



PROCUREMENT STRATEGY (2012-16)

1. INTRODUCTION

1.1 The Council's current Procurement Strategy (2007-11) has recently been reviewed and updated. This process has been undertaken through a Corporate Overview and Scrutiny Panel Member/Officer task and finish group.

1.2 The new Strategy (2012-16), at Appendix 1, reflects the increasingly important role that procurement plays in the delivery of Council services in ensuring that value for money is achieved from the Council's available resources.

1.3 It also identifies the Council's commitment to encouraging local businesses and small and medium sized enterprises (SME's) to engage in the procurement process and the supply of goods, works and services to the Council.

1.4 The June meeting of the Corporate Overview and Scrutiny Panel reviewed the draft Strategy and, subject to a few minor amendments, recommended its approval for submission to Cabinet for final adoption.

2. FINANCIAL IMPLICATIONS

2.1 There are no direct financial implications arising from the new Strategy. Adoption of the Strategy will help to ensure that effective and economical procurement processes are embedded across the organisation, thereby ensuring that value for money is achieved across all procurement activity.

3. ENVIRONMENTAL IMPLICATIONS

3.1 Section 9 of the Strategy recognises the impact that the procurement of works, goods and services has in furthering sustainable development. It sets out a range of guiding principles to be adopted in all procurement exercises to ensure environmental impacts are minimised and socio-economic benefits are maximised.

4. PORTFOLIO HOLDERS COMMENTS

4.1 The new Strategy closely aligns the importance of good procurement practices with the Council's ongoing programme of efficiency targets and service reviews. It recognises the

need to achieve value for money, support for local and SME businesses and the need to consider the longer term impact of all procurement exercises on the environment. As Member Procurement Champion, I am pleased to support the adoption of the new Strategy.

5. RECOMMENDATIONS

5.1 That Cabinet approve the adoption of the new Procurement Strategy (2012-16).

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Background Papers:

Corporate Overview and Scrutiny
Panel report 21 June 2012



Procurement Strategy 2012 to 2016

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1. INTRODUCTION

1.1 The Council's vision is to be an outward looking council working closely with the community and in partnership with others to enhance the quality of lives of present and future generations. This is to be achieved by:

- Conserving the environment
- Helping to create and maintain a local economy bringing opportunity and benefit to the area
- Understanding and fulfilling local needs

1.2 The Councils Corporate Plan 'Delivering for our Communities' identifies four key corporate priorities:

- Improving services to the customer
- Managing our resources effectively
- Maintaining excellent performance in the delivery of our services
- Developing effective partnerships with other local organisations

1.3 Procurement plays a fundamental role in the delivery of these key priorities. It is the foundation to providing cost effective, efficient, high quality and responsive services. It is therefore crucial that the Council has a clear strategic framework for the procurement of goods, services and works to enable the benefits of good procurement practice to be achieved and as a consequence help to deliver on the key corporate priorities.

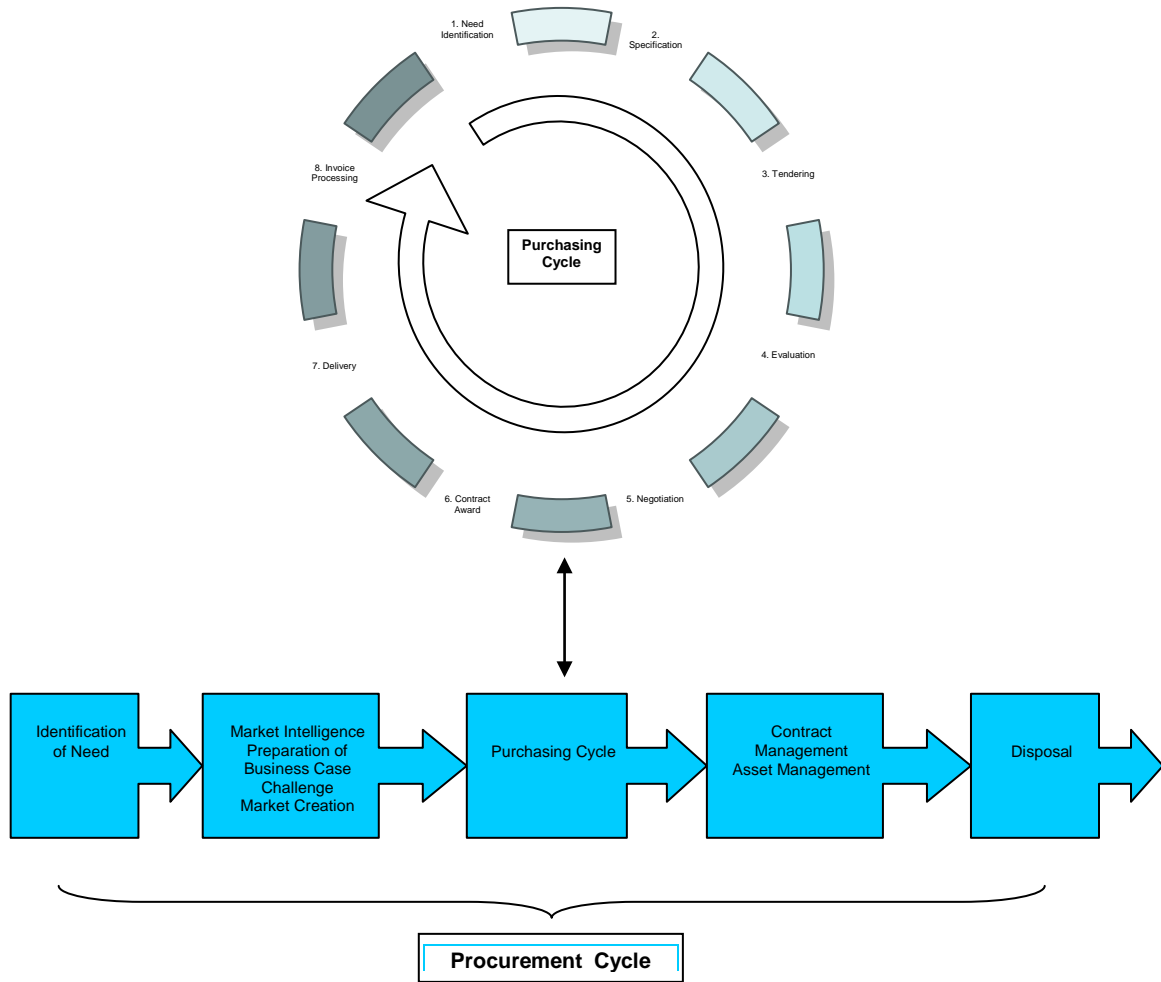
1.4 The Council continues to face significant financial pressures meaning that efficiencies need to be identified across all service areas. To support this a process of service reviews has been established by the Council's executive which is based upon considering all aspects of service delivery which range from restructure / reposition of an in-house service to transfer of a service to another provider. The Council's medium term financial plan sets out efficiency targets to be achieved by all services. In conjunction with this efficiency programme the procurement process will continue to play an important part in supporting services achieve their savings targets.

1.5 The aim of this procurement strategy is to set out the overarching procurement principles of the Council. It identifies processes and policies that support procurement activity and includes a plan for future developments and improvements. The principles contained in this strategy should be applied to all procurement activity. This Strategy should be read alongside the Council's Standing Orders as to Contracts and Financial Regulations.

2 WHAT IS PROCUREMENT

2.1 Procurement 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"*.

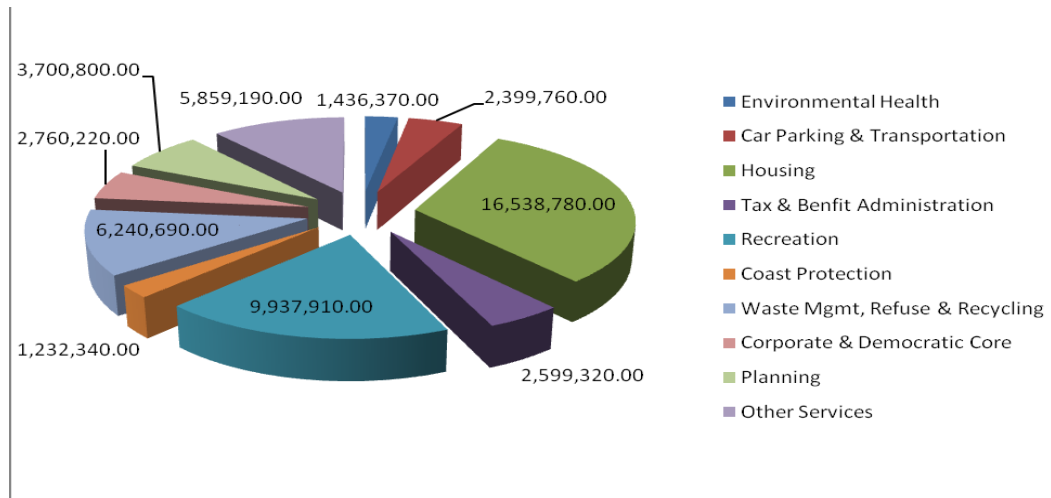
2.5 Procurement is not the same as purchasing. Purchasing is only one element of the process i.e. the basis of the acquisition stage in the Procurement Cycle. The procurement cycle starts with the identification of a need and moves through purchasing decisions to the end of a service or the end of the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



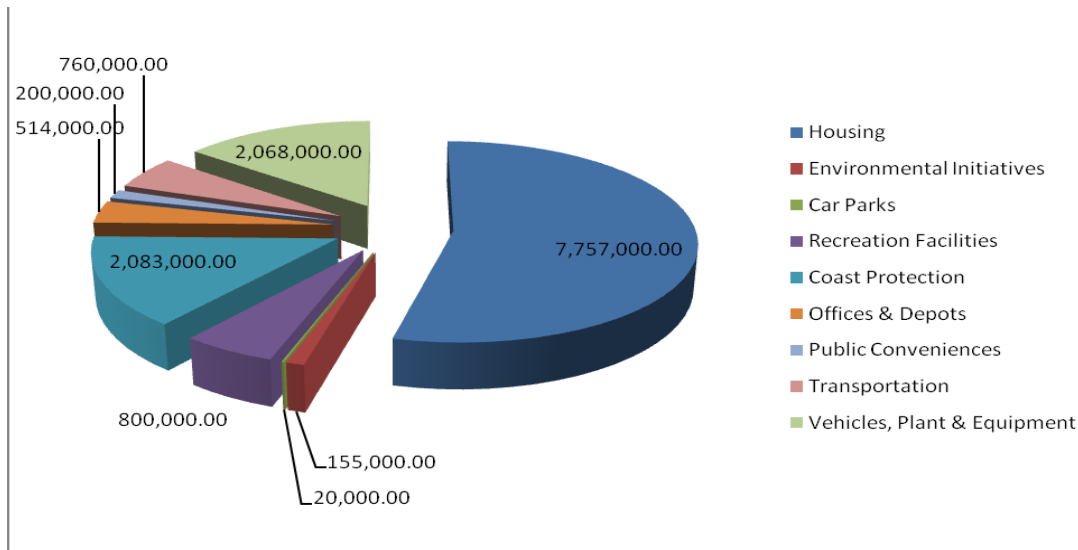
3. SCOPE OF THE PROCUREMENT STRATEGY

3.1 The Council's combined gross revenue and capital budget for 2012/13 is £67m (excluding housing and council tax benefits). The allocation of this spending is shown below against the key service areas.

Summary Revenue Budget (incl HRA) – 2012/13



Summary Capital Budget (incl HRA) – 2012/13



- 3.2 Of this budget £46m (69%) is spent externally on the supply of goods, works and services. In 2011/12 the Council used over 1,900 different suppliers and contractors and processed over 35,000 invoices.
- 3.3 Control of the supplier base is crucial to ensuring efficiency savings through rationalisation and aggregation of spend. The Central Purchasing Unit maintains close control of supplier registration to ensure fragmentation of spend and suppliers is minimised. Where opportunities for consolidation are identified these will be pursued with services and suppliers to achieve efficiencies.

4. ROLES AND RESPONSIBILITIES

- 4.1 The Executive Director (S151 Officer) and Portfolio Holder for Finance & Efficiency will assume the roles of Chief Officer and Member Procurement Champions respectively and the subsequent implementation and delivery of this strategy.
- 4.2 The Procurement Champions will ensure that procurement is seen as a strategic issue and will be responsible for the adoption of this strategy. The Central Purchasing Unit provides specialist purchasing expertise to the organisation and will work closely with services to ensure compliance with both internal and external rules and procedures and that best practice is adopted.
- 4.3 Specialist areas of procurement are the responsibility of individual services, as follows:
- ICT (hardware and software) – ICT Services
 - Vehicles and Plant – Environment Services (Transport Manager)
 - Property Maintenance – Property Services
- 4.4 The Council's Asset Management Group maintains a close monitoring role over all property related issues (Acquisitions, disposals, planned maintenance programme). The group is chaired by an Executive Director with membership of the Finance & Efficiency and Housing Portfolio Holders.
- 4.5 The Council's Internal Audit and Finance teams provide support and advice on the application of internal Standing Orders and Financial Regulation.
- 4.6 The Council will ensure that all employees with identified procurement responsibilities receive ongoing training to ensure they have the skill sets required to deliver this strategy. All other employees shall be familiar with this strategy and highlight any procurement issues or potential opportunities with their line manager.
- 4.7 Effective procurement across the Council will be achieved through the active participation of Portfolio Holders and Heads of Service as well as those officers with delegated responsibility for the control of budgets.
- 4.8 Apart from a few limited exceptions, all orders for goods and services shall be placed using the Central Purchasing Unit, in order to benefit from:

- Purchasing expertise
- An overview of purchasing activity, ensuring opportunities can be maximised
- Reductions in costs through consolidation and use of centralised contracts.

5. PROCUREMENT PRINCIPLES

5.1 All procurement across the Council shall follow these guiding principles:

- Ensure that all procurement options are considered in the delivery of services (in-house, partnering, collaboration, outsourcing etc) so that value for money is achieved from a varied and competitive supply market.
- Adoption of fair, transparent and proportionate arrangements within the procurement process to encourage interest from a wide range of service providers, suppliers and contractors.
- All procurement exercises will seek to achieve best value for money. This will not always result in the lowest price but shall take into account cost, quality, sustainability and localism. The evaluation of cost shall include the whole life cost of the product or service whilst at the same time considering the impact on the environment, economy and social development.
- The centralised procurement team will seek to continually review and improve procurement practices in order to deliver efficiencies for both the Council and supplier base. This will include the adoption of the latest technology in the procurement process (e-procurement).
- Procurement officers will seek to develop appropriate solutions for contracts which present the most attractive and cost efficient way of offering service and supply requirements.
- All procurement shall be undertaken in compliance with EU legislation, UK legislation, the Council's Contract Standing Orders and Financial Regulations and Project Management Guide. All employees involved in any procurement activity must be fully conversant with these prior to undertaking any procurement exercise.
- The Council will continue to maintain close working relationships with other local authorities to maximise collaborative procurement opportunities, deliver economies of scale and widen the scope of its experience. This will be achieved primarily through the Hants & Isle of Wight Strategic Procurement Partnership. The use of wider national and regional framework agreements will also be considered in appropriate cases.
- Suppliers and service providers will be paid in a timely manner, in accordance with contract terms and conditions. The Council will pay all undisputed invoices for goods and services within 30 days of receipt of invoice.

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- The Council had adopted the Small Business Friendly Concordat and is committed to supporting and working with small, local businesses. Procurement exercises and relationships with small and medium sized enterprises will be undertaken in a manner consistent with the principles set out in the Concordat, (Appendix 1).

6. APPROVED CONTRACTORS AND SUPPLIERS

- 6.1 The selection of contractors for much of the Council's procurement is achieved through a managed 'Approved List'. This list is maintained by Exor (Services) Ltd. Contractors wishing to do business with the Council need to be accredited to this approved list. Registration instructions are included on The Council's website. Selection of contractors for tendering opportunities is managed through the approved list.
- 6.2 Supplies and services not covered by the approved list are sourced separately either through Construction Line or by advert through the Council's website. All contracts with a value above the EC Public Procurement Directive thresholds are published in the Official Journal of the European Union.
- 6.3 Where appropriate the Council will also take advantage of regional or national framework agreements for the procurement of goods and services.
- 6.4 In 2012 the Council will adopt a County wide standard Pre Qualification Questionnaire (PQQ) for use in the ad-hoc selection of tenderers where use of the approved list is not appropriate. This PQQ has been developed by Hampshire County Council and approved by the Federation of Small Businesses following a thorough consultation process.
- 6.5 In developing the Council's relationship with local businesses, the Council will continue to support and promote the New Forest Business Partnership which has now been in existence since 2001. The aims of the partnership are to improve the relationship between commercial organisations and local government, promote better business to business relationships and to build a stronger economy and bringing greater prosperity to the local community.
- 6.6 The Partnerships aims will be delivered through a range of activities:
- NFDC funding for a Business Development Officer resource
 - Co-ordination of activities of the partnership
 - Regular networking meetings
 - Continued development and promotion of 'Brand New Forest' card scheme
 - Working with other Hampshire LA's to deliver joint projects including the South Hants meet the buyer events and the NF Sustainable Business Network
 - Training events for partnership members

7. E-PROCUREMENT

- 7.1 The Council recognises the benefits to be gained through the use of technology in the procurement process and is committed to continually reviewing and modernising its own arrangements.

- 7.2 The Council will build on the improvements already made and in 2012/13 will introduce systems to receive supplier invoices electronically. Initially this new system will be implemented with key suppliers with high volume transactions enabling efficiencies to be achieved both for the council and suppliers. Once successfully implemented this process will be extended to the wider supplier base.
- 7.3 Options for modernising the tendering process are also being explored with the aim of adopting an E-tendering package, also in 2012/13, which will bring efficiencies to both prospective suppliers and contractors and the Councils own arrangements as well as improved control and speed of process.

8. PARTNERSHIPS & COLLABORATION

- 8.1 The Council understands the benefits of working together with other organisations to deliver improved services and to realise financial efficiencies. There are many recent examples of partnerships and collaborations that are delivering efficiencies to the organisation ranging from shared use of premises, delivery of support and professional services to partners and collaborative procurement arrangements across Hampshire.
- 8.2 The Council will seek to explore further opportunities to work with partner organisations, local communities and Town and Parish Councils to facilitate improved services to the public, deliver community benefits and reduce the cost burden on the taxpayer. This could be through the shared use of assets, skills or resources.
- 8.3 The Right to Challenge is a national process being introduced through the Government's Localism Act. It is one of the new 'community rights' which makes it easier for voluntary and community groups or council employees to bid to run council services. The Right to Challenge is a way for groups with good ideas about how services can be run differently or better to have the opportunity to get their ideas heard fairly, and where appropriate allow them the time to prepare bids to participate in an open competition to win the right to provide the service. The Council is developing processes to determine whether any expression of interest received is accepted. If accepted a procurement exercise for a service must be conducted. Authorities must consider whether and how an expression of interest and any subsequent exercise can promote or improve the social, economic or environmental wellbeing of its area. They must also comply with existing public procurement law. Failure to do this could provide grounds for legal challenge.
- 8.4 The Council will continue to play an active role in the Hants and Isle of Wight Strategic Procurement Partnership to deliver procurement efficiencies through collaboration. These efficiencies will be achieved through aggregation and joint procurement exercises, standardisation of specifications and the sharing of procurement skills and information across organisations.

9. SUSTAINABLE PROCUREMENT

- 9.1 The Council recognises the role its procurement of works, goods and services has in furthering sustainable development. Procurement decisions have major socio-economic and environmental implications, both locally and globally. The Council will therefore strive to adopt sustainable procurement practices consistent with BS8903 (Sustainable Procurement Guidance Standard)
- 9.2 The aim of this approach is to ensure that employees, contractors and suppliers are aware of the Council's commitment to long term social, ethical and environmental sustainability. We will seek to protect and enhance the environment and create better lives, wellbeing and opportunities for the people of the New Forest through our procurement processes.
- 9.3 The Council is committed to the responsible management of its procurement processes in order to deliver value for money, whilst actively pursuing environmentally and socially responsible products, services and buildings.
- 9.4 This will be achieved by:
- Taking into account the need to minimise emissions and reducing the negative impacts of transportation when purchasing goods and services
 - Taking steps to minimise carbon dioxide and other greenhouse gas emissions through the detailed consideration of products and services procured
 - Considering the environmental performance of all suppliers and contractors, and encouraging them to conduct their operations in an environmentally sensitive manner
 - Maximising the use of recycled products and products derived from reclaimed materials
 - Considering a basic life cycle analysis of products to minimise the adverse effects on the environment resulting directly or indirectly from products
 - Selecting products / services that have minimal effect on the depletion of natural resources and biodiversity
 - Other things being equal, giving a preference to Fairtrade, or equivalent, and ethically sourced and produced goods and services
 - Working in partnership with other organisations to improve sustainable procurement
 - Encourage more effective working with diverse suppliers (micro, small and medium sized enterprises) and ensure that local enterprises are encouraged to bid for the Council's business
 - Ensuring all relevant procurement contracts and tenders contain sustainability specifications as appropriate to the product or service being procured
 - Maximising the opportunities for employment and economic gain within New Forest District Council communities
 - Comply with all UK and EU statutory regulations and legislation and ensuring our suppliers do the same
 - Training all procurement staff on sustainability considerations and encouraging internal purchasers to review their consumption of goods and services and adopting more environmentally friendly products
 - Communicate policy to all staff, suppliers and partners

10. ACTION PLAN (2012/13)

This action plan covers the financial year 2012/13. The plan will be reviewed and updated annually throughout the life of the Strategy.

Activity	Responsibility	Completion Date
Implement E Tendering Module	Procurement Manager	Sept 2012
Implement E Invoicing Module	Procurement Manager	March 2013
Deliver procurement training to officers and members in relation to the new Strategy, Contract procedures, Standing Orders, Procurement Processes)	Internal Audit / Head of Property Services	March 2013
Improve arrangements and opportunities for engagement with potential suppliers and contractors to ensure accessibility – meet the buyer events	Procurement Manager Heads of Service	March 2013
Implement standard PQQ (HCC Approved doc)	Internal Audit	July 2012
Contribute to the delivery of the H&loWSPP annual action plan	Procurement Manager	March 2013
Develop and deliver sustainable procurement training module for procurement officers	Procurement Manager	Dec 2012
Develop process for implementation of community 'Right to Challenge' – Future report to COSP	Head of Property Services	Dec 2012

APPENDIX 1

The Small Business Friendly Concordat

A statement of principles for
New Forest District Council



What is the Small Business Friendly Concordat?

It is a voluntary code of practice developed by the Department for Communities and Local Government (DCLG), the Local Government Association (LGA) and the Small Business Service (SBS) to make it easier for Small and Medium Sized Enterprises¹ (fewer than 249 employees) to do business with local authorities. By signing the Concordat New Forest District Council pledge to make contracts accessible to SMEs and to encourage a mixed range of suppliers to stimulate a varied supply market.

What are the Council's Commitments under the Concordat?

In 2011/12 the Council spent 33% of its budget on supplies and services with local businesses!

The Concordat sets out the actions that local authorities like New Forest District will take to make their contracts more accessible to SMEs, especially businesses with less than 50 employees.

Contracts are awarded to secure the best value of local government services, taking into account "the whole life costs" in contract decisions, as well as the initial price. In meeting the terms of the Concordat we will be promoting the economic, social and environmental wellbeing of our community.

All tender processes and contract awards will comply with EU Public Procurement Directives and the principles of non-discrimination, equal treatment and transparency and our duties under UK law.

- The Council has a Corporate Procurement Strategy. The current Strategy was updated in 2012 and will be reviewed regularly to ensure it incorporates new government requirements as well as those of the Concordat.

The Strategy includes a commitment to:

- describing the role procurement plays in delivering the Council's objectives and its contribution to the community strategy, workforce issues, diversity and equality and sustainability
- showing how we will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers
- ensuring that our approach to contracts is supported by a sound business case
- ensuring that where the best value option is to aggregate supply we will invite bidders to demonstrate their track record of

achieving value for money through effective use of their supply chain

- consider the role of SME specialist suppliers in delivering elements of larger contracts and framework agreements.

Access to Contract Opportunities

¹ SMEs accounted for 99.8% of all businesses, 55.6% of employment and 52% of turnover within the UK (source: Federation of Small Businesses).

- guidance for suppliers on how to do business with the Council
- details of forthcoming contract opportunities and
- contact details for each contract will be published on our website

Details of our Key Suppliers. We will:

- advertise contracts to encourage diversity and competition
- give potential suppliers the chance to discuss procurement though not to give any particular business an unfair competitive advantage
- work with prime contractors to establish the contribution that small firms can play in the supply chain.

Fair tender processes. We will:

- apply our rules and policies fairly
- ensure that at pre-tender stage and during the tender process all tenders have access to relevant information
- keep the tender process as simple as possible to minimise cost to suppliers
- ensure potential suppliers are assessed against published pre-qualification and tender evaluation criteria, which are proportionate to the risks of the relevant contract (eg. on financial standing).

Feedback. We will:

- offer constructive feedback to potential suppliers following the tendering process
- seek feedback from suppliers on our tender process and address where possible any problems that are brought to our attention
- publish a complaints procedure.

Contract Management – treating suppliers fairly & openly. Suppliers will:

- be paid on time - no more than 30 days from receipt of an undisputed invoice dependent on contract terms
- receive honest and constructive feedback on the suppliers performance of the contract

- be given notice of any performance problems and, if appropriate an opportunity to put matters right.

What is expected of potential suppliers under the Concordat?

- monitor the “forthcoming opportunities” web pages
- complete pre-tender questionnaires and provide supporting information where required
- make clear any assumptions and/or risks to the Council that underpin the ability to deliver the required goods or services
- respect, and act on, the need for integrity, decency and fairness in the tender process and after the contract award
- work with potential sub-contractors to promote an integrated and visible supply chain and to make effective use of skills and resources
- only bid where realistic and behaving in such a way as to maintain the Council’s confidence throughout the contract life
- receive tender feedback as a means of improving future tender prospects
- work collaboratively with the Council and other parties, as appropriate, to ensure that the focus is maintained ultimately on the public interest at all times
- comply with relevant legislation as they affect procurement including the new code on workforce matters (TUPE), new legislation on radical equalities and any new legislation as it may arise.

What will the Small Business Concordat do for my business?

It will assist organisations to do business with the Council. The Concordat has been developed to make the process easier for organisations to find out about tendering opportunities and ensure they are treated equally and fairly.

Why do business with the Council?

- the District Council has a fair and transparent tendering procedure
- the District Council treats suppliers fairly
- the District Council has a good payment record. In 2011/12 97.33% of all invoices were paid within 30 days

How will the Concordat help New Forest District Council?

- feedback is given when a tender bid is unsuccessful
- the Council is working towards making the tendering procedure easier.

We recognise that working with small businesses can help us to meet our corporate aims and realise community benefits.

Small businesses can offer the following benefits as they may be able to:

- respond quickly and flexibly to local needs
- be a source of innovation, new ideas and products
- offer efficiencies, improved quality, service and effectiveness
- provide better access to local solutions for hard to reach groups.

What is the Council doing to help small businesses win contracts?

Forthcoming opportunities are advertised on our “Forthcoming Contracts” web page available at www.newforest.gov.uk. Go to Business, Tenders and Contracts, Selling to the Council – Forthcoming Contracts page. We are also committed to working with external trade bodies and support Business Link in their delivery programme throughout the Forest. We participate in the “South Hampshire Meet the Buyer” event and other more locally focussed procurement events throughout the District.

Underlying Principles

Contracts are awarded to support the Best Value delivery of local government services. We will deliver value for money and take into account the whole life costs in contract decisions; this means considering quality, longer term cost and benefits as well as initial price.

We will make appropriate use of our legal powers including the power to promote the economic, social and environmental well being of our community.

All tender processes and contract awards will comply with EU Public Procurement Directives and the principles of non-discrimination, equal treatment and transparency and our duties under UK law.

Brand New Forest

Brand New Forest is an NFDC backed campaign to support local business. By creating a sense of loyalty to the local economy and through the six individual programmes businesses can be better informed, connected and resilient.

The Doing Better Business programme connects businesses with opportunities both within the Council and in the wider community facilitating an increase in local trade and an improved local environment.