

23 January 2007

Report of the Corporate Director – Resources and
Housing

PROCUREMENT STRATEGY

RECOMMENDATION

1. To approve the revised Procurement Strategy as set-out in Appendix 2.

SUPPORTING INFORMATION

2. Under the new Building on Excellence arrangements, the Procurement and Efficiency Board has approved the preparation of a new Procurement Strategy for the Council.
3. The Strategy sets-out five strategic objectives for procurement. These are...
 - a. Procurement must contribute to the realisation of the Council's vision and support the achievement of the Council's priorities with specific commitment to the priority to deliver excellent services, performance and value for money.
 - b. Best Value must be obtained from the Council's procurement spend and a whole life cost approach should be taken to measuring this.
 - c. The adoption of electronic procurement systems to increase the efficiency of our business processes.
 - d. To create a procurement culture that applies consistent and rigorous process to all procurement activities.
 - e. To undertake procurement in a sustainable manner to ensure minimum impact upon the environment and maximise opportunities to support the local economy.
4. An Action Plan setting-out how the Council will deliver these objectives is included within the Strategy.

For more information contact: Officer Dawn Moran Telephone 25 6296
e-mail dawn.moran@derby.gov.uk
Background papers: None
List of appendices: Appendix 1 – Implications
Appendix 2- Procurement Strategy

IMPLICATIONS

Financial

1. None directly arising from this report.

Legal

2. None directly arising from this report.

Personnel

3. The Strategy includes proposals for Procurement Training for relevant officers.

Equalities impact

4. The Strategy addresses issues of equality in contracting. 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 Race Relations Act 1976 as amended.

Corporate priorities

5. The Strategy supports the Council's priority of delivering excellent services, performance and value for money.

Procurement Strategy

Contents

Section	Page
Foreword	1
1. Strategic Objectives	2
2. Achievement of our objectives	3
3. Policy	6
4. Organisation and Resources	10
5. Action Plan	11

FOREWORD

The Council will spend over £1billion over the next 5 years on procuring and commissioning goods and services in support of the delivery of services to the residents of Derby.

The size of our procurement activity is significant and the way in which it is carried out can enhance the Council's service delivery and contribute to the broader policy objectives of the authority. It is therefore important that we manage our procurement processes in such a way that maximises these positive outcomes.

Additionally the Council recognises that the implementation of its strategies and plans will involve significant change and that procurement has a major role to play in the delivery of the change programme.

The principles of all procurement within the Council are:

- Transparency
- Efficiency
- Sustainability.

The Council's procurement strategy aims to provide a framework against which officers can structure their procurements to ensure value for money, a sustainable procurement approach and opportunities for efficiency are identified. The strategy allows for flexibility in order to accommodate the evolving environment within public sector procurement.

Officers and members are committed to encouraging the highest standards in our procurement practices to ensure these principles are met.

Chris Williamson
Leader of the Council

Ray Cowlshaw
Chief Executive

1.0 STRATEGIC OBJECTIVES

1.1 Derby City Council has identified the following strategic objectives in relation to procurement.

- 1.1.1 Procurement must contribute to the realisation of the Council's vision and support the achievement of the Council's priorities with specific commitment to the priority to deliver excellent services, performance and value for money.
- 1.1.2 Best Value must be obtained from the Council's procurement spend and a whole life cost approach should be taken to measuring this.
- 1.1.3 The adoption of electronic procurement systems to increase the efficiency of our business processes.
- 1.1.4 To create a procurement culture that applies consistent and rigorous process to all procurement activities.
- 1.1.5 To undertake procurement in a sustainable manner to ensure minimum impact upon the environment and maximise opportunities to support the local economy.

2.0 ACHIEVEMENT OF OUR OBJECTIVES

Objective One

- 2.1 Procurement must contribute to the realisation of the Council's vision and support the achievement of the Council's priorities with specific commitment to the priority to deliver excellent services, performance and value for money.

Actions	Timescale
Business Plan development identifies strategic procurement activities and associated project plans and resources.	January 2007
Options appraisals on all significant procurement projects need to include a statement on meeting this objective.	November 2006
Development of procurement infrastructure across Council that ensures procurement becomes a strategic management agenda within every department.	Ongoing
Creation of the Procurement and Efficiency Board.	July 2006

Objective Two

- 2.2 Best Value must be obtained from the Council's procurement spend and should take a whole life cost approach to measuring this.

Actions	Timescale
Develop clear guidance for officers on embedding Best Value within their procurement process.	March 2007
Ensure proper procurement processes are undertaken for all procurement in accordance with the Council's own regulations.	Ongoing
Undertake a spend analysis to identify and prioritise opportunities for increasing value for money.	October 2006 onwards
Explore opportunities to work collaboratively across departments and outside of the authority.	Ongoing
Embed strong contract management practices across the Council to make sure value is improved throughout the life of contracts.	April 2007

Objective Three

- 2.3 The adoption of electronic procurement systems to increase the efficiency of our business processes.

Actions	Timescale
Implement the IDeA Marketplace across all Council Departments and encourage the maximum use of this system.	April 2007
Identify opportunities for transaction efficiencies in the procure to pay cycle of all significant contracts including the use of e-invoicing and procurement cards.	October 2007
Extend the implementation of electronic tendering system to all departments.	April 2007

Objective Four

- 2.4 To create a procurement culture that applies consistent and rigorous process to all procurement activities.

Action	Timescale
Establish interdepartmental procurement group with nominated officers to ensure compliance within departments.	March 2006
Maintain contracts register and create reporting process to support audit programme.	Ongoing
Introduce a set of performance indicators aligned to the national indicators to measure the effectiveness of the procurement function.	From April 2007
Review contract procedure rules.	From April 2007
Establish training programme for all officers with procurement responsibility.	April 2007

Objective Five

- 2.5 To undertake procurement in a sustainable manner to ensure minimum impact upon the environment and maximise opportunities to support local businesses and the economy.

Action	Timescale
Develop a sustainable procurement policy for the Council.	February 2007
Provide sustainable procurement training for all appropriate officers.	April 2007
Develop a dialogue with suppliers to identify opportunities to improve the sustainability of our procurement.	Ongoing
Adopting the National Procurement Action Plan's Flexible Framework and attaining level 1 by April 2007.	April 2007
Make contract opportunities accessible to all businesses and provide support to businesses to manage our procurement processes.	Ongoing

3.0 POLICY

- 3.1 A number of key policies support the Council's strategic objectives for procurement. These are set out below.

Best Value

- 3.2 This procurement policy and strategy forms part of the arrangements the Council has made under Part I of the Local Government Act 1999 (Best Value) and the Draft Circular on Best Value and Performance Improvement dated July 2002 to secure continuous improvement in the performance of its services in terms of economy, efficiency and effectiveness.
- 3.3 All procurement of goods, works and services is to be based on Best Value, having due regard to propriety, regularity and the Council's legal obligations.
- 3.4 Best Value 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" consistent with government procurement policy.
- 3.5 The Corporate Plan states that 'Best Value requires that we provide the services local people want at an affordable cost, and that those services continue to improve.'
- 3.6 Procurement shall be used intelligently to provide incentives to contractors, service providers and suppliers - supply chains to reduce costs and continuously improve performance. Appropriate standards and targets will be included in contracts.

Competitive procurement

- 3.7 Goods, works and services must be acquired by competitive tendering except in the circumstances set out in Contract Procedure Rules. Corporate requirements have been identified and aggregated to be purchased by the Corporate Procurement Unit. Departments are required to purchase from the corporate contracts where they exist and should not enter into separate arrangements for these goods and services.
- 3.8 Competitive procurement promotes economy, efficiency and effectiveness in Council expenditure. Competition will also contribute to the competitiveness of suppliers, contractors and service providers.
- 3.9 The Council is committed to the promotion of a 'mixed economy' of service provision on the basis that this is most likely to deliver Best Value for the citizens of Derby.
- 3.10 This means that the basis for commissioning service providers in the public, private, voluntary and community sectors is Best Value to the customer.
- 3.11 The Council's approved approach to competition and procurement is set out in the 'Competitive Procurement Policy'.

E-Procurement

- 3.12 The Council is committed to a modular approach to the introduction of e-procurement, including optimising use of BACS and CHAPS payments, and appropriate use of procurement cards and electronic tendering.
- 3.13 ICT will be used to reduce the cost and improve the efficiency and effectiveness of all aspects of the procurement process for the Council, its suppliers, contractors and partners. The availability of improved management information will be used to identify areas for improvement and cost reduction.
- 3.14 As set out in the Local E-Government Strategy the Council's target is to implement electronic procurement - the full order-to-payment cycle corporately.
- 3.15 The Council has developed an E-procurement strategy outlining the approach to be taken which has been integrated with the implementation of the Council's replacement financial management system.

Ethics, probity and risk management

- 3.16 In all their dealings, members and officers must preserve the highest standards of honesty, integrity, impartiality and objectivity. This includes compliance with the Council's constitution and specifically the Council's Contract Procedure Rules, Financial Procedure Rules, the Members Code of Conduct and the Employees Code of Conduct. In addition Approved Officers shall comply with the substance of the Personal Code of Ethics of the Chartered Institute of Purchasing and Supply and the Code of Good Customer Practice of the Office of Government Commerce.
- 3.17 Risk must be considered as a key element of the procurement process. Risks need to be identified, analysed and managed in line with the Council's Risk Management Strategy.

Training and Development

- 3.18 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 for all members and officers across the Council with procurement responsibilities.
- 3.19 Training will take advantage of electronic mediums that will enable greater access to information at the point of need and in a means that minimises impact on officer's operational responsibilities.

Partnering

- 3.20 The Council acknowledges the importance of partnerships in delivering Best Value solutions with the private and voluntary sectors, with other public bodies and with central government.
- 3.21 Working in partnership shall be the Council's preferred procurement strategy for major procurement projects or programmes. This will comply with EC Procurement Law and the Council's Contract Procedure Rules.

- 3.22 Partnering involves the creation of a mutually advantageous, flexible, long-term relationship between the Council and its partners based on the sharing of risks and rewards and continuous improvement.
- 3.23 In addition to the legal formalities required in any contractual situation, in a partnering arrangement the Council and its partners invest in building and sustaining an excellent working relationship underpinned by openness and constructive dialogue.

Workforce Matters

- 3.24 Procurement decisions should take proper account of work force issues and staff and users should be involved in the procurement process, in particular at the option appraisal in line with the Code of Practice on Workforce Matters in local authority service contracts.
- 3.25 The TUPE Regulations apply to transfer situations and in such situations the Council will use its best endeavours to secure a broadly comparable pension for transferring staff or alternatively, if possible, the admission of the service provider or contractor to the local government pension scheme.

Social and Economic considerations in procurement

- 3.26 As stated in the Corporate Plan, the Council is committed to promoting a strong local economy without damaging the environment; listening to, learning from, and communicating with all communities forms a central plank of the Council's vision. The Council promotes 'Fair Trade' and will encourage its suppliers to do the same.
- 3.27 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 in particular and voluntary and community organisations to build their capacity to win and retain public contracts.
- 3.28 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 Race Relations Act 1976 as amended.

Sustainable Procurement

- 3.29 Sustainable Procurement is a process whereby organisations meet their needs for goods and services, works and utilities in a way that achieves value for money on a whole life cost basis in terms of generating benefits not only to the organisation but also to the society and the economy, whilst minimising damage to the environment.
- 3.30 Sustainable procurement should consider the environmental, social and economic consequences of design; non renewable material use; manufacture and production methods; logistics, service delivery; use; operation; maintenance; reuse; recycling options; disposal; and suppliers' capabilities to address these consequences throughout the supply chain.

- 3.31 The Council is committed to managing its procurement requirements in a sustainable manner and will develop process and policy to embed this into all of its activities.

4.0. ORGANISATION AND RESOURCES

Organisation of the Procurement Function

- 4.1 The Council has balanced management arrangements for procurement which provide for:
- strategic management of procurement at the corporate level; supported by the establishment of the Procurement and Efficiency Board as part of the Council's Building on Excellence Programme
 - a corporate approach to the management of major procurement projects as outline in Council's Procurement Code
 - economies of scale in the purchasing of supplies through shared contractual arrangements with partner organisations and corporate framework agreements
 - decentralisation of specialist procurement to departments where it can be carried out more effectively close to the customer
 - delegation of authority to order goods, works and services to Approved Officers.
- 4.2 The Council has a number of joint purchasing contracts with Derbyshire County Council. Of the Council's annual spend of £80 million, some £5 million comprises orders for goods and services placed through shared contractual arrangements with Derbyshire County Council.

Governance

- 4.3 All procurement within the Council will be undertaken with reference to the Council's Contract Procedure rules and where appropriate the European Procurement Directives.

5.0 ACTION PLAN

Objective One Procurement must contribute to the realisation of the Council's vision and support the achievement of the Council's priorities with specific commitment to the priority to deliver excellent services, performance and value for money.	
Actions	Timescale
Business Plan development identifies strategic procurement activities and associated project plans and resources.	January 2007
Options appraisals on all significant procurement projects need to include a statement on meeting this objective.	November 2006
Development of procurement infrastructure across Council that ensures procurement becomes a strategic management agenda within every department.	Ongoing
Creation of the Procurement and Efficiency Board.	July 2006

Objective Two Best Value must be obtained from the Council's procurement spend and should take a whole life cost approach to measuring this.	
Actions	Timescale
Develop clear guidance for officers on embedding Best Value within their procurement process.	March 2007
Ensure proper procurement processes are undertaken for all procurement in accordance with the Council's own regulations.	Ongoing
Undertake a spend analysis to identify and prioritise opportunities for increasing value for money.	October 2006 onwards
Explore opportunities to work collaboratively across departments and outside of the authority.	Ongoing
Embed strong contract management practices across the council to make sure value is improved throughout the life of contracts.	April 2007

Objective Three The adoption of electronic procurement systems to increase the efficiency of our business processes.	
Actions	Timescale
Implement the IDeA Marketplace across all Council Departments and encourage the maximum use of this system.	April 2007
Identify opportunities for transaction efficiencies in the procure to pay cycle of all significant contracts including the use of e-invoicing and procurement cards.	October 2007
Extend the implementation of electronic tendering system to all departments.	April 2007

Objective Four To create a procurement culture that applies consistent and rigorous process to all procurement activities.	
Actions	Timescale
Establish interdepartmental procurement group with nominated officers to ensure compliance within departments.	March 2006
Maintain contracts register and create reporting process to support audit programme.	Ongoing
Introduce a set of performance indicators aligned to the national indicators to measure the effectiveness of the procurement function.	From April 2007
Review contract procedure rules.	From April 2007
Establish training programme for all officers with procurement responsibility.	April 2007

Objective Five To undertake procurement in a sustainable manner to ensure minimum impact upon the environment and maximise opportunities to support local businesses and the economy.	
Actions	Timescale
Develop a sustainable procurement policy for the Council.	February 2007
Provide sustainable procurement training for all appropriate officers.	April 2007
Develop a dialogue with suppliers to identify opportunities to improve the sustainability of our procurement.	Ongoing
Adopting the National Procurement Action Plan's Flexible Framework and attaining level 1 by April 2007.	April 2007
Make contract opportunities accessible to all businesses and provide support to businesses to manage our procurement processes.	Ongoing