

Cumbria County Council

Corporate Procurement

April 2002



Best value

The Government has placed a duty of best value on local authorities to deliver services to clear standards – of cost and quality – by the most economic, efficient and effective means available. ¹Best value is a challenging new performance framework that requires authorities to publish annual best value performance plans and review all of their services every five years.

Authorities must show that they have applied the four Cs of best value to every review:

- ◆ **challenging** why and how a service is being provided;
- ◆ **comparing** their performance with others' (including organisations in the private and voluntary sectors);
- ◆ embracing fair **competition** as a means of securing efficient and effective services; and
- ◆ **consulting** with local taxpayers, customers and the wider business community.

Authorities must demonstrate to local people that they are achieving continuous improvement in all of their services. The Government has decided that each council should be scrutinised by an independent inspectorate, so that the public will know whether best value is being achieved. The purpose of the inspection and of this report is to:

- ◆ enable the public to see whether best value is being delivered;
- ◆ enable the Council to see how well it is doing;
- ◆ enable the Government to see how well its policies are working on the ground;
- ◆ identify failing services where remedial action may be necessary; and
- ◆ identify and disseminate best practice.

¹ This report has been prepared by the Audit Commission ('the Commission') following an inspection under Section 10 of the Local Government Act 1999, and issued in accordance with its duty under Section 13 of the 1999 Act.

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Summary and recommendations

Summary

- 1 Cumbria is the second largest county in England. It is bounded by the Irish Sea to the West, the Scottish border to the north and the Pennine hills to the east. The Lake District National Park occupies 2,300 of the county's 7,000 kilometres² area, and supplies a third of the North West's water. A large part of the county lies above 300 metres in altitude, and the spectacularly beautiful but forbidding nature of much of the terrain has shaped Cumbria's economic and social situation. Main road and rail links, for example, run north-south rather than east-west. Most people live in small settlements, with Carlisle, the county town having 100,000 of the 500,000 population. Sixteen per cent of the population, the highest in England, lives in remote rural areas.
- 2 The county's economy is heavily reliant on manufacturing and tourism. Unemployment overall is around the national average, though that average conceals variations from 5-6 per cent in the traditional manufacturing towns of West Cumbria down to less than 2 per cent in the rural eastern districts of Eden and South Lakeland.
- 3 There are 84 county Councillors: 40 Labour, 33 Conservative, 10 Liberal and one Independent. The Labour group lost its overall majority in the election of June 2001, so Conservative and Liberal Democrat Councillors have formed a partnership to administer the County Council. Under the new constitution that came into force in April 2001, the Council has adopted a leader and Cabinet model of local government
- 4 The Council employs 17,000 staff across all services. Over the last decade, the size and influence of the corporate centre has shrunk relative to service departments; the Council is now striving for a different balance for major services such as IT, human resources management and procurement.
- 5 Procurement describes the whole process by which the Council buys goods and services from its suppliers. It covers items such as furniture, vehicles and paper bought for departments and schools, through major council-wide purchases such as electricity and fuel supplies to contracts for building works, financial administration and social services.
- 6 The best value review of Corporate Procurement covered all these areas, with two major exceptions: the services provided through a Council contract with *Capitadbs*, which was being negotiated at the time of the review, and procurement by schools. Our inspection included both of these areas, though not in detail.

- 7 The Council buys approximately £170 million worth of goods and services per year (this figure includes £30 million spent by those schools that use the Council's' central procurement system). Most of them are for its own departments, but it also handles work for external customers including neighbouring councils and the voluntary sector. Procurement costs the Council an estimated £5.6 million per year to run. Departments buy approximately half their goods and services themselves; for the other half, they draw on the expertise of one of three corporate units.
- ◆ Corporate Purchasing Unit (CPU), which provides advice and guidance to departments on procurement issues and also researches and negotiates high value central contracts.
 - ◆ Client Services and Property Unit (CSPU), which handles tendered services on behalf of client departments, such as the multi-faceted contract that has been established with *Capitadbs*.
 - ◆ Cumbria Contract Services (CCS) which manages the purchase mainly of low-value consumables from a catalogue of goods and services.

Scoring the service

- 8 We have assessed the Council as providing a **'fair' one star** service that has **promising prospects** for improvement. Our judgements are based on the evidence obtained during the inspection and are outlined below.

Scoring chart²: Cumbria County Council – Corporate Procurement



'a fair service that has promising prospects for improvement'

² The scoring chart displays performance in two dimensions. The horizontal axis shows how good the service or function is now, on a scale ranging from no stars for a service that is poor (at the left-hand end) to three stars for an excellent service (right-hand end). The vertical axis shows the improvement prospects of the service, also on a four-point scale.

- 9 We found that Cumbria County Council provides a **'fair'** Corporate Procurement Service. It has positive features.
- ◆ The aims for Corporate Procurement are enshrined within the procurement strategy, which takes its lead from the Council's corporate priorities, and they are clear and challenging.
 - ◆ Whilst there are few comparisons that can be made on procurement activities, where these can be made the Council compares well, for example the promptness with which it pays its suppliers and the cost of an average 'shopping basket' of supplies.
- 10 The service has some strengths, notably:
- ◆ it uses its collective purchasing power, along with that of partner organisations, to achieve significant economies of scale;
 - ◆ some staff, particularly in the three corporate purchasing units, have a high degree of purchasing skill and experience, and are able to negotiate the best deals for the Council;
 - ◆ there are some examples of working with suppliers and using customer feedback to improve purchasing decisions;
 - ◆ the service is vigilant about ensuring that the Council's standing orders and European Public Procurement regulations are adhered to;
 - ◆ the Corporate Purchasing Unit has been instrumental in developing policies and procedures for purchasing and disseminating these internally to departments through a Best Practice internal memo; and
 - ◆ the Council has adopted a variety of procurement methods to suit particular projects and circumstances.
- 11 However, we found that procurement is not at present corporately owned and managed, so that:
- ◆ the aims for Corporate Procurement are not applied consistently across Council departments, nor are they focused on customer outcomes such as helping departments to achieve their aims or alerting them to opportunities;
 - ◆ most practical purchasing decisions have until now been taken on the basis of price and other corporate priorities are usually subservient to that;
 - ◆ there is a general lack of awareness within council departments of the corporate aims and procurement strategy;

- ◆ the Council's approach to supporting the local economy and the environment through its purchasing policies lacks focus. Though there are examples of both, application of the policy is, at present, patchy;
- ◆ some economies of scale are lost through departments shopping around for the best price without taking into account costs and opportunities for the Council as a whole or the additional costs of doing this themselves;
- ◆ the Council has not been proactively pursuing an e-procurement strategy;
- ◆ the Council does not have a well developed performance monitoring framework and is not able to get a council-wide picture on contract performance;
- ◆ contract monitoring is not well established in some areas and contract managers are not always clear about their expected outcomes – this is also reflected in benchmarking activity which tends to focus on price benchmarking, rather than responsiveness, quality or customer satisfaction; and
- ◆ the Council does not proactively encourage arms-length bodies, such as schools and primary contractors, to adopt the Council's corporate aims when making purchasing decisions.

12 We believe that the arrangements the Council and the service are putting in place will tackle the weaknesses listed above, and we therefore consider that the Procurement Service has **promising prospects** for improvement. Specifically:

- ◆ the Council is revising its corporate systems to address gaps in management information and consistency. It has set up a new Policy and Performance Directorate and is working on single systems for common services such as IT and human resources management;
- ◆ it has stated that it will broaden the range of factors that determine procurement decisions from the single one of cost to wider aspects of corporate policy such as environmental sustainability and support for local enterprise;
- ◆ the Cabinet has accepted the review's recommendation that procurement staff will participate in future best value reviews, so that review teams can add a procurement dimension to their analysis; and
- ◆ the review has identified and quantified savings of the order of £390,000 in the costs of services (60 per cent of which come from pooling a number of separate electricity contracts to achieve economies of scale) and administrative costs.

- 13 However, there are a number of further actions that we believe the Council needs to add to this portfolio in order increase the quality and impact of improvements to the service:
- ◆ Councillors need to be more closely involved in procurement policy and monitoring its effects (paragraph 107);
 - ◆ the review did not address relationships with Cumbria's district councils, though enhanced relationships with districts on procurement issues could bring benefits, and one district council has signalled its intention to use the county's services;
 - ◆ the service has not yet addressed in detail the 'how' of improving client awareness and understanding; and
 - ◆ as identified in the improvement plan, staff involved in procurement activities must be supported and trained.

Recommendations

- 14 We recognise that the Council is updating and revising its central policies and systems. We recommend that it take the following actions to apply these principles in procurement:
- ◆ in order to implement a consistent procurement policy throughout the Council, ensure that corporate aims are understood and applied by everyone who procures goods and services, particularly in departments and 'arms-length' agencies of the Council (paragraphs 46, 97);
 - ◆ apply risk management principles within procurement, so that it can better understand and manage the service. As a first step in reducing the Council's exposure to risk, draw up a basic set of procurement standards for departments, incorporating customer care and contract monitoring elements (paragraph 109); and
 - ◆ as performance indicators for procurement are developed throughout the Council, ensure they monitor a broader range - that is, beyond the purely financial - of factors that are important to the Council and the service and to customers (paragraphs 42, 103).

- 15 To help the process of integration of procurement activity across the Council, we recommend that the Council and the service together:
- ◆ provide training and information for procurement staff in corporate objectives (paragraphs 81, 105);
 - ◆ design a mechanism for bringing arms-length suppliers within the corporate priorities (paragraphs 60, 64); and
 - ◆ co-ordinate the activities of the Corporate Purchasing and Economic Development units so as to assist local businesses in the most effective way (paragraph 63).
- 16 To build on the work being done by the three central units, we suggest that the service:
- ◆ monitor suppliers' views to identify the obstacles they encounter to working with the Council - try to be the client the suppliers would want (paragraph 68);
 - ◆ sample and act on client opinions more often (paragraph 56); and
 - ◆ actively investigate opportunities for e-procurement by including it in the Council's e-government agenda (paragraph 96).
- 17 We would like to thank everyone we met, especially the staff of Cumbria County Council, who made us welcome and who took time and trouble to answer our questions. We appreciate their hard work and straightforward approach.

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Report

Context

The locality

- 18 Cumbria, stretching from the Lake District to the Scottish border, is the second largest county in Britain. A substantial part of it lies over 300 metres in altitude; the heart of the county is the high volcanic dome of Scafell, from which radiate the characteristic U-shaped glacial river valleys and lakes of the region. The Lake District National Park occupies 2,300 of the county's 7,000 kilometres² area, and supplies a third of the North West's water. The area is rural, beautiful, imposing but rugged and austere, and for centuries was a land apart. Farming, and the growing appreciation of landscape in the nineteenth century, started to open up the county to outside traffic and influence, but travel, especially east-west, is still slow. Settlements are typically small and lie along the coast and the major communication routes; only about 20 settlements have a population of more than 2,500. Sizeable towns are the county town of Carlisle with a population of just over 100,000, Barrow, Kendal, Workington and Whitehaven.



- 19 Cumbria is a large county, but the population is small and dispersed. The total population of the county is just under half a million. There are only 72 people per kilometre² (the average for England and Wales is 320), and 16 per cent of the population, the highest percentage in England, live in remote rural areas. Nought point four per cent are from minority ethnic groups, the lowest percentage in the English and Welsh counties. The overall population is growing slowly, mainly as a result of inward migration, though the populations of the traditional industrial districts of Barrow and Copeland is declining.
- 20 Despite the enduring popularity of the Lake District, one of the UK's main tourist attractions and worth over £500 million per year to the county, Cumbria's economy still relies heavily on manufacturing and on a small number of large employers such as BNFL at Sellafield and VSEL at Barrow. Twenty four per cent of employees work in the sector, compared with 18 per cent nationally. As everywhere, service industries are providing a greater proportion of employment; for example a new Vertex call centre providing 1,000 jobs is planned for Whitehaven. Near the coast, the traditional shipbuilding and steel towns of Barrow, Whitehaven and Workington have experienced large job losses from the decline in those industries. Unemployment and deprivation are the highest in the county, 5-6 per cent³, and Barrow is among the 10 per cent most deprived districts in the country. Parts of the county are eligible for a range of government and EU regeneration funding, and the area is a priority for the North West Development Agency.
- 21 The east of the county has lower rates of unemployment (1.2 per cent in South Lakeland, 1.4 per cent in Eden), though tourism (11 per cent of Cumbria's employees) and agriculture (12 per cent) have been hit by the recent epidemic of foot and mouth disease. The traditional rural economy is changing rapidly and farm incomes have fallen by three quarters since 1995.
- 22 One factor linked to employment is educational attainment. The national target is for 50 per cent of economically active adults to be qualified to at least NVQ level 3 by 2002, and 28 per cent to level 4. In Cumbria, the latest figures (1998) are 33 per cent and 19 per cent respectively. More worryingly, the County is not making much progress (the national household survey reports no progress since 1994). Nine per cent of residents have a first degree (13 per cent nationally).

³ Claimant count rates for May 2001 (Office for National Statistics): Allerdale 5 per cent, Barrow 6.2 per cent, Copeland 5.1 per cent.

The Council

- 23 There are 84 county Councillors: 40 Labour, 33 Conservative, 10 Liberal Democrat and one Independent. The Labour group lost its overall majority in the election of June 2001, so Conservative and Liberal Democrat Councillors have formed a partnership since then to administer the County Council. Under the new constitution that came into force in April 2001, the Council has adopted a leader and Cabinet model of local government: the leader is Conservative, the deputy leader is Liberal Democrat and the Cabinet is made up of Conservatives and Liberal Democrats. The new administration is at present engaged in reviewing the Council's policies; it has for example recently redrafted the corporate strategy (see below).
- 24 The Council's working practices mirror the dispersed nature of the county; it meets in Kendal, its operational headquarters are in Carlisle, and the Council's 17,000 employees work from offices around the county. There are six Area Committees of County Councillors, which correspond to the six district council areas and have delegated powers to make decisions on local issues. They control a £22 million budget and their remit includes economic initiatives, services to under fives, adult education, road maintenance and safety and the youth service. Other methods of involving the community include a citizens' panel, neighbourhood forums and web-site discussion forums.
- 25 The high degree of devolution runs through to service provision. Last year the Council externalised its Design and Business Service, covering project management in a large number of fields including highways, property, regeneration, environment and building along with 'back office' functions such as payroll and pension administration, to the private company Capita. The new body, *Capitadbs*, started trading in February 2001.
- 26 Added to national moves towards the self-management of schools, this trend has resulted in a weakened sense of corporate responsibility at the centre. The arrival of a new Chief Executive and a new political administration following the 2001 election, together with government requirements to consider the overall 'economic, social and environmental well-being' of communities, is now reversing that trend. The Council is at present revising its working practices to give it a more cohesive central management; for example, it has set up a new Policy and Performance directorate to provide strategic drive across the organisation.

27 The Council's current overall aims are laid out in its new draft strategy - '2002-2005 and Beyond'. It contains seven key corporate policies and a number of key priorities, including:

- ◆ 'we will explore how Public Private Partnerships can improve the Council's services;
- ◆ work closely with the voluntary sector to help us achieve our joint aims. We will do this by listening to their needs and providing additional support;
- ◆ work to ensure that Cumbria County Council is amongst the best performing authorities in the country;
- ◆ support community enterprise initiatives;
- ◆ electronic systems for making better use of information; and
- ◆ we will promote the sustainability of Cumbria's unique environment.'

In its strategy, the Council emphasises that it *'will consider new and innovative ways of managing and purchasing service provision, whilst ensuring the quality of our services to the public are enhanced or maintained.'*

28 Also relevant to purchasing is the county's economic strategy, which has the following aims:

- ◆ tackling unemployment and deprivation;
- ◆ creating a prosperous economy; and
- ◆ improving the quality of life for Cumbrians.

Neither strategy specifically mentions the Council's role in procuring goods and services.

The Council's best value review

29 The DTLR⁴ defines procurement as:

'the whole process of acquisition from third parties and covers goods, services and construction projects. This process spans the whole life cycle from the initial concept and definition of business needs through to the end of the useful life of an asset or end of service contract.'

Cumbria County Council spends upwards of £170 million per year on goods and services; the figure excludes direct salaries but includes £30 million spent by schools. This is a significant investment.

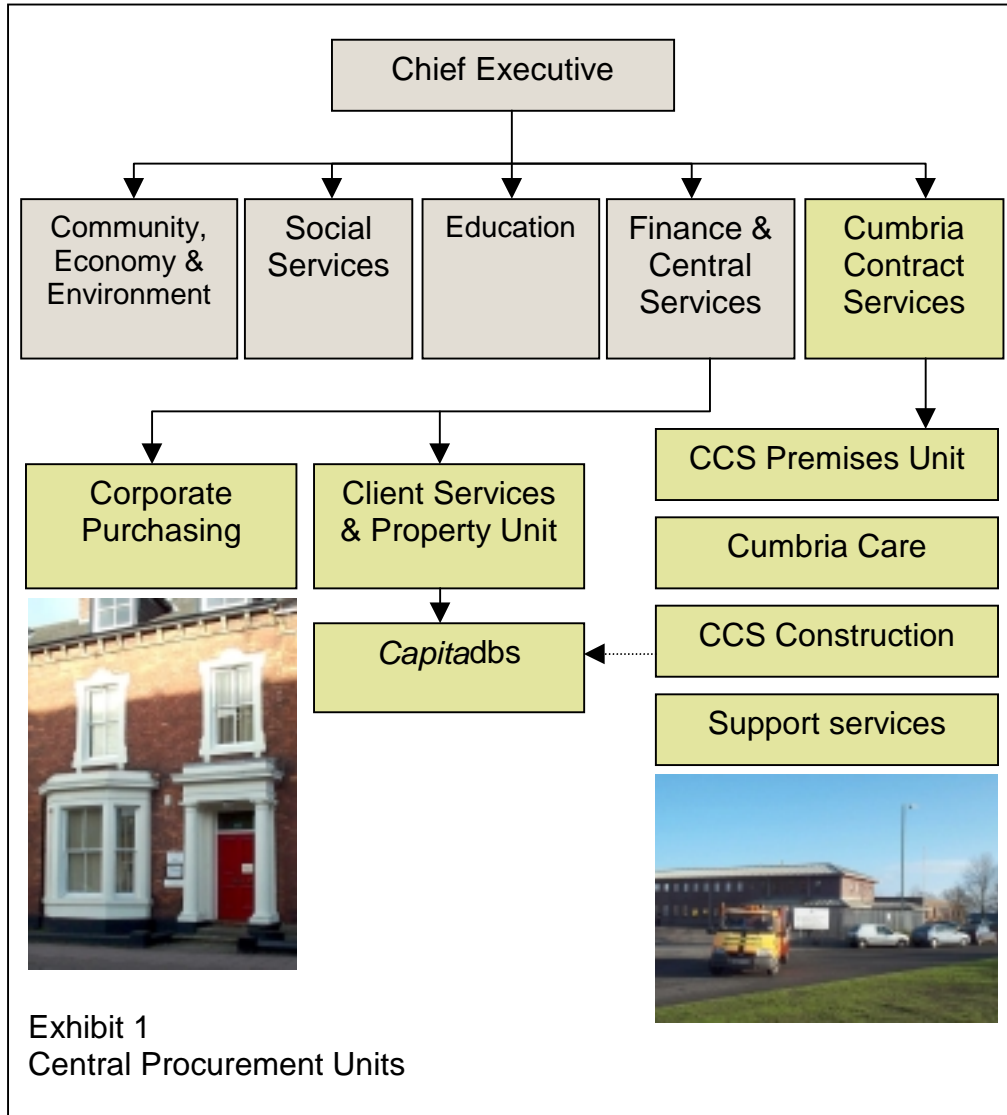
30 We were unable to establish clear figures for the distribution of the £170 million among departments, because, as the best value review says: *'It is evident that there is no common system that records and manages the Council's purchasing activity'*. CPU told us that the Community, Economy & Environment spends £40 million per year, the Social Services Department £60 million and central services £40 million (some of this last figure covers council-wide contracts for building, cleaning, catering and so on). The Education Department devolves most spending to schools; known expenditure through the Council's central purchasing system amounts to £30 million.

31 The customers of the Council's procurement activity are the front-line departments delivering services to the public, together with the central support services. They may choose to:

- ◆ purchase goods and services directly from suppliers (for example, the library service buys its own books, and the legal service engages barristers);
- ◆ use Corporate Procurement units, often to take advantage of contracts agreed collectively by the Council (such as for fuel); or
- ◆ use internal or external specialist resources.

⁴ DTLR (the Byatt report) 'Delivering Better Services for Citizens' - a review of local government procurement in England, June 2001.

- 32 At present there is no requirement for departments to use Corporate Procurement Services. The larger departments have purchasing Officers or units, and in the main, procurement is devolved to departments - the best value review estimated from a survey that departments use Corporate Procurement Services for between half and three quarters of their procurement spending. Centrally, there are three specialist procurement units.
- ◆ Corporate Purchasing Unit (CPU) – this unit provides advice and guidance to departments on procurement issues and also researches and negotiates high value central contracts, such as power and fuel. Corporate Purchasing also manages domiciliary and day care on behalf of the Social Services Department.
 - ◆ Client Services and Property Unit (CSPU) handles tendered services on behalf of client departments, such as the multi-faceted contract that has been established with *Capitadbs*.
 - ◆ Cumbria Contract Services (CCS) handles low-value, multi-user consumables. Its supplies service deals with a large range of goods from crayons to washing machines and services from car hire to road repairs. CCS produces an annual catalogue of goods and services, which Cumbria County Council departments and other external customers can access. Its customers include neighbouring councils in Borders and Dumfries and Galloway, together with voluntary associations and charities, for which it offers services such as printing.
- 33 The Council has a new organisational structure with six service directorates, of which the main ones are shown in Exhibit 1 overleaf. A new policy and performance directorate has also been established, working across all Directorates.
- 34 CPU and CSPU are within the Finance and Central Services Directorate of the Council). Cumbria Contract Services is Cumbria County Council's Direct Service Organisation, covering catering, construction and cleaning as well as supplies.
- 35 The Council has estimated that the cost of procuring goods and services amounts to some £3.3 million per year, around 3.3 per cent of its total budget. Our inspection covered the procurement of goods and services across the whole Council.
- 36 As part of its overhaul of corporate systems, the Council selected Corporate Procurement as an early best value review. The review set out to define the future shape of procurement activity across the Council, particularly to find the best distribution of responsibility between the Council's corporate centre and individual purchasing centres in departments. It started in April 2000 but was not completed until the autumn of 2001 because key staff were diverted into other projects for almost a year. The Cabinet approved the best value improvement action plan at their meeting on the 16 January 2002.



How good is the service?

- 37 Inspectors look to see how a council has agreed the key aims for the service being inspected, how clear these aims are to the people that receive the service and whether these reflect the corporate aims of the organisation as a whole.

Are the aims clear and challenging?

- 38 Challenge is the key to achieving significant improvements in performance and targets set by the Council and Government. Without challenge best value will be ineffective. It requires the Council to consider and demonstrate how a service contributes to its wider corporate aims and community plans.
- 39 Procurement is at the heart of a council's ability to obtain the goods and services that best meet its overall strategic and service aims at the best price, quality and responsiveness it can achieve. Procurement decisions are about balancing a range of choices and determining how the goods or services should be obtained – through direct employment of staff, straightforward contracting with suppliers and service providers, or by entering into more modern partnership approaches.
- 40 It is essential that staff who are procuring goods and services on behalf of the Council, and, by definition, the local communities it serves, are fully aware of the Council's aims for procurement and make day-to-day purchasing decisions within that overall framework.
- 41 The Council developed a Corporate Procurement strategy in 2001 which sets out the following objectives:
- ◆ **'apply the principles of best value to all procurement** so as to achieve efficiency, effectiveness and value for money and continuously challenge current provision arrangements by comparison with best practice 'best in class;
 - ◆ **operate legally and to the highest ethical standards** having regard to EU and UK law and County Council standing orders, financial regulations and professional codes of conduct;
 - ◆ **take a long term strategic view of procurement** including market development, the potential for innovative funding, the opportunities of cross service/agency working and e-commerce;
 - ◆ **strive for continuous improvement** in quality, price and processes by researching and developing a detailed understanding of potential products and providers;

- ◆ expect that if goods or services are to be sourced externally, that these will be acquired through **fair and open competition**, unless there are compelling reasons to the contrary and that we will develop intelligent and mutually long term relationships with preferred suppliers, as appropriate;
- ◆ **develop procedures** which guide the purchasing process; and provide transparency of decision making and involve users in the process of identifying and realising their procurement needs;
- ◆ test our effectiveness by **benchmarking** performance against other authorities and private sector providers;
- ◆ **achieve a reputation for fairness** in the award of contracts and by honouring responsibilities to our suppliers;
- ◆ have a responsibility for the community in which we work by **encouraging local businesses and favouring environmentally advantageous products** where possible; and
- ◆ **develop procurement competencies** by providing training and professional support to all personnel with responsibility for purchasing goods and services.'

The phrases in bold, which summarise the Council's aims for the service, will form the basis of our assessment of the service in the next section.

- 42 There are clear links between the Council's corporate aims (described in paragraph 27) and its objectives for Corporate Procurement. However, in practice, the pattern over recent years has been for the Council to adopt a highly devolved structure and focus primarily on detailed financial management and monitoring. This has, therefore, been the main consideration in procuring goods and services – with most practical purchasing decisions being governed almost entirely by cost-based criteria rather than on outcomes for communities and individual customers.
- 43 Awareness of the corporate aims and procurement objectives amongst senior managers is not high. In the survey undertaken by the best value review team (see paragraph 97), only half of the senior managers who responded were aware of these strategies or knew whether they complied.

- 44 The lack of a common basis for procurement across the Council is reflected in the lack of a shared understanding of what constitutes good performance. A study carried out for the Council by CIPS recommended that:

‘the Council should make it clear what it perceives to be value with respect to its purchasing. Without this, it must be difficult for purchasing staff to know whether they are meeting the Council’s objectives. There should also be a clear statement about the role of central purchasing.’⁵

The Council is in the process of setting up a comprehensive performance management framework that will provide common targets and performance measures.

- 45 The three units which have central purchasing responsibility (CPU, CSPU and CCS) seek to influence purchasing decisions throughout the Council in line with corporate policy, for example encouraging the use of environmentally-sound products and providing support for local suppliers. However, this has to be balanced with the requirement to comply with competition and public procurement regulations and the strong drive towards lowest cost coming from internal departments, business units and arms-length organisations.
- 46 In conclusion, our view is that the aims for Corporate Procurement are clear and challenging, but are not universally adopted throughout the Council. They are also not focused on how procurement can be used to achieve the best end result for communities and individual customers. Those with responsibility for making purchasing decisions do not always rise to the challenge of integrating the wider environmental, social and economic responsibilities, as recommended by the Byatt⁶ report. We have summarised the objectives laid down in the Council’s procurement strategy to make an assessment of how well the service is delivering against its aims. This is discussed in the next section.

Does the service meet these aims?

- 47 Having considered the aims the Council has set for the service, we made an assessment of how well the Council is performing in meeting these aims. This includes an assessment of performance against service standards and targets and the Council’s approach to measuring whether it is actually delivering what it sets out to do.

⁵ Chartered Institute of Purchasing and Supply (CIPS) Certification Questionnaire Report

⁶ Byatt report – ‘Delivering Better Services for Citizens’ – A review of local government procurement in England, June 2001.

Apply the principles of best value and strive for continuous improvement

48 For this aim, we looked at how the Council uses its procurement power to obtain significant economies of scale for itself, neighbouring councils and the local community. We found several examples, including:

- ◆ large corporate contracts for energy, fuel, mobile phones, office and school supplies and services have been established centrally and are all listed in CCS' annual catalogue;
- ◆ for a fee, the Council allows Scottish Borders and Dumfries and Galloway councils access to all CCS contracts for goods and services; and
- ◆ many local organisations, such as charities, youth clubs, churches, guides and scouts, also piggy-back on to CCS' contracts for goods and services in order to obtain competitive prices.

By allowing others to access the discounts that have been negotiated, the Council is creating a virtuous circle. When others access these arrangements they add their purchasing power into the equation, thus creating a higher overall level of purchasing power, which, in turn, improves the preferential rates that suppliers and contractors are able to offer.

49 There are, though, examples of internal council departments and schools not taking advantage of the economies of scale generated by the Council's purchasing power, though the education service has recently set up the Schools Procurement Advisory Service to enable schools to benefit from Corporate Procurement expertise and buying power. The extent to which this is happening can be identified centrally from the creditors' register, and we saw evidence that other suppliers are also being used. CCS tracks this on a monthly basis, where possible, although they cannot track payments from all schools as some are made by cheque. The culture of price consciousness has traditionally been very strong in the Council and many departments shop around for the best price, for example for their office supplies, without taking into account:

- ◆ the cost of staff time in comparing prices and preparing and placing separate orders;
- ◆ the cost of processing those orders and payments, along with the impact on the environment of several suppliers delivering to the same office; and
- ◆ the overall cost to the Council through the seepage of its purchasing power.

- 50 We saw examples of the Council seeking to improve its end service to customers through the development of its supply chain. Examples of this included:
- ◆ working with local care homes to develop a training programme for unqualified care staff in order to help them meet new legal requirements for qualified workers;
 - ◆ taking steps to re-define the geographical patches for day care support to eliminate the patchwork of provision that had built up and to alleviate situations where one company was providing day care in the mornings in a particular area and another was providing it in the afternoon – creating unnecessary costs for providers and a lack of continuity for customers; and
 - ◆ working with schools and other customers of CCS to identify the range of products and services to be included in the catalogue and to consult customers on price and quality issues and feeding this through into tendering activity and supplier feedback.
- 51 In some instances, end users are involved in defining product and service specification. In Social Services, social workers consult with individuals and their carers or next of kin to ensure that their needs are taken into account when putting together a personalised package of support. Within budget constraints, social workers can then commission the appropriate range of services from approved suppliers to meet the needs of the client.
- 52 The Corporate Purchasing Unit has worked closely with representatives of other departments on the best value review team to develop detailed corporate guidance for the 'compete' element of the Council's best value toolkit and this is now being applied within best value reviews across the Council.

Operate legally and ethically (apply fair and open competition and achieve a reputation for fairness)

- 53 On the legal aspects of its operations, we assessed how proactive CPU has been in raising awareness of Public Procurement regulations across the Council. The Unit deals with anti-competitive behaviour through a Best Practice internal memo, which is circulated every two months. At corporate level, the Council operates through standing orders, and clear contracts procedures have been laid down. We saw examples of procurement tenders that has been drawn up and advertised through the Official Journal of the European Communities (OJEC). There have been no legal challenges to the Council in relation to its procurement activity and we consider that it is operating in accordance with its own standing orders and European procurement regulations.

Develop procurement competencies and procedures

- 54 We wanted to see how the central procurement units are assisting in bringing a more coherent corporate approach to procurement by developing procurement processes and skills across the Council. In line with the Council's desire to adopt consistent approaches, CPU has over recent months been actively promoting a move towards common procedures across departments through the bi-monthly Best Practice internal memo and through the Procurement Communications Group established as a result of the best value review. Most departments adopt the model minimum tender criteria developed by CPU and disseminated across the Council and recognise the level of procurement expertise that is available for them to access in CPU. Officers from client departments told us that it was *'helpful to have CPU in the background – co-ordinating and facilitating'*.
- 55 The Council is very flexible in its approach to procurement and employs a variety of different methods, which are appropriate to the circumstances. We saw examples of framework contracts, spot contracting, partnering and two-stage tendering. It is able to identify the costs associated with raising and processing purchase orders and invoices and has calculated this at £30.37 per order. In some cases, the cost of processing the order may be higher than the order value itself, on one-off purchases and purchases outside of the main CCS arrangements. Officers feel that ordering is a *'paperchase'* when it does not need to be.
- 56 We saw some evidence of IT-based order processing and inter-departmental charging; however this appeared to be the exception, rather than the rule. With few exceptions, there was a disappointing level of forward thinking about the opportunities that e-government - e-procurement in particular, allow the service to explore ways of making procurement more straightforward, accessible or adaptable, particularly in this extended and sometimes remote county.
- 57 We heard from client departments that CPU gives help and support on specialised projects. The level of support ranges from straightforward advice through to a full tendering exercise; however this is driven by the extent to which a department or service wishes to access this support, rather than an acceptance that CPU should have a strategic involvement in any procurement exercise. Officers we spoke to felt that the CPU was able to *'offer an objective view'* and *'help in negotiation'*. Some departments sought legal advice on tendering and said that they *'value support from CPU'*. The departments' view of CPU appears to be changing. One department told us that they used to think, *'if you let CPU in, it will be cheap, but it will be rubbish'*, but now they recognise the strength of marrying the technical skills and expertise within departments to the commercial acumen in the CPU. Some departments recognised that they had what they referred to as *'hobbyist purchasers'*, who did not have the right skills or expertise to undertake purchasing activity within a strategic framework, but still did not necessarily tap into the expertise available centrally.

However, in many cases, we were told *‘people doing purchasing as part of their job have signalled that they’d welcome advice, support and guidance’*. This is now starting to happen in practice and we were given examples of where CPU had worked alongside departments to improve the outcomes of purchasing activity.

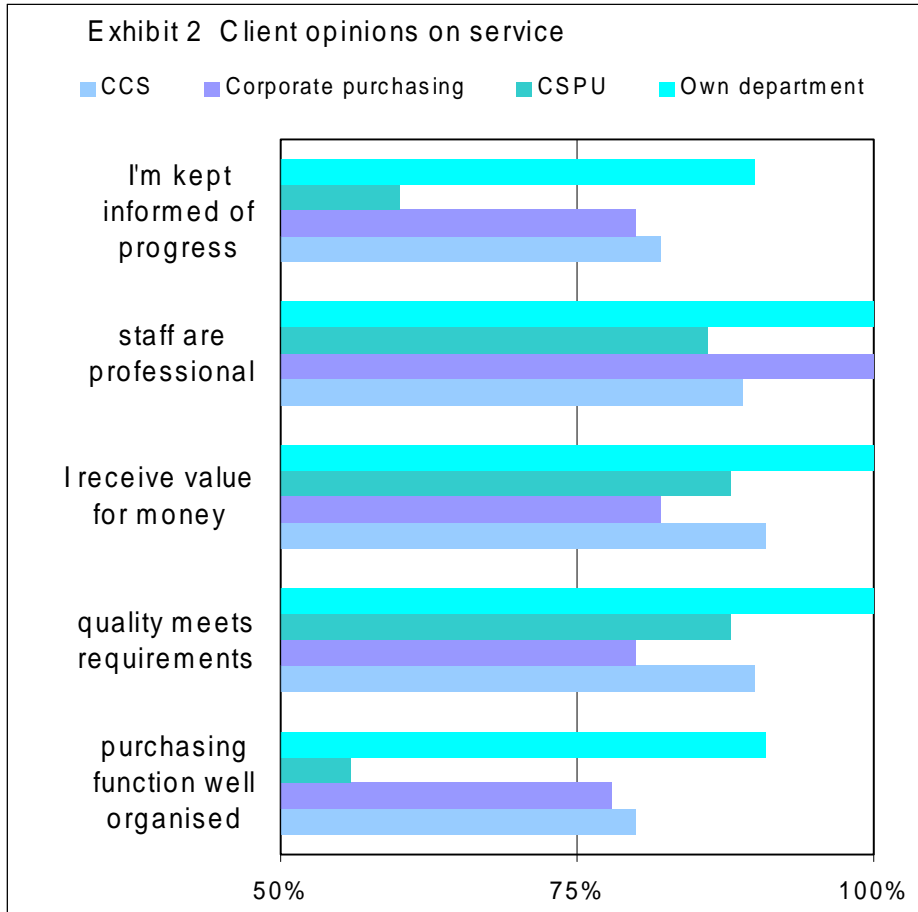
- 58 There is a high level of procurement knowledge, experience and expertise in the three central units and this is recognised by Officers across the Council and externally. Some of the districts pay a small retainer to tap into contracts that Cumbria County Council has in place and to get advice on specialist contracts.
- 59 Although the Council has not had a proactive approach to introducing approaches to e-procurement, we saw some examples of good practice using ICT to support the procurement process and achieve efficiency savings. In particular, we were impressed with the electronic link with Hertfordshire County Council, which CCS is using to enable remote ordering, order picking, despatch, delivery and billing. At no time does the stock ordered by CCS customers enter CCS premises; orders are aggregated and sent through to Hertfordshire County Council – Cumbria’s supply partner, and are picked, packed and delivered directly to customer premises. This means that CCS does not incur costs for warehousing, spoilage or re-packaging of orders.
- 60 However, we were concerned that formal performance indicators are only just being established for the main *Capitadbs* contract, though it has been in operation for almost a year. Prior to that, a project team had worked for several months on the externalisation of this activity and we found it surprising that developing a framework for on-going performance monitoring had not featured highly in the team’s remit.
- 61 We were also concerned that there does not appear to be a formal corporate approach to risk assessment and management as recommended by the Byatt report. It was not clear to us that the Council had considered where there were potentially high-risk areas in terms of procurement. This might include, for example, the risk of suppliers or service providers failing to deliver or over-reliance on particular suppliers or service providers or particular types of contracting. However, we did see evidence that this type of approach was being used by Internal Audit.
- 62 The Council has no way of assessing whether the Corporate Procurement strategy or the purchasing guidelines produced by CPU are being followed by those involved in purchasing decisions across the Council and currently has no means to ensure that they are.

Take a long term strategy view (including cross service/agency working and e-commerce)

- 63 It is important that the Council, as an influential body in Cumbria, acts as a leader in local procurement practice. There is evidence that both central procurement units and departments have been working closely with local business to improve their capacity to be suppliers to the Council. At the time of the inspection we did not see any links between this and the work being undertaken by the Council's Economic Development Unit to develop local businesses. We consider that this represents a missed opportunity to promote joined-up working across the Council to support local business and local employment, and we recommend that these services co-ordinate their activities. We understand the two units have now begun a series of meetings.
- 64 We found that there had been little attempt to ensure that arms-length bodies, such as schools, *Capitadbs* and other contractors adopt the strategic procurement aims of Cumbria County Council. In the case of *Capitadbs*, it appeared that they were driving the agenda on sustainability to a greater extent than the Council itself and, indeed, had suggested ways that the Council could procure more environmentally-sound products, such as green energy and re-cycled materials for highways.

Benchmark

- 65 Here we were assessing how the service exchanges information with counterparts about processes and prices, in order to keep itself up to date with trends in procurement practice. We saw examples of both the CPU and CCS undertaking energetic **price** benchmarking. CPU monitors energy market trends on a monthly basis and is also a member of LAGUR – Local Authorities Government Utilities Resource. The unit tracks highs and lows in the energy market and seeks to time tendering at the point at which the market is low. CCS regularly benchmarks its catalogue prices within the stationery and supplies market against both public and private organisations.
- 66 However, we found no evidence that benchmarking on other aspects of procurement performance, such as speed, quality and customer satisfaction had been systematically benchmarked.
- 67 The review team did survey customers, suppliers and colleagues as part of the review; the chart overleaf (Exhibit 2) shows that more than three quarters of a sample of internal customers (including schools) believe in the cost-effectiveness of the service and the professionalism of the staff. On attributes such as being well organised and keeping customers well informed, customers' own departmental procurement units score well, but the rating for central procurement units is more variable.



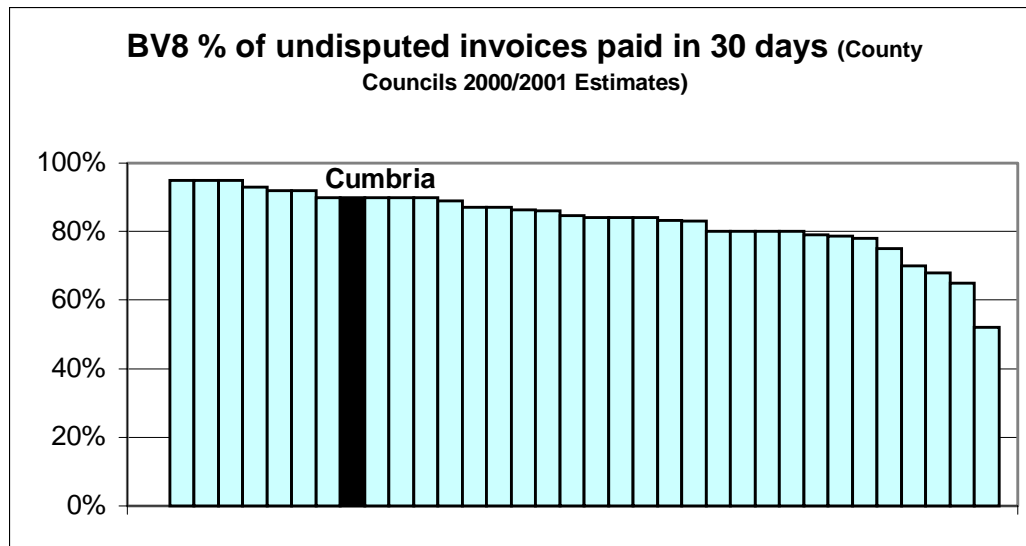
Encourage local businesses and favour environmentally advantageous products, where possible

- 68 We wanted to see how purchasing decisions take environmental issues into account. Senior Officers within the CPU told us that it was difficult, if not impossible, for the Council to address these priorities through its procurement activities, because of the requirement to accept the most economically advantageous tender under the Local Government (Goods and Services) Act 1970, and the EU directives covering anti-competitive practices in procurement. However, procurement is more than just a process for the Council to acquire goods and service, but is a tool through which the Council can make its policies and priorities felt in a very tangible way. Despite this lack of strategic push from the central team, we found some practical examples of the Council using its purchasing power to support its priorities, although we were conscious that price considerations usually featured uppermost in purchasing decisions.
- ◆ The CPU is actively involved in the Cumbria Supply Chain Network Group, which is a group of major purchasing organisations in Cumbria who are seeking to improve their own procurement expertise and to educate local suppliers on how to deal with large purchasers. The Council has also participated in 'Meet the Buyer' days run by the Business Link.
 - ◆ The Council supports the Quality Guild, a quality accreditation system for smaller companies.
 - ◆ The Council ensures that tenders are advertised in local papers and on its web-site to ensure that local suppliers are given every opportunity to tender for work. The improvement plan recommends extending this process.
 - ◆ CCS Catering identified a local supplier of uniforms, who was able to offer the most competitive price. The supplier did not have sufficient cash flow to hold stocks of uniforms for the Council and the Council has no warehousing facilities to hold stocks. A deal was struck whereby the Council would pay for the uniforms it needed up-front, but the supplier would warehouse them and undertake to deliver orders the next day, thus obtaining a 'win-win' solution for both organisations.
 - ◆ CCS Supplies catalogue uses a green flag to identify environmentally sound products and has an environmental statement in the preface to the catalogue. It also produces a 'Green Purchasing Guide' that identifies current best practice.
 - ◆ The 'Green Workplace' guide, which is issued to all staff, incorporates a chapter on 'green purchasing'.

- 69 In conclusion, the evidence suggests that procurement activity within the Council is going some way to meet the overall objectives of the procurement strategy. However, there are several areas that feature in the Byatt report (see paragraph 82) as good practice, such as linking procurement strategy with the Council's other strategic aims, which the Council has yet to address.

How does the performance compare?

- 70 In order to judge the quality of a service, it is important to compare the performance of that service against other suppliers across a range of sectors. The aim is not exact comparison, but an exploration of how similar services (or elements of services) perform in order to identify significant differences, the reasons for them, and the extent to which improvements are required.
- 71 There are few data available on which to compare procurement activities and there are no specific performance indicators. However, exhibit 3 overleaf shows that Cumbria County Council is in the top 25 per cent of county councils in terms of how quickly it pays undisputed invoices. This figure can be used as a proxy indicator for how well the Council deals with its suppliers; in Cumbria's case 87 per cent are paid within 30 days, suggesting a good relationship between purchaser and supplier.
- 72 Exhibit 4 overleaf shows the results of a benchmarking exercise undertaken to compare the prices of a 'shopping basket' of goods featuring in the catalogues of a range of potential suppliers. As can be clearly seen, Cumbria County Council compares well on this, coming out at the lowest price and almost 50 per cent of the cost of the highest supplier to this market.



Percentage of undisputed invoices paid in 30 days – Cumbria County Council compared to all English County Councils

- 73 CCS compare their prices with a range of suppliers in the public and private sector each time the catalogue is produced and seek to offer either a lower price or a superior product or service in line with customer requirements by operating on a 'mixed margin' basis.
- 74 We also heard from suppliers that the Council has a reputation for driving a hard bargain and ensuring that it gets the best price.
- 75 However, we were not able to compare how the procurement activity compared with others on quality of service. Although the service had undertaken a self-assessment against the Procurement Excellence Model⁷, the model had been adapted to suit local circumstances and it was, therefore, not possible to compare the score achieved by Cumbria County Council with that being achieved by others using this model.
- 76 In conclusion, whilst we cannot make a definitive comparison of the Cumbria Service against other similar services elsewhere, we can say that on those areas that can be compared, Cumbria is performing well.

⁷ a type of quality management framework similar to the European Foundation for Quality Management's self-assessment questionnaire. Organisations mark themselves on a range of management qualities including leadership, staff development and customers' views.



Exhibit 4 – Results of cost of ‘shopping basket’ exercise

Summary

77 In summary, we judge that Corporate Procurement is a **‘fair’ one star**, service because the aims are clear and challenging, but they are not universally applied nor are they sufficiently focused on customer outcomes. The service is delivering well against the aims in some areas, notably in achieving economies of scale, securing competitive prices and complying with legal requirements. However, it has not fully maximised the opportunities to use its purchasing power to put its corporate policies and priorities into action. In those areas where performance can be compared, the Council is performing well, however we consider that the Council could have considered how to use the Procurement Excellence Model to compare its performance with that of others.

How likely is the service to improve?

Does the best value review drive improvement?

- 78 The best value review is the mechanism for ensuring that councils deliver continuous improvement in the services they provide. In undertaking the best review at this time, the Council wanted to explore options for the future of its procurement activity, particularly how to balance the need for corporate direction with departmental freedom of operation. We also wanted to see how far the review reflected the Government's view of good practice, as set out in the Byatt report on local government procurement.⁸
- 79 The review covered all aspects of procurement in the Council, except for:
- ◆ arms-length procurement by *Capitadbs*, because the contract was being negotiated at the time of the review; and
 - ◆ procurement by schools, because their decision-making is largely independent of the Education Department.

We included both activities within the scope of the inspection, though we did not look at their procurement procedures in detail.

- 80 There were no Councillors on the review team, though they were involved in a challenge workshop in April 2000 to define key issues in procurement. The two main issues they identified there were contractual terms and the balance between central and devolved purchasing. The team established to undertake the review included staff from a range of departments across the Council, along with central procurement staff and there was an external member of the review team with expertise in supply chain development, from the Business Link network.

⁸ DTLR (the Byatt report) 'Delivering Better Services for Citizens' - a review of local government procurement in England, June 2001.

81 Staff told us that the review had acted as a catalyst in re-examining procurement. The review team analysed the current situation and identified areas that needed attention⁹, including:

- ◆ the Council had no way of measuring the effectiveness of purchasing decisions;
- ◆ there was scope for savings to be made by maximising the use of corporate contracts;
- ◆ most purchasing decisions were being made on price rather than cost or ‘best value’; and
- ◆ the potential of e-commerce and e-procurement was not being exploited.

In general, these are the issues that we identified in the previous section. There were however, some areas that the review did not address in detail.

- ◆ The relationships between the county and Cumbria’s districts, although we were told that one district is in discussion about the possibility of the County undertaking all of its procurement activity. Districts could benefit from a shared expertise and access to economies of scale obtainable at county level, and we would like to have seen some work in the review on how the county and districts could combine their activities.
- ◆ Ways of increasing client understanding of, and satisfaction with, the services of the central procurement units (though the recommendations do include training for procurement Officers and the setting up of a communication/support group).
- ◆ How to support departmental staff who make procurement decisions, and what training and expertise to give them in topics such as contracting. The Byatt report recommends appointing client managers for all major procurements, defining the skills they need and ensuring that they receive training to develop those skills.

⁹ Best Value Review meeting 27 March 2001

82 The review of procurement was timely in that it coincided with the publication of the Byatt report. The Council and the review team followed some of the report's recommendations, such as:

- ◆ 'procurement expertise should be integrated into best value reviews and represented in every local authority on the body which oversees best value;
- ◆ best value reviews should incorporate a wide-ranging approach to a local authority's key strategic objectives and be aligned to outcomes rather than the existing patterns of service provision; and
- ◆ local authorities should seek to aggregate demand and reduce costs by setting up central contracts for commonly used items and by requiring consolidated invoices.'

83 However, the Byatt report made a number of recommendations that the review team did not explore (though some of them appear in the improvement plan), notably that local authorities should:

- ◆ 'set out their procurement strategy in a document which includes principles and information on current and planned activities. This should be regularly reviewed and updated;
- ◆ map their procurement activities using techniques such as a low/high risk and low/high value matrices. They should identify the areas where procurement resources can have most impact and the appropriate skills and techniques for each type of procurement;
- ◆ review their standing orders to ensure they promote efficient and effective procurement whilst maintaining safeguards of probity and good governance. Standing orders should be used positively to encourage good practice. Changes to standing orders should be accompanied by an effective education programme; and
- ◆ produce a prospectus for suppliers. This could usefully be adapted from the procurement strategy document described (above). It should include the significant items which the council expects to buy in the future, with an indication as to how and when it will procure them.'

These themes are set out in our recommendations.

84 The review team used the four Cs to gather further information and to discuss the issues arising from its analysis.

Challenge

- 85 In considering **why** the Council needed a Procurement Service, the review team came to the conclusion that the procurement of goods and services is one of the cornerstones of the Council's operation.
- 86 In challenging **how** this was done in practice, the review team drew up a document at the beginning of the review listing the challenges facing the service. This was based around three key aspects – strategy, processes and structure and used the outcomes of the Councillors' challenge workshop as a starting point. The review team was not afraid to raise 'difficult' issues, and among other questions, it asked:

- ◆ is the Council providing the purchasing function in the best way possible or are there better ways elsewhere;
- ◆ is the corporate purchasing strategy right;
- ◆ to what extent do departments comply with the corporate purchasing strategy;
- ◆ should the Council have an e-commerce strategy;
- ◆ has the Council got the balance right between central and devolved purchasing; and
- ◆ should the purchasing function be outsourced?

These issues fed into the review process and helped to define the areas for improvement. As we have mentioned, the best value review was intended to inform the Council's procurement strategy at a time when it is reviewing all its corporate structures, and was prepared to challenge the current way of organising procurement.

Consult

- 87 The team surveyed the views of staff, suppliers and clients. The report on the client survey remarks that:

'it is obviously not clear to users how the 'central' services interrelate with each other or with departments to provide the Council's Procurement Service ... The responses have identified a need to raise the awareness of corporate-wide procurement policies and procedures.'

The survey also revealed variable standards of purchasing management; 61 per cent of respondents had no contracts register and only six of the 35 respondents had a departmental purchasing strategy.

The client survey therefore lent weight to what became one of the major themes of the improvement plan – the argument for the corporate centre to collect and collate information and lay down basic standards for procurement across departments, to improve the overall level of service and reduce the risk to the Council from poor purchasing and contract management.

Compete

- 88 The team considered three alternatives for organising procurement: leave arrangements as they are (the status quo), externalise all procurement or reorganise. The team ruled out the first option because:

‘it would not address the existing known weaknesses in procurement arrangements and ... would not be the best starting point for achieving any significant improvements in performance’.

- 89 It also eliminated the second option when it invited expressions of interest from organisations able to manage the Council’s procurement and received little response (this has also been the response to other councils). The team therefore opted for restructuring corporate resources for procurement, including bringing the present Corporate Purchasing Unit and the voluntary competitive team from Client Services and Property Unit together into a single unit. This restructuring will go ahead in April 2002, and the new organisation will be named the Corporate Procurement Unit. However, the Council has recently externalised several of its procurement functions as part of the *Capitadbs* contract (paragraph 25).

Compare

- 90 The only readily available comparative data is the ‘shopping basket’, which compares the prices of a defined range of goods. The review team did carry out this comparison (paragraph 72), and also commissioned the Chartered Institute of Purchasing and Supply to examine its procurement processes. The review team also consulted several other public bodies, including other councils, about their approaches to procurement; however it was not clear that the outcomes of the comparison had been used to inform the improvement plan.
- 91 In summary, the best value review was designed to examine the issues and recommend options for the future of procurement within the Council’s new, more ‘corporate’ style of management. We found that it did address most key issues, though there were some areas that it did not cover, mainly because it ruled them out in the initial stages.

How good is the improvement plan?

- 92 A best value review should produce an improvement plan that sets out what need to improve, why, and how that improvement will be delivered. It should contain targets which are not only challenging but also designed to demonstrate and ensure the continuous improvement necessary to put the service amongst the top 25 per cent of councils within five years.
- 93 The recommendations arising from the analysis described above formed the improvement plan for the service. The plan has two parts: actions associated with implementing the review team's preferred option for the organisational structure of Corporate Procurement, and a list of recommendations (and the benefits they could bring) for improving procurement procedures. A separate report to the best value Cabinet sub-committee proposes a timetable for the implementation of both these parts.
- 94 The recommendations on improving procurement consist of eight major and fifteen minor recommendations; taken together, they cover the following topics:
- ◆ save the Council money by using its formidable combined purchasing power to achieve economies of scale in major contracts. This means strengthening the power of the centre to impose council-wide contracts in order to achieve economies of scale. For example, CPU has recently brought together more than 200 separate electricity supply accounts operated by the Council into one, and has estimated that it will save 30 per cent of the current £750,000 it spends on the smallest contracts;
 - ◆ reduce the administrative cost of procurement from its current £3.3 million per year (this sum excludes purchasing by schools and through the *Capitadbs* contract). The target figure is £40 000 in the year 2002/2003;
 - ◆ reduce the risks associated with contracting activities, eg legal or other challenge, supplier failure or inappropriate behaviour;
 - ◆ contribute to delivery of the Council's Corporate Strategy, particularly in areas such as developing the local economy and protecting the environment;
 - ◆ increase the amount the corporate centre spends on procurement (by £60,000), in order to allow for a central management, advice and research function. This recommendation has been accepted and will apply from April 2002;

- ◆ bring together the two central procurement units within the Finance and Central Services Directorate, CSPU and the Central Purchasing Unit, to simplify administration; and
 - ◆ keep procurement in-house, but regularly review this policy. Four thousand five hundred catalogues are printed annually, and the Council aims to make the catalogue available on the Intranet, with internal e-ordering soon.
- 95 The plan also recommended that procurement staff sit on best value review teams, leading the 'challenge' and 'compete' elements of reviews.
- 96 One of the recommendations concerns e-procurement. As described in the previous section, we saw little evidence that the Council was developing a proactive approach to either e-tendering or e-purchasing (though CCS is about to pilot a purchasing card, see paragraph 112). The subject does not feature in the Council's Implementing e-Government statement and the Head of CPU told us that the Council's approach would be to let other councils take the lead in this area and then adopt it once it was proven to work. The recommendation in the improvement plan proposes that a group *'look at the benefits of e-procurement'*; we understand that the service is planning meetings with councils that have launched e-procurement initiatives and is starting to manage EU tendering electronically. The requirements of e-government demand a more proactive exploration of opportunities than that implies, and recommend that the Council incorporate e-procurement into its e-government strategy.
- 97 We consider that these items closely match the issues identified by the review and those we encountered in assessing the current service. For example, the client consultation that formed part of the review showed that client departments felt informed about their own departments' procurement methods, but fewer knew about the work of the central procurement units (see exhibit 5 overleaf). The review noted that *'the responses have identified a need to raise the awareness of corporate-wide procurement policies and procedures.'*

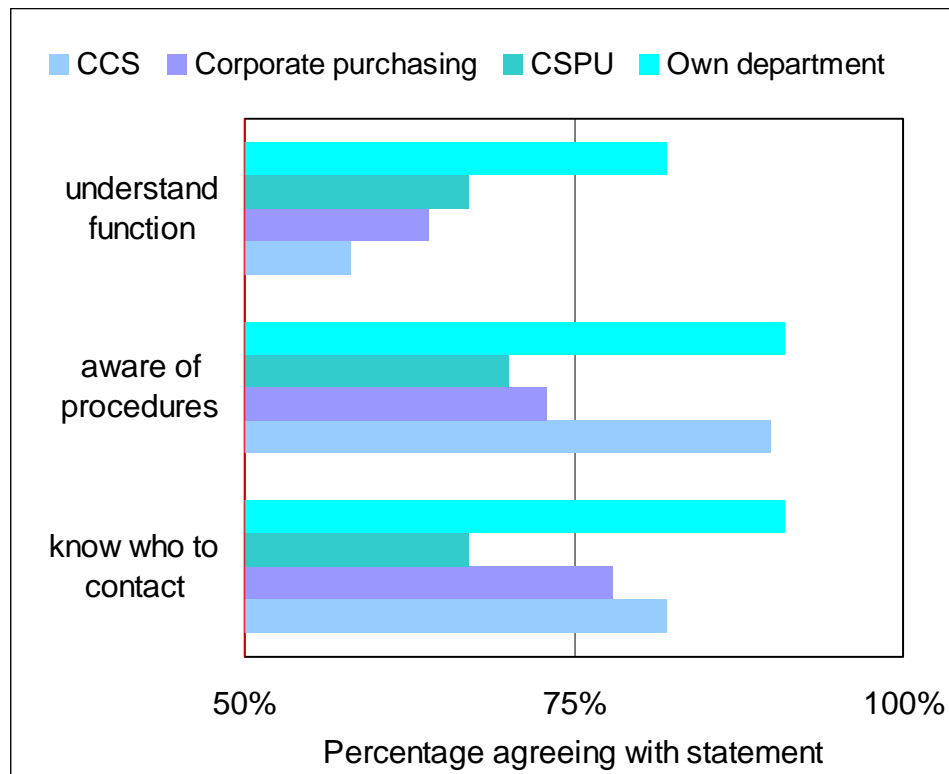


Exhibit 5 Client departments' understanding of current central procurement

- 98 The review team drew up a list of ways of measuring progress on each of the major recommendations in the plan. For example, under '*Assist in delivering the Council's strategic objectives*', it included among other measures:
- ◆ the volume of 'green' purchases;
 - ◆ the amount spent with Cumbrian companies;
 - ◆ surveys of user satisfaction;
 - ◆ periodic scrutiny reports; and
 - ◆ having a corporate strategy document in place.
- 99 Whilst the review established that there is scope for savings of approximately £390,000 in the procurement of goods and services and the costs of undertaking that procurement, the way that this will be achieved in practice has not specifically been laid down in the improvement plan.

- 100 In summary, we found that the improvement plan tackles the main problems with the present service we identified earlier. It covers:
- ◆ the organisation of procurement throughout the Council to deliver its overall strategy and measure what it is achieving, though it did not deal with how to identify and manage risk;
 - ◆ training and support for procurement staff in departments to help them implement council policy, though it did not deal with how the central units would monitor client departments' satisfaction with their support; and
 - ◆ value for money, through financial savings and more specialist advice on procurement given by central units to departments.

Will the Council deliver the improvements?

- 101 In assessing whether the Council will deliver what it has set out in the improvement plan, we looked for evidence that the Council will deliver what it has set out in the improvement plan. We looked for a track record of managing change within the Council and within the service; the plan should also have support from Councillors, management, staff, service users and other stakeholders, particularly those responsible for delivering it.
- 102 We looked at the balance of responsibilities between the corporate centre and departments. As we mentioned in paragraph 25, the Council has a recent history of devolved decision-making. Managerially, it was an early exponent of the 'purchaser-provider' model, in which the County Council becomes a 'client' buying services from its own staff. The last decade has seen continuing devolution, including in the last few years the creation of 'arms-length' organisations such as Cumbria Care (which delivers residential care for the Social Services Department). The centre has been small, providing few support services beyond basic corporate support services and media relations, and the sense of there being a corporate 'culture' has dwindled.
- 103 The other important factor shaping corporate policy has been financial stringency and an emphasis on financial measures of effectiveness. In procurement this has meant purchasing decisions very firmly taken on grounds of cost, with wider corporate aims relatively underemphasised. As one interviewee put it: *'Historically, procurement had been all about money.'*

104 We have described earlier the effects of these corporate traits on the Council's procurement function, and the recognition *that 'too much discretion ... is proving counterproductive'*. With a new Chief Executive and a new administration, the Council is now strengthening the corporate centre, so that corporate priorities are likely to feature more prominently in procurement decisions. It has already set up a Policy and Performance Department and convenes a Corporate Officers Group to deal with issues involving more than two departments. It intends to continue by:

- ◆ bringing together the best value performance plan and the corporate strategy into a single document; and
- ◆ applying common IT, human resources and property systems across the Council.

The emphasis on price as the dominating criterion driving purchasing decisions is also changing; for example we saw an example of a contract evaluation sheet that gave 40 per cent of the weight to technical and quality factors (including environmental sensitivity), 60 per cent to price.

105 The Council currently has a working group designing a performance management framework using key performance indicators. Performance management will raise questions about capacity and training, and the Council expects to work towards Investors in People certification in the next two to three years. The performance management system still has some way to go; the auditor has drawn attention to gaps and weaknesses in statutory performance indicators, and an early attempt to devise key performance indicators for the Council as a whole was halted when the indicators proved too simplistic to yield meaningful information. The Council is now experimenting with regular reporting from departments, though a lack of shared IT systems (see below) continues to make it hard to bring information together at the centre.

106 The challenge for procurement will be to make the Council's procurement practice reflect its corporate aims. In an administration with a strong tradition of devolved decision-making, it will not be an easy task to establish corporate thinking.

107 We found that Councillors are committed to stronger central procurement. One told us:

'I see a much stronger corporate purchasing role'. A key recommendation of the Byatt report is 'that elected members should take a strategic role in securing quality outcomes. This should include scrutinising procurement processes and monitoring the outcomes of procurement. There should be clear political responsibility for procurement with appropriate training.'

We recommend that Councillors take a more active part in defining and applying broad procurement policies across the Council.

- 108 However, staff that we spoke to were not always optimistic about changing the culture of devolution; the improvement plan offers few proposals for how this culture change might be brought about, except through firmer central direction (such as making certain contracts mandatory on departments) and the continuation of the communications group (paragraph 111). Corporate managers recognise that they will need to employ a combination of persuasion, incentive and command to achieve the changes they want.
- 109 Culture change is a slow process. In the meantime the corporate centre can reduce the risk from poor purchasing or contract management by establishing minimum standards of procurement throughout departments, including customer care (such as handling complaints) and record-keeping (such as maintaining a register of contracts). We recommend that it draw up basic procurement rules in plain English and train departmental procurement staff in their use.
- 110 An early beneficiary of a more corporate approach to procurement will be IT. It is difficult to make any corporate systems work without a common base of communication and documentation. At present both hardware and software are a matter for departmental decision, and there are few shared systems. The Council operates from 170 separate sites across the county (including libraries but excluding about 450 schools), of which approximately 70 are now connected in a network. There are plans to put information about Corporate Procurement and good procurement practice on the Council's Intranet. The Council has already engaged consultants to look at the delivery of technical support across the organisation, and is bringing in shared diary and email systems. We were encouraged to see the Council taking the first steps to standardise IT procurement, because the different hardware and software currently in use in various parts of the Council is hampering the search for a comprehensive management information system that reports clearly and succinctly to the centre.
- 111 Another positive outcome of the review is the continuation of a client focus group as a 'procurement communications group' - in effect a cross-departmental user group, to act as a sounding board for ideas and channel client departments' opinions of the corporate service.

- 112 At a service level, central units continue to make improvements to their services. For example:
- ◆ CPU is consolidating the 400 separate contracts for electricity supplies into one central contract. The move is expected to save approximately 20 per cent of the current bill by negotiating a lower price for bulk purchase.
 - ◆ CCS, in conjunction with the Royal Bank of Scotland, is about to pilot a 'virtual' purchase card. The experiment will start in the catering section of CCS, where staff will be able to purchase meat for schools by debiting a virtual purchase card. As well as reducing paperwork (each meat delivery is currently invoiced separately), the new system will save on the costs of processing some 40,000 cheques per year by consolidating purchases into a few transactions.

Summary

- 113 We found that the best value review team did identify most key issues in procurement, and it oriented the review towards finding the best way to run procurement in the new corporate climate. However, there were a number of areas, such as relationships with the districts, how to improve client awareness and how to support and train staff, which would have benefited from more in-depth consideration.
- 114 The Council is revising its systems to give more central management based on improved systems for generating and transmitting management information. It is likely that it will broaden the range of factors that can be included in procurement decisions from the single one of cost to wider aspects of corporate policy such as environmental sustainability and support for local enterprise.
- 115 The improvement plan does address these issues, as well as listing improvements in the administration of procurement and making proposals for savings in the costs of procurement. However, though it breaks down cost savings into categories, it does not fully detail how they will be achieved in practice.
- 116 Councillors and staff both spoke of their commitment to improving Corporate Procurement. The Cabinet has also accepted the review's recommendation that procurement staff will participate in future best value reviews, so that review teams can add a procurement dimension to their analysis.
- 117 The key challenge lies in reversing the entrenched departmental focus that has been a feature of the Council's culture for many years and ensuring that procurement decisions are taken in the best interest of the Council as a whole and of the communities it serves.

118 Overall, we therefore assess the service as having **promising prospects** for improvement.

Appendices

What the Inspectors did

The purpose of best value inspection is to make two judgements. The first is, how good is the service being inspected? The second is, how likely is it to improve? We carried out a range of different activities to enable us to reach our judgements.

Documents reviewed

Before going on site, we reviewed a range of documents which had been provided in advance by the Council for us. This included the following:

- ◆ Economic Strategy for Cumbria 1998-2004
- ◆ Draft Strategy: '2002-2005 and Beyond'
- ◆ Best Value Performance Plan
- ◆ Best Value Review Documentation
- ◆ Best Value Improvement Action Plan
- ◆ Implementing e-Government statement

Reality checks undertaken

When we went on site, we carried out a number of different checks building on the work described above in order to get a full picture of how good the service is. These on site 'reality checks' were designed to gather evidence about what it is like to use the service and see how well it works on the ground. We also followed up on issues relating to the management of the review and the improvements flowing from it. Our reality checks included:

- ◆ Visit to CCS Supplies in Dalston

List of those interviewed

We also met a range of different people involved with the service:

Henry Bell	Head, Corporate Purchasing Unit (CPU)
Duncan McQueen	Best Value Officer
Tracey Dennis	Senior Purchasing Officer, Corporate Purchasing
Jennifer Williams	Best Value team
Marjorie Day	Team leader, building programmes, CSPU
Conway Stewart	Head, Client Services & Property Unit (CSPU)
Bob Mather Alan Madin	Director, Finance and Central Services Deputy Director, Finance and Central Services
David May	Head of CCS Supplies
User focus group	Sue McGill Accountant, Community, Economy and Environment Sandra Stockley Purchasing Officer, Contract Services Sandra Rickerby, Financial Resources Manager, Cumbria Fire Service Kevin Maxwell, Corporate Information Systems Liz Bowe, Area Library Manager, Libraries and others listed elsewhere
Best value review group	Terry Hullock Cumbria Contract Services Plus others listed elsewhere
Ian Loudon	District Audit
Sue Thompson	Head of Performance
Cllr Jack Richardson	Cabinet Member with lead responsibility for procurement
Alex McKenzie	LA 21 Officer, Community Economy & Environment
Alan Gunston	Scrutiny Officer

Sue Davies Colin Pritchard	Senior Contracts Officer (care services), CPU Strategic Development Manager, Social Services
David Cox	Head, <i>Capitadbs</i>
Graham Harrison	Group Projects Manager, CCS
Anton Hodge	Education Department
Hazel Broatch	Director of Policy and Performance