



Procurement Strategy

2013 - 2015

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Procurement Strategy

1 Introduction

This Procurement Strategy has been produced to help the Council achieve savings in the cost of supplies and services, and best use of limited resources in support the Council's objectives in delivering consistently high quality services that meet users' needs. This Strategy was created in the context of the Council's financial position and seeks to promote effective procurement across the whole organisation by providing a flexible framework rather than detailed prescription.

2 Aim

The aim of the procurement Strategy is to ensure that procurement reflects the Council's core values, corporate aims and objectives and to map out the development and improvement of the Council's procurement function.

3 Definition of Procurement

Procurement is the process of acquiring goods, works and services from third parties including other public bodies and the voluntary sector. It excludes statutory payments. It encompasses small, low value, individual purchases of commodity items through to complex high value, high risk contracts (e.g. construction or IT projects). Last year¹ the Council spent over £6.8 million on external procurement of goods, works and services and obtained these from over 775 different suppliers. It is therefore important to ensure that this is undertaken in a fair, equitable and value-based manner.

4 Objectives of Procurement

The key objectives of procurement are:

- The achievement of optimum value and resulting savings, including:
 - Reducing the risk of contractual failures, time and cost overruns and poor quality.
 - Minimising the cost of procurement
- Demonstrating compliance with the regulatory framework.
- Supporting the delivery of the Council's Corporate² and strategic objectives.
- Contributing to the Council's reputation for services delivered in an efficient, effective and ethical manner.

5 Resources

The resources available to deliver the objectives of procurement:

- Head of Legal and Democratic Services (HoLDS) and the Legal Services team.
- Procurement Support provided in accordance with a Service Level Agreement.
- Member Champion.
- Collaborative work with and through Cambridgeshire Procurement Group – information/ know-how sharing (which the HoLDS is currently involved in).

¹ 2011/12

² Corporate objectives To run an efficient and effective Council to deliver best value for its residents; and To build the foundations for the growth of the economy of East Cambridgeshire; supporting job and wealth creation and improving quality of life and the environment.

- Collaboration with Improvement East.
- Any Officer who has a role in:
 - Defining the goods & services required.
 - Ordering or procuring goods & services.
 - Monitoring delivery of the goods & services.
 - Receiving and paying for the goods & services.
- Managers who have a role in monitoring and influencing the above.
- Procurement Toolkit documents on the “Contract Opportunities” page of the Council’s website

6 Value for money, savings efficiencies and economic, social and environmental wellbeing

The Council seeks value for money in all procurements, which includes the balancing cost (total cost of ownership³) and the qualitative features of the product, service and suppliers that are relevant to and contribute to the Council’s requirement. Value for money, savings and efficiencies depend on the choice of the correct procurement method, contracting option, an appropriate and adequate specification and post monitoring of the contract to ensure compliance. In addition to this, the Council will be obliged to consider how the procurement will improve the economic, social and environmental wellbeing of the relevant area.⁴

7 Procurement Methods

Delivering effective procurement depends on taking account of the nature of the purchase (value and risk⁵), business needs and the nature of the market, now and in the future. The differing procurement methods for differing mixes of value and risk are summarised in the matrix below. The advantage of this approach is that it indicates where specialist procurement skills and knowledge should be focused and where best to exploit aggregation⁶ to achieve savings and improved service.

High	Critical	Strategic
Risk	Commodity	Non-Critical
Low	Low	High
	Cost (£)	

- **Critical.** Where goods are low in value but critical to the Council’s service delivery (such as data/telecoms infrastructure; software, fuel, electricity or gas), the goal will be to ensure security of supply, albeit at a price premium *if necessary* and expenditure that supports the smooth

³ This is the estimate of all direct and indirect cost associated with the service/ goods during their entire life cycle.

⁴ Once the Public Services (Social Value) Act 2012 is fully enacted, anticipated after January 2013

⁵ Value-based purchasing means looking to buy goods or services that produce the best overall value. For example, if company A offers to build a software system that costs £500,000 but yields this back to the Local Authority in savings and cost-covering income then this will be a better a bid of £400,000 that will only yield half that much back to the authority. The risk will be the likelihood or ability of the contractor or the Council to actually then collect that income (if the economy or other variables change).

⁶ ie using collective buying power of the Council/ other public service organisations to obtain value for money

running of the Council. Longer term contracts with our suppliers may be appropriate or alternatively, holding stocks of such items.

- **Strategic.** High value and high risk / service critical requirements are usually strategically important and justify appropriate planning and resourcing, effective project and risk management, a robust business case and independent reviews to support successful delivery (such as the Waste, Leisure Services or Benefits). Depending on the requirement and context a number of service delivery models are possible including Private Finance Initiatives (“PFI”), outsourcing, partnership working with the voluntary and community sector or other public bodies.
- **Commodity.** For commodities (such as stationery, cleaning materials, protective clothing) that are a low risk, the aim is to maximise collective buying power (aggregation) and minimise the cost of the procurement process. The approach is to exploit existing pan-government / regional catalogues and frameworks but where necessary to aggregate requirements for corporate framework agreements and contracts. The e-marketplace simplifies and automates the purchasing process enabling on-line ordering and automated payment.
- **Non-Critical.** Where there is a competitive market for goods and services with alternative suppliers readily available and spend can still make up a relatively high percentage of expenditure (non-core local authority function expenditure such as mobile phones, PCs or laptops). For these types of procurement - short and medium term contracts can be used to reduce cost and improve the service offered.

Actions:

Chief Executive/ Deputy Chief Executive/ Heads of Service (HoS) will:

- identify high risk/high value spend and seek agreement from HoLDS prior to seeking procurement support.
- consider how the procurement will improve the economic, social and environmental wellbeing of the relevant area; how the procurement could secure the improvements and whether there is a need to consult on these issues and document on Annual forward plan.

8 Contracting Options

Increasing aggregation of goods/ services can be a mechanism by which the total value of a contract / Framework Agreement⁷ is increased and by doing this it increases the influence over suppliers (leverage) on costs. Aggregation can be achieved at different organisational and geographic levels of participation; local (corporate), county, regional or national level. Although framework and call-off contracts can be employed at any geographic level, they are the common method of delivering national and regional based contracts and several public bodies provide EU compliant contracts that can be accessed by the Council including the Office of Government Commerce Buying Solutions, ESPO (Eastern Shires Purchasing Organisation), Procurement Agency Essex, Central Buying Consortia and Cambridgeshire County Council.

⁷ Is a general term for agreements with providers, which set out terms and conditions under which specific purchases (“call-offs”) can be made throughout the term of the agreement.

Contracting Options	Advantages	Disadvantages
ECDC procurement	Tailored specification Control of the process and timing	Length of the process Limited leverage & potential higher cost
Collaborative contract (eg; County wide)	Improved volumes and leverage. Improved prices or service offering	Possible compromise over the specification Joint management Unless well managed can extend the process
Catalogue or call-off contract (Regional or national)	Low prices (flowing from large aggregate volume). Least effort and ease of implementation Predetermined Terms & Conditions (T&Cs) Third party support in the event of dispute.	No influence over the specification No influence over the contract
Multi-Supplier Framework (Regional or national)	Lower prices Simpler process and lower resources. Limited customisation of the specification	Limited customisation of the T&Cs. Risk of restricted competition

Action: HoS will seek advice on contracting methods and any possible frameworks or joint contracting opportunities available.

9 Total Cost of Ownership.

All procurements will be evaluated based on the total cost of ownership, which includes but is not limited to purchase price, delivery, insurance, running costs, licenses, maintenance, staff time, and disposal costs.

Action: HoS will ensure whole life costs are used in all procurement evaluations.

10 Contract Management

A Contracts Register is the corporate record of all tenders and contracts, and if accurately completed, supports effective contract management. Effective contract management is necessary to protect the continuity of supply of goods and services, ensure the timely re-competition of ongoing requirements through compliant process and permit the appropriate allocation of resources to high value or complex projects.

A Contracts Register supports compliance with the Freedom of Information Act 2000 and the Government's transparency agenda.

Annually, HoLDS/ Legal shall send each HoS a template, in January (and annually following this) a Forward Plan, seeking details of contracts above £5000 in the forthcoming financial year. The returns from each HoS will be compiled by the HoLDS/Legal to form a work plan and a check that the proposed procurement approach is appropriate for the value and risk.

Formal contract review meetings are the means of challenging suppliers and for seeking continuous improvement in value and performance.

Actions:

The HoLDS/ Legal:

- Will provide and HoS will complete, a Forward Plan template annually in January, setting out procurement exercises for that year with a value of £5,000 and above and update HoLDS if this changes.
- Will support formal contract review opportunities where agreed by Chief Executive/ Deputy Chief Executive/ HoS as likely to meet the Council's operational and best value requirements (and is compliant with Contract Procedure Rules and procurement legislation).

11 Supplier Relationships and Economic Development

A diverse and competitive supply base will help to improve value for money and to develop suppliers to meet new or emerging requirements. In year 2011/12, approximately 28.12% of the Council's suppliers were from the East Cambridgeshire area ("local suppliers"), which is a slight increase from the previous year figure of 27.96% (excluding business and water rates).

Supplier Spend Analysis 2010/11 - comparator		2011/12	
Exc. Business Rates and Water Rates			
Total spend	£7,807,374	Total spend	£6,823,740
Total suppliers	837	Total suppliers	775
Local spend	£433,525	Local spend	£737,725
Local Suppliers	234	Local Suppliers	218
Out of area spend	£7,373,849	Out of area spend	£6,086,015
Out of area suppliers	603	Out of area suppliers	557
Percentage of local spend	5.55%	Percentage of local spend	10.8%
Percentage of local suppliers	27.96%	Percentage of local suppliers	28.13%

Local suppliers received 10.8% of the £6,823,740 spend on goods, works and services, which was an increase from the 5.55% from the previous year. The level of local spend is not that surprising in terms of the Council's bigger value contracts (for example Waste) often have to go through large-scale EU procurement exercise (as they will, following grant awarded by Central Government in 2012) – and it is unlikely that these can be provided by local suppliers. Strategies to increase local spend can be problematic (in that they can come with a risk of obtaining less value for money/ not testing the market and possibility of a lack of robustness in vetting exercises – and difficulty of being able to analyse if this truly local spend/ or whether a particular strategy has worked). For example, in year 2011/12 the increased percentage of local spend is likely to be attributed to increased homeless emergency accommodation spend.

However, in order to sustain our local economy we need to encourage local suppliers to compete for Council business and legally increase the percentage of monies spent locally. Supplier development work may be needed to ensure healthy competition and successful Small and Medium Enterprises (SMEs). This work would include supporting "Meet the Buyer" events, maintaining other guidance aimed at small businesses (to provide support) and ensuring that the procurement documentation is straightforward

as possible. It should also include consideration of the possibility of increasing the level at which formal tenders are obtained, and the requirement to obtain at least one local supplier quote on all non-formal procurement⁸. It will also involve reviewing current procurement support arrangements to see whether better support can be provided to local SMEs.

Actions: The HoLDS will consider working with other organisations to:

- Maintain the “A Guide to Selling to the Council”.
- Where possible, undertake SME development program in conjunction with Economic Development staff on behalf of the Council.
- Provide consistent procurement documentation that is as straightforward / understandable as possible for small businesses.
- Reviewing the Contract Procedure Rule limits on formal tender requirements/ obligations to obtain quotes from local District suppliers and making recommendations, where appropriate, to Finance & Governance/ Council.

12 Partnerships, Collaboration and Joint Working

A partnership, collaboration or joint working approach to procurement presents an opportunity for savings through the aggregation of volumes and the sharing of knowledge, skills and work, although the gain may be partially offset by additional complexity in developing joint specifications and managing the project. EU law permits a properly constituted partnership to supply goods and services to its members without further procurement.

Actions: where possible, the HoLDS and procurement support will:

- Identify opportunities and support collaborative working where likely to be optimum value.
- Encourage the use of collaborative/framework agreements, internally and externally where optimum value, where the value of the contract warrants this.

13 Sustainability

As a signatory to the Nottingham Declaration the Council expects procurement to contribute in seeking to minimise the usage and waste of energy, water and materials throughout the product lifecycle. EU law permits the specification and evaluation of environmental criteria where relevant to the requirement. ‘Green’ products and services have to be affordable and correctly evaluated:

- ‘Green’ products or services that feature the better use of resources (eg, energy, water, consumables, etc) must be evaluated as part of whole life costings.
- Relevant and objectively measured improved performance arising from ‘green’ products should be scored and evaluated as part of the Council’s best value approach.
- Where there is a price premium, without superior performance relevant to the Council’s requirement, the HoS must seek approval from the Chief Executive/ Deputy Chief Executive.

Actions: HoS will:

- Consider sustainability at initial planning stage.

⁸ Current Contract Procedure Rules require formal tenders on contracts above £50,000.

- Ensure whole life costs and 'green' features are incorporated into the evaluation of quotes and tenders.

14 Equalities

The Council has signed the Equalities Framework for Local Government and is a signatory to Cambridgeshire Compact Agreement. The Council believes in the two principles of equality – equal treatment and equal opportunity; put simply this means building a society where no one is held back because of who they are, or where they come from. In terms of procurement, following these principles the Council can achieve improved competition, value for money, quality of public services, satisfaction amongst users and community relations. Where a contractor delivers a service to the public on behalf of the Council then an equality impact assessment is required to ensure the service is delivered to the appropriate equalities standard. Appropriate questions within the pre-qualification questionnaire shall be used where goods and services are being delivered to the Council; the requirement is principally to check that the contractor's behaviour towards its own employees meets the required standard.

Actions: HoS will:

- Ensure consideration of equal opportunities at initial planning stages, including Equality Impact Assessments initial scoping exercises, where relevant, and ensuring that relevant questions are raised in any Pre-Qualification Questionnaire's stage, about the ability of a Contractor to deal with disability/ equality issues, in terms of provision of a service (and any relevant complaints procedure for users if they do not).
- Ensure equalities factors are incorporated in the selection of potential suppliers (as appropriate).
- Ensure that the Standard Agreement Terms and Conditions are used for the procurement, which incorporate relevant equalities clauses and, if not, ensuring that Legal are involved in reviewing any other non-Standard Agreement Contract, so that relevant clauses are included.

15 Governance, Regulation & Control

Procurement, and therefore this Strategy, needs to comply with the processes and procedures defined in EU Procurement Directives enacted into UK law and the Council's Contract Procedure Rules. Over the next few years the EU intends to enact a number of new Procurement Directives⁹, that Central Government has apparently prioritised adoption into UK law. This, together with the new duty to consider economic, social and environmental wellbeing prior to procurement¹⁰ means that there could be a number of challenges for this authority in the next few years. This Strategy will therefore be reviewed by the HoLDS at least every 2 years and proposed changes presented for approval at Finance & Governance Committee. The aim will be to ensure that the Strategy and the Rules remain relevant and ensure compliance with EU law/ Procurement Regulations as failure to do so could result in contracts being rules illegal and the Council being liable to damages and fines. The HoLDS shall ensure that the Contract Procedure Rules, this Procurement Strategy and any guidance issued complies with any procurement legislation.

⁹ Updated Public Services Directive and Concession Directive anticipated on or around January 2013

¹⁰ Once the Public Services (Social Value) Act 2012 is fully enacted

Actions: The HoLDS/ Legal will, with external support as required:

- Review annually and maintain the Council's Contract Procedure Rules as a definition of the level of compliance required by all employees.
- With support, train employees so that they can readily comply with procedures/ legislation and Strategy.
- Support employees with guidance, advice and assistance to comply with the Contract Procedure Rules and fulfil the Strategy.
- Review this Strategy (at least every 2 years).
- Review and maintain tendering procedures, contract terms and conditions and associated documentation.

Finance:

- will review the heading descriptions for budget codes (to allow for easier spend analysis).

16 Conclusion

This Strategy explains how procurement can contribute to cashable and efficiency savings as well as supporting the Council's Corporate Objectives and broader policy aims and objectives. Together with the Contract Procedure Rules and Procurement Guidance, this Strategy provides for the policy and practice of the procurement function. Rather than a detailed prescription, this Strategy sets policy on the operation of the procurement function as a broad flexible framework and provides the foundation for further improvement.