



# Corporate Procurement Strategy

2013 - 2016

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## 1. Procurement Definition

*Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in house providers. The process spans the whole cycle from identification of need through to the end of the useful life of an asset. It involves option appraisal and the critical “make or buy” decision which may result in the provision of services in house in appropriate circumstances.”*

(National Procurement Strategy for Local Government, 2003)

## 2. Procurement Aims

Effective procurement techniques need to be applied across all categories of non-pay expenditure, and in particular in areas of high value and risk, as well as reducing the process costs of high volume low value purchases. In implementing its strategic approach to procurement, Hertsmere Borough Council will act in accordance with the following vision and aims:

- Ensure that procurement practice contributes to the effective use of resources.
- Ensure that procurement delivers year on year efficiencies and savings.
- Ensure that the quality of a procured service or activity is measured by seeking feedback from customers.
- Secure a commitment to effective, consistent and co-ordinated procurement from Members and Officers to achieve the delivery of high quality, innovative and cost-effective services.
- Encourage long-term thinking and a commitment to a strategic approach to procurement issues among Members and Officers.
- Ensure that whole life costing methods are used to assess and evaluate costs and benefits over the entire life of assets and services.
- Establish a mechanism to link procurement action plans to this strategy and to promote the continuous improvement of procurement activity across all services.
- Promote greater understanding and raise the profile of the procurement function as a means of achieving high quality cost effective services.
- Develop skills and provide support for Officers and Members involved in the procurement of goods and services.
- Promote and deliver sustainability, local economic development, and agreed equality and diversity objectives throughout our procurement activities.
- Continue to develop the Supply Hertfordshire Procurement Network to promote public sector procurement to local businesses.
- Continue to use and further develop procurement collaboration with other public bodies and improve value for money through partnering arrangements with suppliers.

- Recognise the contribution of procurement activity to achieving our community, corporate, departmental and service objectives.
- Raise awareness of the complex regulatory framework in which procurement operates (including its potentially high risk); along with its financial, legal, environmental, health & safety and reputation impacts for the Council and its local partners.

### **3. Procurement Service**

The Council's procurement model is a mix of centralised and decentralised procurement. The procurement service is situated within the Finance Department and is responsible for maintaining corporate documentation as well as managing all major procurements.

Any purchases with a value of £50,000 or less are devolved to the service department to manage.

Further details are contained within the Council's Contract Procedure Rules.

### **4. Procurement Policies**

A number of key policies are in place to enable the Council's strategic objectives for Procurement Strategy to be realised. These are set out below.

#### **4.1. Value for Money**

All procurement of goods, works and services is based on securing Value for Money, and has due regard to propriety, regulation and the Council's legal obligations.

Value for Money as a contract award criterion is defined for the purposes of Contract Procedure Rules as *"the optimum combination of whole life cost and quality (or fitness for purpose) to meet the customer's requirement"*.

#### **4.2. Focus on Customer Requirements**

A focus on customer needs is central to the way in which the Council operates. The purpose of procurement is to meet the customer's requirements as far as possible. "Customers" includes internal ones within the Council and external customers in the community.

#### **4.3. Ethics and Probity & Code of Practice**

In all of their dealings, Members and Officers must preserve and be able to demonstrate the highest standards of honesty, integrity, impartiality and objectivity. This includes compliance with the Council's Contract Procedure

Rules, Financial Procedure Rules, the Member's Code of Conduct and the Officer's Code of Conduct.

In addition any Officer undertaking a procurement activity shall be required to comply with the substance of the Personal Code of Ethics of the Chartered Institute of Purchasing and Supply.

#### **4.4. Procurement Planning**

The Council maintains a Register of all current contracts and a Procurement Plan setting out the details of all major contracts to be awarded over the forthcoming two-year period. The Register and Procurement Plan are continuously updated and published on the Council's website.

#### **4.5 Suitable Evaluation Criteria for Tenders**

All tenders over the value of £50,000 will include structured evaluation criteria. The exact evaluation will be agreed with the relevant Head of Service / Director or Member Lead Procurement Board if appropriate

It is important that the Council does not have one fixed evaluation criteria for all procurements as it is acknowledged that 'one size does not fit all'.

Examples are:

- 1) For an electricity supply contract the split would be in the region of 90% price and 10% quality, as the quality of the electricity would be the same for all suppliers, the only element of quality the Council may want to check is the quality of customer service
- 2) Where there is a defined budget (i.e. S106 funding) the Council would want to maximise the monies available and the evaluation criteria could be 100% on quality as the Council would want to achieve the best quality product / service available for the budget

#### **4.6 Competitive Procurement / Mixed Economy**

The Council's Contract Procedure Rules detail how the competitive tendering process works. Competitive procurement promotes economy, efficiency and effectiveness in Council expenditure as far as possible. Competition also contributes to the competitiveness of suppliers, contractors and service providers who make bids to the Council.

The Council is committed to the promotion of a "mixed economy" of service provision (e.g. part direct provision, part contracted out / partnership / joint local authority provision or shared service) on the basis that this is most likely to deliver best value for the citizens of the borough.

This means that the basis for commissioning service providers in the public, private, voluntary and community sectors represents best value to the customer.

When undertaking a review of a service the Council will wish to form a rounded, evidence-based view of the performance of that service in terms of the 4Cs (comparison, consultation, competitiveness and challenge). The Council recognises that the competitiveness of its services is a key dimension to be addressed in such reviews.

In so far as is practicable the reviews will consider competitiveness in terms of cost, quality, customer satisfaction and added value. The assessment of competitiveness will be carried out in a fair, auditable and transparent manner at all times.

If challenge (usually by the Council's Executive) to the existing model of service delivery suggests that significant change is required, an options appraisal will be carried out culminating in the preparation of a business case (see below). This will identify whether a procurement project is required to deliver the solution.

#### **4.7. Competency Framework and Training Requirements**

The Council shall establish standards of competency in procurement, contract management and change management and shall take steps to ensure a structured approach to education, training and development of officers and members across the Council who have procurement related responsibilities.

The standards include adherence to the Codes of Conduct referred to in 4.4 above.

#### **4.8. Business Case and Options appraisal**

Before embarking on any change project designed to introduce a new model of service delivery (including but not limited to a change project flowing from a service review), a business case will be prepared for consideration by the Executive.

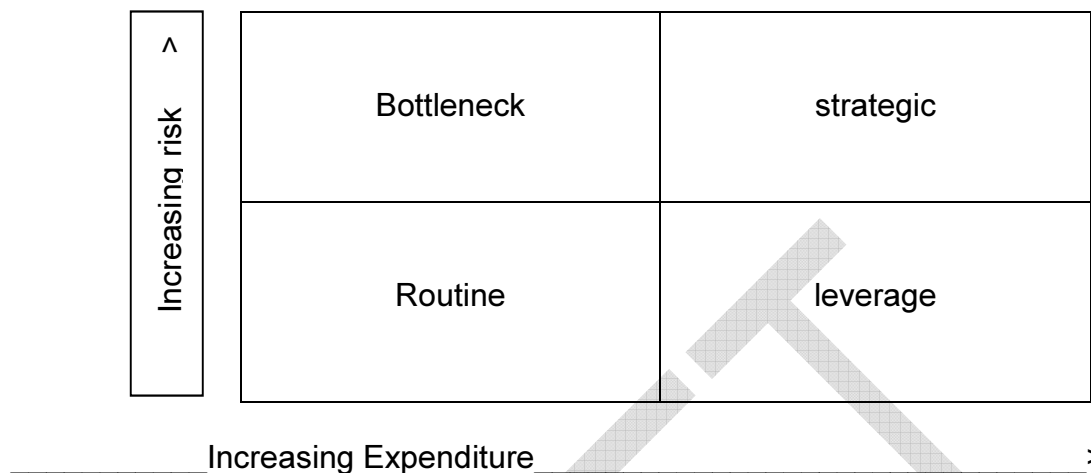
The Council will additionally consider whether better value can be obtained under any of these models by jointly commissioning or collaborating delivery with other bodies, by consideration with the Overview and Performance Committee. Market testing with in-house costing will normally be reserved for situations where it has not been possible to establish the competitiveness of a service and/or maturity of the market by any other satisfactory means.

The option recommended to the Executive in the business case/options appraisal will be the one that demonstrates the highest score against the criteria that follows:

- |                 |   |
|-----------------|---|
| • Strategic fit | Business Need / Contribution                |
| • Best value    | Demonstrate options – value for money, etc. |
| • Affordability | Funding availability                        |
| • Achievability | Realistic and timed                         |

- Commercial viability                      Marketability, commercially sound, robust
- Risk management.                        Identified and managed
- Environment Sensitivity                Sustainability

By undertaking a portfolio analysis the Council will identify and manage risk:



High expenditure, high risk services are projects where the Council will adopt a partnering approach if at all possible. This will involve a sound business case, proper planning and resourcing, effective project and risk management and Gateway reviews.

For low expenditure, low risk items the Council will leverage the collective buying power of the various service areas of the Council which will result in the letting of framework contracts or working with other organisations on a consortia basis.

#### 4.9. Relationships and Partnering

The Council acknowledges the critical importance of partnerships and building relationships (“partnering”) in delivering Best Value solutions with the private and voluntary sectors, and with other public bodies and central government.

For major high value or complex projects with potential high risks, and regardless of the procurement or contracting model chosen, the Council’s objectives will always be to create a long term mutually beneficial relationship (“partnering”) with the supplier, contractor or service provider (this equally applies to internal providers).

In addition to the legal formalities required in any contractual situation, in a partnering arrangement the Council and its partner invest in building and sustaining an excellent working relationship underpinned by openness and constructive dialogue.

#### **4.10. Performance Management, Quality Assurance and Continuous improvement**

Procurement shall be used intelligently to incentivise contractors, service providers and suppliers (often in the form of supply chains) to reduce costs and continuously improve performance.

Performance management is also fundamental to achieving Value for Money and can be a means of assuring quality improvement; demonstrating the benefits achieved, highlighting areas of weakness and improvement and reporting / communicating performance.

Appropriate standards and targets will be included in contracts.

#### **4.11. Project and Risk Management**

Effective project management is critical to procurement. The circumstances and context of the project, along with its size, complexity and sensitivity as well as cost will influence the process of formal decision-making and the manner in which it should be managed.

All major procurement projects are to be managed according to a structured project management method, which is scaled to fit the project, and incorporating standard gateway reviews and best practices in risk management as set out in the Procurement Handbook.

#### **4.12. Electronic Commerce**

The Council is fully committed to the development of e-Commerce and will:

- a) Unless there are exceptional circumstances, conduct all procurements over £50,000 through the Supply Hertfordshire procurement portal using time locked tender boxes with the tender documents being made available electronically.
- b) Ensure the default position for suppliers to be paid is by BACS transfer.
- c) Continue to issue Procurement Cards with set monthly spending limits to relevant staff and to promote their use for low value purchases.

#### **4.13. Workforce Issues, Staff Involvement and Equal Opportunities (internal)**

The Council is committed to being a good employer and to employing a well-motivated high quality workforce who are fully trained and enabled to deliver effective services to the customer. Affected staff are consulted at all relevant stages of a procurement project, and especially in situations likely to involve a transfer of staff.

The TUPE Regulations apply to the transfer of staff and in such situations the Council will use its best endeavours to achieve the admission of the service provider or contractor to the Local Government Pension Scheme

#### **4.14. Economic Development and Social Value**

The Council is committed to promoting a strong local economy, engaging with the community and reflecting community needs.

By providing high quality information and advice (including information on the Council's website), and through capacity-building measures, the Council will assist local businesses (and small and medium- sized enterprises – SME's) and voluntary and community organisations to build their capacity to win and retain public contracts.

The Council recognises that SME's in the right circumstances may offer better value for money than larger suppliers. They may, for instance, bring greater competition to the market place by having smaller administration overheads and management costs; bring innovation by responding quickly to changing requirements, be flexible and willing to tailor a product or service to meet specific customer needs; offer high quality and personal levels of service; and offer supply specialist products and services.

SME's may be social enterprises (i.e. businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community), rather than being driven by the need to maximise profit for shareholders and owners. The Council acknowledges that their objectives, combined with their entrepreneurial flair, can provide an excellent basis for the delivery of public services to their local community.

Furthermore, the Council recognises that many voluntary and community sector organisations have certain characteristics which make them potentially better able to deliver services than either their public or private sector counterparts. These characteristics include the ability to draw on specialist knowledge and experience, unique access to the wider community and freedom and flexibility from institutional pressures.

When scoping a procurement the Council will consider how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and how, in conducting the process of procurement, it might act with a view to securing that improvement.

#### **4.15 Equality and Diversity**

The Council will undertake all its procurement activities in a non-discriminatory manner. For contracts in excess of £50,000, where a full procurement process will take place, the Council will ask for evidence to show the contractor has an



agreed approach to equalities which is consistent with the Council's own approach.

Safeguards will be built into relationships with contractors and service providers to ensure good practice as regards race, sex and disability discrimination, and in particular to ensure that the Council fulfils its duties under the Equalities Act 2010 and other legislation or guidance relating to equalities issues (such as the Public Sector Equality Duty).

To this end the Council will promote equality of opportunity for its own staff and businesses regardless of the ethnicity of ownership and ensure services are designed and delivered in a way that meets the needs of all users.

#### **4.16 Sustainable Procurement**

Sustainable procurement is purchasing goods and services that have the most beneficial environmental, social and economic impact and which avoids compromising the sustainability of future generations.

Local Authorities are large consumers and purchasers with significant purchasing power. We can have a real impact by purchasing responsibly, opting for goods with higher sustainability credentials through clear specifications.

Procurement specifications should consider not only the source of the materials the product is made from and its longevity in the work place, but also its eventual redundancy and disposal.

To support sustainable procurement the Council will:

- Send all toner cartridges for recycling.
- Send all obsolete mobile phones for recycling.
- Purchase printers with double sided functionality where possible.
- Purchase timber and timber products from sustainable sources where available.
- Make Office recycling available for staff.
- Include within tender specifications the eventual redundancy implications of products purchased.
- Where possible purchase office equipment such as printers, fax machines, copiers and scanners with the Energy Star Label (machinery that meets or exceeds energy efficiency guidelines).

The Council will also conduct its procurement activities in an ethical way. The Council will:

- Ensure there are equal opportunities for employees.
- Allow employer and manager discussions informally or through recognised trade unions.
- Ensure compliance with health and safety regulations.

- Ensure an open and transparent tender process.
- Ensure fair and equitable standards for awarding contracts.
- Ensure prompt and fair payment to suppliers.

The Council will ensure that its trading practises are respectful of human rights by seeking evidence of fair pay, avoiding exploitation in the form of child and slave labour, respecting animal rights, and being fair, honest and accountable in its business approach.

## **5. Conclusion**

During the last few years the Council's approach to Procurement has changed dramatically, and acceptance of its strategic importance has increased significantly among both Members and Officers of the Council.

The effective procurement of services has, and will continue to, deliver high quality and cost effective goods and services for the residents of the Borough of Hertsmere.

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