



Charnwood Borough Council

Procurement Strategy

2013/14 to 2018/19

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PROCUREMENT STRATEGY

Introduction

1. The Corporate Procurement Strategy provides a framework for the Council to obtain value in all its procurement activities. The strategy addresses all elements of procurement activity, from identifying the need, considering options, procuring the appropriate goods, services or works, effective supplier and contract management, through to the disposal of assets. The strategy also addresses the many solutions available to the Council, from establishing corporate contracts, using collaborative and consortia arrangements, through to developing long-term strategic partnerships.

2. This strategy continues to provide a clear focus on identifying and delivering efficiencies, but not at the expense of quality. More than ever before, public sector finance is under significant pressure and procurement has a significant role to play in reducing the Council's expenditure through evaluating on the basis of whole life costs with due regard to risk.

3. The current economic climate makes it equally important for the Council to maintain its commitment to supporting the local economy and improving opportunities for businesses to engage with the Council. The Corporate Plan states that the Council 'will help business to prosper and develop' in Charnwood.

4. This strategy, and the supporting Contract Procedure Rules, are designed to reflect current best practice and legislative changes and also provide a framework to enable all the Council's officers to demonstrate value for money whilst taking account of other issues such as sustainability.

5. This Corporate Procurement Strategy is supported by corporate systems that provide guidance and support for all officers of the Council who procure goods, services and works.

Executive Summary

6. This document sets out the Council's strategic approach to procurement. It is not intended to be a procurement manual; however, the principles contained within this strategy should be applied to all procurement activity. Consideration of this strategy is not optional and it should be read in conjunction with the Contract Procedure Rules.

7. The Council has a duty to secure best value and continuous improvement in the way that functions are carried out, having regard to a combination of efficiency, economy and effectiveness. Effective procurement is crucial in securing high quality, best value public services and the Government has

highlighted that the development of a clear procurement strategy is a key step towards achieving best value and delivering demanding efficiency targets.

8. To achieve the Council's objectives it will approach competition positively, taking full account of the opportunities for innovation and genuine partnerships which are available from working with others in the public, private and voluntary sectors. Importantly, this strategy seeks to balance two priorities:

- delivering efficiencies and quality, and
- sustainable procurement, engaging with local and regional suppliers to promote the local economy and taking account of the social and environmental impact of spending decisions.

9. The Council's approach to procurement also relies on developing a collaborative approach to procurement with other authorities and organisations such as the Eastern Shires Purchasing Organisation (ESPO) to achieve economies of scale where appropriate. This strategy provides a corporate focus for procurement. It embraces the authority's commitment to strategic procurement and sets out the Council's aspirations. It is not a "user manual"; more detail on procurement processes and issues will be found in the Charnwood Borough Council Procurement Toolkit and Contract Procedure Rules.

Procurement in context

10. Procurement is defined as:

"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 needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical "make or buy" decision, which may result in the provision of services in-house in appropriate circumstances."¹

11. Strategic Procurement

Strategic procurement is a series of activities and processes that sits at the heart of the Council, providing the framework by which the Council obtains value for money in all the goods, services and works that it requires. This can be illustrated by the following diagram, which shows the interrelationship between the role of corporate procurement and the Council as a whole.

¹ National Procurement Strategy for Local Government - Oct. 2003, ODPM.



12. Principles for Effective Procurement

It is important to ensure that procurement decisions are legal, ethical and in accordance with the policies and procedures of the Council and that consideration is given to the impact on the economic, social and environmental well-being of the Borough.

The Corporate Plan

13. Effective procurement is crucial to achieve continuous improvement and to securing value for money in public services. The Council is one of the larger purchasers of goods and services in the Borough, and has both legal and ethical responsibilities when making procurement decisions.

14. Coordinated and focused procurement activity enables the Council to proactively support the Corporate Plan in a range of areas including;

Priority:	Action:
Promote economic growth across the Borough	Provide opportunities to local businesses
Support economic development within the Borough.	Provide procurement support to the council's regeneration projects

Policies

15. Sustainable Procurement - Sustainable Procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage, or indeed improves the environment. Simply, sustainable

procurement is good procurement.

16. The Council is working regionally to develop and promote models of sustainable procurement, and engage with local partners, other public sector organizations, the business community, agencies and the voluntary sector to test these models. It is important to build internal capacity for implementing sustainable procurement and the Council provides courses to increase awareness and build skills.

Economic Regeneration

17. The Council is one of the larger spending organisations in the Borough, and the more money that is spent locally, the greater the positive impact this will have on the local economy, particularly for small and medium sized businesses.

18. Procurement legislation limits the Council's ability to favour local businesses, but there are numerous ways in which it can legitimately support local businesses, including:

- working pro-actively with partners to support local businesses through media and workshops to explain how to do business with the Council, and obtain their feedback in order to improve documentation and processes
- providing information about future procurement activity, and advertising tenders on the Electronic Contract Management System and Source Leicestershire (links provided below)
<http://exhibeo.charnwood.gov.uk/ContractsSearch/ContractList.aspx> and
<http://www.sourceleicestershire.co.uk>
- running supplier engagement events.
- packaging contracts, where possible, in a manner that does not preclude the following from tendering:
 - local and regional companies
 - small and medium sized enterprises
 - newly formed businesses
 - the voluntary and community sector

19. The challenge for procurement is to balance the following conflicting priorities:

- obtaining value for money and the required quality
- sourcing locally where possible within the legislative framework
- procuring in a sustainable way with regard to environmental, social and economic factors, and
- reducing the number of suppliers (especially those where annual spend is less than £1,000).

Social Development

20. The Council is one of the larger spending organisations in the Borough and has a role to play in addressing social impact and cohesion across the Borough. Social benefits include the creation of employment and training opportunities.

21. The Council recognises and values the added benefits that the voluntary, community and social enterprise sectors can provide. Council policy is that procurement for more than £25,000 is advertised in Source Leicestershire and on the Charnwood Borough Council Contract Register site and where appropriate, to identify potential voluntary sector suppliers and invite them to quote. This £25,000 limit relates to the life of a contract so if the supply is for, say, three years then the annual value will be just over £8,000 which should make the business attractive to smaller entities and not-for-profit organisations.

22. Where relevant to the subject matter of the contract, the bidders approach to tackling unemployment, creating training, apprenticeship opportunities and 'supported businesses' (organisations where 50% or more of their workforce are disabled) will be incorporated into the procurement process. Furthermore, the Council is continuing to work with the supply chain to continually seek improvements and to address ethical issues, for example, adopting, where appropriate, the use of Fair Trade products and supporting local suppliers.

23. For supplies under £25,000, the relevant Service Manager will obtain three written quotations and they would usually seek to obtain quotations from local suppliers where possible.

24. Under the Public Services Social Value Act it is a legal requirement for local authorities to consider social value in making procurement decisions. Charnwood Borough Council will take account of outcomes that organisations can achieve that are additional to, and not the main focus of, their provision. For example, when tendering to provide Tree Surgery services suppliers could offer added social value by detailing outcomes it could achieve to improve training opportunities, apprenticeships and employability within the borough.

Environmental Management

25. The Council, along with its partners, is committed to ensuring that services are delivered in a way that protects the quality of the environment and minimises any adverse impact on community well-being. The Council recognises that procurement can be integral in delivering more sustainable outcomes for the district. To achieve this it is necessary to ensure that environmental and broader sustainability considerations are taken into account throughout the procurement process.

26. The approach to sustainable procurement reflects the corporate approach to sustainability. Specific guidance on sustainability issues in procurement is included in the procurement tool kit.

27. In June 2006 the Council's Cabinet agreed an Environmental Policy revised in April 2011.

28. Equally important, the Council will apply procedures for the proper management and disposal of assets to ensure both value for money and to minimise any adverse impact on the environment.

Equality and diversity

29. Sustainable procurement also embraces the Public Sector Equality Duty set out in the Equality Act 2010 ensuring that equality and diversity, including cohesion is addressed in all procurement activity, irrespective of whether provided from within the Council or indirectly through another organisation.

30. It is imperative that at all times when referring to equality and diversity that the Council explicitly considers each of the following characteristics protected under the Equality Act 2010:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Pregnancy and maternity
- Race (including colour, nationality and ethnic or national origins)
- Religion or belief (including atheist beliefs and no religion or belief)
- Sex
- Sexual orientation (gay, lesbian, bisexual and heterosexual)

31. The Public Sector Equality Duty requires the Council, as a public sector organisation, to have due regard to equality and diversity in the carrying out of its procurement function to:

- Eliminate unlawful discrimination, harassment and victimisation as set out in the Equality Act 2010, i.e. remove or minimise disadvantages suffered by people due to their protected characteristics.
- Advance equality of opportunity, i.e. take steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Promote good relations between different groups, i.e. encourage people from protected groups to participate in public life or in other activities where their participation is disproportionately low

32. The Council is addressing this through:
- Building equality and diversity terms and conditions into standard procurement documents.
 - Providing guidance for potential and existing bidders that include demonstrating the business case for equality and diversity.
 - Assisting Council Officers in addressing equality and diversity in procurement activity including undertaking risk logs and Comprehensive Impact Assessments (CIAs), where required, that include equality and diversity at the start of the procurement process to build equality and diversity requirements into contracts where relevant to do so.
 - Monitoring contracts in respect of the undertaking of Comprehensive Impact Assessments and risk logs.
 - Monitoring compliance against equality and diversity requirements in contracts

Principles for Effective Procurement

33. The following principles will form the basis of all procurement activity in order to achieve value for money:

- Strategic procurement will support improved service delivery through the freeing up of resources and improving the quality of goods, services and works.
- Strategic procurement will ensure that the Council obtains value for money in the acquisition and management of its resources, balancing quality and cost.
- The Council will undertake all procurement activity within a corporate framework to enable all officers to obtain goods, services and works to the required quality in the most efficient manner.
- All procurement activity will be sustainable, supporting and promoting Council
- Policies and priorities, including equal rights, sustainability, social cohesion and economic regeneration.

34. The Council will ensure that procurement activity is undertaken in the most effective and appropriate manner, considering all options including (the following is not exclusive):

- Develop, promote and enforce the use of corporate contracts.
 - use consortia (for example, ESPO and the Government Procurement Service).
 - use approved nationally negotiated contracts (for example those arranged by East Midlands Property Alliance 'EMPA')
 - use approved e-procurement solutions
 - collaborative procurement with other Councils and organisations.

- develop strategic partnerships, particularly where these will deliver significant service improvement and / or efficiencies.
- All procurement activity will be assessed on a whole life costing and benefits basis with due regard to risk.
- Procurement activity will be transparent (and fully compliant with the Freedom of Information Act), fair, consistent and be undertaken to the highest standards of probity and accountability. Procurement decisions must be evidence based.

35. The Council will manage strategic procurement through its Central Procurement Team. The service will not be a central buying unit but it will be a corporate resource which leads on letting corporate contracts and supporting projects, whilst allowing departmental purchasing officers (who have best knowledge of their particular requirements) to procure locally within a clear corporate framework. It will provide support to departmental purchasing officers in undertaking high value/high risk procurements and monitor procurement activity across the Council. The service will comprise a small team of skilled and experienced officers, and the activity of the service will be predicated on maximising benefits for the Council overall.

36. The training and development needs of all officers buying for the Council will continue to be assessed, and the Central Procurement Team will maintain a list of all officers that buy for the Council to ensure that they are informed of new corporate contracts and developments in procurement.

37. It is important that procurement is seen and managed as a component of the commissioning cycle, illustrated in the following diagram:



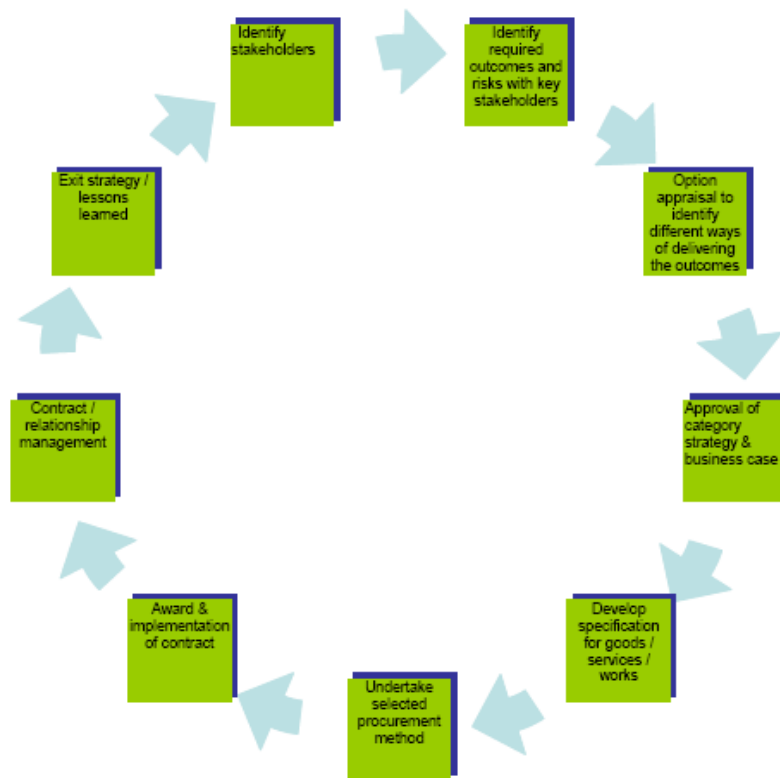
38. Strategic Framework and Corporate Objectives: - Procurement activity will operate within a strategic framework consisting of this Corporate Procurement Strategy and Contract Procedure Rules. Procurement activity must be carried out in a manner which supports the Council's strategic priorities and the

Corporate Plan, including contributing to a safe and healthy environment, supporting the local economy, promoting equality, and being open, responsive, honest and accountable to the public in its decision making.

39. Prioritise and Plan: - Strategic procurement activity will be planned over a three year cycle with annual Procurement Plans to be agreed by Cabinet. It will be undertaken in a performance management environment and will prioritise areas of activity that will generate significant savings or improved quality, and/or contribute to corporate priorities and service improvements. Localised service procurement activity will also be planned in order to avoid “panic” buying and ensure that the service optimises its supply of all necessary goods and services. Good planning will allow common areas of spend across the authority to be aggregated in order to obtain economies of scale and secure value for money.

40. Options Appraisal and Service Delivery: - Procurement decisions need to be taken such as whether it is necessary to obtain the goods, services or works, and whether they should be obtained internally or externally. Decisions also need to be made as to the most appropriate route to procure goods, services and works to ensure that the Council achieves value for money. Option appraisals will include alternative models of service delivery including shared services with other public sector organisations, outsourcing of services and collaborative opportunities.

41. Procure Solutions - The actual procurement process will depend on the required outcomes, but a typical process is illustrated in the diagram below. In all cases the process must comply with the Council’s Contract Procedure Rules.



42. Monitor and Review: - The monitoring and management of contracts is a critical factor, and can make the difference between a successful contract and a failed one. Contractual arrangements should be effectively managed and monitored throughout the contract duration. All contracts should include quality and performance standards which are monitored and reviewed by a nominated officer. Contracts will be subject to continual review and vendor appraisal exercises. Similarly, benchmarking should be undertaken on a planned basis in liaison with both public and private sector organisations to measure the effectiveness of procurement decisions. A good working relationship should be developed with all suppliers, with liaison meetings with major suppliers held at suitable intervals. Plans should be made well in advance of the expiry of a contract for re-letting it based on a review of previous and current arrangements and performance.

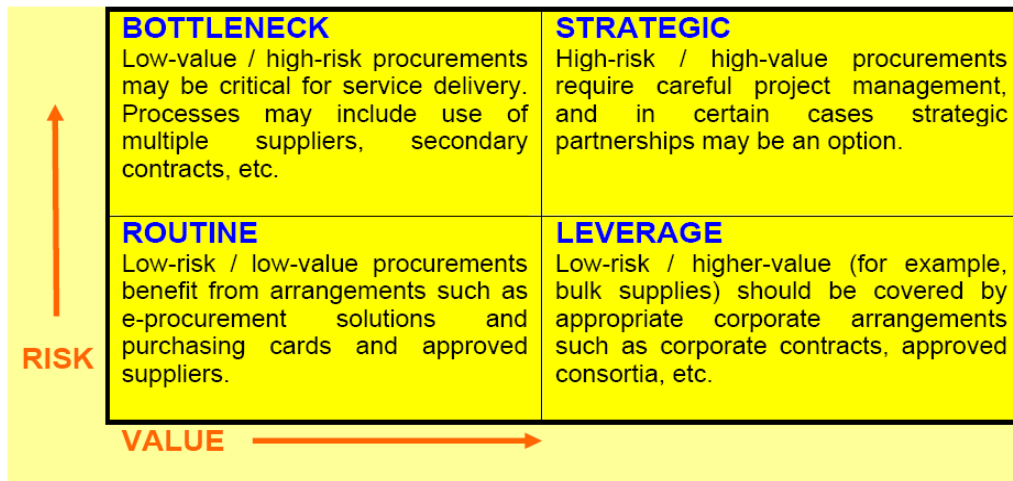
43. The Procurement Toolkit and Contract Compliance Rules should be used for guidance on all of the above stages of the procurement cycle.

44. Procurement Analysis - The choice of procurement method will be dependent on the strategic importance, the value of the goods, services or works, and the potential risk associated with each procurement option. Different procurement options will be suitable for different goods and services and will involve undertaking different practical steps to achieve the desired outcome. The Council will develop its overall management of procurement by modelling its

requirement on a risk/value matrix, illustrated below. Equally, individual procurement decisions should also be considered on their own merits following an appraisal of the suitable procurement options. It is important that the option selected is the one most likely to deliver optimum value for money for the Council and its citizens, and tenders should thus be evaluated using a balanced scorecard evaluation model.

45. The following diagram illustrates the possible procurement options available:

Diagram: Procurement Analysis



Value for Money

46. The Council remains committed to achieving Value for Money, in order to demonstrate economy, efficiency and effectiveness of service delivery. Procurement decisions such as whether to continue to provide the goods, services or works, and whether to provide them internally or externally are central to this requirement.

47. It is essential that the Council not only adopts processes to secure best value, but can evidence the efficiencies obtained and also has to the ability to radically re-think and re-shape the way the Council undertakes procurement so that continuous improvement becomes a key element of its strategy.

48. The Council is therefore:

- driven by optimising outputs and results
- driving down the cost of goods and services procured by the Council
- balancing quality and cost
- responding promptly and effectively to service and residents requirements
- minimising administrative processes and unnecessary bureaucracy
- ensuring simple or routine transactions can be carried out in the most efficient manner
- considering all options in obtaining the most appropriate solution
- valuing innovation and creativity
- using competition to obtain best value
- proactively supporting the Council's policies and priorities
- complying with legislation
- being transparent and accountable.
- working with other public sector organisations in order to achieve value for money and maximise economies of scale for routine supplies.

49. In order to demonstrate value for money, the following is built into procurement activity:

- procedures to manage contractual arrangements are established with performance measured and reported, including benchmarking arrangements.
- procurement procedures and processes are regularly reviewed.
- the management of risk is an integral part of the procurement process.
- the Council invests in procurement training and systems to support the procurement process.
- every contract must be properly managed by an identified contract manager who will possess adequate contract management skills and experience.

50. The Council has a range of in-house services and unless otherwise approved by the relevant Strategic Director (for the in-house service), external businesses will not be used where the requirement can be delivered in-house. Should the Council take a decision that an in-house service be exposed to competition, it will undertake this in an open and fair manner, and ensure that:

- staff and their representatives are fully and properly consulted
- appropriate outcomes, performance standards and monitoring processes are developed
- all information required for a due diligence process is identified and collected
- innovation is encouraged
- relevant Council policies and priorities are incorporated into any specification
- probity, accountability and competitive neutrality is ensured and conflict of interest is avoided or managed
- the responsibilities and accountabilities of all parties are explicit.

51. A key objective of this procurement strategy is to provide a means to improve quality and efficiency by harnessing competition. This can be through either:

- Indirect competition - (for example, via benchmarking, market testing or external challenge). The Council will assess the competitiveness of different functions by reference to other Councils and organisations. In addition to comparing performance, this provides a vehicle for individual and organisational development, learning from experience and good practice.
- Direct competition - (i.e. alternative means of procurement). The 'best value' review process will enable the Council to consider whether alternative means of procurement or service delivery is appropriate.

52. Construction - This is one of the Council's largest areas of spend and includes building and planned maintenance. Traditional approaches to construction-related procurement have tended to be adversarial and often result in overspend or project over-runs. The Council is applying appropriate principles to construction-related procurement activity through the development of partnering contracts and innovative solutions, including a strategic partnership with SCAPE/EMPA.

53. Consultants - The Council will have an ad-hoc requirement to use external consultants and advisers to provide specialist advice and services not available within the Council and to provide support and challenge for major projects. The procurement, utilisation and management of consultants (and assessment of the resulting required outcomes) should be managed in accordance with guidance issued in the Contract Procedure Rules.

Performance Management in Procurement

54. Procurement activity, like all other Council activities, should be undertaken in a performance management environment. Key issues to consider in respect of performance management include:

55. Efficiency - Ensuring that we are driving down the cost of the goods, services and works we procure without compromising quality by securing contracts which are obtained by the Most Economically Advantageous Tenders (MEAT) tendering procedures. Contracts approaching an optional extension period are an ideal opportunity to reduce costs with existing suppliers. Our contracted suppliers can often suggest ways for the Council to make savings so contract managers should be in constant dialogue with their suppliers to ensure costs are kept to a minimum.

56. Planning - Planning annual procurement activity in advance will enable officers to undertake procurement in a more structured manner, identify options and prepare properly.

57. Specifications - Where possible should include measurable outputs or outcomes, performance standards or other appropriate measures by which the contract can be assessed.

58. Contract Management - This is a major factor in the success or failure of a contract. All contracts should have a nominated officer with responsibility for monitoring and managing the contract, including the development of relationship management.

59. Risk Based Approach to Procurement - Risk will be managed throughout the procurement cycle to ensure that risks are identified and managed by the most appropriate stakeholder. Risk registers shall be prepared for all procurement processes in accordance with the Contracts Procedure Rules and will be revisited at key milestones in the procurement process and throughout the life of the contract.

60. Review - It is important that lessons are learned (what went well, what didn't go well), in order to inform future procurement decisions. Problems encountered in a project should be fed into risk analysis models for future projects.

61. Training and Development - The key to delivery of effective public sector procurement requires people who are suitably trained and qualified to provide the necessary "professional" input. This ranges from a formal procurement qualification and wide experience, to knowledge of basic procurement techniques. The level of expertise required depends on the frequency and complexity of the procurement activity in individual posts.

62. Project Management - Any project which involves significant risk including: staff transfer; significant implications across a number of service areas or significant potential for reputation or financial risk, will be managed in an appropriate manner using the Council's approved project management methodology. In addition, progress reports will be provided through the project governance structure and/or the Senior and Corporate Management Teams, as appropriate, at key milestones.

Partnerships and Partnering

63. The Council acknowledges the importance of partnerships in delivering services. It already benefits from a range of partnerships (with private, public and voluntary organisations).

64. The process of carrying out fundamental performance reviews will foster an open and constructive dialogue with all those involved or who may have something to contribute, be it from within the Council itself, or through partnership arrangements with the private and/or voluntary sectors. The Council will encourage the development of new methods or approaches to procurement that will deliver services more efficiently, effectively and economically.

65. The Council already delivers a range of services via the Voluntary and Community Sector, such as John Storer House Foundation and the Charnwood Citizens Advice Bureau. In specific instances (subject to the evidence of a robust business case), a properly procured and managed strategic service delivery partnership can deliver ways in which the Council can realistically achieve step-changes in service quality. Strategic partnering can provide access to new skills, resources and ways of doing things and allow for innovation and the pursuit of difficult or long-term goals. Partnerships can provide access to investment, skills, and new opportunities that the Council is unable to acquire alone.

66. The Council is committed to exploring all options in order to provide the quality services required for now and the future.

E-Procurement

67. E-procurement is "doing business" electronically. All purchase orders should be placed using the Council's Agresso procure-to-pay system. The benefits of e-procurement include:

- delivering savings through streamlining the internal procurement procedures and processes
- providing a framework to ease the ordering of goods, services and works whilst maintaining compliance with legislation
- improving services

68. The Council adopts a comprehensive set of e-procurement solutions that include:

- The Agresso procure-to-pay solution across the Council streamlines the process from initial requisition through to the payment of the invoice. The system is fully integrated with the Council's financial system and currently over 70% of orders are placed this way.
- The BiP Solutions Contract Management System an electronic tendering solution which facilitates the complete tendering process from the advertising of the requirement through to the placing of the contract. This includes the exchange of all relevant documents in electronic format.
- E-auctions where appropriate. An e-auction or reverse auction allows suppliers to compete for the council's business by outbidding each other in terms of quality, price and/or other criteria. The e-auction allows this to take place 'real-time' on the internet.

69. Advancement in technology is eliminating unnecessary cost from the procurement process and releasing resources to be utilised more efficiently elsewhere. The integrated procure-to-pay process across the Council has delivered real savings and improved management information.

70. E-procurement also allows authorities to work collaboratively to achieve economies of scale and shared expertise and knowledge as demonstrated by the Leisure Centre Management Joint Procurement Contract.

71. The Council is an active partner in the Leicester and Rutland procurement Forum and the East Midlands Cities and Districts Procurement Forum to identify collaborative opportunities, streamline the procurement process and further enhance the use of e-tendering.

Code of Conduct for Procurement

72. All procurement activity must be undertaken to the highest standards of ethics and probity. The Council insists on ethical standards from its suppliers, and in turn it must exhibit the highest ethical standards itself. Officers and members must not only be fair and above board in all business dealings, but should also avoid any conduct that is capable of having an adverse interpretation put on it.

73. As a condition of employment, all employees must adhere to the Officers' Code of Conduct including the requirements it contains in respect of registering interests and gifts and hospitality. Amongst other things, the Code requires employees to:

- declare in writing to the Council for recording in the Register of Interests, any financial interests which could conflict with the authority's interests including any contracts with the Council in which

they or their partner have a pecuniary interest and any current or previous relationship with suppliers or potential suppliers they will be involved with as a result of their Council employment

- award contracts only on merit in accordance with the Council's rules and procedures and not conduct themselves in a manner that shows favour, or suggests favour might be shown, to particular suppliers
- not disclose confidential information to which they have access
- decline offers of hospitality and gifts (other than those of token value) from suppliers.

End