



Leicester
City Council

**OVERVIEW AND SCRUTINY MANAGEMENT BOARD
CABINET**

**7 DECEMBER 2010
13 DECEMBER 2010**

**ORGANISATIONAL DEVELOPMENT AND IMPROVEMENT PROGRAMME
- IMPROVING PROCUREMENT**

Report of the Chief Finance Officer

1. Introduction

- 1.1 The purpose of this report is to seek member approval to the general direction in securing improvements and efficiency in the Council's procurement activities.

2. Background

- 2.1 The Council spends significant sums on procurement of goods and services. In line with most of local government, the Council has developed a procurement strategy in recent years seeking to use its overall buying potential to reduce cost. This has resulted in a number of improvements, including the introduction of a vendor neutral temporary staffing contract which has generated substantial savings, and the introduction of framework contracts for use across the Council.
- 2.2 Most of the Council's procurement spending is in complex areas. Whilst savings can be achieved in these areas, these are projects which require proper planning and resourcing. The easiest savings have already been taken.
- 2.3 The attached report analyses the Council's current procurement operation, identifies opportunities for savings, and makes recommendations about the future direction of procurement capability in the Council.

3. Findings

- 3.1 A summary of key findings is presented at section 2 of the attached report. The main conclusion is that the Council is effective at managing contracting exercises and complying with legislation, but needs to develop its strategic procurement skills in order to make more substantial savings. Investment in strategic procurement capacity will pay for itself, and external firms are often willing to provide such capability on a risk sharing basis. Strategic procurement capacity needs to be brought to bear at earlier stages in the decision making cycle that is currently the case.

4. Recommendations

4.1 Cabinet is asked to:

- (a) note the findings of the attached, and support the direction of travel;
- (b) approve the purchasing of a strategic procurement capability from outside specialists on a pilot basis for 12 months, with a view to subsequent renewal or development of in-house capability;
- (c) approve the pursuit of the savings opportunities described in the report and such other opportunities as may become apparent at a later stage (noting that any major change in the way in which the Council provides a service will be subject to Cabinet decision).

5. Consultations

5.1 Strategic Management Board.

6. Financial Implications

6.1 The proposed approach to procurement is expected to generate savings, which will be essential to the delivery of the Council's budget strategy.

6.2 It is estimated that the cost of purchasing a strategic procurement capability for 12 months will be £0.4m, which can be funded from monies set-aside to deliver the ODI programme.

7. Legal Implications

7.1 Significant legal implications arise from this report and its recommendations: reviewing contractual arrangements; new contracts; fresh procurement exercises; employee relations; compliance with organisational change protocol; potentially application of TUPE.

7.2 CPRs are the Council's own rules for managing the way it goes about purchasing and can be reviewed and changed to suit depending on current organisational requirements. Change has to be approved by full Council. There must be regard to CIPFA and other national guidance as well as the current legal framework regarding the Council's obligation to protect the public purse.

8. Climate Change Implications

8.1 Whilst this report in itself does not contain any significant climate change implications, procurement decisions stemming from the proposed changes have the potential to have significant climate change implications which will need to be addressed on a cases by case basis. In addition any strategic procurement function created will need to consider climate change implications through their activities.

Helen Lansdown, Senior Environmental Consultant - Sustainable Procurement.

9. Report Author

Mark Noble
Chief Finance Officer
Extn: 297401
29 November 2010

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)