

**ANNUAL REPORT OF PURCHASING SECTION 1998-99**

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**1. Purpose**

- 1.1 To update the Committee on the establishment and progress of the Purchasing Section, following the establishment of the Section in 1997.

**2. Summary**

- 2.1 The Purchasing Section has already made progress and achieved a number of the objectives set out in the Purchasing Business Plan of 1998.

**3. Background**

- 3.1 The Purchasing Section was established two years ago with a remit that included investigation of all areas of non-staffing expenditure of the Council. A Purchasing Business Plan was written and approved by the Resources Committee in March 1998. One of the objectives of the plan was to join a purchasing consortium in order to access the benefits of economies of scale this would bring.

**3.2 End of the Joint Purchasing Agreement with Buckinghamshire**

The Joint Purchasing Agreement with Buckinghamshire County Council came to an end on 31 March 1999, after two years. Arrangements to use other contracts, principally Central Buying Consortium arrangements, have been put into place for the contracts Bucks used to provide.

**Stores Distribution Service**

This refers principally to the educational supply market, in which establishments order a wide variety of goods from a catalogue (in effect a one-stop shop), and they are delivered direct to the establishment. The service provided by Buckinghamshire in 1998 had caused a number of establishments to look elsewhere for a provider. After investigating the number of service providers, a deal is in the process of being finalised with County Supplies of Northamptonshire County Council, which has a stores based in Northampton.

**3.3 Central Buying Consortium**

In order to gain access to a wide range of contracts, and lower pricing due to the aggregation of demand and economies of scale, Milton Keynes Council joined the Central Buying Consortium (CBC), as a Full Member on 1 February 1998, and has played a developing role in its operation since that time. CBC is a federation of 18 Local Authorities in Central Southern England. Milton Keynes has hosted a number of commodity group meetings in 1999, including a successful "Meet The Buyer Event" for CBC members and gas shippers, in March 1999, for the gas market.

### 3.4 **CBC Work in 1998-9**

1998/99 has been a year of varied fortune for CBC. On the one hand the ongoing contracting programme has brought some significant achievements including new contracts for copier paper, mobile phones, IT Software and Consumables, fax machines, and fire equipment servicing, which have brought notable savings. In other more mature markets, the savings of previous years have not been seen, but the presence of CBC tenders in the market-place acts as a buffer to price rises.

Two major pieces of investigative work that CBC undertook in 1998, were an exercise on benchmarking amongst member authorities, and also Social Services Purchasing, regarding the provision of the various aspects of community care within the different member authorities of CBC.

In February 1999, The Treasury and other Government Departments linked up with CBC for a conference that compared procurement between Local and National Government. It was interesting to note that Local Government was ahead of Central Government in terms of electronic tendering, which CBC have been doing for three years, on Energy contracts, through the Utilities Exchange.

Taking costs out of the supply chain is one prime objective of CBC contracts, as well as reducing the tendering administrative costs, and this is an on-going objective when investigating new contract areas.

### 3.5 **CBC Contracts**

A new CBC Oil contract just for Milton Keynes Council was let for two years in November to Texaco, that showed financial savings on the previous arrangements, together with the added benefit of introducing ultra low sulphur diesel, instead of "dirty derv".

With the de-regulation in the gas and electricity markets a CBC contract for electricity for street-lighting is currently being assembled with a target start date of 1 October 1999. Significant financial savings are likely to result.

Also in this area, a contract for the sub-100-kilowatt electricity market was entered into in September 1998, that will show savings of £86,000 over the two years of the contract.

### 3.6 **Environmental Purchasing Group**

As part of the Council's Environmental Strategy an environmental purchasing policy for Milton Keynes Council was approved by the Environment Committee in February 1999. An Environmental Purchasing Group, consisting of officers from each Directorate, and chaired by the Purchasing Manager, has been set up, in order to implement the policy. An Environmental Purchasing Handbook is currently being produced.

### 3.7 **Other Areas of Procurement Interest covered in the last year**

#### **Purchasing Cards**

National Government Departments have introduced Purchasing Cards (similar to personal credit cards) in some areas, that have achieved administrative savings. Local authorities have not as yet been able to implement them because the devolvement of budgets to establishments, erodes the administrative savings that the cards can give when operated centrally. More work is currently being done by the banks to overcome these problems .

#### **E-Commerce**

With the limited introduction of E-commerce, greater use of the internet should result in real financial savings being achievable on a growing number of contract areas. For example, on the Dell PC contract, an extra 1% discount is given through ordering on the internet. Savings in other contract areas are expected to grow through the use of the internet, in the future.

CBC has also developed its own intranet between member authorities in the last year.

The Council has also influenced the **Firkin Report** on **Procuring Best Value** which is due to be published in July 1999, through CBC and SOPO (Society of Purchasing Officers in Local Government ) and CIPS (Chartered Institute of Purchasing and Supply).

#### **Contracts Framework Training**

This was conducted in April and May 1998 for two groups of officers, to understand the new framework for contract packaging, and also code of conduct issues.

#### **Local Purchasing Policy**

Discussions took place earlier this year with Milton Keynes Chamber of Commerce, about a local purchasing policy and using the regional supply network of purchasing.

#### **Energy Tax**

In the March 1999 budget the government proposed a climate change levy that will be introduced from April 2001. This is a tax on energy consumed and will have repercussions on budgets.

## **Contracts**

A new stationery contract for the central offices was awarded to Oyez-Strakers for four years from 1 April 1998. The contract contains an increased range of products at fixed prices.

A number of catering licences for the provision of hot meals at schools have been re-let in the last year.

The gas central heating contract and vehicle and plant maintenance contract were also tendered and re-let during the year.

### **3.8 Marketing Plan for the Purchasing Section**

A marketing business plan for the section has been written, with the purpose of raising the profile and informing the internal market of the purchasing contracts and arrangements available. A small Purchasing Directory of contracts and arrangements is planned to be published later in the year.

### **3.9 The Future**

A number of new initiatives in the procurement area are currently underway, and these include work being done on LPG fuel, water purchasing and the Euro. A number of areas of Council expenditure would benefit from having a purchasing audit and the unit will initiate such an audit in the near future.

## **4. Issues and Choices**

4.1 The Committee is asked to note the work of the Purchasing section

## **5. Implications**

5.1 Environmental

The Environmental Purchasing Policy is being implemented Council-wide through the Purchasing Section, and the benefits of only using suppliers having environmental purchasing policies will be seen in future years.

5.2 Equalities

None.

5.3 Financial

The use of a central purchasing role, will have significant financial benefit to the Council, although the exact benefit cannot, at present, be assessed.

5.4 Legal

None.

5.5 Staff and Accommodation

None .

6. **Conclusions**

6.1 The Committee is asked to note the Purchasing Section's work and progress.

Background Papers: None