



# **Procurement Strategy Jan 2010**

## **Introduction**

The aim of this strategy is to set out a clear corporate framework to achieve the most effective method of procuring outcomes in line with the Council's business objectives and best value principles.

It creates a procurement vision outlining the future direction and deliverables of strategic procurement and provides a framework within which procurement improvements can take place.

The strategy also embraces the requirements of the National and South-east Region Improvement and Efficiency Strategies (IES), Local Government Sustainable Procurement Strategy Flexible Framework and the Council's objectives.

Comprehensive procurement guidance, procedures, toolkits and systems will be put in place to deliver these procurement strategies.

The council's key procurement priorities for the next three years are:

- Achieve significant reductions in the cost of purchased goods and services and contribute towards the council's corporate savings objectives
- To meet the requirements of the National and South-east region Improvement and Efficiency Strategy (IES) and the Local Government Sustainable Procurement Strategy
- Provide a corporate procurement framework which supports the council's corporate objectives and community strategies.
- Have due regard for procurement resource implications, build capacity, review and improve staff procurement competence and skills as appropriate.

1. **Structure of Procurement**

*Strategic Procurement in Context*

1.1. Strategic Procurement embraces the requirements of the National Procurement Strategy for Local Government, the new National and South-east region Improvement and Efficiency Strategy (IES), the Local Government Sustainable Procurement Strategy, the corporate objectives of the council, and all relevant legislation. Strategic Procurement ensures these are embedded into the activities and processes that sit at the heart of the councils' procurement operations, providing a framework by which the councils obtain best value in all the goods, services and works required. The diagram below illustrates the relationship between the role of procurement and council activities.



1.2. Elected Members, senior council officers and the council's corporate objectives influence strategic procurement, highlighting the areas that are important for the council. These areas are reflected through six procurement improvement themes which are explored later in this paper.

These are:

- Sustainability;
- e-procurement;
- Risk Management;
- Project and Contract Management;
- Procurement Resources,
- Skills and Training.
- Equalities and Diversity;

### 1.3. **Definition of Procurement**

*“Procurement is the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. The process spans the **whole life cycle** from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical “make or buy” decision.”*

**National Procurement Strategy for Local Government, October 2003**

### 1.4. **National Context**

In the past three years Councils have been encouraged to embrace the National Procurement Strategy (NPS) and the challenges of the Government's efficiency agenda, with procurement providing a significant contribution in delivering cashable savings and business transformation.

Now there are a number of new challenges for the council to address, in which procurement has a major contribution to play. These include the Council's Corporate savings target as identified in the Financial Strategy, the cashable savings target in CSR 07 and Energy Efficiency/Carbon Reduction programmes lead by the Roof Team.

In addition in the future the council will have greater pressure on finances coupled with increasing demand on services which will lead to a need to enhance skills and capacity in procurement to try and cover this gap.

### **1.5. *Regional and Local Context***

The Improvement and Efficiency Partnership South East (IESE) has produced a Regional Improvement and Efficiency Strategy for South-east England. This strategy places heavy emphasis on better procurement making a significant contribution to local authorities' 3% year on year cashable efficiency savings. In addition the strategy sets targets for local authorities to improve equality standards, build capacity and staff skills, deliver sustainable communities, and avoid duplication through greater collaboration.

At a local level the Council has adopted similar themes in its Corporate Plan, namely to:

- Keep Surrey Heath a pleasant place to live, work and do business
- Promote a buoyant and sustainable local economy
- Encourage supportive and caring communities
- Deliver services efficiently, effectively and economically.

The council is a significant purchaser of goods and services in the community with a combined capital and revenue spend of £15 million. The council will endeavour to place a proportion of this with local businesses when this is best value in order to support the local economy but has to act within the requirements of best value and EU regulations

### **1.6. *Structure of Procurement in the council***

Procurement activity is heavily devolved with the appropriate Head of Service responsible for the delivery of new procurement projects. Limited support is currently available in the form of professional procurement advice from corporate finance however the sharing of a procurement officer with another authority will increase the amount of assistance and level of expertise available. In addition the development of guidance and toolkits on the council's intranet site will provide additional support.

## **2. Key Principles for Effective Procurement**

The council is committed to delivering effective services, which meet the needs of local residents and the provision of effective procurement and management procedures to ensure these services represent best value. To that end the following principles will form the basis of all procurement activity in order to achieve value for money:

### *2.1. Strategic Procurement*

Strategic procurement will support improved service delivery, freeing up resources and improving the quality of goods, services and works, and ensure that the council obtains value for money in the acquisition and management of its resources, balancing quality and cost.

The Council will manage strategic procurement through its procurement function, a small corporate resource in Corporate finance providing advice, and on occasion leading, on the letting of corporate contracts and specific projects, whilst allowing departmental purchasing officers (who have best knowledge of local requirements) to procure at a local level within a clear corporate framework. The procurement function will provide support wherever required to departmental purchasing officers, and monitor procurement activity across the council.

### *2.2. The Corporate Procurement Framework*

The council's procurement activity will operate within a strategic framework consisting of this Procurement Strategy and Procurement guidance and rules available on E Scene. The council's corporate framework will enable all officers to obtain goods, services and works to the required quality in the most efficient manner. All procurement activity will be sustainable procurement, supporting the council's policies and priorities, including equality and diversity, sustainability and economic development, and will be assessed, where possible, on a whole life costing and benefits basis

The Council will ensure that procurement activity is undertaken in the most effective and appropriate manner, considering all options including:

- develop and promote use of corporate contracts
- use consortia of which the councils is a member such as the Surrey procurement network
- use approved pre-OJEU tendered Framework Agreements (e.g. those arranged by IESE or the OGC)
- use approved e-procurement solutions such as purchasing cards,
- collaborative procurement with other councils and other Public Sector bodies
- develop strategic partnerships, particularly where these will deliver significant service improvement and/or efficiencies.
- Comply with all legislative requirements and best practice guidance, including complying with the commitments made by the Council in signing the Small Business Friendly (SME) Concordat.

### 2.3. *Forward Planning*

The Council is undertaking a spend analysis in combination with the other Surrey districts and the County to identify potential areas of opportunity for new procurement activity which could be undertaken on a joint basis. This will prioritise areas with greatest potential to deliver savings or improve quality across all the Councils involved.

In addition the council will encourage departments to review local arrangements to ensure these comply with the council's Contract Procedure Rules. Where common requirements exist across the council or within partner councils or other public sector bodies, the council will seek to collaborate with these partners to secure better value for money or quality of services.

### 2.4. *Business Improvement Reviews/Options Appraisal*

Best Value required the authorities to demonstrate value for money and efficient and effective service delivery. Procurement decisions need to be taken such as whether it is necessary to obtain the goods, services or works, and whether they should be obtained internally or externally.

The Council recognises that in-house services can provide a high quality, flexible framework for developing and delivering services and these in-house providers will be supported where they offer value for money and operate in the best interests of service users. In-house providers should find an appropriate balance in respect of being best on quality, equality, sustainability, value for money, service and employment practices.

However, equally it is recognised that there are other ways to deliver services including through partnerships, which can be extremely important in delivering value for money services – partnership with the private and voluntary sectors, other public bodies acting locally, and with central government.

The development of new methods or approaches to procurement which will deliver services more efficiently, effectively and economically will be encouraged.

### 2.5. *Transparency*

All procurement activity will be transparent (and fully compliant with the Freedom of Information Act), fair, consistent, robust and be undertaken to the highest standards of probity and accountability. Procurement decisions must be evidence based.

As a minimum, departments with a requirement to tender for particular goods or services will advertise their requirements as widely and transparently as possible to encourage bids from local suppliers and Small, Medium Enterprises (SMEs) in accordance with the Small Business (SME) Friendly Concordat, which the Council has committed to support. It is recognised best practice to publicise requirements on the Council's "*Selling to the Council*" web page and

on the “Supply2gov” web site. Ability to supply interested companies with electronic copies of the tender documentation will also be encouraged.

## 2.6. *Risk Management*

The councils will ensure that all procurement is undertaken in accordance with each council’s Risk Management Strategy. As a minimum a risk assessment of the goods, works or services required should be undertaken on all procurement subject to tender requirements under the council’s own procurement procedure rules.

## 2.7. *Contract Management*

The management of contracts is of paramount importance, and can make the difference between a successful contract and a failed one. Contractual arrangements should be adequately resourced, effectively managed and monitored throughout the contract duration.

Contracts should include quality and performance standards which are monitored and reviewed. Contracts will be subject to continual review and vendor appraisal exercises, and benchmarking with public and private sector organisations to measure the effectiveness of the council’s procurement will be encouraged. A good working relationship should be developed with all suppliers, with review meetings with major suppliers held at suitable intervals. Plans should be made well in advance of the expiry of a contract for re-letting it based on a review of previous and current arrangements and performance.

## 2.8. *Staff Competences and Skills*

The training and development needs of all officers buying for the Council will enhanced using training and other methods. The use of E-training, such as the “passport to procurement” will be actively encouraged for all staff involved in procurement. The council will work with other authorities in Surrey to develop county wide procurement competency training.

### **Code of Conduct for Procurement**

**All procurement activity must be undertaken to the highest standards of ethics and probity. The Council insists on ethical standards from its suppliers, and in turn it must exhibit the highest ethical standards itself. Officers and members must not only be fair and above board in all business dealings, but should also avoid any conduct that is capable of having an adverse interpretation put on it.**

**All employees must adhere to the Officers’ Code of Conduct and the Rules for Employees on Gifts and Hospitality. In addition, employees undertaking any purchasing activity should consider themselves bound by the Code of Ethics of the Chartered Institute of Purchasing & Supply.**

### 3. Priorities for Improving Procurement

The council has identified six procurement ‘themes’, which shall be embedded into our procurement, helping make improvements to service delivery, deliver better value for money and addressing the objectives of the Corporate Plan, namely:-

- Keep Surrey Heath a pleasant place to live, work and do business
- Promote a buoyant and sustainable local economy
- Encourage supportive and caring communities
- Deliver services efficiently, effectively and economically.

These six procurement themes are

1. Sustainability
2. Procurement Resources, Skills and Training
3. e-procurement
4. Risk Management
5. Project and Contract Management
6. Equalities (and Diversity)

These themes are outlined in greater detail below

#### 3.1. Sustainability

The Government Sustainable Development Strategy “Securing the Future” published in March 2005, committed that all elements of Government should “lead by example” on sustainability, with the UK becoming a leader within the EU on sustainability.

Sustainability has three main elements as outlined below:

**Environment** – the council will give appropriate consideration to the environment issues relating to the particular procurement. These may include:

- Energy/resource usage
- Transport method and distance travelled
- Carbon footprint of commodity/service
- Waste disposal and recycling options
- Ethically and/or organically produced goods

**Social** – the council will work with the Voluntary and Third Sectors to ensure that the services provided meet the requirements of local communities, and that, where appropriate, there are opportunities for these sectors to bid for the councils’ business.

**Economic** – the Council is a signatory of the Small Business Friendly Concordat, which outlines a series of commitments the council makes to give all businesses, but with the emphasis on small and medium sized enterprises, equal opportunity to bid for council business.

However, the council recognises there is a tension, which needs to be carefully managed between more collaborative purchasing at regional level and supporting local suppliers within the confines of the EU Procurement Directives, i.e. without being anti-competitive. A balanced approach will be adopted in the Council's procurement, supportive of sustainability and voluntary and community sector organisations, and looking for procurement collaboration with partners where appropriate.

The council will assess the sustainability impact of the specific requirement, having due regard for all three sustainability elements, and the need to employ sustainability and whole life costing evaluation criteria when making procurement decisions. This will be evidenced in the business case for the procurement.

**Links to Key national legislation/guidance:**  
**Local Government Sustainable Procurement Strategy**  
**Small Business Friendly Concordat**

**Corporate objectives:**  
**Promoting a buoyant and sustainable local economy**  
**Keeping Surrey Heath a pleasant place to live, work and do business**  
**Delivering Services efficiently, effectively and economically**

### 3.2. *Procurement Resources, Skills and Training*

Effective public sector procurement requires people who are suitably trained and qualified. Procurement training programmes both in-house and from external providers will be provided to ensure all staff engaged in procurement activity have the requisite skills to undertake their job. Those involved in procurement will be encouraged to participate in e learning such as that provided by "Learning Pool". Steps will also be taken, in association with other Councils in Surrey, to develop procurement competency training.

The council will ensure sufficient investment in resource, staff skills and ongoing training exists to maintain project and contract management to the required level of competency.

**Links to Key national legislation/guidance:**  
**National Procurement Strategy for Local Government**

**Corporate objectives**  
**Delivering services efficiently, effectively and economically**

### 3.3. *e-procurement*

The council recognises that there are considerable benefits to be gained from an increase in the use of e-procurement by using ICT to reduce the cost, and

improve the efficiency and effectiveness across all aspects of the procurement process for the benefit of the council and our suppliers and contractors.

The council currently utilises some aspects of e-procurement such as purchasing cards. Further developments will be made wherever an appropriate business case can be made, and in such cases the council will strive to adopt a common electronic platform with other Districts in Surrey to share information, reduce duplication and encourage collaboration and greater efficiency.

**Links to Key national legislation/guidance**  
**National Procurement Strategy for Local Government**

**Corporate objectives**  
**Delivering services efficiently, effectively and economically**  
**Promoting a buoyant and sustainable local economy**

3.4. *Risk Management*

The overall approach to risk management in council procurement is to ensure the proper management of risk, but not to be risk adverse especially with regard to the use of innovative and collaborative procurement.

The council will ensure that all procurement is undertaken in accordance with the council's Risk Management Strategy. As a minimum a risk assessment of the goods, works or services required should be undertaken on all procurement subject to tender requirement under the Contract Standing Orders. The types of risk considered should as minimum include statutory/legal compliance (e.g. environmental, health and safety, etc), financial, operational, damage to reputation, customer service and corporate objectives.

These identified risks will be recorded in a risk matrix, identifying likelihood and criticality, and a risk log detailing the actions required to mitigate the risk and where the responsibility lies. Some of the risks identified may be transferred to the supplier, provided the cost for doing so is not prohibitive to the council. A copy of the risk assessment will be attached to the procurement business case.

**Links to:**  
**Key national legislation/guidance:**  
**Specific legislation eg Civil Contingencies Act, health and safety, environmental, etc,**  
**National Procurement Strategy for Local Government**

**Corporate objectives**  
**Keeping surrey Heath a pleasant place to live, work and do Business**  
**Delivering services efficiently, effectively and economically**  
**Promoting a buoyant and sustainable local economy**

3.5. *Project and Contract Management*

Local Government procurement has to be tendered in accordance with a number of legislative requirements. There is a duty to local taxpayers and a legal requirement to have contract standing orders in council's constitutions. The Council is also subject to European Union procurement directives. The Council will aim to achieve quality and value for money from its procurement through the application of controls and standards and robust project and contract management techniques.

Given the devolved nature of procurement there will be a continued drive to develop standard template documentation (toolkit) to ensure conformity. Where possible the council will work with its partners in Surrey to ensure a standardised approach is taken across the county.

Contract management will become increasingly important, especially as more long term contractual arrangements are put into place. The continued requirement to make efficiency savings will require contract managers to have a greater understanding of the markets their suppliers operate in, challenging contractors to deliver greater efficiencies, rather than seeking inflationary increases, whilst at the same time maintaining service levels.

In addition, performance management measures will be built into key contracts and regularly monitored through contract reviews to ensure service delivery is being maintained. These performance management measurements may include areas such as service delivery, environment, health and safety, equalities and diversity, etc and need to be considered at the various stages in the procurement and contract process as follows:

**Planning stage:**

To ensure adequate planning of procurement projects a short business case will be produced for all contracts requiring a tender. This document will outline how the procurement will address requirements such as sustainability, equalities and diversity, the nature of the supply market and will have conducted a risk assessment of the requirement, considered the various procurement options available, determined the timescale required to undertake the procurement properly, and outlined the provision made for contract management. The business case will be submitted to the Director for approval.

**Specifications stage:**

Where possible specifications should include measurable outputs or outcomes, performance standards or other appropriate measures by which the contract can be assessed, rather than a series of "the supplier shall" statements.

**Evaluation stage:**

Consideration will be given to the evaluation criteria to apply to determine the tender outcome prior to the procurement process commencing. Although the overriding factor is usually cost other factors may be given some weighting. The process for approving evaluation criteria is in the contract standing orders

**Contract Management Stage:**

Appropriate contract management can be a major factor in the success or failure of a contract. The business case will outline the provisions made

regarding contract management including a named officer with overall responsibility for monitoring and managing the contract.

In addition performance measures can be used to control risk. All projects contain some element of risk. A risk assessment for all procurements requiring a tender process shall be mandatory. In addition risk analysis and management will be developed for both the procurement process and for the contract itself.

Finally a review of the procurement process will be undertaken once each project has been concluded in order that lessons are learned for future procurements.

**Links to key national legislation/guidance  
National Procurement Strategy for Local Government**

**Corporate objectives  
Keeping surrey Heath a pleasant place to live, work and do Business  
Delivering services efficiently, effectively and economically  
Promoting a buoyant and sustainable local economy**

3.6. *Equalities and Diversity*

The Council will have due regard to incorporate the necessary statutory requirements for equalities and diversity into its procurement activity.

Where appropriate, the council will consult with communities, service users and employees to understand their needs and requirements and factor these into service specifications as applicable. Additionally as part of the contract management process the council will ensure the performance of the service provider in meeting these service specification requirements is monitored on a regular basis.

Evidence of the equality and diversity consultations, how these will be incorporated into service specifications, and how performance of the service provider will be monitored shall be part of the business case requirement.

The council aims to achieve equality standard level 3 by March 2010.

**Links to:**

**Key national legislation/guidance – non-discrimination legislation (age, disability, gender, race, religion or religious belief, sexual orientation)**

**Corporate objectives – Encouraging Supportive and caring communities**

## **Action Plan**

By December 2009

- Commence negotiations to enter in to a procurement partnership with another District to share procurement skills and expertise and offer in house advice

By June 2010

- Strengthen Procurement Processes through the development of a procurement toolkit and better project and contract management
- Participate in the Surrey wide spend analysis to identify areas of spend to be targeted
- Renew and readvertise standing list of contractors

By September 2010

- Enhance staff skills and training by encouraging use of the on line training
- Ensure equality and sustainability are considered on major council procurements
- Encourage greater use of framework agreements for procurement
- Register contracts on Surrey contracts database