

PORTFOLIO: POLICY AND STRATEGY

CABINET – 6 NOVEMBER 2002

PROCUREMENT STRATEGY

1. INTRODUCTION

- 1.1 In March 2002 a report was presented to CMT outlining the key issues contained in a joint DTLR / LGA review of procurement skills and practice in local government. The review 'Delivering Better Services For Citizens' is more commonly known as the Byatt Report.
- 1.2 The CMT report identified the current level of NFDC activity against the areas of best practice highlighted in the Byatt report. Many areas of good practice were already considered to be in place.
- 1.3 The one key area that needed specific attention was the development of a high level corporate procurement strategy. CMT requested that such a strategy should be drafted and brought back for consideration and adoption by the Council.
- 1.4 This work has now been undertaken and the proposed NFDC Procurement Strategy is attached at Appendix 1 to this report.

2. CONSULTATION

- 2.1 All DMT's have had the opportunity to comment on the draft strategy. Comments received have been incorporated into the latest draft.

3. CORPORATE AND FINANCE REVIEW PANEL COMMENTS

- 3.1 Corporate and Finance Review Panel supported the Strategy subject to some minor alterations to the text (shown in the draft strategy at Appendix 1 by struck through text or bold italics). They noted that only £7m out of £25m paid to external bodies/individuals/organisations passes through the Central Purchasing Unit. The Panel has requested that a report be brought to them in the New Year on the feasibility of producing year on year targets for increasing the proportion of expenditure passing through the Unit, and thus improving any savings that may be achieved by use of the Unit's expertise in the area of procurement.

4. FINANCIAL IMPLICATIONS

- 4.1 The adoption of and adherence to a corporate procurement strategy is crucial to ensuring the most effective and efficient use of Council resources. It is not possible to quantify the immediate or future financial implications of adopting the strategy, however it should help to ensure the best use of limited resources available to the Council.

5. CRIME AND DISORDER IMPLICATIONS

5.1 There are no direct crime and disorder implications arising from this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 It is now possible to take environmental issues into consideration for any procurement activity undertaken by the Council. The strategy identifies the Council's commitment to ensuring that these opportunities are taken and sets out the various actions currently in place and obligations on officers to ensure that it is achieved.

7. PORTFOLIO HOLDER COMMENTS

7.1 The Portfolio Holder supports the recommendations contained in the report.

8. CONCLUSIONS

8.1 The existence of a corporate procurement strategy is seen as an important policy document that all local authorities should possess. The strategy attached to this report brings together the various policies, codes of practice and activities into a single overarching document that sets out this Council's approach to procurement across its whole range of services.

9. RECOMMENDATION

9.1 That Cabinet approve the Procurement Strategy attached at Appendix 1 to this report.

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Background Papers:

CMT Report 5.3.02

Delivering Better Services
for Citizens (Byatt Report
3.7.01)



PROCUREMENT STRATEGY (SEPTEMBER 2002)

1. INTRODUCTION

Why have a Procurement Strategy?

- 1.1 Getting procurement right is essential to the delivery of economical, effective and efficient services. The Council currently has a number of policies and approaches to procurement which collectively constitute our strategy, however they are at present disjointed and therefore do not form a cohesive procurement strategy. This document therefore looks to bring together all of the existing activity / guidance / policy into one single overarching strategy which clearly sets out the framework within which all procurement is conducted throughout the Council.
- 1.2 Section 3 of the LG Act 1999 requires best value authorities to make arrangements to secure continuous improvement in the way that they exercise their functions, having regard to a combination of economy, efficiency and effectiveness. Government guidance and best practice suggests that an integral part of an authority's approach to best value should be the preparation and adoption of a procurement strategy. The following document is the adopted procurement strategy for New Forest District Council and as such will satisfy the requirements of the LG Act 1999.

What does the Procurement Strategy cover?

- 1.3 The strategy covers the full range of activities associated with the purchase of works, services and goods. This can range from the purchase of a complete service (e.g. Housing Management), to purchasing key components or works (e.g. Civil Engineering project) through to the purchase of goods (e.g. Desks / stationery etc). Decisions to provide services in-house rather than by outsourcing should also be regarded as a procurement decision.
- ~~1.4 The Council's annual gross expenditure, for all activities, is almost £79m of which £25m is paid to external bodies / individuals / organisations, £7m passes through the Centralised Purchasing Unit.~~

Who does the Procurement Strategy apply to?

- 1.4 The strategy applies to all officers and Members who are involved in any decision making process or activity relating to procurement.

2. VISION

- 2.1 The Council is intent on delivering cost effective services and the prudent stewardship of public funds (Heart of the Forest – Corporate Plan). This vision can be contributed to through '***the planned and skilful management of the procurement function across the whole range of Council activities***'.

3. THE STRATEGY'S AIMS

- 3.1 The strategy is aimed at promoting effective and transparent procurement across the whole organisation and through this to:

- Make the best use of and achieve best value for public money spent
- Ensure procurement activities deliver cost effective & sustainable services to the standard required by the Council's customers
- Promote a thriving local economy
- Set a framework for the management and monitoring of procurement activity
- Ensure compliance with relevant UK / European legislation and internal requirements

- 3.2 The strategy supports the Council's strategic Corporate Plan 'Heart of the Forest' which seeks to:

- Create and maintain an organisation of excellence (managing our finances, securing real best value, fostering innovation in service delivery and making the best use of new technology)
- Facilitate a sustainable and growing economy for the New Forest (use of local suppliers and service providers)
- Preserve and enhance a high quality, clean and sustainable environment (adopting, promoting & influencing sustainable practices)
- Build on partnerships already developed and emerging links with the business community

4. PROCUREMENT POLICY

- 4.1 The Council currently has no overarching procurement policy. The following principles shall therefore be adopted as the procurement policy and shall apply to the whole range of procurement activity across the Council. All Members and officers shall have regard to these principles when entering into any procurement activity.

- All procurement shall further the Council's duties under Best Value, in particular to;

- Ensure economic, efficient and effective services
 - Seek continuous improvement in services
- All procurement shall be consistent with and contribute to the aims and objectives set out in the Council's overall strategic corporate plan, the Community Strategy and the Procurement Strategy.
 - All procurement decisions and processes shall be properly documented to ensure there is a clear audit trail, demonstrating that the process has been undertaken in accordance with all relevant procedural requirements, thus demonstrating transparency and accountability.
 - All purchases, other than those exceptions identified in Standing Orders, shall be routed through the Council's Centralised Purchasing Unit.
 - The procurement processes shall ensure that all approved suppliers have equal access to Council procurement and that there is equity, transparency and confidence in the process.
 - Any procurement decision shall take full account of European, national and any local regulatory frameworks.
 - All contracts shall include clear performance requirements and methods and procedures for measuring, reviewing and reporting performance.
 - Service units shall be given the opportunity, in the first instance and in accordance with the Council's Best Value guidelines, to deliver works, services or supplies to other Council service units where it can be demonstrated that best value in terms of cost and quality can be achieved.
 - All procurement activity shall ensure that adverse effects on the environment are minimised and that opportunities to promote the social and economic well being of the local community are maximised. This shall include the use of local suppliers where practicable.
 - Every opportunity shall be taken to ensure the benefits of ICT are maximised in the procurement process and the ongoing delivery of works, supplies and services.

5. EXISTING PROCUREMENT RELATED POLICIES

- 5.1 This section identifies all of the existing policies and practices that impact on the way in which procurement activity is conducted across the Council. These policies underpin the principles contained in the Procurement Policy at 4.1. Collectively they make up the core elements of the Council's Procurement Strategy. All Members and officers shall have regard to these policies and practices when entering into any procurement activity.

- Best Value Competition Policy
- Use of in-house services
- Standing Orders as to Contracts
- Financial Regulations
- Standing Approved List of Contractors
- Centralised Purchasing
- Sustainability
- Workforce Matters
- Electronic Procurement
- Information and Communications Technology (ICT)
- New Forest Local Strategic Partnership (NFLSP)

Best Value Competition Policy (Full document available on Forestnet under B for Best Value)

5.2 The competition policy relates to the decision whether to provide services in-house or to secure the service delivery from an external supplier. The competition policy recognises the benefits of in-house service delivery but only where services are able to demonstrate their performance level is consistent with the top quartile of service providers either nationally, by District Authority or by appropriate family group.

5.3 The Council recognises that there may also be advantages in the delivery of services externally or through the creation of public / private partnerships. Irrespective of the relative level of performance when compared to others, all best value reviews must look at the market place and make an assessment of what alternative service delivery options exist and whether any change would be appropriate for the particular service under review.

5.4 The Council will also support services where opportunities exist to undertake external work, provided a full assessment of the risks and benefits to the Council is undertaken and that any arrangements are in accordance with the existing legal and statutory framework. The principle of joint working and partnerships is supported.

Competition Policy & Standing Orders 5.1 – 5.2

Use of in-house services

5.5 The competition policy supports the principle of in-house service delivery. It therefore follows that where in-house services or skills already exist these resources must be used by any other in-house service unit in the first instance (e.g. Legal, Accountancy, Catering, NF Commercial Services, Property Services etc). It is the responsibility of in-house service providers to demonstrate the quality and competitiveness of the service in accordance with the principles of Best Value.

Competition Policy & Standing Orders Intro 1.5

5.6 Where the potential exists to deliver works, services or supplies from an internal source no decisions shall be taken to procure from any

external source without first discussing the proposal with a potential in-house provider.

Standing Orders as to Contracts (Full document available on Forestnet under S for Standing Orders)

- 5.7 The Councils Standing Orders (S.O's) as to Contracts regulate the way in which matters relating to contracts are dealt with. Committees, The Cabinet, Portfolio Holders, officers and external consultants are all required to comply with their requirements at all times.
- 5.8 The S.O's set out clear rules governing the procedures for the awarding of contracts and are designed to ensure that the need for public accountability, control and probity are met.
- 5.9 The rules apply to the purchase of all works, services and supplies where the decision is taken to procure externally from the Council. They also apply whether the procurement is funded through the Council's own resources or from external funds.

Financial Regulations (Full document available on Forestnet under F for Financial Regulations)

- 5.10 The Council's Financial Regulations set out the framework within which all financial transactions are undertaken. This framework outlines the responsibilities of Members and officers and the budget setting and control process. All procurement must be conducted in accordance with the Council's Financial Regulations.

Standing Approved List of Contractors

- | | |
|-------------------------|--|
| Standing Orders
3.20 | 5.11 Before entering into any form of contractual arrangement all external contractors / suppliers or other providers must be approved to ensure that they meet the minimum technical and financial standards that the Council would expect. To achieve this the Council uses an approved list of contractors. |
|-------------------------|--|

- 5.12 The Council is committed to only contracting with organisations that conduct their business in an acceptable manner. To achieve this, all contractors applying for inclusion on the approved list of contractors are assessed for their commitment to and level of compliance with the following:

- Equal Opportunities and Minimum Wage legislation
- Race Relations Act
- Disability Discrimination Act
- Health and Safety legislation
- **Environmental Legislation**

Failure to meet the minimum standards expected will result in the rejection of any application.

- 5.13 The Council's current approved list will be replaced in January 2003 by a new list, managed on the Council's behalf by Exor Management

Services and is called the Sinclair Directory. The directory is split into different categories dependant on the type of service offered by the approved contractor. Where officers are seeking to procure works, services or supplies externally they must use the directory where an appropriate category exists. The use of the new approved list will apply to all procurement with a value exceeding £1,000.

- 5.14 Use of the directory ensures that the tender process for Council contracts is undertaken in a controlled and transparent way and that all approved contractors are given equal opportunity to bid for contracts.

Centralised Purchasing

Standing
Orders
Intro 1.6

- 5.15 The Council is committed to the role of purchasing being centralised through one group to gain advantage from expertise and aggregation. This has been achieved through the creation in 1987 of a Central Purchasing Unit (CPU). This approach is one supported by the DTLR and the LGA in their review of procurement skills and practice in local government (June 2001).

- 5.16 The benefits of such an approach include:

- The centralisation of procurement expertise which the whole authority can then benefit from
- An overview of procurement activity can be maintained, thereby ensuring that opportunities can be maximised (i.e. aggregation of orders, the most appropriate techniques and skills can be adopted)
- Reductions in cost through the creation of centralised contracts, appropriate tendering processes or negotiations on price

- 5.17 In order for the CPU to operate efficiently and effectively it is important that all officers use their services. It is a requirement of Standing Orders as to Contracts that all purchases for the supply of goods or services must be routed through CPU. A schedule of exceptions to this requirement is contained in Standing Orders as to Contracts.

- ~~5.18 The CPU is responsible for procuring goods and services worth approximately £7m of the Council's budget.~~

Sustainability

- 5.18 The Council has a role to play in promoting and improving the social, environmental and economic well being of local communities. Sustainability is about integrating these 3 areas of well being so that communities can thrive for the benefit of present and future generations. This role is addressed in the Council's Strategic Corporate Plan (Heart of the Forest) which sets out the commitment across the whole range of Council services to sustainability. It is now

possible, more than ever before, to take sustainability issues into consideration when entering into contracts with external providers.

5.19 All approved contractors on the Sinclair Directory are required to meet minimum sustainability standards.

5.20 Traditionally, tender evaluation has been based on the principle of selection of the lowest tender. National legislation and the Council's own Standing Orders now provide more flexibility for officers in the award of work. 'Non commercial' matters can be taken into consideration in the evaluation process. A contractors approach to matters such as recycling, energy usage, environmental impact and use of local suppliers can all be used in the initial selection of tenderers and the overall evaluation of tenders.

Standing Orders
3.5.3

5.21 The Council's Central Purchasing Unit (CPU) operates within an approved Environmental Purchasing Guide (*full details can be found on Forestnet under C for Central Purchasing*). The guide sets out the commitment to a purchasing policy that takes into account the environmental impact of purchases and recognises that this may not always be the cheapest option.

5.22 All suppliers used by CPU are required to complete a questionnaire that seeks to establish the company's approach to environmental issues. Failure to respond appropriately may result in the supplier not being selected to price for Council business. CPU are investigating the future opportunities to enhance this assessment to include a suppliers approach to social and ethical issues.

Environmental
Purchasing Guide
(App1)

5.23 All officers have a duty to ensure that when seeking to enter into contracts with external contractors all opportunities are taken to deliver the procurement in a sustainable way. This shall be achieved both through the use of approved contractors and the drafting of specifications that require works, services and supplies to be delivered in a sustainable way.

5.24 The Council's best value process also requires that services assess how well they contribution to sustainability. A self-assessment checklist has been produced, more details of which can be found on Forestnet under B for best value.

Best Value Guide

Workforce Matters

5.25 It is widely recognised that there is a direct connection between service quality and an appropriately skilled and motivated workforce. In order to deliver best value the procurement process needs to ensure that where relevant, workforce matters are taken into consideration in the decision making process. This may apply whether or not a TUPE transfer will take place.

5.26 Standing Orders as to Contracts refer to the need for tender documents to include a statement that the Council does not bind itself

to accept the lowest tender. This allows other factors, such as workforce matters, to be taken into account in establishing the overall quality and merits of any tenders submitted. Examples of workforce matters that may be considered include:

- Possession of IIP or equivalent accreditation
- Details of Employment Tribunal convictions
- Experience and track record including references that can be called upon
- Training policies and plans to improve quality
- Transition plans for implementing TUPE
- Health & Safety management
- Human Resources procedures
- Individual employees qualifications and training records
- Equal opportunities policies and practices

5.27 Officers involved in any procurement activity where workforce matters are likely to form part of the tenderer selection or tender evaluation process shall consult with the Head of Personnel Services and Internal Audit who shall ensure that information sought complies with any legislative requirements and guidance in force at that time.

5.28 Likewise, employee representatives shall be fully informed and involved in any options appraisal and selection process where the outcome is likely to affect existing Council employees.

Electronic Procurement

5.29 The Council is required to produce an Implementing Electronic Government Statement (IEG Statement) annually. The Councils IEG statement sets out how it intends to implement electronic service delivery across the range of its services and in partnership with other service providers.

IEG Statement
available under I
on Forestnet

5.30 Much of the statement deals with the Council's plans to make council services more electronically accessible. However the plan also sets out the Council's vision to fully utilise information and communication technologies (ICT) to enable joined up working with partners. These partners will include all external contractors from whom the Council procures works, services and supplies.

5.31 The newly adopted invoice manager module of the Council's financial information system operates in a way that maximises the benefits of ICT. Orders can now be raised electronically with payments made direct to contractors and suppliers via BACS (Bankers Automated Clearing System). Invoices are also now handled electronically once received. Future development of the E Procurement strategy will include the introduction of the ability to receive invoices electronically from contractors and suppliers.

5.32 Supplier catalogues are also available electronically, thus making the selection and ordering of items such as stationery and office equipment more efficient. It is planned that the scope of such catalogues will be expanded in the future.

Standing Orders
3.20

- 5.33 The Sinclair Database is accessible to all officers involved in the procurement process. Prospective tenderers are selected automatically. Once selected officers then have to revert to a manual process for invitation to tender. The system will be developed in the future to include an electronic tendering module. This will further streamline the tender process with invitations to tender, tender documentation and 'sealed bids' all being handled electronically.
- 5.34 In parallel with the Sinclair Database it is planned to implement separate electronic 'Request For Quote' (RFQ) software. This is likely to be used for smaller scale purchases where only quotes are required rather than formal submissions of tender. This software will make the purchasing process simpler and more efficient.
- 5.35 It is anticipated that as a result of all of these measures savings will be achieved from reduced transaction costs, better controls on contract spending and appropriate discounts with suppliers & contractors

Information and Communications Technology (ICT)

- 5.36 The way that current services are delivered is dominated by information and communications technology. There is a continual drive to develop systems and to keep pace with changes in technology. Through the best use of ICT it is anticipated that the cost of the procurement process will be minimised. In order to ensure that the Council's ICT provision is delivered in a co-ordinated and strategic fashion it is essential that all activity is planned and controlled from a central point.
- 5.37 In order to achieve this officers and Members are required to route all system development and procurement through the Council's ICT Services section. Procurement of hardware and some software is delivered through a preferred supplier, selected following a competitive tendering exercise. Formal project control methodology is applied to the assessment and selection of system suppliers for all major software applications.

New Forest Local Strategic Partnership (NFLSP)

- 5.38 The aim of the NFLSP is to improve the economic, social and environmental well being of the district for the benefit of present and future generations. This will be achieved through better cross agency working towards common goals. The NFLSP will produce a Community Strategy which will set out agreed activities to help address some of the key issues in the district.
- 5.39 The terms of reference for the NFLSP include reference to the:
- Sharing of best practice
 - Improving service delivery
 - Making best use of resources

- Challenging partnership arrangements

All of these specific issues have strong links with procurement. As the partnership develops and the community strategy takes shape officers and Members will need to have regard to the content of the strategy and how this affects decisions they are likely to make.

6 COMPLIANCE WITH AND MONITORING OF THE STRATEGY

- 6.1 The strategy applies to the procurement of all types of works, supplies and services. It is the responsibility of all officers and Members involved in any stage of the procurement process to be familiar with the requirements of the strategy and to ensure compliance at all times.
- 6.2 Monitoring of compliance will be achieved in a number of ways. The Competition Policy will be monitored through the Best Value process. All services subject to Best Value review have to report on the competitiveness of the service and include in the Service Improvement Plan any actions considered necessary to bring the service into line with other top performing comparators. All reviews report to a separate Review Board who's responsibility it is to ensure that the review has been undertaken rigorously and in accordance with the Council's Best Value Guidance.
- 6.3 All procurement that falls within the scope of the Council's Standing Orders as to Contracts is monitored on an ongoing basis by the Internal Audit Service and the Contract Monitoring Officer. Advice and guidance is provided on an ongoing basis with contracts also being selected randomly for formal inspection. Results of Internal Audit checks are formally reported back to management.
- 6.4 The Director of Resources is responsible for ensuring compliance with Financial Regulations. This is achieved on a day to day basis by Accountancy Services monitoring financial activity and maintaining a close working relationship with budget responsible officers.
- 6.5 Usage of the Council's CPU is actively monitored by the Purchasing Manager. This is achieved through regular dialogue with service managers and general monitoring of CPU activity.
- 6.6 The development of electronic procurement is overseen by the Electronic Governance Team. The team is chaired by the Head of ICT and comprises Members, senior managers, a personnel representative and an ICT project manager. The team meets monthly and reports annually to Corporate Management Team and Cabinet. Monitoring of E Procurement initiatives is therefore closely monitored by this group.
- 6.7 ICT Services are responsible for the co-ordination of all ICT procurement across the Council. All ICT procurement (Hardware & Software) requires the installation onto the Council's infrastructure. This is undertaken by ICT employees either independently or in

conjunction with external suppliers. Close control is therefore maintained over the procurement of all ICT products.

PROCUREMENT STRATEGY

