



PROCUREMENT STRATEGY

1. INTRODUCTION

- 1.1 In the summer of 2005 the Corporate Overview Panel agreed to focus their work programme on a number of reviews around the theme of procurement of goods and services. These reviews were identified as potential areas of concern because of slippage in the capital programme, contractual problems that had been reported to members and the general opportunities that exist around the wider procurement agenda.
- 1.2 Following an initial workshop with the Panel scoping documents were prepared that covered the following areas:-
 - Project Management
 - Roles and Responsibilities
 - Standing Orders and Financial Regulations (in relation to procurement)
- 1.3 These led to two major reports being considered by the Review Panel earlier this year and proposed amendments to Standing Orders and Financial Regulations being approved by Cabinet in April. Training on the new improved flexible arrangements has been undertaken. The success and impact of the new measures can not be evaluated until later next year.
- 1.4 A project management guide has been published and further detailed work continues in developing some of the detail in this guide. Training in project management skills will be undertaken in the New Year.
- 1.5 The Corporate Overview Panel were clear that the aforementioned reviews should take place as a priority over a wider more strategic review of the Councils approach to procurement.

2. PROCUREMENT PROJECT

- 2.1 Having completed the majority of the aforementioned operational reviews the Review Panel approved a scoping document in September 2005 that established a project team to undertake an overarching review of the Councils approach to the whole procurement agenda. The Team consisted of both members and officers and was led by the Chairman, Councillor John Ward.
- 2.2 The Review Team always recognised that although the scope of the brief was to develop a draft strategy that was fit for purpose implementing the Strategy would be the greatest challenge. It is therefore of vital importance that the action plans, that will be developed once the Strategy has been adopted, deliver the aims and aspirations set out in the Strategy.

- 2.3 The Draft Strategy is attached for consideration and approval. The criticisms of the previous strategy have been addressed and the Strategy, whilst paying due deference to the National Procurement Strategy is not driven by it. It is a Strategy that has been developed to enable New Forest District Council to use the purchasing power that it has to maximum benefit, and to ensure that it delivers services efficiently and effectively.
- 2.4 Greater focus will be given to ensure that purchasing opportunities from the Central Purchasing Unit are maximised and ensuring that the procurement cycle is as efficient as possible. The Strategy requires all service delivery vehicles to be evaluated, including outsourcing, whilst accepting that certain vehicles will be more appropriate than others depending on the nature of the service.

3. DELIVERY OF THE STRATEGY

- 3.1 The Procurement Strategy should be pivotal to the Council achieving many of the goals and aspirations set out in the Corporate Plan. It will help the Council delivery services efficiently and effectively as well as providing a tool for the Council to use its significant purchasing power to deliver community benefits.
- 3.2 The detailed Action Plans that will be developed to assist the deliver of the Strategy will provide the focus of how the Strategy is converted into real actions.
- 3.3 The Strategy includes a number of performance indicators that have been developed to measure how successful the Council has been in delivering the contents of the Strategy. This information is not currently collected but is important if there is commitment to move the organisation. The collection of the data will require some resources and the Cabinet are asked to endorse the data collection which will be reported to both the Corporate Overview Panel and Cabinet in due course.
- 3.4 The Strategy recognises the work and expertise that exists within the Council and challenges whether this could be used more efficiently by creating a central source of expertise. The advantages and disadvantages of this approach will be fully evaluated through the Action Plans.

4. CONSULTATION

- 4.1 Extensive consultation has taken place with many partners and stakeholders. Those who responded have been very positive about the approach that is outlined in the Strategy and look forward to working with the Council in developing the Action Plans that will deliver the Strategy.

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5. PORTFOLIO HOLDER COMMENTS

- 5.1 The Leader and Portfolio Holder for Policy & Strategy believes that the Draft Strategy demonstrates that the Council is continually seeking to be innovative and forward thinking. The Strategy recognises the important influence that the Council can derive from being such a significant procurer of goods and services. He wishes the Council to take all opportunities to improve the efficiency and effectiveness of service delivery and believes that the Procurement Strategy provides an excellent framework for achieving this. The Leader would like to thank the Corporate Overview Panel for all the work they have done in producing the Strategy.

6. FINANCIAL IMPLICATIONS

- 6.1 Although there are no direct financial implications arising from the Strategy there will be some resources required to collect the performance data included within the Strategy. Furthermore the acceptance that the lowest cost is not necessarily the best overall price will incur some opportunity costs. Once a framework for assessing other non financial benefits has been formulated members will have the opportunity to assess and alter the ratio between cost and other factors.
- 6.2 The development of the Action Plans that will deliver the Strategy may well to some additional resource requirements. It is not possible at this stage to quantify such costs but if these can not be resourced within the base revenue costs of the services involved additional funding will be requested.

7. ENVIRONMENTAL IMPLICATIONS

- 7.1 The Strategy provides a real opportunity for the Council to build on the approach that it is currently developing around the Green Agenda. The Strategy enables non financial considerations to be evaluated in order to derive maximum benefit for the community it serves. This includes environmental, economic and community benefits.

7.2 The Council can use the Strategy and the Action Plans to help shape its approach for the foreseeable future. With many exciting opportunities that are likely to materialise in the near future it is important for the Council to have a robust framework within which to operate that ensures sustainability is at the heart of what we do.

8. CRIME AND DISORDER IMPLICATIONS

81 There are no direct crime and disorder implications arising from this Strategy. However the opportunities to derive community benefits will undoubtedly have an indirect and positive impact on crime and disorder.

9. EMPLOYEE SIDE COMMENTS

The Employee Side comments will be reported at the meeting.

10. RECOMMENDATIONS

It is recommended that the Cabinet approve the Draft Procurement Strategy as set out in the Appendix to this report.

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Procurement Strategy

2007 to 2011

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INTRODUCTION

Aims of the Strategy:

To provide a strategic framework that will ensure the Council maximises the opportunities that can be derived from effective and innovative procurement of goods and services.

To promote an approach to procurement that will improve service delivery, realise savings and achieve benefits from working in partnership.

Adoption of this Strategy will:

- Assist in achieving corporate plan objectives
- Raise the profile of procurement and highlight the opportunities that effective procurement can create
- Promote consistency in procurement
- Improve efficiency through reduced costs and the achievement of value for money
- Ensure the delivery of high quality competitive services that meet the need of the customer
- Support the delivery of the Council's e-procurement agenda
- Support sustainability for the communities and areas served and benefit local citizens
- Provide equitable opportunities to a diverse range of suppliers

The profile of procurement within the public sector has been raised following the publication of the Byatt report "Delivering Better Services for Citizens" in 2001 and through the subsequent introduction of the "National Procurement Strategy for Local Government" in October 2003. Procurement has also been identified as a priority area of the government's Efficiency Agenda as a means of achieving significant cashable savings by more collective and professionalised purchasing across the public sector.

Procurement is the foundation of providing cost effective and efficient services and is undoubtedly at the heart of everything the Council does. Ensuring the appropriate strategic framework is in place is essential if, as an organisation, the Council wishes to be proactive and innovative in the provision of value for money services.

The Council has already undertaken significant work in this area with the production of a previous Procurement Strategy that encompassed many of the good practices identified in the National Strategy. However, the Council's Comprehensive Performance Assessment (2004) identified the need for further development of the existing Procurement Strategy which was seen to be weak in terms of its contents regarding partnership or modern contractual principles, lacked guidance as to how quality should be taken into account when assessing tenders and had a presumption of in-house service provision. The findings were that *"without clear guidance through a strong and purposeful procurement strategy the Council may not achieve the best mix of quality, cost and service delivery"*.

This Strategy builds on the work already undertaken and sets out the framework for the Council's approach to Procurement in ensuring that this area of activity meets the requirements of the Council and directly contributes to the achievement of the Council's corporate aims and objectives.

The Strategy is supported by an Action Plan to further develop the Council's procurement policies and practices and establishes a programme for continuous improvement whilst measuring targets against the milestones within the National Procurement Strategy.

This document addresses all the key procurement and Efficiency Agenda issues and is closely aligned to the four main themes of the National Procurement Strategy:

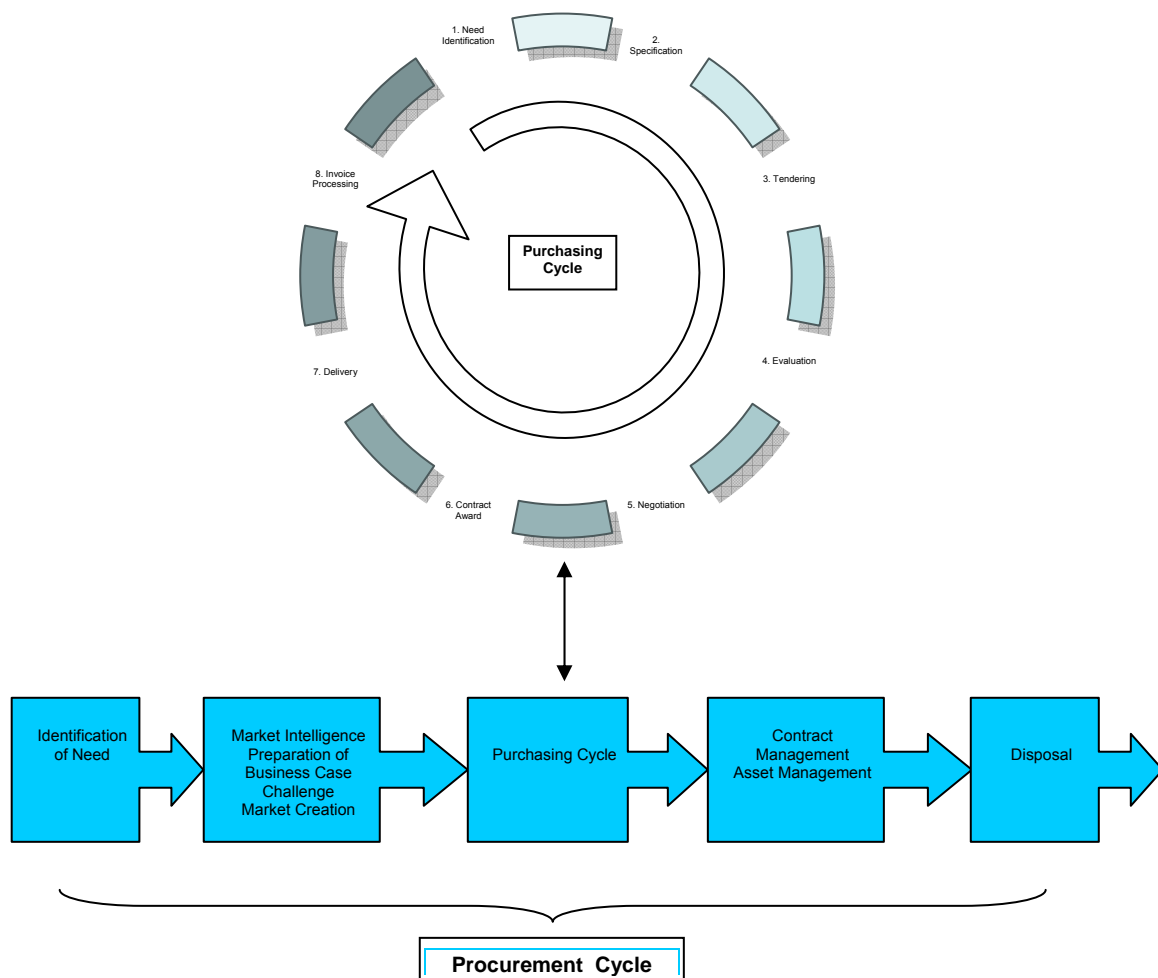
- Providing Leadership and Building Capacity;
- Partnership and Collaboration;
- Doing Business Electronically; and
- Stimulating Markets and Achieving Community Benefits.

The Strategy is not overly prescriptive in many areas. It does however provide a framework within which the Council can maximise the opportunities that can be derived from better procurement. It is important that this Strategy is used as a backcloth for delivering efficient and effective services. The methodology adopted to achieve this will differ between functions. It is important however that all options are properly and robustly evaluated. This process will include the consideration of outsourcing of service delivery albeit this will not be appropriate for all services.

What is Procurement?

Procurement has many different meanings. Within the National Procurement Strategy it is defined as *“the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. The process spans the whole 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 which may result in the provision of services in-house in appropriate circumstances”.*

Procurement is not the same as purchasing. Purchasing is only one element of the process i.e. the basis of the acquisition stage in the Procurement Cycle. The procurement cycle starts with the identification of a need and moves through purchasing decisions to the end of a service or the end of the useful life of an asset. Procurement decisions would cover why, how and where in respect of service delivery options.



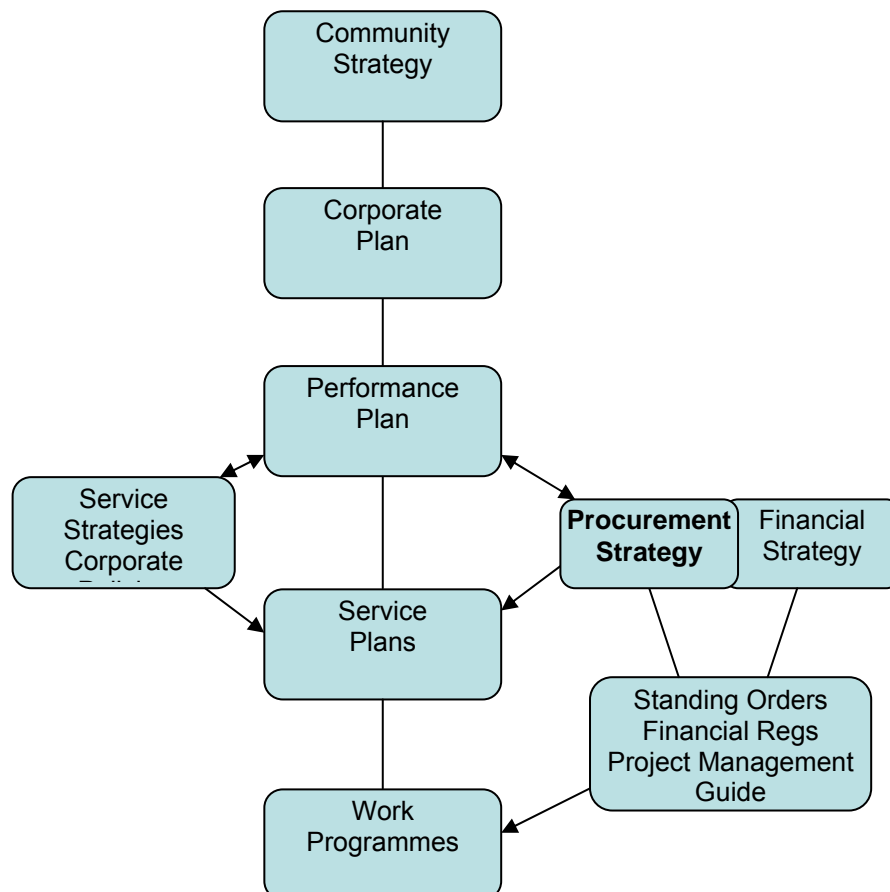
The Council's Strategic Objectives

The Procurement Strategy is aligned with the Council's strategic aims and objectives as set out in the Corporate Plan 2003-2007 'The Heart of the Forest'. Adoption of the strategy will assist in achieving these objectives.

The Council's Corporate Objectives:

- An organisation of excellence;
- Working with public and partners;
- Economic well being;
- Social well being; and
- Environmental well being

This strategy will seek to support these objectives by implementing its aims to foster innovation in service delivery, making the best use of new technology, working with partners and the community, maintaining a sustainable local economy through use of local suppliers and service providers, and by ensuring a sustainable environment through green purchasing initiatives.



The Council has accepted a motion that "New Forest District Council supports the concept of local sustainability as envisaged in the Sustainable Communities Bill, namely:

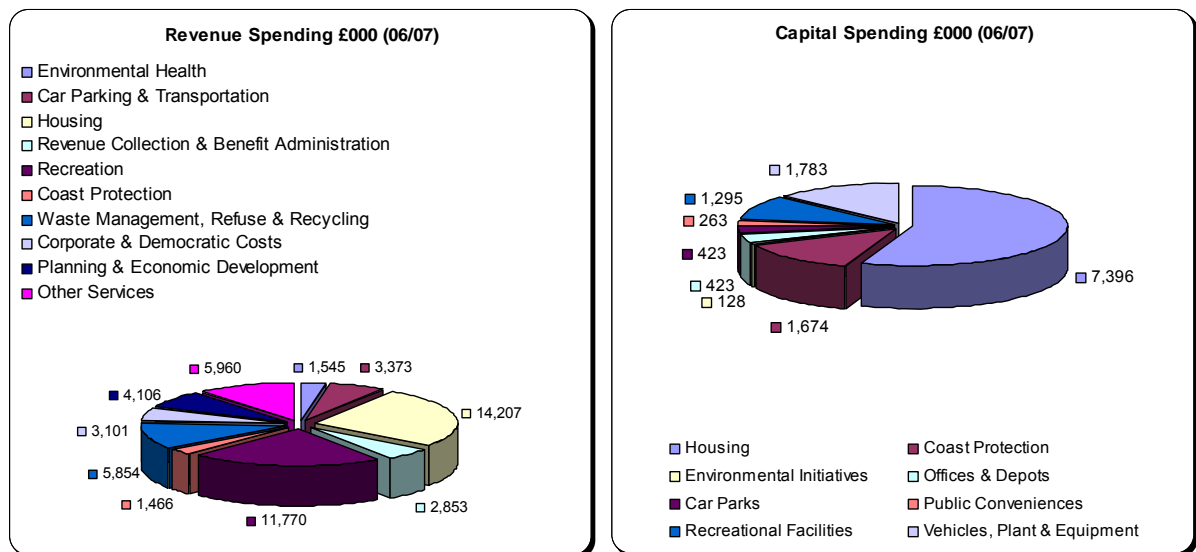
- The promotion of local economies;
- The promotion of local services and facilities;
- The protection of the environment;

The reduction of social exclusion; and
Measures to increase involvement in the democratic process.”

The framework set out in this strategy will facilitate the Council in achieving the sustainable communities that it aspires to promote.

Council Spending

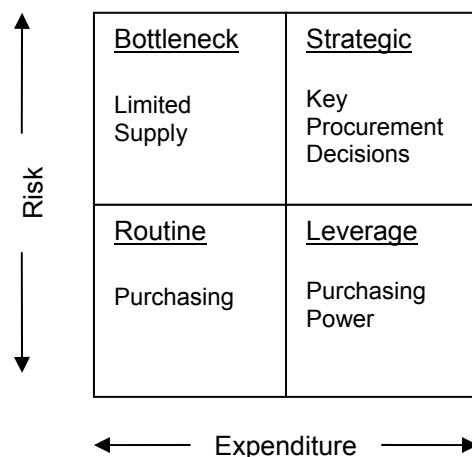
The Council spends in excess of £67m per annum (excluding housing and council tax benefits) on the procuring of goods and services either internally or externally provided.



Managing Risk

All procurement decisions carry with them inherent risks. The exposure to these risks will be dependant upon a number of factors including the nature and cost of the procurement. In order that the risk management approach adopted is appropriate a matrix approach will be applied.

A number of different approaches will be used to manage risk depending on the nature of the procurement itself. High-risk, high value procurement such as partnering or shared services will require a strategic approach using formal project management techniques and gateway reviews. Low-risk requirements will be based on the leverage of collective buying power in order to minimise costs or by streamlining processes.



PROCUREMENT STRATEGY

PROVIDING LEADERSHIP AND BUILDING CAPACITY

Objective:

To ensure that there is commitment from the top of the Council to procurement excellence by managing it strategically and resourcing it adequately.

To achieve this the Council will:

- Identify procurement champions
- Maintain a procurement strategy aligned with its corporate objectives
- Award contracts on best value for money rather than lowest price
- Ensure expertise exists in procurement and project management
- Encourage procurement skills through relevant training
- Publish procurement guidance for internal and external use
- Maintain a corporate contracts register
- Plan and resource procurement projects effectively

Roles and Responsibilities

The Director of Resources and the Leader of the Council will assume the roles of Chief Officer and Member Procurement Champion respectively and the subsequent implementation and delivery of this strategy.

The Procurement Champions will ensure that procurement is seen as a strategic issue and will be responsible for the adoption of this strategy. They will challenge the way the Council procures and monitors the effectiveness of the strategy.

Effective procurement across the Council will be delivered through the active participation of all those who are responsible for the delivery of service, control budgets, and authorise expenditure as well as those with the appropriate technical expertise.

Procurement will be measured in terms of delivery against this strategy and day to day management of the procurement process. In addition to the management of the Action Plan that will facilitate the delivery of this strategy it is intended to develop some key performance indicators that will measure the Council's overall performance in this area (Appendix 1).

Procurement Expertise

The Central Purchasing Unit (CPU) provides the Council with purchasing expertise, achieving savings by way of aggregation and benefits through the technical expertise of the unit.

The Purchasing Manager also provides advice on the application of European Directives with regard to tendering arrangements, financial thresholds and sustainability issues.

It is a requirement of the Council's Standing Orders as to Contracts (Standing Orders) that all orders for goods and services, with limited exceptions, are placed using CPU in order to benefit from:

- purchasing expertise;
- an overview of purchasing activity, ensuring that opportunities can be maximised i.e. aggregation of orders; and
- the reduction of costs through the creation of centralised contracts, appropriate tendering processes or negotiations on price.

The requirement to use the service is supported by the Purchase Manager system, part of the Agresso suite, which electronically routes all requisitions for goods and services to CPU for orders to be placed (see Doing Business Electronically).

The Council will seek to achieve maximum purchasing power through collaboration in this area (see Delivering Efficient Services) by exploring the options of a Hampshire Purchasing Consortium, further partnering with Test Valley Borough Council, and the use of the IDeA Marketplace (see Doing Business Electronically).

The Contract Monitoring Officer and Internal Audit provide specialist advice on tendering and contract issues and monitor compliance with Standing Orders to ensure the requirements for public accountability and probity are met whilst satisfying the need to obtain value for money.

Internal Audit is responsible for the strategy to prevent fraud and corruption and to ensure ethical standards are maintained (Anti Fraud and Corruption Policy April 2006).

The Economic Development Unit is a source of expertise and knowledge base and link to the local business community. This expertise will be called upon to understand whether the Procurement Strategy is having the impact it aspires to within the business community.

Fundamental Service Reviews, and the Performance Management Framework, are key planks to challenging service delivery to ensure the council continues to provide value for money services. The Corporate Policy and Performance Team provide expertise in performance management techniques and the Fundamental Service Review process.

The National Strategy requires that all large Council's (single tier and County) have a corporate procurement team in order to establish a centre of expertise in procurement and project management. Within the Council procurement activity is currently devolved to the various areas of expertise that already exist.

The significant benefits of developing corporate expertise has been well proven in many areas. This principle equally applies to the procurement process. Various degrees of knowledge and skills exist within the Council but no one overall service currently provides support and guidance for the entire procurement cycle.

Substantial opportunities exist for enhancing existing expertise by centralising advice on all procurement matters within one team. Not only will this build on existing specialisms it will bring a synergy to the procurement cycle that currently does not exist. A centre of excellence for procurement, using existing resources, will facilitate the delivery of this Strategy for the benefit of the Council and the community that it serves.

Basis of Procurement Decisions

The Council will make its procurement decisions to further its corporate objectives of improving the economic, environmental and social well being of its community and on the basis of achieving best value for money (the economically most advantageous offer in the EU and UK regulations). Best value is defined as “the optimum combination of whole life costs and benefits to meet the customer’s requirement” and requires authorities to make arrangements to secure continuous improvement in the way in which they exercise their functions, having due regard to a combination of economy, efficiency and effectiveness.

Contracts will not be awarded solely on the basis of lowest initial financial bid but on the basis of the most economically advantageous tender, quotation or proposal, as determined by such criteria as are relevant to the type of works, suppliers or services. This will generally cover the optimum combination of whole life costs and benefits, including such factors as quality, initial price, running and disposal costs.

Project Management

The development of Project Management will be actively supported as a core competence of the organisation for the effective management of time, cost, quality and risk in projects. All projects will be undertaken in line with the methodology set out in the Council’s Project Management Guide.

The Project Management Guide sets an operational framework within which all projects operate.

Procurement decisions are clearly a fundamental element of many, but not all, projects. The guide is to be used alongside Standing Orders and Financial Regulations. Business cases will be expected for all projects but this will be commensurate to the size and complexity of the project. All ‘Strategic’ procurement will require formal project management and will need to be supported by a business case.

The guide also includes guidance on the appropriate resourcing of projects to ensure successful delivery.

Contract Management

Effective procurement is measured by the outcomes and not by completion of the process. Contracts will be managed throughout their life to ensure that the benefits identified in the business case are delivered. The management of all contracts will be undertaken in compliance with Standing Orders which will be monitored by the Council’s Section 151 Officer and the Monitoring Officer in accordance with their responsibilities under Section 151 of the Local Government Act 1972 and Corporate Governance respectively.

The Council will maintain a Standing Approved List to ensure that Contractors are appropriately vetted and meet the standards required by the Council in terms of technical competence, quality assurance, sustainability and compliance with legislative requirements.

A single Contracts Register will be maintained to assist in the advertising of future opportunities and to enable the reporting of all contracts, above and below the OJEU threshold, to the DCLG in order to demonstrate compliance with EU regulations.

Forward Planning

The Council will notify interested parties of future procurement opportunities by displaying Forthcoming Contract Notifications, where the value of the contract is likely to exceed £5,000, on the Council's website.

Documented Guidance

A number of different corporate procurement related policies exist and are summarised in Appendix 3. All procurement activity will be undertaken in compliance with these policies. The Council will ensure that these policies and any related procedures or guidance are widely available to all Officers via the corporate Intranet.

A 'Selling to the Council Guide' is available on the Council's website for use by third parties who may be interested in working with the Council.

Training

The Council will ensure that Officers and Members have the appropriate skills in procurement and are adequately trained in both internal and external procedures and requirements in order that they can make procurement decisions that will further the Council's aims and objectives and to ensure that regulatory compliance is met.

DELIVERING EFFICIENT SERVICES

Objective:

To deliver efficient services by exploring service delivery options through its Performance Management Framework and the opportunity to partner or collaborate with others.

To achieve this the Council will:

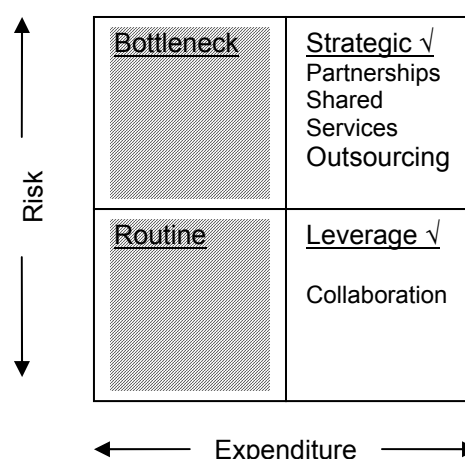
- Identify and encourage opportunities for partnering and collaboration
- Use its Performance Management Framework to explore service delivery options and to proactively seek out partnering and collaboration opportunities to improve service delivery and projects
- Remove barriers that may prevent effective partnering or collaboration
- Award Council wide contracts and framework agreements to make the most of buying power
- Open up contracts and framework agreements to other Councils and public sector partners

Although the profile of the 'efficiency agenda' has risen as a result of national initiatives it has always been an integral element of the Council's approach to resource utilisation.

In order to ensure that efficiency is embedded within the organisation a strategic framework has been developed and a corporate work programme produced. The efficiency and improvement framework will deliver efficiency gains for many years to come and will require the evaluation of alternative service delivery models.

Partnering and Collaboration

The strategic objective of partnering is the delivery of better services to citizens through the creation of sustainable partnerships between councils and suppliers in the public, private, social enterprise and voluntary sector. This includes not only the delivery of services but the carrying out of major projects, including construction.



The strategic objective of collaboration is to obtain better value by bringing councils and other public bodies together at local, regional and national levels to combine their buying power and create shared services.

- Combining buying power
- Sharing of expertise and knowledge
- Creating shared services
- Improved utilisation of resources

The Council will proactively seek partnering and collaborative opportunities and will encourage the development of new and creative methods or approaches to procurement that will deliver contract or services more efficiently, effectively and economically. This includes working with main suppliers to develop good working relationships, to enhance service provision, and the use of purchasing consortia and collaboration with neighbouring authorities, the voluntary sector and other public sector organisations.

Partnership and/or collaborative working will be considered as a service delivery option for all Fundamental Service Reviews.

Where it is determined that partnering or collaboration is the appropriate route, the preferred delivery model will be identified in a business case before procurement commences. The potential options available are included under service delivery options.

The Council will have in place specific rules and guidance for each arrangement of this kind, to include performance monitoring, in conjunction with Internal Audit and Legal and Democratic Services and in compliance with Standing Orders.

Links will also be forged with the Regional Centre of Procurement Excellence to take advantage of regional collaborative opportunities.

The Council can already demonstrate examples of partnership and collaborative working. The Council needs to build on this work with the consideration of partnership working in all appropriate procurement decisions and be bold in encouraging other agencies and organisations to lead these partnerships where it can be demonstrated they have the capacity to deliver service improvements.

The Council has fully endorsed the 'Rethinking Construction' (Egan Report) principles and uses them effectively in the areas of Housing and Commercial Services. The Council will look to expand this, where appropriate, across other areas of Council spend.

Outsourcing

All service delivery vehicles will be considered and robustly evaluated. This will include outsourcing opportunities and joint venture companies. Transferring of services to the private sector is not without potential risks of either a financial, operational or governance nature. Although such risks need to be identified they will need to be evaluated against the possible benefits of reduced running costs, capital investment or enhanced service delivery that outsourcing can generate.

Performance Management Framework

The Council has implemented a Performance Management Framework that was intended to create improved focus on service performance both at an officer and member level. Although progress has been made there is still much more to be done. Performance information will be used to drive service improvement and inform alternative service delivery evaluations.

The framework requires all services to undertake Fundamental Service Reviews once every five years. The major purpose of this exercise is to challenge why, to what level, and how the service is provided (see Service Delivery Options). The programme should also be developed using performance and trend data.

Service Delivery Options

Building on the work already undertaken through the Performance Management Framework and adherence to the Competition Policy all Fundamental Service Reviews will include a robust and challenging appraisal of service delivery options.

This should include the following options:

- In-house
- Public sector consortium
- Non-profit-distributing organisation
- Local authority company
- Framework agreement
- Partnering and collaboration
- Design, build, finance and operate (DBFO) contract
- Outsourcing
- Mixture of the above

Services will be required to demonstrate that their performance level is consistent with the top quartile of service providers, either nationally, by District Authority or by appropriate family group for the presumption of in-house service provision. This, in itself, will not negate the need for the service to review alternative delivery options.

Use of In-House Services

Where it has been demonstrated that the most effective and efficient service delivery at that time is through in-house provision these resources will be used by all other internal services who will not seek to procure the same service externally.

New Trading Powers

As a CPA 'Excellent' rated authority the Council can establish companies for the purpose of trading under the Local Government Act 2003. The Council will look to exploit trading opportunities where it can be demonstrated that such an approach will provide additional benefit.

Framework Agreements

The Council will look at the aggregation of demand by identifying how departments procure various goods and services and how these could be joined up more strategically.

CPU will continue to play a lead role in exploring and securing Council wide contracts and framework agreements. These agreements will be open to use by others that may benefit from them, including other councils and public sector partners.

The Council will also seek opportunities to make use of framework agreements and contracts put in place by local authority purchasing consortia and other public bodies, such as the Office of Government Commerce (OGC), where these offer best value for money.

DOING BUSINESS ELECTRONICALLY

Objective:

To achieve efficiencies in the procure-to-pay cycle, including the reduction in cycle time and transaction costs, by implementing appropriate electronic solutions in order to free resources that can be directed into front line services.

To use e-Marketplaces to assist in accessing framework agreements and contracts.

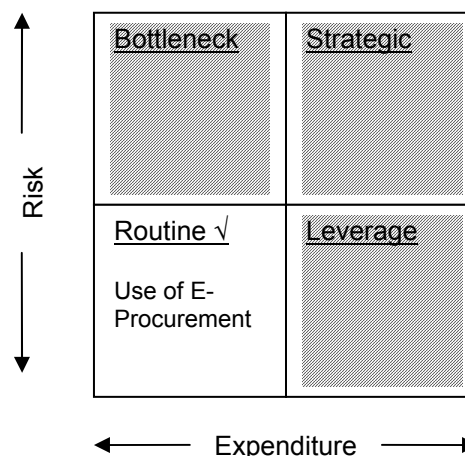
To achieve this the Council will:

- Integrate e-Procurement with Financial, Human Resources and other ICT systems
- Ensure that the ICT architecture supports the procuring of goods and services across the internet
- Support small businesses and the local business community in electronic trading

E-Procurement

The Council will ensure that its e-Procurement Strategy is closely aligned with the Procurement Strategy and that potential suppliers (including locals SMEs) are not unreasonably disadvantaged by the Council's use of electronic trading.

E-procurement describes the use of an electronic system to acquire goods, works and services and payments to third parties and is the subject of a number of government initiatives/targets for local authorities including Best Value Performance Indicator (BVPI) 157, Implementing Electronic Government (IEG) Statements and the National Procurement Strategy. The European Commission (EC) Consolidated Directive (2004/18/EC) supports the adoption of e-procurement. E-Procurement will be used to reduce transaction costs on 'Routine' procurement.



E-procurement consists of a number of elements including:

- e-ordering – the ability to place orders electronically including by fax, email and the Internet.
- e-invoicing – the ability to receive invoices electronically.
- e-payments – the electronic payment of invoices through CHAPS, BACS and purchase cards.
- e-tenders – the ability for suppliers to tender on-line, to apply for inclusion in the tender process and receive and submit tender documentation electronically.
- e-auctions
- e-catalogues – introduction of an electronic marketplace.

The Council's 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.

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

Part of this work has been undertaken with the introduction and implementation of the Purchase and Invoice Manager modules of the Council's suite of integrated financial information systems, Agresso, which operates in a way that maximises the benefits of ICT. The purchasing cycle from requisition of goods or services by individual departments to invoice payment is now undertaken electronically with on line approvals by authorised officers.

The majority of payments are made electronically using BACS, however the Council will actively promote and encourage payment by this method to all its suppliers.

Additional work will be undertaken to explore further opportunities for e-ordering, e-invoicing and e-tenders in an attempt to reduce the number of paper based transactions and associated costs.

The use of procurement cards will be explored for small purchases and imprest accounts in order to achieve benefits through prompt payments and simplification of processes. These benefits will be balanced against the need for the internal controls that will be required to accompany the introduction of such cards, including financial limits.

The Council will continue to actively support the National e-Procurement Programme (NePP) and collaborate with the South East Centre of Excellence to ensure that its e-Procurement Strategy is kept under review and informed of the latest developments and opportunities.

E-Marketplace

The Council has already signed up to the IDeA Marketplace and is committed to collaborating at a local level to establish a Hampshire Marketplace. This will enable the Council to access on line catalogues and benefit from greater purchasing power including volume discounts. Efficiencies will also be achieved through this joint working approach in the identification and accreditation of suppliers.

STIMULATING MARKETS AND ACHIEVING COMMUNITY BENEFITS

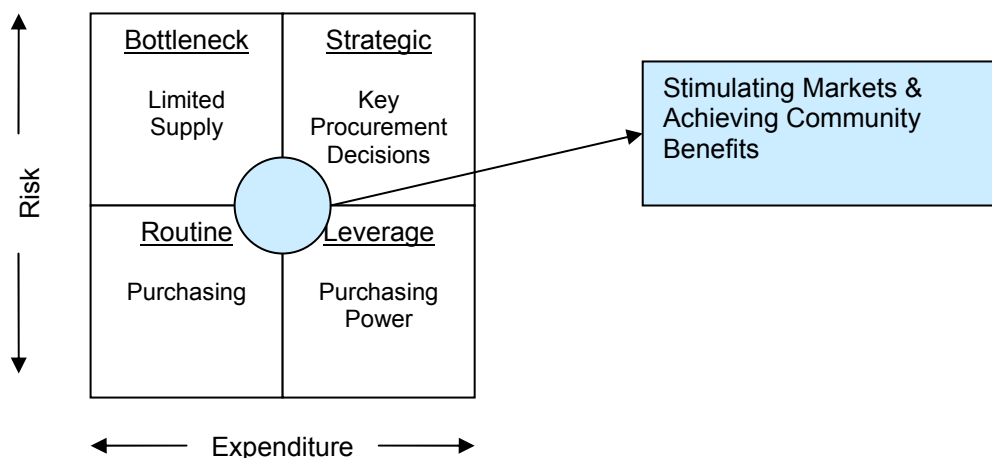
Objective:

To maximise the opportunities that exist within the procurement cycle to deliver corporate plan objectives.

To achieve this the Council will:

- Market itself to suppliers
- Encourage small firms, ethnic minority businesses, social enterprises and voluntary and community sector suppliers to bid for contracts
- Ensure compliance with employment issues in procurement
- Ensure diversity and equality issues feature in procurement
- Use procurement to assist in achieving its corporate plan objectives

When deciding on the procurement approach for a particular requirement the Council will take into account the added value that small firms, voluntary and community sector providers, social enterprises and ethnic minority businesses might bring.



Generating Increased Local Activity

In order to foster creativity and innovation in the local area the Council will encourage a diverse and competitive supply market including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers. It recognises that many of these organisations will be from the local community and that developing local solutions to public service delivery will assist in maintaining a healthy local economy.

The Council will proactively engage with local businesses to identify barriers that may prevent them from working with the Council in order to improve their capability of being able to compete for Council contracts, whilst ensuring no unfair advantage to those businesses during the procurement process.

The Council's 'Selling to The Council' Guide will be made widely available, including electronically on the Council's website, and will provide guidance on how to do business with the Council.

Standing Orders (Category 1 Standing Approved List of Contractors) facilitates the use of local suppliers. Category 1 is a list of local and other suppliers who have not

undergone any 'pre-qualification' checks and are essentially 'unaccredited'. Potential suppliers selected from this category can be used for the supply of goods up to an annual value of £25k per supplier.

Community Benefits

Provided there is compliance with the EU Public Procurement Regulations and 'Best Value', the Council will work with suppliers to realise community benefits through its procurement processes. This might include employment, training and enterprise opportunities in the locality and local multiplier effects.

Tenderers will be encouraged to submit optional, priced proposals for the delivery of community benefits, where they are relevant to the contract and the authority's corporate plan.

Small and Medium Sized Enterprises (SMEs)

The Government's Procurement Concordat for Small and Medium Sized Enterprises sets out principles to encourage effective trade between local authorities and small businesses in order to encourage a mixed range of suppliers to help develop and stimulate a varied and competitive marketplace.

The Council is committed to actively engaging with small businesses in order to promote good procurement practices and as such will sign up to the principles of the Concordat, many of which are addressed in this strategy.

The Council will aim to increase the amount of work, goods and services awarded to local businesses directly or indirectly within the applicable legal constraints.

Principal Contractors will be encouraged, both at tender stage and during the life of the contract, to establish and demonstrate the contribution that small firms, ethnic minority businesses, social enterprises and voluntary and community sector suppliers play in the supply chain.

Delivering the Corporate Plan

The Council's aims and objectives, as identified in the Corporate Plan 'The Heart of the Forest', include a commitment to promoting and improving the social, environmental and economic wellbeing of local communities.

In order to help the Council achieve these objectives consideration will be given to non-financial factors when entering into contracts with external providers.

All suppliers used by CPU are required to identify their approach to environmental issues; this will be further enhanced to include an assessment of the suppliers approach to social and ethical issues. A number of suppliers have already been identified through CPU who are able to guarantee the provision of materials which meet the sustainability standards of the Council.

The Council will ensure that when seeking to enter into contracts with external contractors all opportunities are taken to deliver the procurement in a sustainable way. Non commercial matters such as recycling, energy usage, environmental

impact and the use of local suppliers will be considered both in the selection of tenderers and in the overall evaluation of tenders.

Workforce Matters

Where **relevant** the Council will take workforce matters into consideration during the decision making process for service delivery, this may apply whether or not a TUPE transfer will take place. Appropriate consultation will always be undertaken.

Workforce matters will also be taken into account in establishing the overall quality and merits of any tenders submitted. These may 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 and Safety management
- Human Resources procedures
- Individual employees qualifications and training records
- Equal opportunities policies and practices

Officers involved in any procurement activity where workforce matters are likely to form part of the tenderer selection or tender evaluation process will consult with the Head of Human Resources and Internal Audit who will ensure compliance with legislative requirements and guidance is met.

Diversity

The Council will take a positive approach to removing barriers to trading with individual sectors. The Race Relations Act (RRA) outlaws discrimination in all functions of local authorities, including procurement. In complying with the RRA the Council will ensure that public money is not spent on practices that lead to unlawful racial discrimination, and that it is used to support and encourage equality of opportunity and good community relations.

The Council is committed to only working with organisations that conduct themselves in an acceptable manner. To achieve this all contractors applying for inclusion on the Standing Approved List of Contractors are assessed for their commitment to and level of compliance with:

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

Third Sector

The Council has entered a county wide Compact with the voluntary sector agencies. The Compact is an agreement that sets out the guidelines for how all public bodies

and the voluntary and community sector engage with each other. It is intended to ensure that all agencies make best use of the resources available to them by improving communication and avoiding duplication of the services provided. As part of this Strategy it is recommended that the Council consider how, the voluntary and community groups could be better engaged to deliver some of the services currently provided by the District Council.

SUMMARY

The Procurement Strategy is an essential tool to ensure the council delivers value for money services and maximises potential community benefits through the procurement cycle. It is fundamental to all that the council does and its importance in setting the right framework criterion which the council is to operate should not be underestimated.

In endorsing this Procurement Strategy and undertaking actions to ensure its delivery the Council formally acknowledges the importance of the effective use of procurement in contributing to the delivery of its strategic objectives.

The Strategy will be subject to regular review and will be benchmarked against the National Procurement Strategy for Local Government for compliance.

Local Performance Indicators for Procurement

Strategy
P1 – Strategy Implementation Percentage of actions within Action Plan completed
P5 – Aggregation 2 Percentage of corporate spend aggregated through collaboration with other public sector organisations
P7 – Gateway Reviews Percentage of medium and high-risk projects to which the 4ps Gateway Review Process is applied
P8 – Sustainable Procurement Percentage of framework agreements and contracts awarded following best practice on sustainable procurement
P9 – Local Government Market 1 Percentage of corporate spend placed with small and medium sized enterprises (SME's)
P10 – Local Government Market 2 Percentage of corporate spend including grants placed with the third sector i.e. suppliers in the voluntary, community and social enterprise sectors
Purchasing
P13 – Supplier Satisfaction with the Authority
P19 – Energy Price Comparison Price comparison of gas, electricity, oil and water
P20 – Commodity Goods Price Comparison A “shopping basket” of 10 commodity goods
P21 – Average Minimum Cost of Raising An Order Total cost of the process from requisition to payment
P22 – Average Invoice Value Corporate spend divided by the total number of suppliers
P24 – Average Spend per Supplier Corporate spend divided by the total number of suppliers
P25 – Percentage of corporate spend through electronic orders Over the Internet, excluding fax and telephone
P26 – Percentage of Invoices Received Electronically
P27 – Percentage of Corporate Spend Through Electronic Sourcing Electronic tendering/requests for quotes/auctions
P28 – Percentage of Orders Raised Electronically
P29 – Percentage of Invoices Paid Electronically Through BACS (Bankers Automated Clearing System), CHAPS (Clearing House Automated Payment System) or Direct Debit
Equalities & Competition
P33 – Small and Medium Sized Enterprises (SME's) Satisfaction with the Council In terms of: a) the accessibility of contracts b) support from the authority in relation to business opportunities
P34 – Third Sector Satisfaction with the Council In terms of: a) the accessibility of contracts b) support from the authority in relation to business opportunities

Indicators based on the Library of Local Performance Indicators developed by the IDeA and Audit Commission.

Glossary of Terms

Agresso	The Council's Financial and Human Resources Systems
BACS	Bankers Automated Clearing System
CHAPS	Clearing House Automated Payment System
Comprehensive Performance Assessment (CPA)	Audit Commission assessment of the performance of Councils and the services they provide for local people.
CPU	Central Purchasing Unit
Concordat	A signed written agreement between two or more parties to perform some action.
Corporate Governance	'Framework of accountability to users, stakeholders and the wider community within which the organisation takes decisions, and lead and control their functions, to achieve their objectives.' (Audit Commission)
DCLG	Department for Communities and Local Government (previously the Office of the Deputy Prime Minister – ODPM)
E-Marketplace	An electronic exchange where firms register as sellers or buyers to communicate and conduct their business over the Internet
E-Procurement	Business to business purchase and sale of supplies and services through the Internet and other information and networking systems
Efficiency Agenda	Commenced with Sir Peter Gershon's review of public sector spend. Gained further momentum through external assessment of local authority's delivery of value for money and is an integral part of the Governments general grant distribution methodology.
Ethnic Minority Businesses	A business where 51% or more of which is owned by members of one or more ethnic minority groups
EU	European Union
Framework Agreement	Flexible call-off contracts that enable authorities to simply 'call-off' requirements as and when the goods or services are required.
Fundamental Service Review	A critical review of why, to what level and how a service is provided. The process includes an assessment of user expectations, a robust challenge process and the consideration of alternative service delivery options.
Gateway Review	Independent reviews of major procurement projects at key points in the cycle to ensure that everything across the project is proceeding as planned before the next stage of the project commences.
IDeA	Improvement and Development Agency
IEG Statement	Implementing Electronic Governance Statement
Monitoring Officer	Officer responsible for ensuring that the Council operates within its legal framework under the Local Government and Housing Act 1989
National e-Procurement Programme (NePP)	Central resource for e-procurement advice and support for local authorities.
OJEU	Official Journal of the European Union – This is the publication in which all contracts from the public sector above a certain threshold must be published.
Outsourcing	Moving operations from internal provision to external entity.
Pre-Qualification	Assessment of Tenderers ability to carry out contract
Section 151 Officer	Officer responsible for financial management under the Local Government Act 1972
Small Firms	Businesses with fewer than 50 employees
Social Enterprises	Businesses with primarily social objectives
Standing Approved List	List of suppliers/contractors approved in financial and technical terms to enter into a contract with the Council
Sustainability	The best outcome for the human and natural environments both now and in the future.
Tenderers	Those selected to bid for contracts with the Council
Third Sector	Organisations ranging from small, local community groups to large, established national and international organisations.
TUPE	Transfer of Undertakings Protection of Employment Regulations 1981 – Protection of employees' rights when business changes hands between employers.
Unaccredited	Suppliers and contractors registered on the Standing Approved List without full financial and technical checks being conducted

Related Documents and Further Information

COUNCIL INFORMATION AND RELATED DOCUMENTS

Standing Orders as to Contracts

Available at: 175.1.100.13/index.cfm?articleid=1229

Contact: Internal Audit

Financial Regulations

Available at: 175.1.100.13/media/adobe/d/g/Fin_Regs_Full.pdf

Contact: Accountancy

Performance Management Framework

Available at: 175.1.100.13/index.cfm?articleid=487

Contact: Performance and Strategic Development

Asset Management Plan

Available at:

Contact: Assistant Director of Resources (Financial Services)

The Heart of the Forest – The Council's Corporate Plan Available at:

newforest.gov.uk/index.cfm?articleid=3259

Contact: Performance and Strategic Development

Project Management Guide

Available at:

Contact: Internal Audit

ICT Strategy

Available at:

Contact: Assistant Director of Resources (ICT Services)

Changing Lives - The Community Strategy

Available at: newforest.gov.uk/media/adobe/CLmaindocasat1March2005.pdf

Contact: Performance and Strategic Development

EXTERNAL INFORMATION AND RELATED DOCUMENTS

National Procurement Strategy for Local Government (ODPM/LGA)

Available at: communities.gov.uk/index.asp?id=1136697

Rethinking Construction (Egan Report 1998)

Available at: constructingexcellence.org.uk/pdf/rethinking%20construction/rethinking_construction_report.pdf

Delivering Better Services for Citizens (Byatt Report 2001)

Available at: bipsolutions.com/briefings/briefings2001/byatt_report.pdf

Releasing Resources to the Front Line (Gershon Efficiency Review 2004)

Available at: hm-treasury.gov.uk/media/B2C/11/efficiency_review120704.pdf

Local Government Act 2003

Available at: hopsi.gov.uk/acts/acts2003/20030026.htm

Sustainable Communities Bill

Available at: hpublications.parliament.uk/pa/pabills/200506/sustainable_communities.htm

The Small Business Friendly Concordat

Available at: communities.gov.uk/index.asp?id=1136698

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