

		AGENDA ITEM 6
		CSC/16/13
Committee:	Corporate Scrutiny Committee	
Date:	26 November 2013	

PROCUREMENT TASK AND FINISH GROUP INTERIM REPORT TO THE CORPORATE SCRUTINY COMMITTEE

The Corporate Scrutiny Committee established a Procurement Task and Finish Group at its meeting of 23 July 2013. The membership of the group is detailed below:

Membership:

Councillor Bill Archibald

Councillor Michael Mackrory

Councillor Susan Barker

Councillor Pierre Oxley

Councillor Malcolm Buckley

Councillor Julie Young (Chairman)

Councillor John Knapman

The current Essex County Council Procurement Strategy states that it would be “subject to regular review to track progress” and that would “monitor and review the performance of procurement”. The strategy goes on to say that there would be “co-operation with any scrutiny relating to procurement in that it relates to a particular office of a Member”. Members of Corporate Scrutiny, or the previous Executive Scrutiny had not had the opportunity to review the progress of the strategy, other than to receive a report in November 2012. It is planned that the current strategy would be revised in April 2014.

The Task and Finish Group agreed a scoping document at its first meeting. There have been several iterations of the document following subsequent meetings. The Task and Finish Group agreed that the scope of the review should look at how the development of new ways of working at ECC, moving the Council to a customer-first commissioning organisation has been working in practice and also include the following in the scope of the review:

- Value for money

- Probity
- Professional management
- Performance and benchmarking
- The effect of TUPE
- The effect of OJEU
- Customer focus
- Local Purchasing to support local SMEs
- Consultation and lessons learned prior to and following procurements

The Task and Finish Group received evidence from the new Commercial Director at ECC, Andrew Spice and he informed the Group that all elements of procurement at the County Council are being brought into a single place, with new structures being developed and a new style of working being introduced in the next month. He stated that the track record at Essex from an economic perspective is excellent, and that the work he had seen since joining the Authority mitigates against the risk of procuring poor services. He informed the Group that the procurement service at ECC is extremely professional and I have never seen a service as integrated as this. He informed the Group that contracts are awarded on the basis of lowest price or most economically advantageous, and that from next year it will be just the latter. As part of pre-qualification organisations are expected to meet minimum ethical standards. If this cannot be demonstrated an organisation would not go through to tender stage. When questioned about democratic accountability and the opportunity for Members to challenge, Andrew Spice answered that “there is no link by procurement into decision-making as far as the service that needs to be procured – that is for the commissioners. We also do not get involved in land acquisition. We go through risk assessments for all services and monitor the level of risk and then categorise these risks. We routinely monitor the financial background of those bidding for contracts and those who have ongoing contracts.”

At its third meeting the Task and Finish Group received a demonstration of the Ariba procurement workflow system. It also received evidence from Liz Chidgey, Managing Director of *EssexCares* on the effects of TUPE; and from Iain Wicks representing the Essex Federation of Small Businesses. was thanked for attending and providing evidence to the Task and Finish Group.

Mr Wicks informed the Task and Finish Group that the payment terms ECC delivers of ten day payments is well received by businesses in Essex, as is the principle of procuring goods from SMEs. He also stated the invitation to give evidence to the Task and Finish Group was also a confirming principle in terms of ECCs relationship with the business sector in the county. Mr Wicks explained the payment terms are paid to the primary contractor, however, at times these payments terms are not replicated down the supply chain. This can have a serious impact on smaller businesses. Essex County Council should encourage more precise wording on contracts to ensure the Tier One payment is passed through the supply chain on similar ten-day payment terms. Particular problems are experienced in large supply chains.

Mr Wicks also informed the group that SMEs are often reluctant to bid for contracts with Local Authorities because the process is too complicated. Businesses take the easiest route to market which will give sales, and one of the problems is product or professional public liability. This gives no inducement to take on these opportunities with the restriction of up to £25m of public liability.

Members of the Essex FSB have raised that contractors are bringing in existing suppliers to the detriment of local businesses. The actual process and paperwork requirements are still written in "Local Authority speak", for example the PQQs. Small businesses who do not have a procurement specialist have problems in seeing what the PQQs mean in common language. The FSB would wish PQQs to be simplified and restricted to no more than two pages.

The Task and Finish Group, after its first three meetings have formulated two recommendations which it will include in its final report.

RECOMMENDATION that:

"Explicit wording is inserted into contracts with the primary contractor to ensure ten-day payment terms exist throughout the supply chain."

RECOMMENDATION that a question be inserted into tender documents which states:

"Would you take out a public liability policy equal to that of the contract if you were to be successful in the bidding process?"

There are two further meetings of the Task and Finish Group scheduled before the end of the year taking evidence from the Community and Voluntary Sector and the ECC Supplier Working Group on 26 November. The Cabinet Member for Transformation and Corporate Services will be invited to attend the 17 December meeting alongside the new Commissioning Directors. Other meetings will be scheduled with a final report expected to the Corporate Scrutiny Committee in January 2014.