

HAVANT BOROUGH COUNCIL

PROCUREMENT STRATEGY

June 2003

1.0 Purpose

1.1 **The purpose of this procurement strategy is to set out a clear framework for the Council's procurement, which reflects the Council's corporate strategy, provides a framework for best value and which stands alongside the Council's standing orders as to contracts.** It also sets out a summary action plan for achieving improvements in procurement practice.

1.2 Procurement is defined as the process of obtaining supplies, services and construction works spanning the life cycle from the initial definition of the business through to the end of the useful life of the asset or service contract. **The term 'procurement' therefore has a far broader meaning than that of purchasing, buying or commissioning. It is about securing services and products that best meet the needs of users and the local community in its widest sense.**

1.3 This Procurement Strategy is **NOT a procurement manual** or a set of purchasing procedures. It should be read in conjunction with:-

- The Council's Standing Orders as to Contracts.
- The Council's Financial Regulations.
- The Best Value Toolkit, in particular the Best Value Procurement Policy which is at Appendix 1 of this Strategy.

2.0 Strategic Context

2.1 The importance of procurement in the public sector is growing and there is increasing pressure on authorities to improve procurement performance:-

- Procurement has an important role to play in delivering the Council's corporate strategy and improving the quality of services delivered to the public.
- Savings realised through better procurement of day-to-day requirements can be channelled into priority services. This links with the Council's Medium Term Financial Strategy which recognises that efficiency savings will be required.
- Authorities are open to legal challenge under public procurement regulations (based on EC directives) and are accountable for achieving Best Value.

2.2 The main consideration within each procurement decision is the need to obtain value for money but recognising that this expression includes **not just the best price** but other considerations and particularly:-

- The quality of the goods or services.
- Efficiency of procurement.
- Procurement furthering the economic, social and environmental wellbeing of the area.
- The need for corporate social responsibility in procurement e.g. fair trade.
- Sustainability.
- Innovation in procurement activity.

- 2.3 **Effective procurement must be measured by the social outcomes and community benefits that result as well as by the financial gains.** Balancing these two dimensions is at the heart of effective best value procurement. The Council's procurement activity directly affects the lives of Borough residents and shapes their perception of the performance of the authority as a whole.

3.0 Objectives

- 3.1 The Council's key objectives in procurement are:-
- a. to ensure that the procurement process is clear and focused on achieving value for money as defined in 2.2 above.
 - b. to ensure that the procurement options are chosen on the basis of the degree to which they fulfil the Council's corporate priorities and promote a thriving local economy.
 - c. where appropriate, to seek out and develop new methods of service delivery or partnership with the private sector and encourage a competitive supply market including participation by small firms and the voluntary and community sectors.
 - d. to ensure that in choosing the best value procurement method, the process of balancing cost against community benefit is made in a transparent way and supported where appropriate with clear evidence.
 - e. to apply effective and up-to-date procurement procedures, fully complying with relevant UK and European legislation.
 - f. to ensure the benefits of ICT, e-procurement and e-government are maximised, where cost benefit analysis shows it is worthwhile to do so.

4.0 Current Arrangements

- 4.1 Procurement of services, goods and assets are regulated by standing orders as to contracts and financial regulations. In some councils there is strong central control over procurement. Here procurement is mainly devolved to directorates with central involvement only through:-
- a Procurement Manager reporting to the Head of Resources providing a centre of expertise and guidance within the Council. This is intended to ensure lessons learned on one project can be disseminated to others, encouraging a "learning" organisation. Several staff involved in the administration of procurement will report to the Procurement Manager under the July 2003 staff restructuring.
 - final invoice processing and control for payment carried out in Accountancy.
 - central purchasing of some supplies, particularly those where corporate standards are appropriate.

CORPORATE PURCHASING	
Type of supply	Lead
Recruitment advertising	Personnel Officer
Corporate training	Personnel Officer
Most ICT procurement	ICT Client Manager
Cleaning and Catering supplies	Civic Offices Support Services Manager
Insurance Services	Accountancy
Banking Services	Accountancy
Office Supplies including paper	Civic Offices Support Services Manager
Furniture	Civic Offices Support Services Manager
Headed notepaper, business cards etc.	Procurement Manager
Telephones/mobile phones	Procurement Manager
Payments via the internet for directorates generally	Procurement Manager

- 4.2 In 2002/2003 the Council paid approximately 17,400 invoices¹ from suppliers excluding grants and other non-supply invoices or payments, totalling £12.3 million (excluding VAT). These payments have been analysed as follows:-

Total amount paid to supplier in year	Number of suppliers	Number of invoices	Total amount £ million
Over £500,000	2	148	£2.3
£200,000 to £500,000	3	41	£0.9
£100,000 to £200,000	15	1,379	£2.3
£50,000 to £100,000	24	1,876	£1.6
£20,000 to £50,000	68	3,679	£2.1
£10,000 to £20,000	78	2,780	£1.1
£5,000 to £10,000	100	1,802	£0.7
£2,000 to £5,000	200	1,760	£0.6
£1,000 to £2,000	187	1,143	£0.3
£500 to £1,000	263	944	£0.2
Under £500	1,030	1,864	£0.2
TOTAL	1,970	17,416	£12.3

The average invoice was £704, excluding VAT.

- 4.3 The Council has the following major (over £500,000) contracts in place:-

Contract	End date
Revenues and Benefits (Capita)	30 th September, 2005 (or 2006)
IS/IT contract (Atkins)	30 th September, 2004

There are no other new contracts of this size that are foreseen in the next two years, except the contract for the construction of a new Council depot.

¹ These invoices cover capital and revenue payments and payments made through external funding.

4.4 It is recognised that day-to-day procurement and the development of value for money and efficient procurement are a key responsibility of officers. Councillors also have an important role including:-

- The Customers and Staff Board has the Overview and Scrutiny role in respect of procurement and procurement should form part of its Work Programme each year. Such reviews might include the review of the performance of key suppliers and ensuring that lessons are learnt from significant procurement projects.
- The Executive owns this Strategy and will ensure it remains aligned with the Council's aims and objectives.
- Executive portfolio holders have an agreed role in taking decisions on matters related to negotiation of contracts over £100,000, acceptance of a tender over £50,000 which is not the lowest subject to a report from the relevant Director, and certain variations to contracts. All such decisions have to be within budgets agreed.
- The Executive is asked to take key decisions on procurement, including as to major variations of budget. In some cases specific Member working parties are set up to monitor the progress of key projects or contracts e.g. New Council Depot and Council Tax collection.
- Councillors, including Overview and Scrutiny Boards, are involved in Best Value Reviews.

5.0 Procurement Principles

5.1 The Council's Corporate Strategy 2003 – 2008 sets out the Council's core values and objectives. These include:-

Vision

A cleaner, safer and more prosperous Borough.

Core Values (based on the initials of Havant Borough Council)

Have respect for the individual

Be better and better

Commit to the community

Foundation Strategies (the corporate strategy also contains strategies for particular local areas of the Borough and organisational strategies)

Planning the Community's land use and development (Council has lead role)

Strengthening our economy (Council has lead role)

Enhancing our environment (Council has lead role)

Making a safer community (Council has supporting role)

Enabling better housing (Council has supporting role)

Improving educational attainment (Council has contributory role)

Promoting health and community wellbeing (Council has contributory role)

Working to engage young people (Council has contributory role)

5.2 **Procurement Vision**

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

Procurement Principles

1. **Management and control of contracts**

Arrangements shall ensure that all contracts are adequately managed and monitored with a view to ensuring all projects are supported by a business case followed by achieving completion of service delivery on time, within budget and in accordance with the specification. Good project management is essential to achieving these outcomes.

2. **Assessing and minimising risk**

The risks associated with all procurement shall be assessed at the outset through project management procedures for larger projects and through procedures within Standing Orders as to Contracts.

3. **Qualified and experienced staff and councillors**

Staff engaged in procurement and contract management shall be suitably qualified and trained for the purpose – the training requirements to be determined through the Council's appraisal scheme. This training shall include the application of the Council's Standing Orders as to Contracts (failure to comply with which may constitute misconduct or gross misconduct, depending on the circumstances and may result in disciplinary action being taken in accordance with the Council's Disciplinary procedure). Councillors must all be given appropriate training for their roles.

4. **Social, Economic and Environmental Wellbeing**

All major procurement shall recognise the impact on the social, economic and environmental wellbeing within the Borough.

5. **Sustainability**

All major procurement shall have due regard to the issue of sustainability including issues such as wood from sustainable sources.

6. **Corporate Social Responsibility**

Consideration should be given to ethical issues and other social responsibility issues (e.g. fair trade) to the extent that it is lawful to do so in procurement matters

7. **Packaging**

Early decisions shall be taken to ensure that projects are packaged in the most efficient manner and achieve what end users want and can afford. Aggregation of requirements and collaborative purchasing are recognised good practice.

8. ***High Professional Standards and Best Practice***

All procurement procedures shall be operated in a professional manner and ensure the highest standards of transparency, probity and accountability. All procurement decisions and processes will be properly documented, demonstrating transparency and accountability. Internal Audit will monitor compliance with the Council's Standing Orders as to Contracts and results will be formally reported back to management. The Council has a strategy as to fraud and corruption and a Code of Corporate Governance. Tender evaluation criteria for cost and quality should be prepared and published in advance of major procurement projects.

9. ***In-house services***

The Council believes that in-house services can provide a high quality, flexible framework for developing and delivering services but recognises that there are other ways to deliver services. The Council has a Best Value procurement policy set out in Appendix 1 which sets out the approach that must be taken to procurement within each Best Value Review. The Council recognises the importance of partnerships in delivering Best Value – partnership with the private and voluntary sectors, partnership with other public bodies acting locally and partnership with central government.

10. ***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. Terms should include mechanisms for measuring the extent to which performance has achieved specified goals or outcomes and, where possible, require or provide incentives for service providers to improve on the specified goals and outcomes.

11. ***Workforce and equal opportunities***

Any procurement that potentially involves the transfer of staff who are currently employed by the council shall, 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. Equality issues should be taken into account.

12. ***Prompt Payment***

Payments to suppliers will be made in accordance with the Council's Prompt Payment Code set out in Financial Regulations with the intention of achieving the government targets.

13. ***Partnerships***

The Council will seek opportunities to consider partnership opportunities with the private sector and with other local authorities and public bodies, particularly for high value/high risk projects.

6.0 Priorities for Action 2003 - 2005

- 6.1 The Council's procurement activities have many strengths and are generally well-controlled. One advantage of devolved procurement is that procurement is driven by the needs of the service; on the other hand, perceptions as to what is value for money can differ significantly amongst those involved in procurement.
- 6.2 There is work that can be done, however, to improve procurement activities and **an action plan for 2003 – 2005 is set out in Appendix 2**. In terms of major projects improvements can, and are, being made in project management procedures.

7.0 Related strategies and policies

Corporate Strategy	Sets the priorities for the Council 2003 – 2008
Medium Term Financial Strategy	Sets the financial strategy to secure a forward looking approach and long term sustainability in service provision – led by the Council's priorities set out in the Corporate Strategy.
Code of Corporate Governance	Sets out the system by which the Council directs and controls its functions and relates to the local community.
Risk Management Strategy	Covers implementation of sound management of risks and opportunities.
Financial Regulations	Provide the framework for managing the Council's financial affairs. They apply to every member and officer of the Council and anyone acting on its behalf.
Standing Orders as to Contracts	Set out the Council's procedures in relation to supplies and contracts.
Fraud and Corruption Response Plan	The Fraud and Corruption Response Plan aims to give staff and councillors information about the prevention and detection of fraud and how the Authority deals with fraud when it is discovered.

8.0 Glossary

e-procurement	Electronic procurement – conducting elements of the procurement process through electronic means. Doing business electronically.
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Framework contracts	Contracts that combine economies of scale with the facility to place multiple orders under the same contractual arrangement.
ICT	Information and Communications Technology (computing)
RFQ	Request for Quote

APPENDIX 1

BEST VALUE PROCUREMENT STRATEGY

When each service carries out a Best Value Fundamental Review they must consider 'competition'. If a market assessment identifies potential providers the best value procurement strategy needs to be considered alongside these findings:-

COMPETITION/PROCUREMENT HIERARCHY

This gives guidance on the type of competition or method of procurement which may need to be considered as a result of a Best Value Fundamental Review. An order of preference for competition and procurement is stated below. This is based upon trying to improve our own Service first (where reasonable) before considering outsourcing. It is recognised, however, that the steps to be taken must be considered in each case in the light of circumstances.

In different circumstances the following methods may be most appropriate:-

- a) Restructure/Reposition the in-house service.
- b) Provide the core Service in-house and buy in top up support from the private sector. This would enable comparisons to be made that could help improve in-house performance or result in more of the Service being bought in externally.
- c) Market Test all or part of a Service with an in-house team bidding against private sector and other local authority bidders before deciding whether to provide the bulk of the Service internally or externally.
- d) Creation of a public-private partnership by forming a joint venture or partnership following a competition for an external partner.
- e) Externalisation by contracting out a Service to the private sector after a competition between external bidders only.
- f) Transfer by disposal or sell off a Service and its assets to another provider.

Further details of each of these options is given below:-

a). **Restructuring/repositioning the in-house service**

The in-house service will have to be shown to be viable. Examples of viability are detailed below;

- An economic, efficient and effective service is provided and can meet future local needs and match external comparators
- The service can be shown to match the top quartile of local authorities
- The service can make improvements to meet and sustain the Authority's future targets
- The service can meet the Council's corporate requirements
- Any future investment will be able to be funded by the Local Authority
- Any potential economies of scale or potential for external investment would need to be outweighed by the costs.
- The risk and impact of failure is high therefore it is sensible to keep it in-house
- The service is better managed in-house to ensure a high level of local control and accountability
- There is no market

If performance is below external comparators a short period of time will be allowed for the service to improve. Generally the period of time allowed for improvements will not exceed twelve months. An action plan identifying key improvements, milestones and implementation dates must be provided.

b). Provide the core service in-house and buy in top up support from the private sector - *this option is a HBC option and not listed as a main option in the Guidance*

The in-house service would still need to be viable as detailed in a). This approach will enable comparison to be made and could help improve the in-house performance or result in more of the service being bought externally. It will also allow an insight into the potential market that exists and allow some private sector culture and ideas to be brought into the service.

c). Market testing all or part of the service

Tender part or all of a service with an in-house team bidding against private sector and other Local Authority bidders before deciding whether to provide the bulk of the service internally or externally. This is appropriate when it is not clear if the in-house team can develop and sustain the necessary improvements without a market test or there is doubt whether an in-house option or externalisation will provide Best Value. The Council will need appropriate skills and resources to carry out this exercise. The service will also need the skills and management capability to develop a bid. It may be better to use competition to find a partner to support the in-house team instead of compete against it.

d). Creation of a public private-partnership

Form a joint venture or partnership following competition for an external partner. This option may be useful if the in-house team needs help with certain areas of their service or where external partners can bring experience and innovation. As an example, the in-house team may be skilled and motivated but short on investment for new equipment, which the Council cannot fund.

e). Externalisation without in-house bid

Externalisation means that the Council remains as the client. It is likely to be an option if the in-house provision is poor and cannot improve enough. The market will need to be available and offering a suitable service. The externalisation will probably bring economies of scale and potential investment and the cost of externalisation will not exceed the benefits to be gained.

f). Transfer without in-house bid

Transfer is where the Council ceases to be involved in provision of the service and service provision continues as a going concern. The Council has a residual role in influencing the service and the service user is the client (e.g. Housing Stock Transfer). This option may be used if the provider already is working in competition with the Local Authority and can use regulatory instruments or residual rights to keep a small degree of control over the provision. These are usually non profit making organisations who have the necessary skills or expertise to deliver the service on behalf of the service users.

APPENDIX 2

ACTION PLAN 2003 - 2005

	Action	Linked to Objective in para. 2.1	Who?
	Actions in Year 1 to September 2004 (in priority order)		
1	Identify all those engaged in procurement (e.g. raising purchase orders, authorising expenditure and managing contracts) within the Council and carry out a business process re-engineering analysis.	(a)	Procurement Manager and through the Business Process Re-engineering team (using SPRINT methodology).
2	Identify the procurement skills needed in each post involved in the procurement process. Prepare a plan to meet the training needs identified.	(e)	Procurement Manager
3	Establish a procurement team involving officers with significant procurement responsibilities.	(a)	Head of Resources.
4	Consider the organisation of the procurement function and the balance between centralised and devolved purchasing, reporting as appropriate.	(a)	Procurement team.
5	Review Standing Orders as to Contracts and re-write them in a way that makes the procedures easier for users to understand quickly.	(e)	Head of Resources
6	Introduce a standard format for contract files recording the various stages and procedures – to apply particularly, but not exclusively, to all contracts over £50,000.	(e)	Head of Technical Services/ Head of Resources.
7	Reduce the number of invoices processed - through consolidated statements, framework agreements and central contracts for commonly used items. Ensure that such efforts are not diluted by the existence of artificial boundaries such as directorate boundaries.	(e)	Accountancy Manager/ Procurement Manager.
8	When considering whether to acquire a new financial management system, consider the opportunities for e-procurement facilities e.g. central control of orders, ability to receive invoices electronically from suppliers and improved procurement management information. Focus upon the management of key suppliers.	(f)	Accountancy Manager/ Procurement Manager.

Action		Linked to Objective in para. 2.1	Who?
	Actions planned to be achieved by September 2005 (in priority order)		
9	Ensure that all major projects are managed in accordance with a common Prince 2 methodology which includes consideration of risk and the optimum procurement method.	(e)	Director of Corporate.
10	Ensure that the Council's web site includes a "selling to the council" area where suppliers can easily see what work is available and get guidance on how to do business with the Council.	(b)	Procurement Manager.
11	Introduce a three year Procurement Plan showing contracts planned to be awarded in that period.	(e)	Procurement Manager
12	Introduce common standards of user-friendly documentation for contracts and a central register of contracts. Seek to adopt any common core pre-qualification information documents available for the public sector for lower value contracts so that businesses (and particularly small and medium sized firms) do not have to put together different information in different formats to get past the expression of interest stage.	(e)	Procurement team.
13	Investigate and report to MT on the potential for fairly and lawfully increasing the proportion of supplies spent locally and rationalising the existing supplier base.	(b) and (d)	Head of Resources.
14	Make supplier catalogues available electronically on the intranet	(f)	Procurement Manager
15	Investigate e-procurement initiatives including payment of suppliers through the bank rather than cheque and the possible use of a vetted suppliers directory e.g. Sinclair/electronic "Request for Quote" (RFQ) software.	(f)	Procurement team.

All the above actions will be programmed within Directorate Business Plans or Project Plans. The Head of Resources will carry out an interim review of progress with the two year action plan in summer 2004 and a new Action Plan will be developed during 2005.