

FOR PUBLICATION

RESTRUCTURE OF THE PROCUREMENT FUNCTION (EC00/B000)

MEETING: 1. CABINET
2. EXECUTIVE MEMBER FOR GOVERNANCE & ORGANISATIONAL DEVELOPMENT

DATE: 1. 28 JANUARY 2014
2. 21 JANUARY 2014

REPORT BY: HEAD OF BUSINESS TRANSFORMATION
HEAD OF GOVERNANCE

WARD: ALL

COMMUNITY FORUM: ALL

KEY DECISION REF: 373

FOR PUBLICATION

BACKGROUND PAPERS FOR PUBLIC REPORTS:

TITLE: LOCATION:

1.0 PURPOSE OF REPORT

1.1 To recommend for approval a new procurement structure within the Council.

2.0 RECOMMENDATIONS

2.1 That the proposed procurement structure shown at 4.1 is approved.

2.2 That approval is given for the Heads of Business Transformation and Governance to make the appropriate arrangements to recruit to the posts in accordance with the Council's HR policy.

2.3 That the additional cost of between £25,000 and £30,000 is financed from the Housing Revenue Account (subject to the workload for Housing Services being maintained).

2.4 That the new procurement team is located in the Governance service.

3.0 BACKGROUND

3.1 In July 2013 a report was presented to Cabinet by the Heads of Business Transformation and Governance setting out a short and medium term strategy for procurement at Chesterfield Borough Council. The report proposed a short term in-house solution and options for the medium term. The interim arrangement has been successful and the Council now needs to implement a longer term solution.

3.2 Chesterfield Borough Council withdrew from the Shared Procurement Unit (SPU), hosted by Bolsover District Council. While accepted that the SPU had seen some success, there were some gaps in the service provided. It was felt that CBC's considerable future procurement requirements warranted an in-house function to deliver at both a strategic and at the "business as usual" operational level. This proposal recognises that there may be a need to work with other authorities at a future date to both maximise our purchasing power, not just to save money but to improve the quality of service delivery and to generate savings opportunities.

3.3 For example, the current capital programme in Housing Services is significant in terms of the procurement advice, support and delivery required. Other major projects, such as the Queen's Park design and build commission, refurbishment of venues, Gateway enhancements and a number of new and to be retendered procurements, require significant input from the procurement function. While some procurements are high profile with a substantial spend, others relate to achieving VFM from the "business as usual" acquisition by CBC of goods, supplies and services. However, *all* acquisitions are key drivers to the business delivery by CBC, and also in the context of its strategic transformational objectives. Successful and efficient delivery of the procurement function at the Council requires resourcing by an internal procurement team. This approach will deliver compliancy with CBC's internal Contract Rules and the also the statutory Public Procurement Regime (PPR). But, it will also to ensure that in spending public money, the Council ensures that it achieves the best value for money for its contracts based on commercial negotiation and on going strong contract management.

3.4 There are several fundamental objectives required of the procurement function:

- To ensure the CBC Constitutional Contract Rules are followed and that legal advice is both sought and applied
- To ensure that procurements are within the legal framework of the PPR which comprise; the European Treaty, the Procurement Directives and the Public Contracts Regulations, in order to minimise challenge and exposure of financial and reputational risk
- To advise on the most appropriate procurement process routes proportionate to value, law and risk
- To prepare all tender documents for the market to ensure the best possible responses and reduce the risk of supplier challenges
- To manage all tender stages and communicate progress and outcomes to stakeholders and suppliers
- To keep robust audit trails and records
- To engage with supply base, particularly small and medium enterprises (SMEs), and keep well informed of market changes as well as social and political developments that will impact on CBC business delivery
- To ensure that in spending public money, the Council achieves the best value for money for its contracts based on commercial negotiation and on going strong contract management
- To ensure that the tender evaluation process and the procurement decisions of the Council are protected from legal challenge and the risk of successful court challenge and the payment of financial compensation.

3.5 Currently to deliver the functions above, there is one 0.6 Interim Procurement Officer supported by 0.8 of a Procurement Assistant, who is on secondment from the Business Transformation Project Office. A further Procurement Interim has been appointed for 3 months to help deliver the Housing Services programme.

3.6 Members should be noted that further factors impact on the Council's future procurement requirements are the new EU Public Procurement Directives that will come into force in September 2014. And, the development and implementation of a new online procurement toolbox for CBC staff. The new EU directives will see an increase from the current 72 articles to 96 and it is critical that the Head of Governance

directs the procurement function to ensure that CBC applies the new regulations correctly. The courts will look from now at the new directives for guidance, so CBC should be adopting the new articles for best practice prior to September 2014.

- 3.7 Within 30 months of the new directives all procurement activity must be electronic; CBC who still tender by traditional hard copy delivery will need to establish secure electronic purchasing systems. Improved Contract Management will also form part of the directives. And, although Contract Management is not *delivered* by the procurement function, it impacts on the content of tender documents and must be reflected comprehensively from the outset in all procurements undertaken by Officers at the Council.

4.0 RESTRUCTURE PROPOSAL

- 4.1 After consideration of the different levels of procurement input required across the board of CBC projects, i.e. at both a strategic and operational level, it is proposed to recruit for the permanent posts of:

- 1 FTE Procurement Manager
- 1 x 1.0 Procurement Officer

- 4.2 The rationale behind the proposal is the identification of the requirement of a strategic layer to ensure, for example, the correct procurement support is provided in respect of the commissioning needs of the GP;GS transformational strategy. But, also to ensure the delivery of a consistent approach that will drive strategic and commercial procurement by all of the Council's Service departments. It is also a key role purpose for the proposed Procurement Manager to provide procurement advice to CBC and lead and manage the procurement function. The Procurement Officer/s would support this role and be responsible for the day to day operational delivery of tender exercises. The Procurement Team will be part of the Governance Service.

4.3 Procurement Manager

- 4.3.1 This post holder will be responsible for the following areas:

- Providing corporate strategic procurement and contract management advice to all Service areas, ensuring legal compliancy and that the most effective procurement routes are advised by the application of "commercial know-how".

- Liaising with the Property, Procurement and Contracts Legal team on all contractual and OJEU and sub-OJEU matters
- Implementation of the Public Procurement Regime and advice and guidance
- Developing and implementing smarter procurement advice and guidance online to support CBC staff. And, delivering VFM for the Council in its contractual arrangements by the development and implementation of corporate best practice standards
- Continuous improvement of the procurement support/administration functions both internally and externally in engaging with the supply base and improving the experience of how suppliers can do business with CBC, particularly local SMEs
- Manage the procurement workloads, planning of procurement exercises and oversee the development of quality corporate specifications, evaluation methodologies, compliance , VFM and all with a focus on outcomes
- Lead and coach the Procurement Officer and ensure staff development through on the job training to grow and embed commercial procurement skills. And, also the attainment of a professional procurement qualification
- Identify collaborative opportunities externally and develop successful relationships with other councils and procurement hubs to both capitalise on and to share good practice
- The post holder must hold the MCIPS (Member of Chartered Institute of Purchasing and Supply) professional qualification.

4.4 **Procurement Officer**

4.4.1 This post holder will be responsible for the following areas and report to the Procurement Manager:

- Support the Procurement Manager in the delivery of corporate advice to service areas and ensuring legal compliance and that the CBC Contract Rules are followed
- Execute tender exercises, both OJEU and sub OJEU, under the guidance of the Procurement Manager, communicating progress and outcomes to stakeholders and suppliers

- Researching new procurement routes and market sector developments in the context of the PPR to inform new and relevant ways of delivering procurement processes and procedures.
- Assess mandatory tender information and input evaluation data
- Draft procurement documents and keep updated the online procurement toolbox
- Continuous development and upkeep of procurement systems to underpin the quality of CBCs procurement function and for audit trails
- The post holder must be or be prepared to commit to attaining membership to the Chartered Institute of Purchasing and Supply (CIPS).

5.0 THE ROLE OF THE PROCUREMENT TEAM

- 5.1 To provide accurate and timely procurement advice to service areas to reduce the risk of non-compliance and external challenge, while also developing commercial, innovative and efficient procurement solutions. Effective procurement is a key element of the Council's Business Transformation Strategy in order to achieve contractual VFM and sustainable solutions.
- 5.2 The Procurement Team will, advised by the Property, Procurement and Contracts Legal team to ensure that procurement is undertaken lawfully. But, also to ensure that procurement contributes to the Council's corporate transformational objectives by delivering best value contracts based on commercial negotiation and strong supplier and contract management.
- 5.3 The Procurement Team will challenge instructions from service areas if felt to be non-compliant or inefficient in the proposed delivery of any services, goods or works – highlight risk and consequences and offer alternative solutions.
- 5.4 After agreeing a planned way forward for procurement, the team will advise on improving the quality of specification and other tender documents to ensure the final documentation is market ready. The Procurement Team will manage the tender process through to award, liaising with Property, Procurement and Contracts Legal team in the

development of low to medium risk contracts and advise on contract management methods to be adopted thereafter.

- 5.5 The Procurement Team will improve and develop communications with the supply base to ensure doing business with CBC is a positive and efficient experience for suppliers and reduces resource intensive methods of submitting bids wherever possible. This approach will also include the development of internal negotiations skills and a strong commercial relationship with suppliers who sign up to the Council's strategic objectives.

6.0 HR CONSIDERATIONS

- 6.1 This proposal will add to the officer establishment of the Council. The two posts have been evaluated and have come out at Scale 10 and 5 respectively. The grades have been evaluated at a lower scale than expected and therefore an allowance has been made in the costings for a re-evaluation.

7.0 FINANCIAL CONSIDERATIONS

- 7.1 Establishing the new unit will cost the Council an additional £25,000 to £30,000 per annum. This figure includes provision for the re-evaluation of jobs. These costings are at the top of the scale and include oncosts.
- 7.2 It is proposed that this growth is met from the Housing Revenue Account, whatever the current significant workload for Housing is on the programme. This high level of work for Housing Services is not expected to reduce in the medium term as the approved capital programme progresses.

8.0 CONSULTATION

- 8.1 This proposal has been discussed with the trade unions and they have stated that they fully support the restructure as it is creating new jobs within the Council.

9.0 RISK

- 9.1 The main risks associated with this restructure are shown in the table below:

Risk	Likelihood	Impact	Mitigating Action
That the proposed restructure is not approved and the procurement function continues to be delivered on a non-permanent basis.	Medium	Medium	Alternative provision of service would have to be secured
That CBC is exposed to legal challenge regarding non-compliance with the PPR without a permanent and stable procurement function, resourced at the right level.	Medium	High	Implement the proposals within this report
That momentum is lost is delivering modern, commercial and innovative procurement solutions by not committing to establishing a permanent team.	Medium	Medium	Implement the recommendations within this report

10.0 EQUALITIES IMPACT

10.1 The equalities impacts of all the proposals in this report have been considered and assessed and no negative impacts identified. The Council's recruitment and selection policies will be followed to ensure that this process is fair and eliminates any potential discrimination.

11.0 RECOMMENDATIONS

11.1 That the proposed procurement structure shown at 4.1 is approved.

11.2 That approval is given for the Heads of Business Transformation and Governance to make the appropriate arrangements to recruit to the posts in accordance with the Council's HR policy.

11.3 That the additional cost of between £25,000 and £30,000 is financed from the Housing Revenue Account (subject to the workload for Housing Services being maintained).

11.4 That the new procurement team is located in the Governance service.

12.0 **REASON FOR RECOMMENDATIONS**

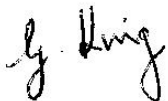
12.1 To put in place a 'fit for purpose' procurement team to deliver the agreed agenda.

MARK EVANS
HEAD OF BUSINESS
TRANSFORMATION

SARA GOODWIN
HEAD OF GOVERNANCE

Further information on this matter can be obtained from Mark Evans (Extension 5292).

Officer recommendation supported/not supported/modified as below or Executive Member's recommendation/comments if no Officer recommendation.



Signed
Member

21.1.14

Executive

Date

Consultee Executive Member/Support Member comments (if applicable)