

THE NATIONAL PROCUREMENT STRATEGY

Report of the Head of Hertfordshire Business Services

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1. **Purpose of the Report**

To provide the Committee with an overview of the new National Procurement Strategy, and particularly to draw attention to those parts of the strategy which have a bearing on the Committee's role, and to suggest how the scrutiny process might be conducted.

2. **Summary**

In October 2003 the Office of the Deputy Prime Minister (ODPM) and the Local Government Association (LGA) launched the National Procurement Strategy setting milestones and targets for Local Authorities to achieve in improving the quality and capability of their procurement activities. This report sets out the major themes within the strategy and summarises the targets and milestones to be achieved. In considering how scrutiny of the Council's performance against the strategy should be carried out, the report suggests areas where the Audit Committee might want to concentrate and ways in which they might approach the overview and scrutiny task.

3. **Background**

The Government has increasingly been placing emphasis on best practice procurement as being one of the ways to ensure Best Value in local government, and of significant importance in achieving its modernisation agenda. In 2000 the Department of the Environment (now the ODPM) jointly commissioned a taskforce, led by Sir Ian Byatt, to review the state of procurement skills and practice in local government in England. Sir Ian's review listed 39 recommendations which were accepted by the commissioning bodies. One action, in response to Sir Ian's concerns as to the capacity and capability within Local Government to deliver best practice procurement, was for the ODPM and the LGA to develop and agree a National Procurement Strategy as a framework within which Local Authorities should be working. This strategy document was launched in October 2003. In a joint statement the Deputy Prime Minister, Rt. Hon. John Prescott and Sir Jeremy Beecham Chairman of the LGA said of the new Strategy:

'This National Procurement Strategy sets out how central and local government, working together with partners from the public, private and voluntary sectors, intend to set about improving local government procurement. The most innovative councils have already found ways to deliver significantly better services at lower costs. They have streamlined their procurement, worked in partnerships, redesigned the delivery of services, shared 'back office' systems and pooled their buying power. We want all councils to achieve these standards so that we see a step change in overall performance across the sector.'

Hertfordshire is, without doubt, amongst 'the most innovative Councils' referred to in this quotation, having taken part in the development of this strategy and in other aspects of the national agenda for improving procurement. Hertfordshire has also received the highest rating for its Procurement Best Value Review and for its improvement plan in this regard. It is important however that the provisions of the new strategy are adopted fully within the Council and no doubt the Audit Committee and other Scrutiny Committees will want to consider the Council's performance against the strategy targets over the next few years. Officer responsibility for monitoring progress is placed with the Procurement Board, chaired by the Head of Hertfordshire Business Services (Steve Gilbey). The Board which was created as a recommendation from the Best Value Review in 2000, has a representative from each Service as well as the from the corporate procurement team (Hertfordshire Purchasing). The Board is responsible, among other things, for the maintenance of best practice in procurement and for the development of the Council's own Procurement Strategy.

4. The National Procurement Strategy

The National Procurement Strategy is intended to help councils recognise the potential of effective and innovative procurement to improve service delivery and to realise potential savings and other benefits from working together in partnership.

In setting out the goals for the initiative the document lists what will need to be achieved by 2006

- Delivering significantly better quality public services that meet the needs of all local citizens through sustainable partnerships they have forged with a range of public, private, social enterprise and voluntary sector organisations
- Confidently operating a mixed economy of service provision, with ready access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector groups
- Achieving continuous improvement from all categories of procurement expenditure, by putting in place an appropriate

procurement strategy and the necessary resources for implementation

- Obtaining greater value for money by collaborating with partners at local, regional, national and European levels
- Realising economic, social and environmental benefits for their communities through their procurement activities
- Demonstrating improvement in equality and opportunity for businesses, service users and council staff
- Stimulating markets and using their buying power creatively to drive innovation in the design, construction and delivery of services.

The recommended approach is centred around 5 key themes:

- Cultural shift
- Providing leadership and building capacity
- Partnering and collaboration
- Doing business electronically
- Stimulating Markets and achieving community benefits

The Strategy is specifically aimed at Council leaders and members with responsibility for procurement

5. Key theme -Providing Leadership and building capacity

Although this is not the first of the themes outlined above, this chapter sets out in some detail the actions the Council should be taking at the political as well as at a managerial level and is perhaps the part of the document which most closely impacts upon the role of this Committee

The targets set within this theme are:

By 2004

Every Council should adopt a procurement strategy, based on a Best Value review. The strategy should be owned by members and senior managers and its implementation monitored regularly.

By 2005

Every single tier and county council should carry out a health check on progress against this National Strategy and the associated guidance as part of their corporate procurement strategy.

Every Council should be involved with a regional centre of excellence in procurement and project management.

The document goes on to suggest a wider portfolio of activities which demonstrate political leadership of procurement by.

- Instigating Best Value Reviews of Procurement
- Adopting a corporate procurement strategy
- Overseeing the effectiveness of procurement arrangements
- Asking challenging questions about value for money
- Ensuring equality and sustainability are part of the strategy
- Making key decisions in major procurement projects
- Monitoring the performance of partnerships
- Requiring Gateway reviews of high value high risk projects

In particular the theme outlines the role for overview and scrutiny members as:

- Conducting enquiries into new models of service delivery
- Challenging the progress of major procurement projects
- Reviewing the performance of partnerships
- Ensuring that lessons are learnt from major projects and partnerships.

In light of this the Committee may wish to consider what elements within this list of activities it might be appropriate for them to have an overview of and what reports might be appropriate to receive on a regular basis. The report concludes with a suggestion as to how this could be achieved in order to satisfy the Committee that adequate progress is being made and that the relevant targets are being achieved

6. Other strategy themes

Cultural Shift

This theme is devoted to the action that the Government believes it has taken to help authorities achieve the agenda set by the National Strategy.

Partnering and collaboration

This theme is devoted to the benefits that can arise through a partnering approach with suppliers and collaborative procurement with others in the public sector

The strategic objective of partnering is the delivery of better services to citizens through the creation of sustainable partnerships between councils and suppliers in the public, private, social enterprise and voluntary sectors for the delivery of services and the carrying out of major projects, including construction.

The strategic objective of collaboration is to obtain better value by bringing councils and other public bodies together at local, regional and national levels to combine their buying power and create shared services.

Doing business electronically

This theme is a key plank of the Governments drive to modernise processes and practices across civil government as a whole. It involves the deployment of e-Procurement.

Stimulating Markets and achieving community benefits

This theme concentrates upon relationships with the marketplace and using the marketplace to obtain community benefits.

7. Conclusions

The National Procurement Strategy sets exacting targets and milestones for all of Local Government in respect of their procurement performance. It will be important for Hertfordshire that compliance with the strategy and progress in reaching the milestones and the targets within it are monitored. This Committee will need to ensure that adequate progress is being made to implement the strategy within the Council and that targets are being achieved.

One way forward would be for the Committee to receive an annual report from the Chairman of the Procurement Board on progress with the implementation of the National Strategy in Hertfordshire and the level of compliance with the checklists and targets set out in the document. The report would detail where the Council is falling short of the targets and indicate what would need to be done to ensure full compliance.

If the Committee agree this as the way forward the intention would be to present an initial report to the Audit Committee meeting on 8 June 2004.