council could reject the expression of interest.
- 6.4 If an expression of interest is accepted, the council must carry out a procurement exercise, under the normal procurement rules. Other organisations may bid in the procurement exercise, including private sector businesses.
- 6.5 The draft regulations deal with a range of practical issues that would arise in managing the right to challenge and the timescales and windows of opportunity that might be given.
- 6.6 Once the CLG response to the consultation is available, and the progress of the Bill and any changes that might occur in its later stages are clearer, it will be appropriate for a full report to be submitted to the Committee, setting out the possible implications for the Council.

7.0 RECOMMENDATION

7.1 That the report be noted.

JOHN MOORE
Corporate Director – Finance and Central Services

County Hall
Northallerton

26 May 2011

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Background documents – None

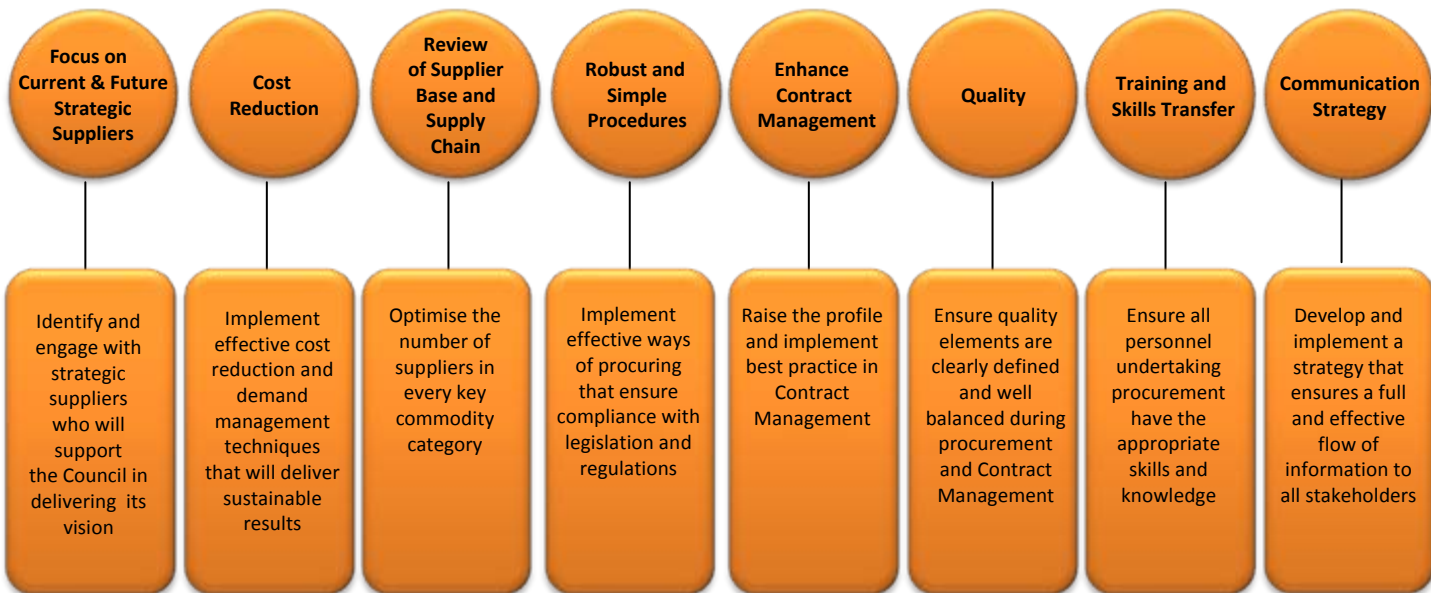
NORTH YORKSHIRE COUNTY COUNCIL CORPORATE PROCUREMENT STRATEGY 2011 - 2014

VISION

Our vision is to ensure that we:

- Contribute to the achievement of the County Council's objectives.
- Achieve value for money
- Deliver high quality services
- Are compliant with all regulatory requirements
- Address the need for Sustainability
- Encourage local suppliers to bid for appropriate work

OBJECTIVES



CRITICAL SUCCESS FACTORS

Delivery of evidence based efficiencies and cashable savings

Provision of goods and services which offer value for money

Evidenced delivery of the Economic, Environmental and Social aspects of sustainability

Effective engagement with local businesses and the voluntary and community sectors

Utilisation of procurement techniques that are fit for purpose

No successful challenges by suppliers

North Yorkshire County Council Procurement Action Plan 2011/12

Note: In the lead officer column, DPCs means Directorate Procurement Champions

Ref. No	Item	Target	Target Date	Lead Officer	Current Position
1.0	Governance				
1.1	Corporate Procurement Strategy	Complete review and submit to CPMWG (and onwards to Executive and County Council).	CPMWG April 2011	GMW/IB	
1.2	Organisational Review – Procurement Strand	Undertake review in line with corporate timetable	In line with corporate timetable	GMW	
1.3	Tender: Strategic Procurement Services Contract	Complete process and implement revised contract arrangements	31 March 2012	GMW	
1.4	Resource prioritisation based on FPP content	Develop an approach to prioritising more significant procurements to create a project plan allowing the allocation of Directorate, Legal, Financial and NPG resources to specific procurements.	30 June 2011	IB	
1.5	Review sustainable procurement element in evaluation models	Review the percentage evaluation target and seek approval for any proposed change.	CPMWG May 2011	KP	
2.0	Focus on current and future strategic suppliers				
2.1	Market engagement	(a) Review the previous approach to “Meet the Buyer Events”, including the possible partnership with the Federation of Small Businesses, Chambers of Commerce, the voluntary sector, the care sector and other representative bodies.	CPMWG May 2011	IB/ SD	

Ref. No	Item	Target	Target Date	Lead Officer	Current Position
		(b) Arrange a series of market engagement opportunities, in the light of the outcome of this review.	Ongoing	SD	
3.0	Cost reduction				
3.1	Develop structured programme	(a) Implement an improved approach to monitoring and reporting cost savings	30 Apr 2011	GMW/ST	
		(b) Identify any opportunities for cost reduction through analysis of Spikes Cavell data, both within the County Council, and possibly across the region.	30 June 2011	DPCs/ NPG	
		(c) Consider cost reduction terms to be included in all significant contracts	30 June 2011	JPA/NPG/ GMW/ CPG	
		(d) Apply cost reduction techniques to deliver year on year cost savings, or additional service, ie "more for same/less"	Ongoing	DPCs/ NPG	
4.0	Review of supplier base and supply chain				
4.1	Spend analysis	(a) Identify spend areas for category management	30 June 2011	CPG Sub Grp	
		(b) Develop an understanding from the data available from Spikes Cavell, regarding opportunities to consolidate spend, remove off contract spend etc. Prepare action plan.	30 June 2011 then in line with action plan	CPG Sub Grp	
		(c) Review and progress as appropriate, opportunities for regional collaboration.	To meet regional timescales	NPG/ DPCs	

Ref. No	Item	Target	Target Date	Lead Officer	Current Position
4.2	Optimise supply chain	Consider areas of spend that might benefit from additional market research (including existing framework agreements), supplier partnerships or neutral vendor approaches.	Ongoing	DPCs	
5.0	Robust and simple procedures				
5.1	Complete review of the Gateway process	Submit to CPG and CPMWG and amend process as necessary.	CPG March 2011 CPMWG April 2011	SD	
5.2	Review of the format of the PQQ	(a) Review the content, structure and format of the existing document, taking account of regional and national model PQQs	31 May 2011	SD	
		(b) Consider approaches to linking PQQ data collection with other requests for information, including select list information from ACS.	31 May 2011	SD	
5.3	SCMS	(a) Work with other authorities in the region to ensure the ongoing availability of the SCMS product during 2011/12	April 2011	GMW	
		(b) Consider, with other authorities in the region, the case for procuring an alternative product.	To meet regional timetable	GMW/IB/ NH	
		(c) If appropriate, implement the project to transfer to this new product, including training of system users.	To meet regional timetable	NPG	
5.4	Procurement Manual	(a) Continue to work with First Adapt to implement an interactive system linked to the Procurement Manual.	30 June 2011	SD/KS/ HT/RS	

APPENDIX 2

Ref. No	Item	Target	Target Date	Lead Officer	Current Position
5.5	Develop the use of whole life costing, including the link to sustainability	(b) Review the structure of the Procurement Manual, and rewrite sections as appropriate. (a) Review current approaches and toolkits for inclusion in the Procurement Manual and training courses. (b) Input to work on sustainability in Design, Construction and Management of Buildings policy (in conjunction with Jacobs UK)	30 Sept 2011 31 Mar 2012 30 June 2011	CPG Sub Group (to be determined) KP/NPG/GMW KP	
6.0	Enhanced contract management				
6.1	Contract conditions and specifications	Develop further model approaches to allow flexible and robust clauses in contract conditions which take account of the risk of changed requirements, either during the course of a contract and/or at contract review points.	30 June 2011	JPA/NPG	
6.2	Contract management	Further develop contract management approaches, including the need to identify key enablers across Directorates linked to category management and significant contracts.	31 March 2012	CPG	
7.0	Quality				
7.1	Embedding sustainable procurement practice	(a) Review the approach to completing sustainability impact assessments including a structured approach to initial assessment and the threshold at which a full SIA is required. (b) Review the link between the SIA and the	30 June 2011 30 June	KP KP	

APPENDIX 2

Ref. No	Item	Target	Target Date	Lead Officer	Current Position
		completion of the evaluation model.	2011		
7.2	Ensure quality requirement is "fit for purpose" and appropriate to the needs of the service.	(c) Confirm that the organisation has embedded sustainable procurement practice sufficient to achieve level 2 of the Flexible Framework. Ensure each procurement takes account of quality in line with the strategy objective.	30 Oct 2011 Ongoing	KP DPCs/ NPG	
8.0	Training and skills transfer				
8.1	Negotiation Skills	Develop a course on negotiation skills	30 Apr 2011	SD	
8.2	Refresher Training	Develop an approach to refresher training	30 Sept 2011	SD	
8.3	Contract Management Training	Review the content of the module to reflect the higher priority being given to contract management (see 6.2)	30 June 2011	SD	
8.4	Procurement Training on the Learning Zone	Implement arrangements to access procurement training through the Learning Zone	30 April 2011	SD	
9.0	Communication strategy				
9.1	"Buy The Way"	Review the approach to compiling and circulating information currently provided through the "Buy The Way" newsletter, including better use of the intranet and email group messages.	31 May 2011	SD	
9.2	Key Messages	Determine and implement an approach to identify corporate items that are best circulated using the weekly Key Messages email.	31 May 2011	IB	
9.3	Internet and intranet content	(a) Complete the review of intranet content, including optimising search facilities and	31 May 2011	GMW/IB	

APPENDIX 2

Ref. No	Item	Target	Target Date	Lead Officer	Current Position
		structure of the procurement pages (b) Provide a way to encourage feedback	31 May 2011	IB	
9.4	Branding	(c) Review internet content, including information required by the Transparency Agenda. Determine the branding for both internal and external communication to focus on the vision of a "North Yorkshire Procurement Service – a partnership between the County Council, its Directorates and NPG"	31 May 2011 31 May 2011	GMW/IB/ SAL/ST CPG	

CORPORATE PROCUREMENT MEMBERS' WORKING GROUP

ON 25 MAY 2011

Sustainable Procurement: Review of Evaluation Methodology

1. Purpose of this report

- 1.1. To review the current Sustainable Procurement evaluation target of 5%.
- 1.2. To provide options for change of this requirement and reasoning for the proposals.

2. Background

- 2.1. Under the previous Comprehensive Area Assessment there was a requirement for the Council to assess its impact on the use of natural resources. A key element of this was the use of Sustainable Procurement following the Government's Flexible Framework approach.
- 2.2. Linked to the above, the Council considered its sustainable procurement practices. In December 2009, the Council agreed a Strategy "Delivering on Climate Change". One of the local indicators identified in that Strategy was:-

"Procurement - 5% minimum standard for consideration of sustainability issues in tendering"

This was also reflected in the Climate Change Action Plan at that time.

3. Activities to date

- 3.1. Linked to the work mentioned above, a number of specific actions were undertaken during 2009/10:
 - Strategic workshops were held in May 2009 with Directorate Procurement Champions to identify the council's priority for action in sustainable procurement. The outcomes of the workshops were to identify key areas of activity in internal council culture and approaches, in areas of supplier engagement and via major procurement exercises that were taking place.
 - The 2009/10 Procurement Strategy, Implementation Plan and Action Plan were updated to include the outcomes of these workshop activities and actions.
 - The 5% Sustainability factor was proposed, and reflected in the Climate Change Action Plan.

3.2 Since that initial work, further actions have been progressed:

- Updates have been provided annually to the Corporate and Partnerships Overview and Scrutiny Committee on sustainable procurement activities and achievements.
- A number of tool kits and guides have been produced and included in the Procurement Manual to assist staff undertaking procurements:
 - Procurement needs assessment
 - Sustainability Impact Assessment
 - Carbon conversion factors
- Sustainable Procurement training has taken place with key procurement staff (4 sessions have been run and 31 officers received training).
- The sustainability elements of the 2011/12 Corporate Procurement Strategy and Procurement Action Plan have been reviewed as part of the wider review leading to the revised documents considered by CPMWG at its last meeting.

4. Sustainable Procurement percentage evaluation target

4.1 A review has now been carried out on the practical application of the minimum 5% target.

4.2 Through experience of the implementation of this rule and the use of the now available tool kits and guides a number of things are becoming clear, these are:

- The above rule is only appropriate if sustainable procurement criteria are included in the tender documentation.
- The rule has been applied when it is not relevant or proportional to the tender involved.
- Officers undertaking procurements and including sustainability criteria require specialist assistance.

4.3 It has therefore been concluded that:

- A degree of flexibility in the application of the 5% target is required.
- More formal monitoring is required to assess when and if sustainability criteria are being applied when relevant to the procurement being undertaken.
- The Sustainability Manager needs to allocate time to support officers, at least in the short term, until these types of criteria and the tool kits are fully embedded in the procurement process.

5. Next Steps

5.1 A report was submitted to the Transport, Economy and Environment Overview and Scrutiny Committee on the 26 January 2011, updating on the Climate Change Strategy and Action Plan. This looked at simplifying the indicators used to monitor the Strategy, and it is not proposed to continue to include the 5% target as one of those monitoring indicators.

5.2 The proposal, therefore, taking account of input from CPMWG, is to change the practical application of the evaluation of sustainability within the County Council's Procurement Manual and to reflect this in linked processes. In addition, these issues are dealt with in training courses, including the specific sustainable procurement course.

5.3 It is proposed that the wording of the relevant section in the Procurement Manual should be:

“Consideration must be given to the inclusion of appropriate criteria and weighting to sustainability issues, when developing the tender evaluation model. When sustainability is reflected, it should be proportionate. A weighting of 5% is a useful guide, but a variation up or down from this may be appropriate depending on the nature of the procurement.”

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6. **Recommendation**

6.1 That CPMWG support the revised approach to the inclusion of a sustainability element in the evaluation methodology.

Geoff Wall
Assistant Director – Central Finance

16 May 2011