



Procurement Strategy

Contents

Introduction	3
Key Strategic Aims of the Procurement Strategy.....	4
Visions and Objectives	4
Strategic Parameters.....	5
National Procurement Strategy.....	5
The Efficiency Review.....	6
Current Position	7
Structure	7
Procurement Strategy Objectives.....	9
Further Reading and Documentation	14

Introduction

Three Rivers District Council ('the Council',) spends approximately £17 million on the procurement of goods, works and services. This strategy outlines the Council's current method of undertaking procurement and seeks to lay foundation for the future way in which procurement is addressed. This strategy is a 'living' document that will be updated at regular intervals in accordance with Council policy or through statutory amendments.

What is Procurement?

Procurement is the method by which all goods, services and works are acquired. This includes everything from day to day purchases of consumables through to the acquisition of strategic services and works irrespective of value. However, Procurement is more than just buying goods and services – it plays an increasingly strategic role. Procurement should challenge existing service delivery models and identify and deliver the right model for future service provision.

The aim of the procurement function within Three Rivers District Council is to achieve value for money through planned and skilful procurement, in respect of all goods, works and services sought by the council.

The Council is committed to deliver its vision for Three Rivers, a vibrant, thriving district, where people want to live, work and visit with opportunities for all to enjoy a high quality of life.

The Council requires all officers and members involved in any form of procurement to maintain the highest standards, enshrined in the adopted codes of conduct. As a general policy, rule and guidance for procurement of goods, works or services by individuals or services, the following principles must be followed:

All procurements of goods, works or services should:-

- be made within the Council's regulatory framework as laid down in the Constitution, Financial Regulations and Standing Orders as well as all applicable legislation;
- be transparent, accountable and fully documented;
- be capable of generating the most advantageous balance between quality, appropriateness, cost and timescale;
- embrace the Council's corporate policy and value for money objectives;
- encourage competition and challenge, where appropriate;
- allow the development of alternative procurement, partnership and consortia arrangements;
- avoid over-complex administration for routine tasks and transactions;
- operate within the Council's financial strategy and service budgetary targets;
- maintain an auditable record of decision making and reasoning;
- meet the requirements of the Council's Procurement Strategy; and
- promote the Council's Comprehensive Equality Policy, and Safeguarding Children and Vulnerable Adults Policy. .

For a detailed overview of the rules by which the Council procures, please review the Council's Contract Procedure Rules.

Three Rivers District Council Procurement Strategy

The Procurement Strategy for the Council will fundamentally affect the way that the Council carries out its business and will be reflected in other corporate plans and strategies

The Key Strategic Aims of the Procurement Strategy

The overriding purpose and aim of the Procurement Strategy is to develop a quality procurement and contract management culture which will assist in achieving the Council's Corporate policies and objectives. The purpose and aims are:

- to support the implementation of the Council's vision;
- to support the Council's Strategic Plan, the Council's performance objectives, the Council's strategies and individual Service Plans;
- to identify and promote the benefits of strategic procurement and deliver value for money for the Council;
- to provide a corporate focus for all procurement and to provide clear guidance to those engaged in any procurement activity across the Council;
- to ensure there is rigorous appraisal of procurement options to deliver savings and ensure the most effective use of public money;
- to ensure that all procurement projects must be professionally managed so that they are successful and the intended benefits are realised;
- to provide a basis for the development and improvement of the Council's procurement function through training and guidance;
- to further the Value for money objective of securing better quality services and ensuring the most cost effective use of resources to meet the Council's community and customer needs;
- to ensure compliance with all legislative and internal requirements, including EU Procurement Legislation and Contract Procedure Rules and Financial Standing Orders.

This strategy is not a guide to procurement but to an understanding of the direction the procurement function is taking. The Council recognises that procurement has a major role to play in the delivery of services to Three Rivers.

Visions and Objectives

The Council's overall objectives are detailed in the Strategic Plan 2013-2016. This plan identifies the main focus of the Council in the short to medium term and outlines how the Council will deliver success in these areas.

In brief, the objective for Three Rivers District Council is to "*remain a prosperous, safe and healthy place where people want and are able to live and work*". The four major thematic areas of activity are safety and well-being, clean and green, economic opportunities and customer service.

The Procurement Strategy supports these objectives and ensures that the vision and objectives are reflected in any procurement conducted by the Council.

Strategy Parameters

Three Rivers District Council Procurement Strategy

The Council's Procurement Strategy must be in alignment with the following policies, guidelines and laws:

- Three Rivers District Council Constitution
- Strategic Plan 2013-2016
- Departmental Service Planning
- Local Government Act 2003 – the Act places a duty of value for money on Councils.
- National Procurement Strategy for Local Government (Local Government Association)
- Equality Framework for Local Government
- Local Safeguarding Children's Board Guidance
- EU Procurement Directives
- Three Rivers Value for Money Strategy
- The Efficiency Review

National Procurement Strategy for Local Government

In 2003 the Office of the Deputy Prime Minister commissioned The National Procurement Strategy for Local Government to set out how councils should improve the delivery and cost effectiveness of high quality services through more effective, prudent and innovative procurement practices. The Strategy illustrated the scope for potential cost savings through more efficient procurement practices and partnership working, to release resources to the frontline. Key findings of this Report were

Procurement Function within a Local Council

- Aligning Procurement and Value for money (integrating into vfm reviews) and linking Procurement to Corporate aims/objectives
- Developing a corporate procurement function or centres of excellence
- Review current practice (structures, processes, frameworks)
- Engaging Members – greater strategic involvement and clear political responsibility for procurement.
- Improving regulations (Standing Orders and re-educating)
- Building capacity and competency frameworks (including members)
- Using e-procurement (all aspects including Procurement Cards and BACS)

Making Markets Work Better

- Gathering and sharing
- Use of Consortia and demonstrating their benefits for smaller LA's

Tender Design, Evaluation and Contract Management

- Designing and planning a project (Project Mgt/Process/standardised approach created – Gateway for Local Government)
- Managing risk (corporate strategy)
- Assessing bids (Include whole life cost principles)
- Register of contracts
- Contract management (process, relationship management role)
- Applying and improving legislation (HR/EC issues)

Three Rivers District Council Procurement Strategy

The Government's policy statement which lies behind the strategy is equally relevant to the Council.

“All public procurement of goods and services, including works, is to be based on value for money having due regard to propriety. Value for money in procurement is defined as the optimum combination of whole life cost and quality to meet the customer's requirements”

The Council has addressed and adopted the principles of the National Procurement Strategy in all of its operations. These are reflected in the Procurement Strategy Objectives outlined in this document.

The Efficiency Review

In July 2004, Sir Peter Gershon set out further ways to improve efficiencies in the document, “Releasing Resources to the Frontline: Independent Review of Public Sector Efficiency”. This document identified further ways that procurement could improve within local government. Its key findings were

- better supply side management: is needed which will seek to communicate and manage likely aggregate public sector demand in a strategic way with the supply sector,
- further professionalisation of the procurement function is needed within the public sector either through the use of shared procurement models, or the enhancement of procurement skills.
- most procurement is not carried out by designated procurement staff and procurement staff are often consulted too late in the procurement process,

This document stated that looking to improve and innovate in procurement could result in efficiency savings, by:

- collaboration and consortia,
- automating transactional process,
- minimising of administration,
- improving procurement skills
- and managing the requirements,

The council is committed to supporting the goals and the expected achievements of the efficiency review. The Council collects efficiency savings data and agrees these with Finance. It continually reviews spending across departments seeking opportunities for improvement and efficiencies. These documents are available on request.

Three Rivers District Council Procurement Strategy

The Structure

In the Council there are many budget holders each with a potential role in procuring goods, works and services. Difficulties therefore exist in identifying the most relevant "first contacts" for potential suppliers in terms of:-

- authorship, content and performance monitoring responsibility for the procurement strategy;
- internal consultancy service;
- co-ordination at a corporate level of the Council's procurement activities;
- providing a focus for gathering and sorting information

Procurement within the Council needs to remain essentially a decentralised activity within the Services. In order to provide a co-ordinated corporate approach in line with the procurement strategy, the procurement service provider (Dacorum Borough Council) operates as a central specialist resource. This provides a suitable service "home" for a modern procurement service which supports value for money services, uses the advantage of electronic administration and covers purchasing and service contract advice for the Council.

The Council Directorates, through their Heads of Service, retain the overall responsibility for their own procurement of goods, works and services - a responsibility which must be carried out within the constraints of the Procurement Strategy and the Council's Constitution to ensure that the Council's interests are safeguarded. All new procurements are detailed in each departmental annual Service Plan.

All procurement of Capital Investment is managed through the Capital Strategy and Asset Management Plan. A toolkit exists to assist officers and this is outlined in the TRDC Capital Strategy. A programme board exists that ranks each application based on their business case and a priority list is created. This will form the Capital Asset Programme.

The Procurement Strategy is referenced in all of the Service strategies when outlining how each service procures goods and services on behalf of the Council. To facilitate this, a 'virtual' procurement organisation consisting of the Resources Policy and Scrutiny Committee, Procurement Service Provider and Contract Managers. The responsibilities of these roles are:

Resources Policy and Scrutiny Committee

- acts as a gateway review for all new, innovative or strategic aspects of procurement.
- reviews all contracts awarded in excess of £50,000. This is total aggregated value over the life of the contract.
- Overviews of issues and provide insight and feedback in the process.

Procurement Service Provider

- procurement strategy setting, policy and review
- e-Procurement and other Process improvements.
- education and best practice.
- tender-specific assistance and Advice – procurement manager is involved in all procurements above £50k (whole life cost)

Three Rivers District Council Procurement Strategy

- contract management advice and guidance includes maintaining a contract register
- advice on EU Procurement and some legal guidance – place advertisements in EU Journal.
- reviews contracts and seeks opportunities within the Council including collaborative procurements at any level.

Contract Manager

- manager of specialised (Dept. – specific) supply categories e.g. Energy
- managing supplier relationships
- performance management
- contract management
- budget responsibility
- responsible for on time procurement

There is a degree of interdependency between these roles to ensure that, through working together, the following elements are acknowledged and used when delivering procurement.

- procurement policy;
- procurement strategic aims;
- environmentally sound procurement principles;
- procurement mapping and risk management;
- effective communication;
- equalities in procurement
- procurement quality and standards;
- compliance with Financial and Contract Procedure Rules and all procurement legislation; and
- Performance management.
- Sustainable Procurement

The Procurement Manager oversees the process and ensures that all aspects of the procurement organisation are working and compliant with Contract Procedure Rules and this Strategy.

Procurement Strategy Objectives

A number of key objectives have been established so that the council meets the requirements of its Procurement Strategy. These objectives are set out below and are in no particular order. The Council must ensure that it remains open, fair and transparent in all its dealings in procurement.

Value for Money

All procurement of goods, works and services is to be based on achieving value for money, having due regard to propriety, regularity and the Council's legal obligations. Value for money as a contract award criterion will be defined for the purposes of Contract Procedure Rules as "the optimum combination of whole life cost and quality to meet the customer's requirement" consistent with government procurement policy as stated earlier in this strategy. All procurement's must outline its evaluation criteria and this will reflect the priorities in achieving value for money for the Council.

Three Rivers District Council Procurement Strategy

Competitive Procurement

All services, supplies and works will be acquired by competitive tendering, except in the circumstances set out in the Contract Procedure Rules and/or the Council has demonstrated Value for money. Successful procurement depends on good market knowledge and supplier intelligence.

Competitive procurement promotes economy, efficiency and effectiveness in Council expenditure. Competition will also contribute to the competitiveness of suppliers, contractors and service providers. The Council will continue to develop procurement and contracting strategies for each sector that delivers Value for Money through an approach appropriate to the marketplace in question.

This Strategy approaches procurement from the perspective that the most appropriate option means most appropriate to the needs of the recipient of that service rather than the needs of the provider of that service. It applies equally to new contracts and contract extensions, and to suppliers from the private, voluntary and community sectors.

Considerations that should be considered in certain scenarios:

Few competitors in the market/difficult procurement

- Carry out a detailed options appraisal so that a “make or buy” decision can be made
- Carefully review the specification

Partnership

- Work together through a long term contract to achieve improvements

Many competitors in the market

- Simple competition
- Keep administration costs down
- Leverage / more frequent competition

Every Strategic Opportunity is tested

- In house bid, Joint Venture, PFI/PPP, partnership arrangements,

Three Rivers District Council Procurement Strategy

Consortia

The Council will consider and evaluate the use of consortia to achieve value for money. This includes contracts formulated by Central Government (OGC, buying solutions), the Central Buying Consortium (CBC), ESPO, and Procurement Agency Essex (PAE). The Council will continue being an active member of the Herts District Procurement Forum and will develop its procurement work in collaboration with Three Rivers District Council as part of the Shared Services project.

Customer Requirements

A focus on customer needs is central to the way in which the Council operates to meet their requirements. For procurement, this means both internal and external customers. The Council will maintain its strong external consultation process through Local Strategic Partnerships, Portrait of Three Rivers and various departmental Service plans.

Contracts Database

The Council will maintain a register of all current contracts via a contract database. The purpose of this database will be to assist in formulating a procurement plan setting out details of all major contracts to be awarded over the coming three-year period. The database will be made available to the public via the Council's website.

Ethics and Code of Practice

In all their dealings, members and officers must preserve the highest standards of honesty, integrity, impartiality and objectivity. This includes compliance with the Council's Contract Procedure Rules, Financial Procedure Rules, the Members' Code of Conduct and the Officers' Code of Conduct. In addition any Officer undertaking a procurement activity shall comply with the substance of the Personal Code of Ethics of the Chartered Institute of Purchasing.

Communication and Training

The capacity of the Council to promote and sustain sound procurement skills within a specialist team and across all of the services is the key to a successful procurement strategy. Whilst the main platform for electronic communication exists within the Council, communication remains an under-developed skill. More active communication can be made through "Procurement Service" intranet pages, a library of reference information and web-site links as well as individual and group training.

Performance Management

The Council has in place a performance management system which is primarily directed towards monitoring the achievement and progress of the Corporate Plan, Value for money Performance Indicators and Local Performance Indicators. The Council has developed a corporate performance management regime for procurement and contract management functions.

The system ensures that this Procurement Strategy is being followed across the policy and key issues. Components of this performance management system include:

- Compliance monitoring of the financial management plans of the Council;
- Clear accountability and responsibility down to the service, team and individual;
- Confirmation of the decision making process and approvals;
- Probity and public accountability for conduct where appropriate.
- Measurement of Contract performance.

Three Rivers District Council Procurement Strategy

Risk Management

Risk Management is the attempt to define the unknown; limiting or mitigating its effects and managing the consequences. In procurement terms this means making appropriate and timely decisions always bearing in mind public responsibility and value for money. The key factor in Risk Management is not the elimination of the risk, which is ever present, but its management. The Council assesses risk in all business cases and procurement strategies. Those deemed as significant are added to the Corporate Risk Register.

A structured approach to the identification, quantification and subsequent management of risk must be adopted so that risk is retained by, or transferred to, the party who can manage the risk most effectively. It is important to use suitable techniques so that risk is appropriately balanced with the potential benefits and opportunities that may arise through the procurement process so that Value for Money can be clearly identified.

E-Procurement

Effective use of information and communications technology is one of the main ways to improve procurement efficiency. E-tendering has brought a range of benefits such as modernisation, efficiency improvements (the way people work), improved commercial relationships with suppliers, reduced costs for suppliers and a bigger marketplace.

The Council has recently disbanded its e-procurement strategy as this is currently being addressed by our IT team as part of their Shared Service infrastructure brief. The Council has unsuccessfully trialled "Marketplace" but maintains its e-ordering, paying through BACS, some limited electronic file uploads and use of the internet for procurement. It also has the option to e-tender through the Herts Procurement Portal which allows the Council to advertise requirements. All effective procurement documentation is held online and is available to all suppliers.

Equality

The Council is committed to ensuring that all procurement activity of goods and services is inclusive for all social and economic groups. The procurement function will not be exclusive in any way particularly in the specification of goods and services. Equality Impact assessments are made on the procurement processes and within each Service. A Procurement and Equalities Guide is available that provides the detail to support this strategy.

Safeguarding Children and Vulnerable Adults

All services commissioned by the Council are required to operate within the requirements of Council's Safeguarding Children and Vulnerable Adults policy. Where relevant contractors will need to demonstrate that they meet these requirements, for example by demonstrating their procedures for undertaken criminal records checks on all staff who have unsupervised access to children or vulnerable adults.

Purchasing Cards

The Council tendered in August 2004, focusing on suppliers or supply categories that generate a high number of low value invoices. The council evaluated this scheme and decided that to instigate a purchasing card roll-out plan the scheme needed to be drastically modified. This was achieved in June 2008 and use of cards has expanded recently. These are mainly used in emergency or exist for Business Continuity reasons.

Three Rivers District Council Procurement Strategy

Administration Costs

There are many dimensions to reducing administration costs emanating from procurement within the Council.

Tendering Costs and speed-up tendering processes. This can be achieved through collaboration with other Councils and accessing pre-negotiated contracts via Consortia. By accessing these Consortia, the Council can save both time and money.

Procure to Pay can reduce and consolidate invoices. The Council will focus on working with contractors to reduce the number of invoices they send the Council and continue rationalising suppliers by aggregating spend across departments and tendering.

E-Billing – the Finance Department will evaluate that the new FMS system can store and retrieve electronic invoicing.

E-Catalogue – the Council joined Marketplace with a punch-out facility from the FMS system but found that it rarely used the system. The council will use E-catalogues through supplier's websites, rather than through a subscription portal.

Contract Management

All contracts within the council need to be effectively managed. The council will undertake a commitment that each new contract should have an internal Contract Manager appointed and that each contract will be annually reviewed for compliance on Terms & Conditions, prices, service level etc.

Continuous Improvement

The underlying theme of the Council's plans and strategies is to improve the delivery, efficiency and quality of services in order to meet the Council's priorities.

The Strategic Plan states that the Council will continuously challenge the way our services are provided to demonstrate Value for Money to local residents. Procurement shall be used intelligently to incentivise contractors, service providers and suppliers (supply chains) to reduce costs and continuously improve performance. Appropriate standards and targets should be included in contracts.

Supplier Relationships

The Council acknowledges the importance of building good supplier relationships in delivering value for money solutions. One aspect of this is providing information to suppliers. These include the Council's new website which includes the capacity to display Council tender notices, as well as any other advertising (OJEU, national/local press etc), thus giving all local businesses in areas being tendered another opportunity to be involved. All contracts above the value of £25k are advertised. The Council is committed to maintaining an open, fair and transparent procurement process.

Supplier education and training – as well as the Internet site, the Council should consider offering educational seminars to suppliers and meeting them to explain the Council's processes especially to members of the Chamber of Commerce.

For major, large value contracts, the Council's objectives will always be to create a long term "partnership" arrangement that will be mutually beneficial to both the supplier and

Three Rivers District Council Procurement Strategy

the contractor. This should be competitively tendered as with all other contracts but the Council should seek a partner compatible with the objectives of the Council.

Sustainable Procurement

Sustainable procurement refers to all “policy-through-procurement” issues, where public procurement is seen as a lever to achieve wider policy objectives. These include environmental issues, the creation of jobs and wealth in regeneration areas, opportunities for Small and Medium Enterprises (SMEs) and Ethnic Minority Businesses, equality, fair trade and the inclusion of developing countries.

Successful Sustainable procurement should minimise any social or environmental impact on the community and employees. Sustainable procurement should consider ‘whole-of-life’ costs and disposal costs (there will be a need for suppliers to provide this information at tender stage). Sustainable procurement involves the buying of resource efficient products.

The Council will also use companies with ‘fair trade’ status, where appropriate and cost-effective, identifying these companies through adding a ‘fair trade’ section to the pre-tender questionnaire. The Council is also committed to evaluating the “Third Sector” (voluntary sector) for procurement of services and evaluating the holistic benefits that a third sector organisation may bring to the community.

The Council has a separate Sustainable Action Plan that provides full details on the Council’s commitment to Sustainable Procurement.

Framework Agreements

The Council will optimise the use of framework agreements (including corporate contracts) to obtain volume discounts and deploying strategies to reduce off-contract (“maverick”) purchasing.

The use of corporate contracts provides an opportunity for the Council to utilise the “strategic picture” as opposed to localised spending on standard commodities and supplies. Corporate contracts can save money through lower unit costs in addition to general efficiency savings arising from streamlined ordering and invoicing arrangements.

Delivery Plan and Timetable

The objectives of the Procurement Strategy have been implemented and Procurement will issue an annual report benchmarking the Council’s performance against the Strategy. This is reflected in the Healthcheck document.

Training

The Council will develop a training regime for officers involved in procurement. The training regime will establish the minimum knowledge base that is required to enable staff to execute different levels of procurement. This includes presentations focussed on specific requirements including Contract Management, procurement process, EU Requirements and will contain guidance notes. The staff intranet will remain up to date with this information.

Three Rivers District Council Procurement Strategy

Further Reading or Documents Available:

Contract Procedure Rules

Strategic Plan

Departmental Service Plans

Sustainable Action Plan

Safeguarding Children, Young People and Vulnerable Adults Policy

Three Rivers District Council Procurement Strategy

DOCUMENT INFORMATION

Approval of Document

	Name	Job Title	Date
Prepared by:	Derek Hatcher	Procurement Officer	June 2010
Checked & Reviewed by:	Phil King	Emergency Planning & Risk Manager	June 2010
Approved by:	Executive Committee		12 Jul 2010
Date Document is due for Review:	August 2014		
Version:	1.1		
Purpose of Document Issue:	Reviewed and updated cross references to other plans and strategies		

Distribution List

Location (Format)	Date
http://intranet.threerivers.gov.uk/Default.aspx/Web/Procurement (Electronic)	19/08/2013
http://www.threerivers.gov.uk/Default.aspx/Web/CouncilPoliciesPlans (Electronic)	19/08/2013

Amendment and Revision Record

Version Number	Purpose of Issue	Date
	<i>Information taken from the Approval of Document table</i>	
1.0	Original strategy approved by Executive Committee	12/07/2010
1.1	Reviewed and updated cross references to other plans and strategies	19/08/2013