



**Elmbridge**

**Borough Council**

*... bridging the communities ...*

**Elmbridge Borough Council**

**Procurement Strategy**

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### **Appendix A – Action Plan**

## **1. Introduction:**

This paper sets out the Councils ongoing Procurement Strategy and replaces the previous strategy that was issued by the Council in 2005. This strategy outlines the following:

- The link between the Councils top priorities for 2013-14 and procurement
- The principles which underpin the Councils procurement activity
- The Councils current procurement arrangements
- How the Council intends to meet the objectives and milestones laid out in the “National Procurement Strategy for Local Government”
- A 2 year action plan to further develop procurements skills and activity to support and achieve the objectives and principles set out.

### **1.1 What is procurement?**

Procurement is the process of acquiring goods, works and services, this process spans the whole cycle from identification of needs, through to the end of a service contract or the end of the useful life of an asset.

Procurement is a much broader topic than simply purchasing as it involves making choices about choosing the best method for securing services and products that will best meet the needs of the Council.

### **1.2 Why is procurement important?**

Local Government spends an estimated £42billion per annum on bought in goods and services and therefore the procurement activity that surrounds this expenditure is critical to ensuring that best value is being obtained.

- Procurement is about improving the delivery and cost effectiveness of quality public services to citizens.
- If used effectively, procurement can be a mechanism to challenge current service arrangements and find new models for service delivery. In order for this to happen a strong element of competition needs to run through the whole process. Effective procurement is fundamental to service improvement.
- Savings realised through better procurement can be channelled back into priority services.
- The Council is accountable for achieving best value and we are open to challenge under EU public procurement directives and UK procurement regulations.
- Inadequate planning and contract failures can result in financial loss to the Council and damage to our services and reputation.

- Poor practices in major procurements result in time and cost overruns and poor quality.

### **1.3 What is the purpose of this strategy?**

To communicate the Council's vision for the way forward in its procurement of goods and services and how this relates to staff, partners, supplies and other stakeholders.

To help the Council recognise the importance of effective procurement and how this supports improvements in service delivery and to assist the Council in realising potential savings and other benefits from working together in partnership.

To provide a framework and action plan to meet the objectives from Central Government as outlined in the National Procurement Strategy for Local Government and the Spending Reviews and associated efficiency targets.

### **1.4 What has happened to date?**

In 2007, the Council had the benefit of expert procurement consultancy from Epsom & Ewell Borough Council and as a result of the review sought ways to resource improvements in the Council's procurement activities.

Since establishing a dedicated procurement resource in 2008, notable successes have been in the following areas:

- Developing the CSPP and a collaborative procurement plan.
- Receipt of £63k funding from EISE for development of a procurement cluster.
- Identifying cashable and non-cashable benefits from effective procurement activity.
- Creating a procurement toolkit to assist with procurement delivery.
- Establishing a collaborative partnership with Surrey County Council for the provision of agency staff.
- Utilising a collaborative framework agreement with the London Contract and Supplies Group, for the supply of stationery, providing cashable and non-cashable savings.
- Contributing to the creation of the Surrey Strategic Procurement Forum.

With the publication of the ODPM's National Procurement Strategy for Local Government, there is now a need to update the current procurement strategy and to further strengthen and develop the Councils procurement objectives over the next 2 years.

### **1.5 What is the Procurement Vision?**

To support the delivery of Best Value, through the adoption of best practice in procurement and the management of contracts and supplier relationships, which will contribute to delivering better quality public services that meet the needs of the community.

## **2 What is driving Procurement onto the agenda?**

What is happening in the local and national context that is putting procurement onto the local government agenda?

### **2.1 National Procurement Strategy for Local Government**

The ODPM and the LGA produced and issued this strategy in November 2003. The strategy sets out how local government, working together with partners from the public, private and voluntary sectors, can improve procurement. This strategy followed on from the 2001 review of procurement in local government undertaken by Sir Ian Byatt for the LGA.

The national Procurement Strategy set milestones for all councils to achieve between 2004 and 2006. It was based around five themes to deliver a vision and environment that places procurement at the heart of the drive for better and more cost effective services. The themes were:

- cultural shift
- providing leadership & building capacity
- partnering and collaboration
- doing business electronically (e-procurement)
- stimulating markets and achieving community benefits

One of its main recommendations was to set up a network of Centres of Procurement Excellence to help Councils implement the strategy. The South East Centre of Excellence (SECE) was subsumed into the South East Region Efficiency and Improvement Partnership (RIEP). The CSPP was created via the SE RIEP commodity procurement project.

### **2.2 The Gershon Efficiency Review & Spending Review 2004**

What began with the Byatt Report and continued with the National Procurement Strategy for Local Government has now culminated with the Governments' recently announced Efficiency Review undertaken by Sir Peter Gershon. Procurement has now taken centre stage as the realisation that major savings made by reducing bureaucracy and improving efficiency can be redirected to benefit front line services.

In the 2004 spending review, the Government announced that the public sector is to make efficiency savings of at least 2.5% over the next 3 years. The target for local government amounted to £6.45 billion, which was split into savings through:

- Procurement of goods & services
- Procurement of construction & property
- Back office
- Transactional Services
- Productive Time

It is clear that improvements in procurement in order to release savings are a key component of the efficiency review.

### 2.3 CSR07 - 2007 Spending Review

During the 2007 Comprehensive Spending review (CSR07) period (2008-09 to 2010-11), English councils are collectively required to achieve £4.9bn cash-releasing efficiency gains. “*Delivering Value for Money in Local Government* (the VfM Delivery Plan) set an expectation that nearly 60% of this total (£2.8bn) would arise through smarter procurement.

## 3. Context of the Strategy

Procurement should be seen in the context of Elmbridge Borough Council Vision and Top Priorities and also the performance agenda link directly into the procurement strategy in that it covers;

- Commitment to better services for our residents
- Commitment to value for money
- Commitment to our community
- Commitment to our staff and volunteers
- Commitment to the environment

It is therefore important that Procurement decisions are taken in light of broader outcomes that the Council is seeking to achieve and are not focused on price alone.

## 4. Current Procurement Arrangements

### 4.1 What does Elmbridge Borough Council buy?

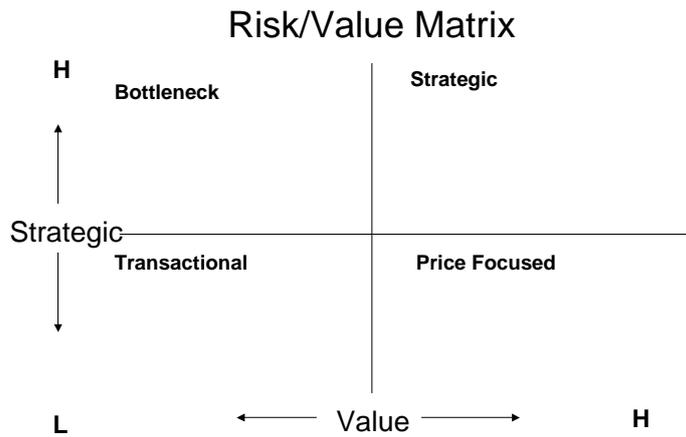
<b>Bought in goods &amp; services 2012/13</b>	
<b>Revenue Budgets</b>	
<b>Spend Areas</b>	<b>£</b>
Accommodation	153470
Advertising and Publicity	160793
Agency Staff and Consultants	1303345
Audit Fees	162972
Bank Charges	76543
Buildings, Maintenance, Alterations, Repairs	518354
Car parking	715246
Catering (Provisions & Equipment)	83691
CCTV Contract	187505
Cleaning	214321
Communications	113731
Community Alarms	66818
Computer software and equipment	533427
Concessionary bus fares	421581
Day Centre provisions	214213

Environmental health/protection	44513
Equipment, furniture and materials	217274
Grants, Donations	575327
Grounds Maintenance	1076346
Halls and Leisure Centre contracts	405423
Insurance	275520
Legal Services/Debt recovery	156799
Misc. staff costs	168905
Other-Arts	15399
Other-Commons/Land	122969
Other-Elections	9804
Other-Miscellaneous.	364449
Other-Museum/Historic	38977
Other-Health/Sports promotion	19786
Other-Planning	72873
Partnerships	139276
Play Schemes	34240
Postage	65700
Printing & Stationery	294980
Publications/Subscriptions	131810
Recycling and Waste	5936520
Security	121831
Taxi licensing	56153
Training	173077
Utilities	297848
Vehicles and Transport	158431
<b>Total</b>	<b>15900241</b>

Capital expenditure varies greatly from year to year but is "normally" around £5-6m pa. Most capital expenditure relates to bought in goods and services. Key areas of spend relate to construction and supporting advice.

#### **4.2 Risk/Value Matrix**

A different risk based approach needs to be developed for the various types of procurement activity. A standard "portfolio matrix" analysis divides procurement into 4 categories on a risk and value matrix as follows.



For strategic (high-risk, high value) procurement the Council will need to look to develop, strategic partnerships and to investigate partnering arrangements.

For transactional (low value, low risk) purchases the Council will need to look at reducing the number of suppliers used and to aggregate contract values and use electronic procurement methods to minimize the transaction costs.

For price focused (high value, low risk) purchases the Council will need to consider the use of local and national consortia arrangements.

For bottleneck (low value, high risk) purchases the Council will need to ensure continued supply through the use of multi- sourcing arrangements.

### **4.3 How is Procurement Organised?**

Procurement activity in the Council is devolved to service departments, with the current procurement team providing strategic advice and operational support as required.

As part of the CSPP activity, procurement seeks opportunities to work in collaboration with existing partners and the wider local government community to deliver better value through the supply chain.

The procurement toolkit provides guidance to officers in the decision making and governance issues associated with the purchase of goods and services.

## **5. Electronic Procurement Methods (e-procurement)**

E-procurement is an integral part of the e-government agenda and has been further enforced with a specific target in the national procurement strategy for local govt. This states that all local authorities should have “implemented an appropriate e-procurement solution by the end 2005” and be “using purchasing cards for low value purchases”.

The Council is committed to an ongoing investigation of e-procurement solutions that are appropriate for us given the nature and value of our procurement spend. The Council has a purchasing card programme for low-value orders, and continues to increase the use of supplier on-line ordering

## **6. Reporting Responsibilities**

The Council does not have a member “procurement champion” as recommended by the National Procurement Strategy for Local Government. Instead the CSPP programme, associated strategic procurement issues and the monitoring of the programme are reported to the Overview and Scrutiny Committee.

## **7. Procurement Principles**

The themes set out below, detail the principles that governs the way that the Council undertakes procurement.

### **7.1 Best Value**

The Council is committed to ensuring value for money across all services by meeting the needs of local people in cost effective and efficient ways. To achieve best value through procurement the Council will acquire goods, works and services through competitive tendering except in the circumstances set out in contract standing orders.

The Council will assess contracts on the value for money they offer and award contracts on the basis of “the optimum combination of whole life costs and benefits to meet the customer’s requirement”, rather than just lowest price.

An evaluation model based upon a cost/quality ratio has been developed by the Council and is now used on all high value/strategic tender exercises. This model ensures that quality is taken into account and contracts are not awarded on lowest priced only.

## 7.2 Collaboration & Partnerships

The Council is a partner in the Surrey Procurement Group and the SE Efficiency and Improvement Partnership (SEEIP), working to combine our buying power, where it is appropriate and where it will deliver more cost-effective services to the Council. The Council will investigate opportunities for joint procurement and commissioning of services through the Surrey procurement network and the Surrey Strategic Procurement Forum and SEEIP.

The factors that will be taken into consideration when deciding whether to purchase collaboratively with other local authorities will be:

<b>+ Most suitable for collaboration</b>	<b>- Less suitable for collaboration</b>
Items that are common in specification across LA's	High risk strategic services, where we want to retain sole contractual control.
Goods and services where our leverage is currently small	When we are confident that we already obtaining best value and a joint contract will not provide further savings
Goods and services where we are confident that increased economies of scale will result in savings	When economies of scale in that market does not provide savings.
Low strategic areas of spend, where we are prepared to lose some everyday contractual control	
Markets where larger volume/buying power will allow the Council to utilize new technologies/expertise that would not be available by contracting alone.	

It is expected that initiatives for joint contracting will come via the Head of Procurement in most instances and these will be presented to Directors for approval using the template above for guidance.

The Council's preferred approach to the procurement of high value, high risk projects is partnering. Partnering means the creation of long-term, flexible, collaborative relationships with suppliers in the public, private and voluntary sectors.

### **7.3 Contract Management**

The Council recognises that in order to make service improvements through effective procurement, investment in the on-going contract and relationship management is required. The most thorough procurement process will not necessarily deliver the expected service and cost improvements if the on-going relationship between the two parties is not focused on delivering these objectives. The achievement of continuous improvement is dependant on managing the relationship throughout the contract.

The Council is currently utilising OGC and NAO guidance "Good practice contract management framework" and is also in discussion with Surrey Strategic Procurement Forum to develop a programme of procurement training including contract management.

### **7.4 Sustainability**

Sustainable development has been defined by the United Nations World Commission on Environment and Development as:

"development that meets the needs of the present without compromising the ability of future generations to meet their own needs"

This affects the Council in a variety of procurement related issues such as the type and source of natural resources used, pollution produced and ethical implications associated with the manufacture, use and disposal of the goods and products that we procure.

The inclusion of sustainability considerations in procurement is detailed in the National Procurement Strategy for Local Government, forming part of the "whole life cycle costs" that form the basis of an evaluation.

All procurement shall have regard to the Council's sustainability policy and these issues should be considered and addressed when writing specifications, evaluating tenders and throughout the delivery of the contract.

### **7.5 Workforce Matters**

Any procurement that potentially involves the transfer of staff who are currently employed by the Council shall comply with the *Code of Practice on Workforce Matters in Local Authority Service Contracts* issued by the Office of the Deputy Prime Minister. The aim is to ensure, as far as legally possible, that the future terms and conditions of employment of such staff are fully protected in order that they continue to enjoy the good employment practices of the Council.

### **7.6 Developing a mixed economy of service provision**

The Council has a degree of choice over whether to provide services directly itself ("make") or whether to employ contractors ("buy"). The Council has always adopted a pragmatic approach. A number of service areas have been

contracted out over the years and the Council will continue to develop a mixed economy of service provision.

Factors affecting the make or buy decision that are used when considering this issue:

<b>In-house provision</b>	<b>Outsourced provision</b>
External market not developed	Costs of setting up new service prohibitive
Limited competition in external market	Packaged together with other external services
Core Activity – Strategically too important to transfer responsibility	Suppliers have economies of scale to utilize
Council has economies of scale to utilise	Technology/skills only available externally
Skills already available internally	

The Council aims to encourage a mixed range of suppliers to compete for contracts to help develop a varied and competitive market place. This will include developing the participation by small firms and the voluntary and community sectors where appropriate.

The Council will;

- Take steps to understand the suppliers’ perspective when competing for Council contracts and will look to reduce the administrative burden placed upon suppliers when bidding.
- Publish a “selling guide” for suppliers on the Councils’ website that details how they can tender for contracts with details of all planned procurement projects for the year.

## **7.7 Appraisal of service delivery options**

BEAM and other strategic reviews will include a robust and challenging appraisal of service delivery options. If challenge to the existing model of service delivery suggests that significant change is required an options appraisal will be carried out and an action plan, including a recommended option, will be prepared for consideration.

Guidance on the Council’s approach to best value reviews including the approach to the 4Cs (comparison, consultation, competitiveness and challenge) and the range of options available can be found in the Council’s “Best Value Tool Kit”.

## **7.8 Training & Development**

The Council understands that effective delivery of procurement requires that Members and staff engaged in the process are suitably qualified and trained for the purpose. This training will need to range from knowledge of basic procurement processes through to formal procurement qualifications where appropriate.

## **7.9 Review & redesign procurement processes**

The Council recognises the importance of keeping procedures and processes upto current best practice and will continue to review and revise our Contract Standing Orders and financial regulations regularly.

A procurement toolkit and associated documentation are available via the intranet as a guide for all staff involved in the procurement process. The toolkit provides guidance on the procedures for letting and managing contracts and includes a standard set of template documents to be used across the Council.