

APPENDIX A

Shropshire Council

Procurement Strategy

May 2009

Contents

1.	Set the Scene	2
1.1	Defining procurement	2
1.2	Importance to the Council – Effective Management of Risk	2
1.3	Purpose of this Strategy	6
1.4	Use of the Strategy and Responsibilities	6
1.5	People, Skills and Knowledge	8
1.6	Review Process	9
2.	Principles of Procurement	9
2.1	The Principles of Procurement within Shropshire Council	9
2.2	Procurement Policies and Core Values	22
2.3	Spend Profiles	23
2.4	Supporting IT Systems	25
3.	Current Position	25
3.1	Position Statement	25
3.2	Procurement Plan	26
3.3	How Procurement Policies And Principles Are To Be Enforced	27
3.4	Measurement Of Improvements	27

Appendices:

- A. Sustainability and Procurement Guidance
- B. General Contract Terms and Conditions
- C. Value for Money Strategy
- D. Procurement Plan
- E. Selling to Shropshire Council Guide
- F. Equality and Diversity Issues in Procurement
- G. Sustainable Procurement Policy and Action Plan
- H. Value for Money Review of Procurement
- I. Strategic Procurement Group

1. Set the Scene

This section provides the background to the Strategy setting out why procurement is important to the Council, the scope of the Strategy, how it will be used and how it will be reviewed.

1.1 Defining procurement

- 1.1.1 Procurement means the acquisition of all goods, works and services provided by the Council. Procurement covers every aspect of the purchasing cycle from determining and specifying the needs of the service, through to the acquisition and delivery of goods and services. The purchasing cycle finishes at either the routine management of those goods, works and services or the disposal of them.
- 1.1.2 The Council will procure the best value for supplies, services and construction works by:
- Ensuring good practice in procurement helps deliver the Council's key aims and priorities for improvement.
 - Applying effective and up to date procurement procedures and practices.
 - Developing the life cycle costing approach to the assets or contract. By the "life cycle" of an asset we mean the time from the initial definition of the service need through to the end of the useful life of the asset or service contract.
 - Ensuring that National Procurement Strategy Targets and Milestones are met.

A definition of procurement

1.2 Importance to the Council – Effective Management of Risk

- 1.2.1 Procurement is central to the management of any operation because of its contribution to policy implementation and effective service delivery. Our approach to procuring goods and services can help to implement local and national policies relating to specific service areas, such as valuing people, or achieving high standards in library services and schools. It can also help us to implement broader policies on matters

Risk management

such as equalities and diversity, environmental issues and sustainability. The Council's aims and priorities for improvement are set out in some detail in the Corporate Plan 2006-11 and are summarised overleaf.

1.2.2 Procurement practices also have implications for performance management. Buying services that meet our service users' needs that are fit for their purpose and are affordable is important. We need measures for assessing whether or not our procurement practices are likely to deliver these outcomes.

**Performance
management**

1.2.3 The recent Operational Efficiency Programme final report from HM Treasury and The Roots Review - Review of arrangements for efficiencies from smarter procurement in local government – both point to the need for the extension of collaborative procurement programmes in order to achieve required Value for money and further efficiency savings.

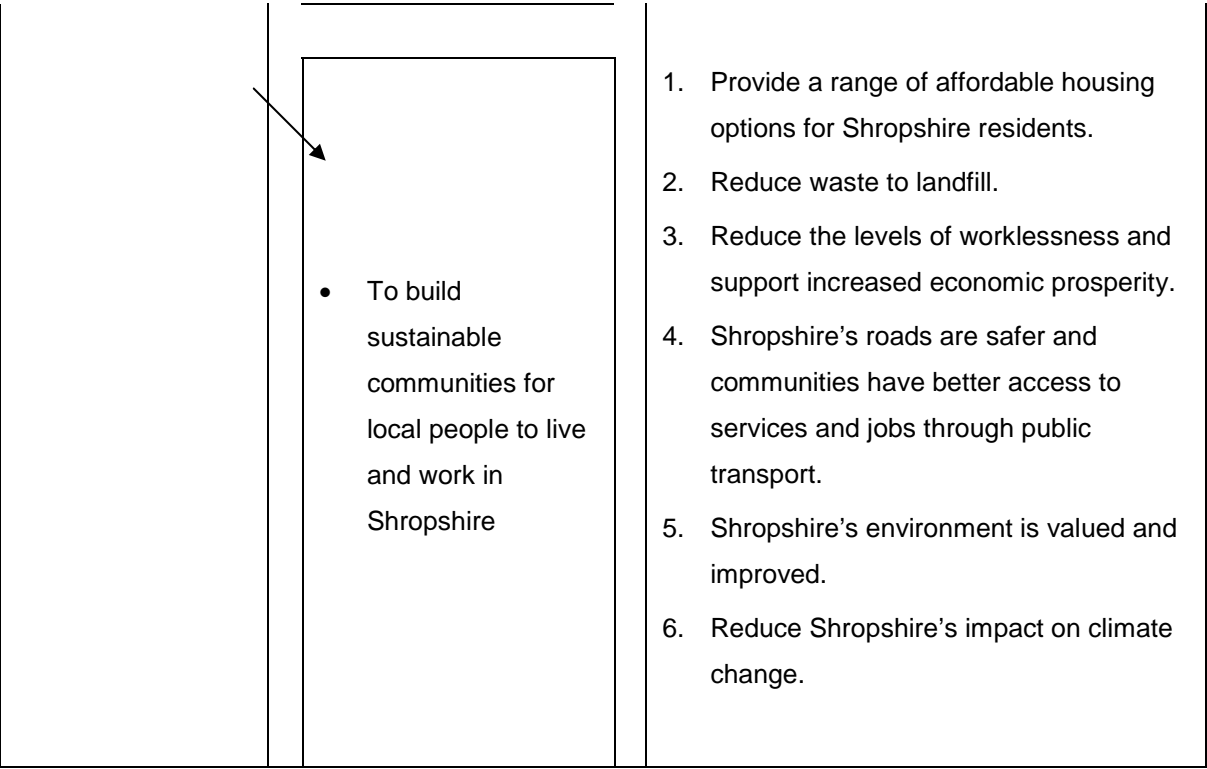
**Operational
Efficiency
Programme
The Roots
Review**

1.2.4 The use of the available procurement routes such as Private Finance Initiative (PFI) Building Schools for the Future and Public Private Partnership further underline the need for a strong focus in this area.

PFI

OUR VISION, AIMS AND PRIORITIES FOR IMPROVEMENT

VISION	AIMS	COUNCIL PRIORITIES FOR IMPROVEMENT
<p style="text-align: center;">To improve significantly the quality of life for Shropshire people</p>	<ul style="list-style-type: none"> To give children and young people the best opportunities today and for the future 	<ol style="list-style-type: none"> 1 Reduce homelessness amongst your people. 2. Support vulnerable children and young people to improve their life chances. 3. Improve the educational achievements of our pupils particularly focussing on underachieving groups. 4. Improve access for 14-19 year olds to a range of activities and support that helps them prepare for further education, employment or training
	<ul style="list-style-type: none"> To improve the health and well-being of Shropshire's residents 	<ol style="list-style-type: none"> 1. Improve the housing delivery for which Shropshire Council has direct responsibility. 2. Support older and vulnerable people to live independently and safely. 3. Increase choice and control for vulnerable people. 4. Maximise vulnerable and old people's income and increase take up of benefits. 5. Promote opportunities for residents to lead active lives and enjoy their free time through a range of activities.
	<ul style="list-style-type: none"> To ensure safe and strong communities for everyone in the county 	<ol style="list-style-type: none"> 1. Minimise anti social behaviour in Shropshire. 2. Minimise re-offending and violet crime, including domestic violence. 3. Minimise the harm caused by drug and alcohol misuse. 4. Communities have more of a say in service delivery and differences are recognised and respected.

- 
- To build sustainable communities for local people to live and work in Shropshire

1. Provide a range of affordable housing options for Shropshire residents.
2. Reduce waste to landfill.
3. Reduce the levels of worklessness and support increased economic prosperity.
4. Shropshire's roads are safer and communities have better access to services and jobs through public transport.
5. Shropshire's environment is valued and improved.
6. Reduce Shropshire's impact on climate change.

1.3 Purpose of this Strategy

1.3.1 The purpose of this strategy is to communicate clearly to stakeholders; operational managers; procurement specialists and suppliers in the private and voluntary sectors, the Council's vision for the procurement of services, supplies and works so that each may play a meaningful role improving procurement practices in the Council.

1.3.2 This strategy sets out the key principles underpinning our approach to procurement. ***The primary objective of our Procurement Strategy is to procure services that are affordable, fit for the purpose, meet the needs of local people and service users and provide value for money. In so doing we take into account important issues such as equality and diversity, sustainability and health & safety.***

1.3.3 Procurement is important. In many areas of activity, the Council delivers services that are externally assessed as good and in some cases excellent. The way in which we procure services, supplies and works has a direct effect on our success and effectiveness in delivering against our corporate aims and meeting the needs of local people.

1.3.4 Our procurement processes must be of a standard which will help facilitate further service improvement and compare very favourably with the best in both public and private sector. We recognise that we have some way to go, but we are working to develop a dynamic approach to procurement which will help our drive for overall service improvement.

Our primary objective - affordable, fit for purpose, meet service need and provide value for money

1.4 Use of the Strategy and Responsibilities

Officer and Member Responsibilities

1.4.1 The Council's Procurement Strategy is approved by the Full Council. The Council's key strategic procurement decisions are made by the Council Management Team and the Cabinet within the boundaries of the Procurement Strategy approved by Full Council. Decisions as to which key services will be delivered and strategic choices as to whether they are delivered by Council staff, through partnership with the Voluntary and Community sector or through contracting with the private

**Roles and responsibilities
Full Council**

sector are made at that level.

1.4.2 Directorate Management Teams provide the leadership on service delivery and play the lead role in the procurement process for operational service delivery. In accordance with good practice on corporate governance the Council has Financial Rules and Contract Rules as part of our Constitution and these Rules provide the framework within which goods and services are procured.

DMT role

1.4.3 The Director of Resources is responsible for preparing the Procurement Strategy and the Directorate will be responsible for its management, implementation and review. The Director of Resources will update the Strategy and with the support of colleagues will deliver a progress report to Cabinet every two years setting out progress made with the strategy and seeking endorsement to any changes in direction or policy.

Director of Resources role

1.4.4 The member level champion for Procurement is the Leader of the Council. The Leader is responsible for providing effective leadership and Member understanding of the importance and contribution of Procurement to the Council. Overview and Scrutiny has a key role in scrutinising the procurement of goods and services and in monitoring the practical application of this Procurement Strategy across the Council.

Member roles

1.4.5 At the operational level, relevant officers from all Directorates work together in the Strategic Procurement Group (Appendix I) as to act as one organisation in purchasing goods and services.

Role of Directorates

1.4.6 All Council Directorates have an important role in delivering the objectives in this strategy. Every procurement that results in a legally binding contract will be managed and led by appropriately skilled officers throughout the procurement process and during the life of the contract. Directorate responsibilities include:-

Role of Directorates

-
- Leading on the commissioning of operational services in accordance with Financial Rules and Contract Rules.
 - Administration and record keeping in accordance with Contract Rules and Financial Rules including maintenance of the Contracts Register.
 - The commissioning of innovative performance based specifications.
 - Leading the tendering process for contracts for operational services and awarding those contracts.
 - Active management of contracts during the whole course of the contracts.
 - Managing relationships with suppliers.
 - Working with existing providers to seek continuous improvement.

1.5 People, Skills and Knowledge

West Mercia Supplies

1.5.1 The Council Council is one of four partners that own and run West Mercia Supplies. West Mercia Supplies is a key supplier for the Council and for the other three partners (Telford & Wrekin Council, Herefordshire Council and Worcestershire Council Council.)

1.5.2 West Mercia Supplies (WMS) is a key supplier for educational supplies, office supplies and utilities. WMS was the subject of an Independent review in 2004 led by PA Consulting. The findings from the review confirmed that WMS is a cost effective service provider and that it is more profitable than comparable suppliers in the public and private sector. Nevertheless, the review identified opportunities for improving the governance structure, marketing strategy, profitability and terms and conditions of staff. Action has been and is continuing to take place to

address all of these issues so as to improve further the overall performance of WMS. A further review of WMS led by Ticon is currently underway with results due by the end of summer 2009.

1.6 Review Process

1.6.1 This Strategy must be revised to reflect changes of policy, service delivery needs, technological advances and resource constraints. It is an important component of the Council's overall strategic policy framework and has direct links to the Corporate Plan. It will be reviewed every two years by the Director of Resources as to help support programmes for service improvement.

Review every
Two Years

2. Principles of Procurement

This section sets out how the principles of procurement within the Council and summarises our key areas of expenditure.

2.1 The Principles of Procurement within Shropshire Council

2.1.1 The Council is a large organisation, employing around 8,000 full time equivalent staff and with an annual budget of £574 million. External assessments of our performance suggest that we are delivering services well in many areas. In 2008 the Council (previously Shropshire Council Council) was rated "a four star authority improving well" and has a 4 out of 4 rating for its use of resources.

Procurement
principles

2.1.2 In order to achieve our corporate aims and priorities for improvement we need to procure effectively, efficiently and to high standards. ***The primary objective of our Procurement Strategy is to procure services that are affordable, fit for purpose, meet the needs of local people and service users and provide value for money. In so doing we take into account important issues such as equalities and diversity, sustainability and Health and Safety***

Our primary
objective -
affordable, fit
for purpose,
meet service
need and
provide value
for money

The key principles underpinning our approach to procurement are as

follows:

- **Achieving Value for Money in service delivery – our primary procurement principle.**
- **Maintaining a diversity of providers.**
- **Promoting equality and diversity.**
- **Maintaining probity.**
- **Seeking innovation and modernisation.**
- **Promoting sustainability.**
- **Managing and determining risk.**
- **Being accountable.**
- **Working in partnership.**
- **Employee development.**
- **Promoting Health and Safety**

Our Primary Procurement Principle - Achieving Value for money in Service Delivery

2.1.3 The Council has a statutory duty to deliver Value for money in the provision of its services. Value for money means local council's must aim to continually improve the 'Economy', 'Efficiency' and 'Effectiveness' of their service delivery.

2.1.4 Under Value for Money we will need to demonstrate that our services:

- Meet the needs of local people.
- Are being provided to the level and quality desired by the community.
- Are at a price local people are willing to pay.
- Are competitive with other potential suppliers.
- Are capable of securing continuous improvement over time.

2.1.5 The Council has developed a Value for Money Strategy (Appendix C of this Strategy) which described what we mean by value for money, the methodologies employed within the Council to deliver it and the processes that are used to monitor and evaluate it. As part of this Value for Money Strategy, the Council will continually look for ways to improve the economy, efficiency and effectiveness in the delivery of its services and as a part of this we will also seek to improve the way in which we procure those services. With regard to improving the way in which we procure services we will:

Nine principles of procurement

Value for money – a definition

-
- Adopt best practise in procurement so as to support programmes for service improvement.
 - Work with colleagues in the West Mercia Supplies consortium and the Regional Improvement and Efficiency Programme so as to benefit from economies of scale in tendering.
 - Take advantage of OGC contracts where appropriate.
 - Implement a self service on-line approach to the ordering of low value goods thus reducing time, paper and cost for departments and as far as possible eliminate the chains of invoice processing (e-procurement).
 - Further develop 'corporate call-off contracts' contracts for departments to use for repeat or volume purchases for common areas of need.
 - Use the management information derived from the financial and management information system (SAMIS) and the procurement and contract database when it is operational to aggregate service and supply needs from different Council departments for similar service areas so as to identify opportunities for new corporate contracts.
 - Ensure Directorates purchase within the Contract Rules and Financial Rules which are part of our framework of internal control.
 - Adopt and promote the Principles of the Small Business Friendly Concordat.
 - Work with contractors and suppliers to get feedback and ensure continuous improvement measures are included in services and supplies delivered by contract.
 - Pay suppliers on time and in accordance with our agreed terms and conditions, paying electronically wherever possible.

-
- Promote the “Doing Business with the Council” section on the website including “The Selling to the Council Guide” (Appendix E) so that suppliers can see opportunities to bid for services and work proactively with suppliers to achieve a good market response.
 - A local compact with Voluntary and Community Sector was formally adopted by The Council at the end of 2005 and is currently being reviewed with the plan for a new compact this year.
 - Develop and implement better means of gathering market intelligence, for example through consultation with suppliers.
 - Work to meet National Procurement Strategy targets and milestones.
 - Work to meet National Targets for Sustainable procurement.
 - Continue to develop the Council's Procurement Plan (Appendix D).

Procurement Principle - Maintaining a Diversity of Providers

2.1.6 The Council is committed to a mixed economy of service providers because we believe that services should be delivered by the organisation that best meets our local needs and standards. This could be the Council delivering services directly or through contracts with the private or “not for profit” sector or other public bodies.

2.1.7 The Council has the view that neither an internal nor an external service delivery option is considered as being automatically more beneficial. The Council's view is that the best option for the client or service user that can be met within our available resources should be foremost in all assessments.

2.1.8 The Council will require, via Value for Money “Lean Service” efficiency reviews and other regular management reviews, that the full range of vehicles for procuring services be considered, including:

**Principle –
diversity of
providers**

Re-organisation or creation of in-house provision

Full outsourcing.

Market testing.

Joint commissioning.

Leasing.

Partnering.

Contracting with Voluntary sector or other public body.

Procuring through Private Finance Initiative.

2.1.9 All services in the Council are required to undertake a fundamental review (Value for money). The Council will use appropriate procurement expertise to ensure that all procurement options and routes are explored.

2.1.10 Amongst other things, the Council requires that the following issues be always considered:

Service delivery needs at present and for the future

Staffing issues

Risk Assessment

Investment needs

Sources of supply

Value to or impact on the client or service user of the product or service

Current performance versus possible future performance

Whole life cycle costs

2.1.11 Procurement options arising from a Value for money review will seek to add value to the services delivered to the people of Shropshire.

2.1.12 The Council believes that services should always be efficient and effective as possible, whoever provides them.

2.1.13 Procurement advice to Value for Money reviews will be essential so as to ensure that a broad range of options are considered during the review and the service delivery option is chosen that best meets the current and future needs of local people and provides value for money.

Procurement Principle - Promoting Equality and Diversity

2.1.14 A dimension of effective service delivery is the extent to which that delivery is fair and equitable and adheres to the Council's Equality and Diversity Strategy.

2.1.15 The Council will:

- For agencies delivering services on our behalf, include within contracts a requirement to deliver an effective and appropriate service, fairly and without unlawful discrimination.
- Ensure that all contractors commit to service delivery following the principles set out in the Council's Equality and Diversity Strategy.
- Utilise methods within procurement processes to evaluate Equality and Diversity issues. A part of this is Appendix F our internal guidance document "Equality and Diversity issues in Procurement".
- Establish mechanisms for ensuring that equality targets are met by suppliers through contract management.
- Require contractors to supply monitoring reports on service delivery and take up.
- Establish mechanisms for managing equality issues by monitoring these reports and taking appropriate action to resolve any shortcomings.

Procurement Principle - Maintaining Probity

2.1.16 The Council must have and be seen to have the highest standards of probity in dealing with public money. All officers involved in tendering contracts act as guardians of these standards. The Council's own Contract Rules and Financial Rules set the rules within which all officers and Members must act. We require our external suppliers and service providers to operate to standards consistent with those of the Council.

**Principle –
Equality and
diversity**

**Principle -
Probity**

Procurement Principle - Seeking Innovation and Modernisation

2.1.17 The Council will seek to continually improve procurement methods and will learn from and apply advice and guidance produced by the Government and other bodies where it is appropriate to our local needs. E-governance is a key initiative that aims to use new technologies to deliver better quality and more accessible services. The Council is developing these areas in procurement. We aim to have all procurement documents available electronically and that many of our low value goods and services will be purchased electronically. We are also considering the introduction of an electronic tender vault and other initiatives.

2.1.18 In 2009 we will continue to explore the benefits that Shropshire could gain from adopting ideas for procurement innovation. Areas for further improvement in the next 12 months include:

- Further development in the use of e-procurement systems and the use of purchase cards and e-auctions.
- Continue to develop quality-reporting systems to provide relevant accurate and timely management information on what we spend, where and how much we spend with external contractors.
- Continuing to rationalise suppliers and increase the focus on developing partnership arrangements.
- Working with partner authorities in continuing to develop the role of West Mercia Supplies.
- Continue to develop guidance for officers on achieving community benefits, sustainability targets and promoting equality and diversity and Health & Safety through our procurement practice.

**Principle -
Innovation**

**E-
procurement**

**Areas for
improvement**

-
- In addition to the particular targets identified above the Council must have regard to the more strategic developments which are being promoted as national good practice.

2.1.19 The steps above will assist us in the development and implementation of better procurement practice across the Council.

Procurement Principle - Promoting Sustainability

2.1.21 Social, economic and environmental issues are linked and are best addressed together. In 2005, the UK Government's Sustainable Development Strategy agreed a set of shared UK principles that provide a basis for sustainable development policy within the UK:

- Living within environmental limits.
- Securing a strong, healthy and just society.
- Achieving a sustainable economy.
- Using sound science responsibly.
- Promoting good governance.

The UK now has four priority areas for immediate action:

- Sustainable consumption and production
- Climate change and energy
- Natural resource protection and environmental enhancement
- Sustainable communities

The Council is committed to a mixed economy of service providers because we believe services should be delivered by organisations that best met our local needs and standards, and the Sustainable Development Strategy also contains equally ambitious targets for sustainable procurement:

- Lead by example
- Set clear priorities
- Raise the bar
- Build capacity
- Remove barriers
- Capture opportunities

**Principle -
sustainability**

2.1.22 For procurement this means:

- Ensuring the needs of different service users and local communities are met when assessing the business need for the contract, in writing specifications, evaluating tenders and throughout the delivery of the contract.
- Addressing sustainability issues throughout the tender process and in the delivery and design of contracts. More detailed guidance on how to do this is given in an Appendix A to this strategy.
- Reviewing the Council's present approach to resource use and in particular, the procurement of utilities and premises.

2.1.23 The impact of our procurement decisions on the local economy and small and medium enterprises (SMEs) is important. We recognise that with the decline of agricultural activity and the current challenges faced by rural communities, the Council has a significant role to play in the local economy.

2.1.23 The National Action Plan for Sustainable Procurement 'procuring the future' was published in 2006 and set out targets for Local Authorities relating to Sustainable Procurement. The Council has its own sustainable procurement policy and action plan as a response to the national plan (see Appendix G).

2.1.24 In order to meet the challenges set out by the above sustainable procurement initiative and thinking The Council will:-

- Promote and run workshops for local suppliers that will include:
Encouraging local businesses to offer their products and services to the Council.
Helping suppliers, particularly SMEs, respond positively to our social and environmental policies by briefing them on best practice.

Briefing suppliers, particularly SMEs, on sustainability helping them understanding by definition that it does not imply a higher cost as well as policies on equalities, health and safety and electronic trading.

As an example of this action, we have held recent events for SMEs a general event in January 2009 to demystify tendering to the Council and a construction contractor event in April 2009 to inform how we procure our construction contracts and of forthcoming opportunities.

- Promote through the use of standard terms and conditions in contracts our support for procurement principles particularly those relating to equality and diversity, social, economic and environmental issues.
- Continue to meet its commitments from the Friendly to Small Businesses Concordat.
- Take action to meet and monitor progress against the targets set out by the Council's Sustainable Procurement Action Plan.

Facilitating relevant training of key and other staff.

Promoting our sustainable procurement policy and improving strategy and communications in this area.

Building in further consideration of sustainability issues within our procurement processes.

The identification of further key sustainable impacts and the contracts/suppliers to which they apply. In order that we can further engage with these suppliers and ensure key impacts are being managed.

Procurement Principle - Managing and Determining Risk

- 2.1.26 When choosing a procurement route we need to undertake a risk assessment so as to quantify the financial, service delivery and other

risks to the Council in changing service providers.

2.1.27 Key activities in which risk assessment will be important include: -

- As part of Value for money reviews where alternatives to existing provisions have been identified.
- During tender evaluation.
- Whenever a major change in service delivery arrangements is proposed.

Procurement Principle - Being Accountable

2.1.28 The Council is accountable to local people both for the decisions it makes and for the proper use of public money. All procurement decisions must be capable of being audited to demonstrate that they are value for Money for the people of Shropshire.

2.1.29 The Council has published Financial Rules and Contract Rules which amongst other things require that all ordinary and major contracts should be fully documented and records kept for a period of 6 years, which will enable this accountability to be demonstrated. The Financial Rules and Contract Rules are available on the intranet.

2.1.30 There are examples where our ordinary and major contracts are documented to extremely high standards and this good practice needs to be shared so as to achieve a consistently high standard across the Council.

Procurement Principle - Working in Partnership

2.1.31 The Council recognises the importance the Government places on working in partnership with other public, private and “not for profit” sectors who can share and deliver the aims and priorities for improvement of the Council. The Council in developing procurement will continue to work constructively with the partners of the West Mercia Supplies consortium and the Regional Centre of Excellence

**Principle -
accountability**

Documentation

**Principle –
partnership
working**

and will seek additional advice from other sources such as the Improvement and Development Agency, the Office for Government and Commerce and the 4Ps.

- 2.1.32 The Council will encourage partnering and collaborative arrangements. There is, necessarily, an element of partnering working in all procurements. Without mutual understanding and willingness to co-operate, it is unlikely that the quality of the service delivered will ever be better than the minimum needed to fulfil the needs of the contract. A partner-like relationship is thus the key to continuous improvement. We shall build on our acquired PFI experience, at least in the early stages, and seek external advice on how to measure outputs from the partnering arrangements.
- 2.1.33 If a procurement exercise demands a very high level of investment or long-term flexibility then a partnering arrangement may be the best solution. We already have a successful partnering contract in place for highways maintenance. .
- 2.1.34 Whilst partnering can be public-private, public-voluntary or public-public, some of these organisations may not have the same sensitivities to the risks that the Council sees as important. Procurement through partnering will assist in identifying risks, ensuring that they are shared and that the relevant management controls are put in place.
- 2.1.35 Risk management will play a significant part in any new relationships, and how risk is managed, rather than diverted, will need further consideration.
- 2.1.36 Partnering arrangements will be arrived at through competitive tendering processes. It will be necessary to ensure that in developing partnering arrangements that regard is given to relevant procurement legislation and that partnering arrangements are developed within the requirements of Financial Rules and Contract Rules.

-
- 2.1.37 The Council will promote and encourage market testing and option appraisal. All Value for money reviews will use and show tangible evidence of option appraisal, which should be informed by some degree of market analysis. Training in undertaking value for money reviews is available within the Council together with clear written guidance and officer advice.
- 2.1.38 The Council will seek to work with suppliers to as to ensure that expectations, needs and specifications or outputs are in line with what the market may be able to offer. The Council will encourage officers to engage with the supply market early in the procurement cycle for higher value or higher risk products and services, and without prejudice, carry out 'soft market testing' to seek out what may be possible rather than to presume specific solutions.

Procurement Principle – Staff Development

- 2.1.39 The devolved nature of procurement throughout the Council means that most staff involved in purchasing do so in addition to their main core activities. The purchasing skills and awareness of these staff are important to the Council's overall success in procurement.
- 2.1.40 Where purchasing represents a significant part of a person's job, they will be offered training and assistance so that they are aware of all the latest policies, issues and procurement techniques. We shall work with The Strategic Procurement Group and Human Resources and Development colleagues to ensure that such post holders are identified and that the effectiveness of training undertaken is measured to ensure that it is relevant and benefits both the individual and the Council.
- 2.1.41 Training needs will vary across different service areas.
- 2.1.42 Every effort will also be made to ensure that the Council makes the most of existing procurement knowledge and expertise.

2.2 Procurement Policies and Core Values

Policies and Principles	Core Values					
	Customer First	Always Improve	Care for Staff	Demonstrate Value for money	Promote Diversity	Communicate Openly and Honestly
Best value	✓	✓	✓	✓	✓	✓
Diversity of Providers	✓	✓		✓	✓	
Promoting equality and diversity	✓		✓		✓	✓
Maintaining probity	✓	✓	✓		✓	✓
Innovation and Modernisation	✓	✓	✓	✓		✓
Sustainability	✓	✓	✓	✓	✓	✓
Managing Risk	✓	✓	✓		✓	
Being accountable	✓	✓	✓		✓	✓
Working in partnership	✓	✓		✓	✓	✓
Employee Development	✓	✓	✓	✓	✓	✓
Promoting Health & Safety	✓	✓	✓			✓

The relationship between Procurement policies and principles and the core values of the Council

2.3 Spend Profiles

2.3.1 The Council has a direct spend of £154 million per annum for goods, services and works excluding capital works. This is part of our total annual gross revenue budget of around £575 million. We have approximately 9,000 suppliers.

**Procure good
& services of
£154 million
per annum**

2.3.2 The table below analyses the invoices paid by the Council Council from the Revenue account for 2007/08. The report shows that 75% of the invoices paid account for only 13.5% of our expenditure and that 45% of the invoices paid account for only 2.7% of the expenditure. This demonstrates the need for the Council to have an efficient e-procurement systems for ordering and paying for goods which are ordered frequently but have low value. At the other end of the spectrum, 5.3% of our invoices account for 70% of our expenditure and this demonstrates the need for close and effective working relationships with major suppliers.

**75% of invoices
= only 13.5% of
spend**

**5.3% of
invoices =
70% of spend**

ANALYSIS OF INVOICES PAID BY THE COUNCIL COUNCIL 2007/08

<u>ROW</u>	<u>>=Lower Limit</u>	<u><Upper Limit</u>	<u># Records</u>	<u>%</u>	<u>SPEND</u>	<u>%</u>
1	0.00	51.00	75,153	31.26	1,835,763.44	1.19
2	51.00	101.00	33,212	13.82	2,441,397.90	1.58
3	101.00	501.00	74,025	30.79	16,565,769.30	10.74
4	501.00	2,001.00	25,772	10.72	25,580,943.09	16.59
5	2,001.00	20,001.00	11,978	4.98	67,748,317.86	43.94
6	20,001.00	140,001.00	933	0.39	33,019,582.40	21.42
7	140,001.00	500,001.00	33	0.01	6,984,135.96	4.53
Totals			221,106	91.98	154,175,909.95	100.00

2.3.3 The tables contained in the procurement plan at Appendix D, lists present contracts and their expiry dates. The procurement plan allows us to strategically review our contracts. This contract information is also available on our “Doing Business with The Council” website so as to give a broad indication to stakeholders and to suppliers the type of goods or services required, the timescale and the estimated value.

2.4 Supporting IT Systems

- 2.4.1 The Council has invested in some excellent technology through systems such as SAMIS (Resources), CareFirst (Community Services) and TOMS (a system for transport management). These systems have considerable standard capability including the ability to support electronic trading and automation as standard.
- 2.4.2 The Council is currently piloting procurement cards and supporting electronic administration of these.
- 2.4.3 The Council will lead, with others, the deployment of other technologies to encourage a lean and rapid procurement system, where possible in line with central government targets.
- 2.4.4 Pivotal to the Council's strategy is the aim to stimulate interest in 'Business-to-Business' (B2B) amongst its supplier base and to act as a catalyst to encourage small and medium sized enterprises in the Council to work with the Council. We will not adopt a "one size fits all" approach to technology deployment and small suppliers will need only basic equipment such as a telephone and fax to be able to work with us in this way.

3. Current Position

3.1 Position Statement

The Council has made further good progress over the last 2 years in meeting the aims of this procurement strategy. Appendix H is a recent full value for money review of procurement at the Council which sets out:

- A review of the Council's Procurement performance and arrangements
- What has been achieved to date
- An action plan for the next 12 months of key action.

3.2 Procurement Plan

We have developed a procurement plan which includes the following information:

- **Procurement Process** to be followed including;

Contract Definitions

Overview of Procurement Process – Work Flow Diagram

Procurement Assessment Process

Steps to be taken at start and finish of procurement action relating to Contract References, Database and Register

Tendering Process –Work Flow Diagrams

Contract Management and Monitoring

- **Details of all current procurement activity** (Reports from Contract Register Database)
- **Details of all ongoing contracts** – Various reports from Contract Register Database including;
 - Searches by Directorate
 - By contract review dates
 - By Procurement Action dates etc.
- **List of Authorised Officers** under contract rules for Ordinary and Major Contract procurement
- **Current Expenditure analysis**
- **Existing and Planned corporate procurement projects**

The current Procurement Plan is set out at Appendix D

3.3 How Procurement Policies And Principles Are To Be Enforced

The Council will ensure the enforcement of its procurement policies and principles by the following methods:

- Through Audit.
- Through the work of the Strategic Procurement Group.
- Through the use of the Procurement Plan and existing Procurement Systems.
- Through internal advice and promotion.
- Through procurement training.

3.4 Measurement Of Improvements

The Council will measure improvements in its procurement performance by the following methods:

- Through Value for Money reviews (see appendix H)
- Through the Procurement Plan.
- Through regular review by the Procurement Manager and the Director of Resources and Overview and Scrutiny Committee.
- Through the monitoring work of the Strategic Procurement Group e.g. progress against National Procurement Strategy Targets, The Council' Sustainable Procurement Action Plan and the commitments in relation to SMEs

-
- Through the recording of procurement savings and efficiencies.
 - Benchmarking of performance against other Local Authorities (see Value for money review of Procurement Appendix H)

H:\Democratic Services\Committees\Council\Reports\2009\24 September\Procurement\Appendix A.doc