

# Procurement Strategy 2007-2010



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## 1 INTRODUCTION

**Our vision is to make Rochford District the place of choice in the county to live, work and visit.**

1.1 The Council has, for many years, embraced competition in the provision of services. This is demonstrated by the significant number of contractors engaged in providing the major services for the Council.

1.2 The Council has had a Procurement Strategy since October 2001 and the Strategy is reviewed periodically. Since the last review, there have been a number of developments which require it to be updated. These are:-

- The proposed transfer of the Council's Housing Stock to the Rochford Housing Association.
- Further development of the Efficiency Agenda with tougher targets anticipated in the Comprehensive Spending Review due to be announced in the Autumn 2007.

- Joining with Essex County Council and other Districts for e-procurement utilising IdeA Market Place.
- Joining the Procurement Agency for Essex in order to benefit from dedicated procurement officers and economies of scale in the procurement of goods and services.
- Work which aims to achieve improved scores in the Use of Resources assessment carried out annually by the External Auditors.
- The completion of a “health check” of the Council’s procurement practices by the Procurement Agency for Essex, which identified the Council’s strengths and weaknesses.

1.3 The key role that value for money now plays in the delivery of local services and the emphasis now placed upon it by Central Government means that procurement has moved to centre stage. As such, procurement is now everyone’s concern, not just that of a small number of Officers who previously dealt with procurement issues as part of their daily job. In recognising the increasing prominence of procurement, it is important to understand the role that procurement plays in various aspects of the Council’s work. This has been reflected in the approach taken to this strategy.

1.4 The Council does not have the resources and does not have enough expenditure to justify employing specialist procurement officers. The Council will, therefore, need to work in partnership with a number of organisations in order to achieve focus on excellence for procurement. Key partners include:-

- Regional Centre of Excellence
- Procurement Agency for Essex
- Other local authorities
- Our major services contractors, Virgin Active, Veolia (Serviceteam) and Vivista Sungard

1.5 The purpose of this strategy is to communicate clearly to Members, staff and suppliers in the private and voluntary sectors the Council’s vision for

the way forward in its procurement of services, supplies and works so that they may play a meaningful role in the implementation of that vision.

1.6 This Procurement Strategy will be circulated to all key stakeholders and suppliers. Comments and views are welcomed so that we can develop the strategy in future years.

1.7 The remainder of this strategy is laid out in seven sections as follows:-

- **What is Procurement?** Defines procurement for the purpose of the strategy (Section 2).
- **Current Arrangements** - Outlines how procurement is currently managed within the Authority (Section 3).
- **Procurement Policy** - Sets out a Procurement Policy to guide the Procurement Strategy (Section 4).
- **Application of Policy** - Implement action of the Procurement Strategy (Section 5).
- **Organisational Accountabilities and Resources** - Sets out who is accountable and the resources required (Section 6).
- **Finances** - A commitment to finance the Strategy (Section 7).
- **Performance Management and Action Plan** - Sets out the key activities for 2007-2009 (Section 8).

## 2 WHAT IS PROCUREMENT?

2.1 Procurement is the process of obtaining supplies, services and works spanning the life cycle of the asset or service contract. "Life cycle" is defined as being from the initial definition of the business need through to the end of the useful life of the asset or service contract.

2.2 "Procurement", for the purposes of this Strategy, relates to the securing of services and products that best meet the needs of users and the local community in its widest sense. This Strategy provides a common framework within which all procurements by the Council are to be managed.

2.3 The Council will procure best value for money supplies, services and works by:-

- Adopting a life cycle approach to the assets or contract.
- Applying effective and up to date procurement procedures.
- Ensuring procurement helps deliver the Council's key corporate objectives.

### 3 CURRENT ARRANGEMENTS

3.1 Procurement of services, goods and works is regulated by Contract Procedure Rules and Financial Procedure Rules which are embodied within the Council's constitution. Within departments, where appropriate, there are office instructions and procedure notes designed to provide guidance to staff who are involved in day to day procurement decisions.

3.2 Each department is responsible for identifying its own needs, although there are a number of areas where one department leads for the procurement for the whole Authority.

3.3 The main examples of central purchasing are set out below:-

<b>Classification</b>	<b>Lead Department</b>
Building repairs & maintenance	Property Services (and Housing Operations until stock transfer)
IT and telephone services	Information and Customer Services
Stationery/Printing/Furniture	Information and Customer Services
Insurance	Financial Services
Utilities	Financial Services
Staff advertising/temporary staff	Human Resources

3.4 Training is provided by the Head of Legal Services in respect of Contract Procedure Rules and Head of Finance, Audit and Performance Management in respect of Financial Procedure Rules. The Council does not employ any professionally qualified procurement officers.

3.5 On occasions where specialist help has been identified as being beneficial, it has been brought in, for example in the renewal of the Leisure Contract and IT Contract.

3.6 An analysis provides the following view of expenditure:-

	<b>£M</b>
Salary related costs	8.2
Premises	0.9
Supplies and services	2.9
Contracts	4.1
<b>TOTAL</b>	<b>16.1</b>

Further analysis shows that, of premises costs, £0.4m relates to National Non-Domestic Rates and £0.24m utilities. Of supplies and services, £1.05m relates to such items as homelessness accommodation costs, bus passes, grants to outside bodies, Members' costs and elections.

Analysis of contracts shows the following:-

	<b>£M</b>	<b>Renewal date</b>
Grounds maintenance	2.0	1.4.08
Refuse collection		
Street cleansing		
Leisure contract	0.3	1.4.22
IT contract	0.8	1.4.11
Works contracts	0.5	1.4.08 (2); 1.4.09
External audit/inspection	0.2	Audit Commission review
Insurance	0.2	1.7.08
Other	0.1	
<b>TOTAL</b>	<b>4.1</b>	

- 3.7 The Government have required all authorities to achieve cost savings of 7½% over a 3-year period up to and including 2007/8. Rochford has met its target. At the time of agreeing this strategy it is not clear as to how the Efficiency Agenda will be developed by Government and what the targets for 2008/09 onwards will be. Unfortunately, Rochford was not allowed to take into account the significant savings achieved in respect of the new 20-year leisure contract, which came into effect on 1 April 2002.
- 3.8 The leisure contract created an innovative partnership which has delivered capital investment of over £7m. over the life of the agreement. In addition, it achieved annual capital and revenue savings of £400,000. Finally, there is a provision for profit share which, in the first year of operation, yielded £113,000 for the Council.
- 3.9 The analysis of expenditure shown at 3.6 of this strategy demonstrates the difficulty the Council faces in achieving the further level of savings likely to be expected by the Government.
- 3.10 Many of the Council's payments are of low value, with over 50% being for less than £100. Action has already been taken to rationalise the number of invoices but there may be further opportunities for improvement.

TOTAL NUMBER OF PAYMENTS	7,871
Number of payments under £45	1,479
Number of payments under £100	2,731

- 3.11 The Council has published a guide for selling to the Council. The Procurement Agency for Essex assisted with this project, which clearly demonstrates the benefits of partnership working.

## **4 PROCUREMENT POLICY**

### **The Corporate Context**

- 4.1 Procurement must be seen in the context of the Council's overall objectives. Nationally there has been a tendency in the past to concentrate on economy when tendering. Whilst this remains an essential ingredient of Value for Money, it is also important that procurement decisions are taken in light of the broader objectives which the Council is seeking to achieve. For a public body, effective procurement must be measured as much by the social outcomes and

community benefits that result as by financial gains. Balancing these two dimensions is at the heart of effective Value for Money procurement.

4.2 Ways in which the Council uses Procurement to help achieve several of its principal aims include:-

<b>Corporate Aim</b>	
Provide quality cost effective services	<p>Value for money is sought in all purchases the Council makes. Financial Regulations are in place to ensure that there are sufficient quotes, or tendering procedures are followed, dependent on the value of the order. This includes specifying the level of service required.</p> <p>Contracts are in place for discounted prices where we procure large numbers of the same item throughout the year, e.g. Stationery.</p>
Provide a green and sustainable environment	<p>The Authority utilises Marketplace, an e-procurement system that minimises paper orders and therefore waste production.</p> <p>All paper that is purchased for the Council is recycled.</p> <p>Where there are items that are used continuously, these are ordered in bulk, therefore reducing deliveries and the impact on the environment.</p> <p>Currently, the Council's major contracts for waste management, street cleansing and grounds maintenance are under review. We have adopted a competitive dialogue process with industry to ensure we maximize the service received for the value of the contracts and also maximize the amount of material recycled or composted. As part of considering the new services, we will be looking at operational issues such as the fuels used in contractors' vehicles.</p>
Encourage a thriving local economy	<p>Where Value for Money can be proven, our procurement of supplies and services is directed towards local businesses.</p> <p>We provide guidance on how to sell to the Council.</p>

- 4.3 In support of achieving Value for Money the following policy has been developed:-

### **Vision**

To obtain Value for Money through planned and skilful procurement, in respect of all goods, works and services sought by the Council.

### **Procurement Principles**

Procurement principles have been established that aim to support the Council's principal aims. These are summarised below:-

a) **Management of Contracts**

Arrangements will ensure that all contracts are managed in accordance with Contract Procedure Rules and department procedures and monitored with a view to achieving completion of service delivery on time, within budget and in accordance with the specification.

b) **Assessing and Minimising Risk**

The risks associated with all procurement will be assessed and minimised accordingly.

c) **Competent Staff Resource**

Staff engaged in procurement and contract management will be suitably trained for the purpose. The Council recognises the need to work in partnership with other authorities and agencies to acquire the expertise of suitably qualified staff. Where specific occasions demand, external expertise will be brought in.

d) **Social, Economic and Environmental Wellbeing**

All major procurements will recognise the impact on the social, economic and environmental wellbeing of the District.

e) **Packaging of Major Project**

All major projects will have due regard to the issue of sustainability and early decisions will be taken to ensure that projects are packaged so as to encourage delivery in the most efficient manner and achieve what end users want and can afford.

f) **High Professional Standards and Best Practice**

All procurement procedures will be operated in a professional manner and ensure the highest standards of transparency, probity and accountability.

g) **Continuous Improvement**

Where contracts are going to run for a number of years, the contract should be sufficiently flexible as to provide for continuous improvement throughout the period of the contract.

h) **Workforce Matters**

Any procurement that potentially involves the transfer of staff who are currently employed by the Council will, as far as legally possible, fully protect the future terms and conditions of employment of such staff so that they continue to enjoy the good employment practices of the Council.

i) **Capacity**

The Council acknowledges that there are strengths and weaknesses associated with service delivery by all types of organisation (private and voluntary sector, partnerships and direct employment of staff) and in general has no strong preference for any type. Many key services are currently provided by the private sector. This does mean that any future proposals to outsource services must address the issue of the core number of staff required by the authority.

j) **Consistency**

Whilst recognising the range and diversity of service provision, procurement policies and practices will be consistently applied across the whole Council.

k) **Scrutiny**

The Council's procurement policies, practices, decisions and outcomes will be subject to scrutiny at Member level and open to the public. At present, Serviceteam (Veolia), Virgin Active and Sungard Vivista are required to report directly to Members at half yearly intervals.

l) **Complement Council Vision**

The procurement programmes, projects and contracts will be complementary to the Council's corporate vision and principal aims.

m) **Compliance with Constitution**

Procurement practice will comply with the Council's policies and constitution, in particular Contract and Financial Procedure rules. Non-compliant procurement decisions will include an explanation as to why they were necessary.

## **5 APPLICATION OF POLICY**

### **5.1 Excellent Services**

The Council recognises there is a range of choices for funding and provision of services and will:-

a) Use the most appropriate configuration and service structure to facilitate strategic procurement options.

b) Undertake objective, comprehensive assessments of the procurement options for service delivery.

- c) Continue to develop learning to provide corporate guidance around partnerships, as well as external independent challenge where appropriate, to facilitate assessment of the procurement options .
- d) Consider procurement options during Best Value reviews to maximise the benefits of the service.
- e) Utilise the resources, intelligence, expertise and procurement opportunities available through partnerships and membership of the Procurement Agency for Essex.
- f) Co-ordinate corporate knowledge and information about procurement matters through the Staffing and Resources Management Team.
- g) Review market intelligence to inform the Council of the financial and service implications of external options.
- h) Ensure sound management, co-ordination and review of contracts.

## **5.2 Optimising Costs and Performance**

Good procurement provides the opportunity to balance quality against costs and to improve performance across the Council if managed in a corporate fashion. The Council will:-

- a) Rationalise contracts and suppliers across the Council for the supply of goods, works and services where this is sensible.
- b) Extend the range of corporate contracts for the supply of goods and services to be used by all departments and secured where possible through consortia arrangements or framework agreements.
- c) Monitor contract performance and costs for analysis, dissemination and action and to inform future contracts, and seek to improve performance and value for money in existing contracts.
- d) Engage with the voluntary and not-for-profit sectors to inform them of the options and opportunities.

- e) Set targets where appropriate for improved value for money through the introduction of modern procurement arrangements including a target to achieve at least 3% efficiency gains year on year.

### **5.3 Partnerships**

The Council welcomes partnerships with other agencies which share its community and corporate aims. To exploit partnerships the Council will:-

- a) Seek to identify potential partners through proactive engagement and market intelligence.
- b) Include partnership options when undertaking Best Value reviews and other appraisals of services.
- c) Engage with the Procurement Agency for Essex and collaborate with neighbouring Authorities when appropriate.
- d) Help the voluntary and not-for-profit sectors to engage with the Council and explore the potential for partnerships in the provision of services for local people.

### **5.4 Modern Procurement Techniques**

Modern procurement techniques will be implemented through the following:-

- a) Use of e-procurement through participation in the Essex "Market Place".
- b) Where appropriate, corporate use of purchase cards to rationalise invoices, payment and budget management for supplies.
- c) Where appropriate, integration of e-procurement and the Council's financial systems.
- d) Introduction of e-tendering where it is cost-effective.
- e) Use of modern project management techniques.

## **5.5 Supporting our Sustainable Community Strategy**

In support of the District's Sustainable Community Strategy the Council will support local employment and small/medium local businesses by:-

- a) Working with local businesses to raise awareness of opportunities and how to sell goods and services to the Council.
- b) Encouraging the employment of local labour by the Council's successful contractors.
- c) Considering how contracts are structured so as not to prejudice local businesses.
- d) Exploring the options for allocation of local contracts where permissible under legislation.

## **5.6 Human Resources**

The Council is aware of the impact of different procurement options on its staff and will:-

- a) Ensure that staff are consulted and their views considered whenever major service delivery options are reviewed.
- b) Provide training for all staff engaged in procurement activities to achieve proper levels of competence and maximise staff potential.
- c) Ensure the fair application of TUPE and pension rights if services are transferred from the Council.
- d) Support all staff in the management of change caused through the procurement programme.
- e) Buy in expertise to supplement existing staff resources where circumstances dictate.

## 5.7 Sustainable Development, Equal Opportunities and Diversity

The Council will ensure that its procurement policies and practices support its corporate strategies by:-

- a) Insisting that our appointed contractors share and help deliver our Equal Opportunities, Diversity and Sustainability goals.
- b) Making sure our selection and tendering processes positively address and include equality, diversity and sustainability considerations.
- c) Using risk analysis to minimise the environmental and social impacts associated with the products and services purchased.
- d) Monitoring our contracts for compliance.
- e) Including appropriate use of terms and conditions.
- f) Specifying green materials and working methods.
- g) Ensuring maximum use of recycling and waste minimization.
- h) Providing staff training in sustainable development, equalities and diversity issues to assist staff in their procurement roles.

## 6 ORGANISATIONAL ACCOUNTABILITIES AND RESOURCES

6.1 All parts of the Council are affected by the Procurement Strategy. In practice, procurement decisions and day to day operational procurement activities are undertaken by relatively few staff. It is important that the Council has clearly defined roles and accountabilities so that these may be exercised and managed proficiently. Responsibilities are shared as set out below:-

### a) **At Member Level**

The Executive Member for Resources and Service Development takes the lead role for procurement at Member level.

The Council's Executive Board will consider by way of six-monthly reports progress of the Council's Procurement Strategy including the outcome of major procurement initiatives. The Review Committee may decide to consider procurement practice.

**b) At Chief Executive and Corporate Director Level**

The Chief Executive and Corporate Directors will provide the strategic management of procurement ensuring achievement of key policy objectives and bringing strategic procurement considerations to the overall management and direction of the Council. This will be especially manifested in decisions on service delivery options, organisational structure and the Council's vision.

**c) At Senior Management Team Level**

Heads of Service will ensure the application and promotion of corporate procurement policies through their Divisional service plans and operational practices. Purchase of services, supplies and works will be undertaken in line with corporate contracts and e-procurement methodology.

**d) At Operational Level**

A multidisciplinary officer group, the Staffing and Resources Management Team, will act as a forum for sharing information on procurement activities and ensuring dissemination of best practice across the authority.

## **7 FINANCES**

- 7.1 The Council will provide the necessary resources to achieve the Strategy. Budget provision is already available within the Medium Term Financial Strategy for e-procurement and membership of the Procurement Agency for Essex.

## **8 PERFORMANCE MANAGEMENT**

- 8.1 The Council has introduced a structured performance management system across all its services. The procurement function is recognised as a key responsibility to be monitored and measured within this framework. Performance targets will be set for the Procurement

Strategy. An action plan will be produced each year identifying the accountable officer and timetable for completion of tasks.

- 8.2 Monitoring will be undertaken at Officer level by the Staffing and Resources Management Team and at Member level by the Executive Board.



**Procurement Action Plan (2007-2010) Year 1**

**KEY TO ABBREVIATIONS AT END OF ACTION PLAN**

<b>Ref / Corp Objective</b>	<b>Task Description</b>	<b>Required Outcome</b>	<b>Time-scale</b>	<b>Task Owner</b>	<b>Control Measure/ Resources</b>	<b>VFM &amp; Efficiency</b>	<b>Systems, Process &amp; Compliance</b>	<b>Supply Risk</b>	<b>Sustainability</b>
1	Develop Procurement Strategy document for 2007 –20010.	SMT & Member approval of new strategy and action plan.	Sept 2007	CD (ES)	SMT Within existing resources	High-level aspirations set around making cashable savings.	Policy & targets set for eProcurement, Supplier Portal implementation, contracts register and Market Place.	High-level aspirations and RDC policy around managing supply chain risks set out.	High-level aspirations set out for community, environmental, equality, partnering and ethical issues.

Ref / Corp Objective	Task Description	Required Outcome	Time-scale	Task Owner	Control Measure/ Resources	VFM & Efficiency	Systems, Process & Compliance	Supply Risk	Sustainability
2	Determine ownership & monitoring of Procurement Action Plan	Expand and co-ordinate the role of corporate procurement at RDC, using the SRMT as a Corporate Procurement Group to ensure ownership, delivery and monitoring of this Procurement Action Plan.	July 2007	CD(IS)	SMT Within existing resources	Resources applied to procurement pay for themselves in savings and efficiencies over time.	This action is necessary to comply with the National Procurement Strategy (NPS). RDC procurement supported via links to PAE and Portal helpdesk for Procurement and EU advice.		
3	Refresh procurement structure	Procurement roles & responsibilities agreed and communicated to all staff.	Oct 2007	SRMT	SMT Within existing resources	Key spend category owners at RDC identified.	Role of corporate procurement and the powers of SRMT in its procurement role defined.	Risk owners defined for corporately monitored and service based risks.	

Ref / Corp Objective	Task Description	Required Outcome	Time-scale	Task Owner	Control Measure/ Resources	VFM & Efficiency	Systems, Process & Compliance	Supply Risk	Sustainability
4	Set 'SMART' corporate targets/KPIs for procurement and contract management.	Procurement can be measured against the corporate aspirations set out within the NPS and RDC's procurement strategy.	Oct 2007	SRMT	Procurement KPIs reported quarterly by SRMT and SMT. Within existing resources	KPIs set for savings achieved via competition (new procurements) and benchmarking and cost reduction with existing suppliers.	Compliance KPIs set and monitored (e.g. invoice and supplier reduction, non compliant contract reduction).	KPIs set to mitigate and reduce known risks.	KPIs set to monitor community benefits, supplier equality and diversity and environmental wins.
5	Review and decide whether to implement new PAE Portal	If implemented, PAE Portal becomes the procurement engine and information hub at RDC.	Oct 2007	SRMT and SMT	If implemented, the SRMT will monitor use of the Portal and monitor all buying activity. The costs and benefits of implementing the PAE portal are being evaluated as part of the decision-making.	Competitive tendering simple to administer via the Portal.	All contract notices raised using Portal. Reduction in supplier bureaucracy.	Suppliers pre-qualified as part of the accreditation function within the Portal.	Suppliers selected and pre-qualified using sustainability criteria.

Ref / Corp Objective	Task Description	Required Outcome	Time-scale	Task Owner	Control Measure/ Resources	VFM & Efficiency	Systems, Process & Compliance	Supply Risk	Sustainability
6	Review and decide whether to implement the new PAE Toolkit	Toolkit used to train and support staff engaged in procurement activity and to standardise procurement methods and processes.	Nov 2007	SRMT	Feedback from staff to SRMT Costs and benefits of implementing the PAE toolkit to be evaluated as part of the decision-making.	Tools and techniques used to create more value for RDC.	Standing orders and tender documents reviewed and amended in line with toolkit.	Risks identified and managed using the toolkit.	
7	Create a Procurement forward plan.	All RDC new and ongoing procurement work packages identified, valued, risk assessed and programme managed by SRMT	March 2008	SRMT	Used by SRMT to monitor project slippage and distributed with quarterly KPIs to SMT.	Work packages identified early and fed into PAE projects to aggregate demand and achieve better value.	Plan linked to contract register and projects identified early to improve compliance with standing orders and EU regs.	All procurements risk assessed on forward plan.	
8	Assess RDC against the recommendations made in the PAE eProcurement review.	eProcurement gaps and opportunities identified.	Jan 2008	SRMT			Possible use of eTendering to reduce timescales in line with NPS.		

Ref / Corp Objective	Task Description	Required Outcome	Time-scale	Task Owner	Control Measure/ Resources	VFM & Efficiency	Systems, Process & Compliance	Supply Risk	Sustainability
9	Set up corporate contract monitoring and benchmarking	SRMT monitor major contracts against corporate objectives.	June 2008	SRMT		Continuous improvement, benchmarking and cost reduction.	Better housekeeping and legal monitoring.	Review contract terms and conditions.	

KEY: SMT Senior Management Team SRMT Staffing & Resources Management Team  
CD(ES) Corporate Director (External Services) CD(IS) Corporate Director (Internal Services)  
KPI Key Performance Indicator PAE Procurement Agency for Essex  
NPS National Procurement Strategy EU European Union

## Outline Objectives for 2008 -2010

1. Review RDC against the new 'Sustainable Procurement Action Plan' launched by the Government. SMT to consider using Gap analysis against this report to form the basis of a new RDC sustainable Procurement Strategy for 2009 and beyond.  
<http://www.sustainable-development.gov.uk/publications/pdf/SustainableProcurementActionPlan.pdf>
2. Review options for using an eContract management system to help manage major relationships with Key suppliers.
3. Review options for greater use of eTendering and eAuctions available via the new Essex Portal.
4. Benchmarking and contract monitoring information (from 9 above) to be used to identify new action plan to generate further savings for RDC.
5. Assess the feasibility of introducing a Gateway approach using review points at key project stages to control high spend Procurement projects against procurement and project management best practise.