

Audit and Corporate Governance Committee Review of Procurement Briefing Note

1. The report notes issues around skills development that is being progressively addressed. Specific procurement training commenced in early 2009 and is an intensive course for 20 officers across the structure, with the aim of creating a core of expertise within directorates.
2. The central procurement function now has funding for three officers, following the 2009/10 budget setting process.
3. The central project management team is being used for major projects, but we do need to develop the links between procurement activity and project management.
4. E-purchasing will form part of the new finance system. It would not be cost effective to introduce this into the current system because it is about to be replaced.
5. The Review of Procurement Report prepared by the Audit Commission includes a number of statements in relation to the Service Delivery Review of the Council's Strategic Partnership with Amey. The report recognises that the review was a "snapshot" in time part way through the project and officers have agreed the action plan contained in the report to ensure the Service Delivery Review is completed successfully. However, a number of the statements in the report are not accepted and prejudge the outcome of negotiations that had not yet started. This briefing note responds to some of these key points within the report.
6. Comments made in paragraphs 13 and 30 and elsewhere suggest that the management of the Service Delivery Review project was unclear and that resources were not identified for the project. This is not the case. The management of the renegotiation project and the review has been clear from the start. The Director of Environment and Culture is the project executive with overall responsibility and has chaired a project board with clear roles and responsibilities. The project has been led by the Assistant Director Environment and Culture (responsible for Highways) and sound project management and resource has been provided from the Council's Corporate Programmes team, in accordance with good practice highlighted elsewhere within the report. Resources of £200,000 were allocated to support the renegotiations and this has enabled the use of external procurement and financial analysis expertise. Reference is also made to issues being unresolved or incomplete at the time of the audit. This is entirely understandable given the stage at which the project had reached when the audit was carried out prior to commencing negotiations with Amey.
7. Paragraph 32 refers to the reports to Members concerning the review. Environment Scrutiny Committee and Strategic Monitoring Committee considered detailed and comprehensive reports prior to a full report being presented to Cabinet in September 2008. This report contained all necessary information to enable a decision to be taken to authorise negotiations to commence. A subsequent report following initial negotiations was considered by Cabinet in January this year to seek approval to complete detailed negotiations.
8. The report makes reference in a number of paragraphs to perceived deficiencies in the current contractual arrangements and future approach (particularly paragraphs 35 to 39). Given that the audit was undertaken prior to the commencement of negotiations, these comments appear premature in commenting upon the future arrangements but do highlight areas that the renegotiations have been seeking to address and improve.
9. Paragraphs 40 and 41 refer to the management of risk. A risk register for the project has been used throughout the project and regularly reviewed by the project board to ensure risk is being effectively managed. Mitigation measures have been implemented where necessary including the utilisation of external procurement and financial analysis expertise to support the

renegotiations. The future management of risk is clearly important and this was included in the action plan for concluding the renegotiations.

10. Reference is made to timescales having slipped in relation to the review. Whilst it is accepted that optimistic timetables have been set, the Director has always recognised the importance of ensuring the best outcome for Herefordshire. As with all commercial negotiations, where allowing additional time can achieve a better result this has been considered by the project board and appropriate decisions taken. The proposed new arrangements with Amey could be in place for a further 14 years and as such it is crucial that the right foundations are put in place for a successful long-term relationship that will deliver quality and value for money for Herefordshire.