

**Cherwell District Council**  
**Budget Planning Committee**

**3 November 2015**

<b>Review of Procurement Strategy Progress</b>
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**Report of Head of Finance and Procurement**

This report is public

### **Purpose of report**

This report summarises the Council's Procurement Strategy progress for q2 of the financial year 2014-15.

### **1.0 Recommendations**

The meeting is recommended:

- 1.1 That the Committee note the progress made during q2 2014-15 in implementing the Council's Procurement Strategy.

### **2.0 Introduction**

- 2.1 Cherwell District Council and South Northamptonshire Council adopted its first formal Joint Procurement Strategy and Action Plan in 2012/13 and has refreshed it annually.
- 2.2 The purpose of the procurement strategy is to communicate clearly to stakeholders, operational managers, procurement specialists and suppliers in the private and voluntary sectors, the council's vision for the procurement of goods, services and works so that each may play a meaningful role in improving the procurement practices and delivering budget reductions at the council.

### **3.0 Report Details**

- 3.1 The shared Procurement Team continue to collaborate with the wider procurement community to secure best value for CDC and lower the cost of procurement exercises. Examples of this are:
  - Team is currently working with Oxford City & SNC to procure refuse vehicles for the next 5 years.

- Team recently collaborated with Oxfordshire Fire & Rescue service, Oxford City Council, Oxfordshire County Council and West Oxfordshire District Council to purchase diesel. This collaboration resulted in a total diesel requirement in excess of 1.4 million litres a year.
- Toilet cleaning and maintenance is a collaborative project involving CDC, SNC, West Oxford DC, Cotswold DC and Oxford City Council.

3.2 The Procurement Team continue to deliver best value for the Council and aggressively seek to reduce the whole life cost of projects.

3.3 Examples of added value achieved by the shared Procurement Team for CDC Q2 15/16 are shown in the table below. Details of this new added value classification are included in appendix A.

<b>Project</b>	<b>Procurement added value</b>
<b>Cost savings</b>	
Vehicle pit cleaning	£25,000
Lone Worker protection service	£2,500
Mailing machine	£2,300
Vuelio subscription	£5,000
Sub total	£34,800
<b>Process saving</b>	
Workshop consumables	£4,000
Graven Hill Legal & development advice	£8,000
Sub total	£12,000
<b>Under budget</b>	
Shopmobility	£15,000
Graven Hill archaeological works	£53,000
Graven Hill web site development	£51,000
Sub total	£119,000
<b>Bid differential</b>	
Emergency power system	£700
<b>Total</b>	<b>£170,500</b>

## **4.0 Conclusion and Reasons for Recommendations**

- 4.1 The shared procurement service continues to provide a valuable service to both Councils by delivering value for money both in terms of cost savings, cost avoidance and back end savings. The service also strives to ensure compliance with Procurement regulations. The Budget Planning Committee is recommended to note the progress made in q2 2015/16.

## **5.0 Consultation**

The work of the Procurement Team is scrutinised by the Procurement Steering Group that comprises:

- The Monitoring Officer
- The Section 151 Officer
- The Head of Finance and
- The Resources Portfolio Holder

## **6.0 Alternative Options and Reasons for Rejection**

- 6.1 No reasonable alternatives.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 There are no adverse financial effects on the Council by implementing the procurement strategy. Cashable savings will assist in protecting Council services and managing funding reductions.

Comments checked by:

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### **Legal Implications**

- 7.2 Legal work closely with procurement to ensure that our processes are compliant and not open to challenge. The monitoring officer also plays a key role as part of the Procurement Steering Group.

Comments checked by:

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## 8.0 Decision Information

### Wards Affected

All

### Links to Corporate Plan and Policy Framework

Sound budgets and customer focused council

### Lead Councillor

Not applicable.

### Document Information

Appendix No	Title
1	Measuring value add from the shared procurement function
<b>Background Papers</b>	
None	
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# Appendix 1

## Measuring value add from the shared procurement function

### Discussion document for the Procurement Steering Group

#### Background

The Procurement Steering group have previously discussed what constitutes a saving and the importance of classifying and capturing all aspects of 'value add' that procurement provide. It is intended that this document, or revisions thereof, provides this classification and subsequently informs a reporting regime to both the PSG and appropriate committees.

#### Financial value add

##### 1. Upfront cost savings.

Cost reduction (cost before less cost after procurement exercise). For example the shared procurement team recently tendered the lone worker service. The pre-tender cost was £9000 a year and post tender it is £6,500. As the specification was met and the number of users unchanged a cost reduction of £7,500 (£2,500 per year for a three year contract) is recorded.

##### Cost avoidance:

- Process saving. The Centre for Economics and Business Research (CEBR) calculate that a competitive procurement process following a full EU procedure costs an average of £45,200, with £8,000 of those costs borne by the public sector employer. Hence utilising an existing framework rather than running a full EU procedure should represent a process saving of £6,000.
- Under budget (budget for purchase-actual purchase cost=budget saving).
- Bid differential. The shared procurement team recently requested quotes for an emergency critical power system and the highest quote was £1,589 and the lowest was £915. Hence a bid differential cost avoidance saving of £674 was recorded.

##### 2. Back end savings:

A. Inflation avoidance (cost with inflation applied-fixed cost) The internal audit contract with PCW was recently extended. The contract specified that a cpi uplift could be applied but the procurement team negotiated a fixed cost. This resulted in a saving of £1669 (£817 for SNC and £852 for CDC)

B. Contract management derived savings e.g. working with supplier we identify a process saving or lower total cost of ownership product.

#### Compliance value add

The risk of unsuccessful organisations being awarded damages for a flawed procurement process is a real one – for example this year Milton Keynes DC were instructed to rerun a procurement process and pay damages for running a flawed process.

Noncompliance with procurement law can lead to withdrawal of grant funding – for example in 2014 Mansfield District Council lost 25% of a grant payment (a £225k loss) because it failed to advertise two procurement contracts. Procurement, working closely with Legal Services, seek to protect the authorities from such risks.