

## **Procurement Update**

### **Summary**

The report updates the Board on progress in implementing the procurement work programme agreed at its last meeting. It also updates the Board on the work programme undertaken by the LGA's European and International Unit and Brussels Office on emerging EU rules and regulations affecting procurement.

### **Recommendations**

That the Board notes progress in implementing the work programme set out in paragraphs 2 – 6.

The Board notes the LGA European and International Unit work programme, set out in paragraphs 8 – 17 and endorses the highlighted actions.

### **Action**

Officers to implement work programme as identified.

Officers to engage with the new European Parliament and European Commission on EU procurement and with relevant Whitehall departments.

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## Procurement Update

### Background

1. At its last meeting the Board approved a programme of support for improving procurement practice in local authorities. This report describes progress in delivering that work programme.

### Elected member guides

2. The first in the series of elected member guides, "Top Tips for making savings through better procurement in professional services", will be circulated to members in the 12 September edition of First magazine. This will be followed by guides on the procurement of energy, ICT, construction, social care and waste services. It is proposed that these further guides will also be circulated to members via First on a regular basis during October and November.

3. This initial series of six guides will cover the main spend categories. There may be merit in producing a further series that focuses on lesser spend areas such as fleet, office services and food if, following a review, there is a positive response to the initial series.

### Case studies

4. The two case studies in production at the time of the July Board have now been completed and placed on the IDeA website. The subject of these case studies was Leicestershire CC's approach to category management and Manchester City Council's use of procurement cards.

5. Following the presentations made to the Board's July meeting by Serco and the Norse Partnership, officers are in discussion with those two organisations on the production of further case studies that showcase the benefits of shared service approaches to service delivery. Also, Local Partnerships have agreed to produce a discussion paper on current practice in relation to outcome based contracting, following Richard Buxton's presentation to the last Board meeting. This paper will allow the Board to take a view on whether you wish to commission further work in this area.

### IDeA Programme

6. The IDeA improvement support programme for procurement approved by the Board in July is being developed and will be ready for roll out in the Autumn. The programme includes:

- Refresh of member and senior manager pocket guides

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- “Procurement in hard times” councillors’ workshops
- Procurement challenges
- Procurement “champions” conference

### **CLG funding**

7. The business case for CLG funding to support procurement improvement work, approved by the Board at its last meeting, has been submitted to the Department. CLG has made a preliminary response seeking further information on the outcomes that the investment would deliver. At the time of writing this report this further information is being prepared for submission to CLG. The Board will receive an oral report on the latest position.

### **European Procurement Update**

8. The LGA’s European and International unit and Brussels Office undertakes a programme of work on emerging EU rules and regulations affecting procurement. The aim is to ensure new burdens on local authorities are minimised and that local decision making is respected. Cllr David Parsons represents the Improvement Board on the LGA’s European Strategy Group.

9. New EU ‘remedies’ rules giving businesses greater rights to challenge the award of public contracts need to be brought into force by December. Government has completed a second round of consultation which included draft UK regulations. The changes will be significant and include a penalty for non-compliance in certain circumstances.

10. A continuing stream of case law from the European Courts affects shared services arrangements, and the circumstances in which a local authority needs to run a procurement. Local Partnerships provides appropriate guidance to local authorities.

11. New EU rules have just been agreed which will require, by the end of 2010, local authorities to consider the lifetime fuel and emissions costs of the vehicles they buy.

**Action:** LGA has already successfully worked to soften some elements of the proposals and will now work with DfT to ensure guidance is produced for local authorities.

12. The EU has issued proposals which will dictate the minimum energy class of appliances that local authorities can buy. White goods would have to be purchased at energy class ‘A’ for example as a minimum.

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**Action:** LGA will work with the European Parliament this Autumn to seek to soften the mandatory requirements on local authorities.

13. The EU is currently developing green procurement standards for the most commonly bought products and services. The standards are voluntary but there is concern they will become mandatory for public procurements in the future.

**Action:** LGA has already worked to remove green procurement targets for local authorities, and will continue to work with the EU to ensure a voluntary approach.

14. The EU will publish guidelines in the Autumn to steer local authorities towards adding social clauses into their public procurement contracts: encouraging suppliers to employ socially disadvantaged groups, promoting fair and ethical employment in public contracts etc.

**Action:** LGA has provided input into the guidelines stressing that they must remain voluntary. LGA will raise awareness amongst local authorities when the guidelines are published.

15. The EU has issued proposals on late payments which would give businesses greater rights to fine local authorities who don't pay their undisputed bills within 30 days. Businesses will be able to charge daily interest, recovery fees, as well as impose a fine of 5% of the invoice value on local authorities who pay late.

**Action:** LGA has consulted with local authority treasurers and will work with the European Parliament to soften the disproportionate 5% penalty proposed.

16. As a response to the increasing range of EU policies affecting public procurement, the LGA will send a paper to the EU this Autumn calling for a 'light touch' approach and greater respect for local decision making (paper available on request).

17. Finally, the LGA will be delivering a workshop on EU procurement developments in Manchester on 11<sup>th</sup> November at the Society of Procurement Officers (SOPO) annual conference. Meetings are also planned in Brussels to allow Members of the LGA's European Strategy group to meet the new Members of the European Parliament.

## **Financial Implications**

The work programme will be delivered through a combination of existing resources within IDeA and any additional funding from CLG.

## **Implications for Wales**

None directly, though there may be lessons to share.