

## **NORTH DORSET DISTRICT COUNCIL**

### **Corporate procurement strategy 2005/06 to 2007/08**

#### **Introduction**

1. "Procurement" is the process of acquiring all goods, works and services and relates to all expenditure by the Council with the exception of staff costs and 'non contract' expenditure (e.g. grants, rates, debt and interest payments). It encompasses every aspect of the purchasing process from the identification of need, through buying to the end of service delivery.

There is a need to continually improve the Council's procurement performance because procurement has a critical role to play in delivering our strategic objectives and improving the quality of the services delivered to our communities. Any savings realised through better procurement of day-to-day requirements can be channelled into our priority areas. It is for these reasons that it is important for the Council to develop a clear strategy for how externally provided resources are selected, acquired and managed.

2. This strategy is aimed at promoting effective procurement across the whole Council and aims to set out a flexible planning framework within which further procurement reform can evolve. This flexibility is required to respond to the rapidly changing environment around public sector procurement and to allow learning from our own experiences and from the experience of others. The pace of technological change currently associated with e-procurement, for example, demonstrates the need to build flexibility into this strategy.

The Authority's expenditure on bought in goods, works and services is measured in millions of pounds and it is vital therefore that the council has a clear Procurement Strategy to help ensure that:

- Procurement planning reflects the Council's core values and corporate aims and objectives;
- There is commitment to effective procurement from Members and officers at all levels throughout the organisation;
- There is a corporate focus to procurement, thereby developing a consistent approach, assisting co-ordination of procurement activity

and helping to achieve optimum resource allocation whilst avoiding duplication of effort;

- 'Value for Money' is given due consideration in all procurement activities in line with our legal duty "to continuously improve the services we provide having regard to a combination of economy, efficiency and effectiveness'.

The effectiveness of our approach to procurement will have a considerable influence on the successful achievement of council objectives and delivery of outcomes.

3. The strategy will be reviewed annually.

### **Strategic framework**

4. The Community Strategy and Corporate Plan define the Council's vision, values, priorities and strategic objectives. These are complemented by objectives for each of the Council's services that are set out in service strategies and plans.

5. The Council's priorities for improvement are –

#### **Access to Services**

- Using new technology for effective service delivery
- Ensuring high standards of customer care
- Consulting about our vision and priorities

#### **Building Corporate Capacity**

- Developing our workforce
- Managing performance effectively
- Making best use of our resources

#### **Community Leadership and Community Planning**

- Negotiating outcomes from local community planning
- Providing effective leadership
- Working in partnership with town and parish councils

6. This corporate procurement strategy is aligned with the Council's vision, values, priorities and strategic objectives and with the Council's service strategies and plans. It forms part of the Council's strategic framework being incorporated into the Council's Strategic Action Plan.

7. The key corporate strategies and plans to which procurement contributes include -

Community Strategy  
Corporate Plan  
Improvement Plan  
Medium Term Financial Strategy  
Capital Strategy  
Asset Management Plans  
Local eGovernment Strategy (IEG statement)  
Local Agenda 21 Strategy  
Health and Safety Policy

8. The successful delivery of the Council's strategies and plans requires significant change and that procurement has a major role to play in the delivery of the Council's change programme.

### **Spend profile**

9. Each year Council spends approximately £8.2million on the procurement of goods, works and services. This breaks down as follows:

Goods & Services	£5.2 million
Capital	£3.0 million

### **Key suppliers**

10. The Council's main suppliers include:

- Anite > £750,000 pa
- Zurich Insurance > £150,000
- John Wild Associates (Advertising) > £100,000
- Socitim > £75,000
- Capita > £75,000
- Texaco > £75,000
- BFI Ltd > £50,000
- Dorset Community Action > £100,000
- Audit Commission > £75,000
- Consortium > £100,000

## Organisation

### Members

11. The Executive's role in procurement and contract management comprises:

- The authorisation of expenditure on capital projects approved in principle by Council
- Adopting the Corporate Procurement Strategy and monitoring its implementation to ensure that it supports the achievement of the Council's Priorities
- Overseeing corporate arrangements for procurement and contract management to ensure they are operating effectively
- Making key decisions in the procurement cycle for major projects (e.g. Business case and contract award).

12. The Internal Services Portfolio Holder is the member champion for procurement.

- Champion the Corporate procurement Strategy, ensuring it is aligned with the Council's strategic objectives, government policy and best practice; and monitoring its implementation.

13. Overview and Scrutiny's role in procurement and contract management is:

- Challenge progress on major procurement projects
- Scrutinise strategic procurement contracts and review their impact upon the community and staff
- Ensure that value for money is provided by all services and contracts
- Advise Cabinet of the lessons that are learnt and improvements to be made to the procurement strategy/rules as a result
- During Scrutiny Review exercises to ensure that option appraisal for procurement is robust and challenging and takes into account all models of service delivery.

## **Management**

14. The Financial Services Manager is the procurement champion on Council's Senior Management Team. His responsibilities are:

- To review monthly budget monitoring reports
- To ensure that expenditure is being controlled
- Ensure systems are in place for procurement and contract managements and that they are operating effectively
- Promote the procurement vision with members, and Senior Management Team and officers
- Build capacity to ensure that arrangements are in place to deliver procurement generally
- Make sure that the Members and officers involved with procurement have the right skills in place to be able to deliver it effectively
- Ensure that option appraisal is robust and challenging
- Maintain an overview of corporate arrangements for procurement and ensure that they are operating economically, efficiently and effectively.

15. The role of the Team Leaders is to:

- Ensure that the relevant staff in their area have the right level of skills to deliver effective procurement
- Monitor all procurement activity in their services
- Manage projects and make sure an appropriate project plan is in place and resourced
- They follow Contract Management Regulations
- Ensuring that where procurement targets are not being met they are reported as early as possible in order for remedial action to be planned and decided upon as soon as possible
- Conducting relationships with suppliers and partners in an appropriate manner to promote the Council in a positive manner.

## **Objectives for procurement**

16. The Council's objectives for procurement are –

- Procurement will contribute to the realisation of the Council's vision and support the achievement of strategic objectives
- Best value will be obtained from the Council's procurement spend

- All procurement projects will be professionally managed so that the intended benefits are realised
- Partnering will be adopted as the preferred procurement strategy for all major projects
- eProcurement will be implemented as part of the Council's Local eGovernment Strategy.

### **Key policies**

17. The following policies have been put in place to enable the Council's objectives for procurement strategy to be realised.

#### **Value for money**

18. All procurement of goods, works and services is to be based on best value for money, having due regard to propriety, regularity and the Council's legal obligations
19. Best value for money as a contract award criterion is defined for the purposes of Contract Management Regulations as "the optimum combination of whole life costs and benefits to meet the customer's requirement". This equates to the "most economically advantageous offer" under the EC procurement rules.
20. Customer focus is central to the way in which the Council operates. The purpose of procurement is to meet the customer's requirement. "Customers" includes internal and external customers (as the case may be).
21. The requirement, including any specific level of quality or standard of service must, however, be tested critically against the best value criterion.

#### **Competition**

22. All goods, works and services must be acquired by competition except in the circumstances set out in Contract Management Regulations.
23. Competitive procurement promotes economy, efficiency and effectiveness in Council expenditure. Competition will also contribute to the competitiveness of suppliers, contractors and service providers.

#### **Transparency**

24. The Council will maintain a register of all current contracts

#### **Continuous improvement**

25. This strategy forms part of the arrangements the Council has made under Part I of the Local Government Act 1999 to secure continuous improvements in service delivery in terms of economy, efficiency and effectiveness.
26. Procurement will be used intelligently to incentivize contractors, service providers and suppliers (supply chains) to reduce costs and continuously improve performance. Appropriate standards and targets will be included in contracts.

#### **Ethics and fraud prevention**

27. In all their dealings, members and officers must preserve the highest standards of honesty, integrity, impartiality and objectivity.
28. This includes compliance with the Council's, Financial Regulations, the Members Code of Conduct and the Employees Code of Conduct.
29. 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.

#### **Standards**

30. The Council shall establish standards of competency in procurement, contract management and change management and shall take steps to ensure that officers and members receive the training and development they need to operate to the relevant standard. The standards will include adherence to the codes of conduct referred to in paragraphs 26 and 28.

#### **Collaboration**

31. The Council will always seek to exploit the opportunities available for collaboration with other local authorities and public sector bodies, including joint procurement and the establishment of shared services.

#### **Framework agreements and corporate contracts**

32. Where the Council has put in place framework agreements or corporate contracts, goods and services must be ordered under those arrangements. Exceptions to this rule must be justified

#### **eProcurement**

33. The Council is committed to a modular approach to the introduction of electronic commerce, including optimising use of BACS and CHAPS payments, and appropriate use of procurement cards and electronic tendering.
34. As set out in the Local eGovernment Strategy the Council's target is to implement electronic procurement (the full procure-to-pay cycle) corporately by December 2005.

#### **Mixed economy**

35. The Council is committed, wherever appropriate, to working with neighbouring authorities to establish an appropriate e-marketplace solution within the timeframes established by the National Procurement Strategy for Local Government, whilst being mindful of the potential impact on small and medium businesses (SMEs).
36. 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 North Dorset.
37. This means that the basis for commissioning service providers in the public, private, voluntary and community sectors is best value to the customer.
38. When undertaking a best value review of a service the Council will wish to form a rounded, evidence-based view of the performance of that service in terms of the 4Cs (comparison, consultation, competitiveness and challenge). The Council recognises that the competitiveness of its services is a key dimension to be addressed in reviews.
39. In so far as practicable the reviews will consider competitiveness in terms of cost, quality, customer satisfaction and added value. The assessment of competitiveness will be carried out in a fair, auditable and transparent manner.
40. If challenge to the existing model of service delivery suggests that significant change is required an options appraisal will be carried out culminating in the preparation of a business case (see below). This will identify whether a procurement project is required to deliver the solution.

#### **Supplier diversity**

41. As stated in the Community Strategy and Corporate Plan, the Council is committed to promoting a strong local economy.

42. 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), voluntary and community organisations, social enterprises and ethnic minority businesses to build their capacity to win and retain public contracts.

**Option appraisal and the business case**

43. Before embarking on any significant project (whether or not following a Best Value Review or other strategic review of a service), a business case will be prepared for consideration by the Senior Management Team and Cabinet.
44. The business case will include an evaluation of the principal options available to deliver the change that is required and supporting evidence. A recommended option will be set out in an action plan to be approved by the Cabinet.
45. The principal options (service delivery models) to be considered following a Best Value Review or similar strategic review of a service are –
- In-house
  - Public sector consortium (including a joint committee or joint board where appropriate)
  - Non-profit distributing organisation (“trust”)
  - Tactical contracts (multiple)
  - Local authority company
  - Joint venture company
  - Partnering contract
  - PFI/PPP contract (design, build, finance and operate)
  - Framework agreement
  - Concession/franchise
  - Closure/disposal
  - Mixture of the above
46. The Council will always examine the scope for collaborative procurement with other public bodies.

47. In major construction projects the options to be considered will include –
- Design; build (traditional route)
  - Design and build
  - Design, build and maintain
  - Design, build, finance and operate (PFI/PPP)
48. Partnering (single project or multi-project (“strategic”) partnering) will always be considered for high risk/high value schemes.
49. The option recommended to the Cabinet in the business case will be the one that scores highest against the following criteria -
- **Strategic fit** : how well does the proposed way of meeting the requirement support the authority's objectives and current policies? Does the scope need to change?
  - **Options** : has a wide range been explored, including innovation and/or collaboration with others? How do they compare in terms of benefits, costs and risk and commercial viability?
  - **Value for money** (benefits, costs, risks, efficiency savings) : can this be obtained from proposed sources of supply such as current suppliers?
  - **Affordability**: is the budget available to deliver what is required? If not, can the scope be reduced or delivery extended over a longer period of time; or funding sought from other sources?
  - **Achievability** : can this project be achieved with the authority's current capability and capacity (such as other projects with a high priority that must be delivered at the same time)?

#### **Partnering**

50. Partnering is the Council's preferred procurement approach for high value, high risk projects.
51. Partnering involves the creation of a mutually advantageous, flexible, long-term relationship between the Council and its partner based on the sharing of risks and rewards and continuous improvement. The partner may be in the public, private or voluntary sector.
52. In addition to the legal formalities required in any contractual situation, in a partnering arrangement the Council and its partner invest in building and sustaining an excellent working relationship.

#### **Project management and gateway reviews**

53. All major procurement projects are to be managed according to a structured project management method based on the core principles of PRINCE 2, tailored to fit the project, and incorporating standard gateway reviews and best practices in risk management.
54. Managers responsible for projects (project sponsors) will undertake a risk analysis of their projects using the Council's risk management guidance.
55. Gateway reviews where appropriate will be carried out under the direction of the financial services manager.

#### **Workforce issues and staff involvement**

56. The Council is committed to being a good employer and to a quality, well-motivated workforce fully enabled to deliver effective services to the customer.
57. Staff will be consulted at all relevant stages of a procurement project and especially in situations likely to involve a transfer of staff.
58. 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. In transfer situations the council will implement Government guidance on the treatment of new starters, including the inclusion of the relevant code of practice in contracts.

#### **Sustainable procurement**

59. Environmentally preferable goods and services will always be purchased where this is consistent with best value. Environmentally responsible practices will be adopted for building and civil engineering design and procurement on the same basis.

#### **Diversity and equalities**

60. 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).