

Procurement Strategy

2009-2012

Epping Forest District Council

Portfolio Holder: Finance and Economic Development

Lead Officer: Senior Finance Officer, Procurement and Administration

Presented to the Finance and Performance Management Cabinet Committee, 15 June 2009



Table of contents:

Introduction	1
Supporting the delivery of the Council Plan	1
Other influences on the strategy	2
Responsibilities	2
The Director of Finance & ICT	2
Service Directors.....	3
Officer Groups.....	3
The Strategy	3
Delivering the Strategy.....	3
Essex Procurement Hub	3
Partnership and Collaboration.....	4
Regulatory Framework.....	4
Value for Money.....	4
Local Trade	4
Equality and Diversity.....	5
Sustainability.....	5
Forward Planning.....	6
Performance Management.....	6
eProcurement	6
Action Plan.....	6
Appendix 1 – The procedural rules governing procurement.....	7
Appendix 2 - Action Plan 2009/10	8

Introduction

Procurement is much more than a narrowly-based technical issue. 'Procurement' is the process of acquiring goods, works and services, covering acquisitions from third parties, partnering and from in-house providers. The process spans the whole (life) cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical 'make or buy' decision which may result in the provision of services in-house in appropriate circumstances.¹

The Corporate Procurement Strategy describes the contribution that effective procurement will make to the achievement of Epping Forest District Council's vision and corporate priorities.

In 2009/10 Epping Forest District Council has set budgets to spend some £80m in revenue expenditure (excluding depreciation and employee costs) and a further £17m in capital expenditure on goods, works and services in both directly supporting the work of the Council and also in providing services to our residents, visitors and businesses. This is a significant sum of money that needs to be spent in a way that is properly controlled and governed to ensure good value for money and also give the Council a significant economic influence in the area. This influence will be used wisely to promote both the Council's public duties for value for money, promoting equality and diversity and promoting environmentally sound practices.

Supporting the delivery of the Council Plan

The Procurement Strategy supports the Council Plan 2006 - 2010. At a general level, procurement of goods and services assists in delivering the Council's strategic objectives and statutory responsibilities. At a specific level, this procurement strategy is designed to support the Council's objectives of:

- Ensuring that the district has a thriving and sustainable economy:
by using best practice procurement practices and decisions, supporting the delivery of excellent customer services, either directly provided by the Council or procured from third parties for delivery on behalf of the Council.
- Ensuring that we offer high quality, customer focused services:
by improving efficiency through better processes and better procurement to enable the Council's money to go further in delivering its services; and
- Ensuring the protection of the unique, green and sustainable environment of the district:
by including a strong emphasis on sustainability in the Procurement Strategy, both in terms of sourcing of services and goods and also in ensuring that whole life cost and environmental impact assessments are included in procurement assessments.

It also supports elements of the Action Plan contained in the Council Plan:

- To respond to issues of deprivation in the district:

¹ *National Procurement Strategy for Local Government issued by the Office of the Deputy Prime Minister in October 2003.*

through promoting a consistent approach to equality and diversity and reducing inequality in the provision of services and through requiring and promoting good practice in equality and diversity in the employment and contracting practices of all suppliers and partners.

- To maintain and improve the links between the Council, local town centres and the business community:

through, to the extent that the EU Procurement Directives, collaborative procurement and value for money allow, sourcing appropriate goods and services through local businesses and promoting the development of local businesses by making the Council easier to do business with.

Other influences on the strategy

A number of external influences have been taken into account in the preparation of this strategy, including:

- Delivering value for money as measured through the annual Use of Resources assessment by the Audit Commission that forms part of the assessment of Council performance and is measured through National Performance Indicator 179;
- The UK Government Sustainable Procurement Action Plan prepared in response to the Stern review on the economics of climate change;
- The public duty to promote equality of opportunity in the areas of Race, Disability and Gender.

A number of internal drivers have also been taken into account in the strategy, including:

- The Medium Term Financial Strategy 2009 – 2013 and Budget 2009/10, which set the framework for a balanced budget over the medium term. Delivering these forecasts will require, amongst other things, delivering real efficiencies, including through improved procurement and sourcing decisions and through improved procurement processes and financial controls.
- The Council's Climate Change Strategy is directed towards reducing the Council's carbon footprint and included a specific action to update the Procurement Strategy for the inclusion of green and local issues.
- The Value for Money Strategy identifies procurement as one of the key methods by which value for money can be increased.

Responsibilities

The Director of Finance & ICT

As the officer "Procurement Champion" the Director of Finance and ICT is responsible for the updating and maintenance of this strategy and the supporting processes.

The Procurement Champion is responsible for ensuring:

- The strategy is in place, reviewed and updated on a regular basis;
- The strategy is communicated to Directors for implementation;
- The implementation of the strategy to the extent that it mandates compliance with processes and procedures is monitored across services and that an effective reporting

system is in place to report breaches or weaknesses to the Finance and Performance Management Cabinet Committee.

- The provision of an annual report on the effectiveness of the strategy, the performance during the year and any recommendations for improvement to the Finance and Performance Management Cabinet Committee.

Service Directors

Directors are responsible for ensuring that the compliance requirements of the strategy are effectively communicated to their directorates, that the strategy is followed within their directorates and to participate fully in the development and execution of the strategy.

Directors are also responsible for ensuring that the provisions of the Constitution regarding Contract Standing Orders and Financial Regulations are effectively implemented and monitored within their directorates.

Officer Groups

The Procurement Steering Group is made up of Assistant Directors from each directorate and is chaired by the Director of Finance and ICT. Meetings are held quarterly to disseminate procurement policies and practices across the Council and achieve a more consistent and co-ordinated approach to procurement.

The Marketplace User Group is made up of the key order raising staff from each directorate and is chaired by the Senior Finance Officer, Procurement and Administration. Meetings are also quarterly and are intended to spread best practice in procurement and the use of the Marketplace system.

The Strategy

Epping Forest District Council will continue its approach as a good authority to use best practice procurement approaches and processes. This will assist in the delivery of high quality services to support strategic priorities at good value for money. Long term sustainability will also be promoted, as will the public duties to promote equality of opportunity both within the Council's operations and through the impact of its buying decisions, using effective selection and management of its relationships with its partners and supply chain.

Delivering the Strategy

One of the key elements to the National Procurement Strategy is working in partnership and collaborating on procurement. This method underpins the Council's approach to delivering our procurement strategy.

Essex Procurement Hub

Since October 2006, the Council has been a member of the Essex Procurement Hub, along with Braintree, Castle Point, Colchester, Maldon and Uttlesford Councils and Greenfields Community Housing Association. The Hub is a group of procurement specialists who are employed by Braintree District Council to provide procurement expertise to the members that subscribe to the service. The Council will promote efficiency in its own processes and improve its impact in promoting change amongst partners and suppliers.

Partnership and Collaboration

As outlined earlier, the Council Plan recognises that the Council cannot deliver its objectives in isolation and that there is a need to work with other organisations to help improve efficiency and outcomes using the expertise of others. This may include collaboration, partnering and/or the use of consortia arrangements.

One of the key themes of the National Procurement Strategy is partnership and collaboration. Regional Improvement and Efficiency Partnerships (RIEPs) are partnerships of councils and other local service providers working together to deliver excellent Local Area Agreement outcomes, achieve 3% cashable/efficiency savings and support economic growth and community empowerment. The foundations laid by the Regional Centres of Excellence, which preceded them, have helped councils deliver over £4bn in efficiencies, which are integral to the success of the partnerships.

The Essex Procurement Hub provides both the expertise to assist with individual member's procurement projects and the opportunity for collaboration in areas of mutual benefit. Before any framework contracts are let the requirements of all members are considered to ensure the widest possible relevance and greatest concentration of spending power. The Hub also provides advice on the use of framework contracts established by other purchasing consortia, such as those established by the Eastern Shires and Yorkshire purchasing organisations or the Office of Government Commerce.

Regulatory Framework

Procurement has to work within a number of controls including EU legislation and internal governance requirements. In addition the Council has other policies which this strategy seeks to align with.

The key control over procurement activities is the Council's Contract Standing Orders as set out in the Constitution. These rules are set at levels to assist in achieving value for money and allow decision making at practical levels (summary provided at Appendix 1).

Our strategy is to ensure that our procurement rules remain relevant and ensure compliance with EU regulations. Failure to comply with EU regulations could result in contracts being ruled illegal and the Council being subject to significant fines.

Value for Money

A function of procurement is to achieve value for money. We will achieve this by:

- challenging the way things are done and the way services are provided
- by encouraging collaboration with other Essex Procurement Hub members and RIEPs to take advantage of increased purchasing power
- taking into account the potential impact of a sustainable approach and balancing price with quality (by using 'whole life costs' for example)

Local Trade

To support the local economy, Contract Standing Orders were amended to require procuring officers to obtain at least one quote from a local supplier as part of each procurement exercise. The Council recognises the important role it has in shaping the local area, encouraging the local economy and supporting local businesses. In so far as EU Directives, collaborative

procurement and value for money allow, the Council will use local traders in its supply of goods, services and works.

Equality and Diversity

In support of its public duty to promote equality of opportunity, Epping Forest District Council aims to achieve a robust and consistent approach to equality in the delivery of services and will work with partners and suppliers to ensure that suppliers are, as a minimum, compliant with the relevant legislation, both at the inception of contracts and through their effective life. The Council will proactively work with key suppliers to promote equality and positive practices in their operations and in the provision of services to customers on behalf of the Council.

Sustainability

In support of the Climate Change Strategy and the Safer, Cleaner, Greener Strategy efforts will continue to reduce the Council's carbon footprint and environmental impact. The Council will use its procurement strategy to promote long-term sustainability in its own operations, reduce its carbon footprint through its own services and its supply chain, consistent with meeting value for money criteria.

There are a series of actions to support this approach:

- Educate, train and encourage internal procurers and commissioners to review their consumption of goods/services, reduce usage and adopt more environmentally friendly alternative products
- Consider the costs and benefits of environmentally preferable goods/services as alternatives
- Investigate the impact of the Council's expenditure on goods and services, via purchase spend analysis, to identify potential environmental impacts
- Investigate opportunities for the recycling and re-use of materials where appropriate
- Assess the environmental and corporate risks to the organisation with a commitment to continually improving sustainable performance related to the supply chain
- Work in partnership with other organisations, such as buying consortia to improve sustainable procurement
- Ensure that, where appropriate, suppliers' environmental credentials are, as far as legally practicable, considered in the supplier evaluation process and that environmental and equality and diversity criteria are used in the award of contracts
- Ensure that consideration is given to inclusion, within all specifications, of a facility for suppliers to submit offers for environmentally friendly alternatives
- Specify, wherever possible and practicable, the use of environmentally friendly goods
- Aim to provide goods and services at best value to the Council
- Address barriers to entry to encourage Small and Medium Sized Enterprises (SMEs), local suppliers and the voluntary sector to bid for the Council's business
- Educate our suppliers regarding the Council's environmental, sustainability and equality and diversity objectives
- Encourage and persuade suppliers to adopt environmentally friendly processes and supply environmentally friendly goods/services
- Work with key suppliers to make changes and thereby extend sustainability improvements throughout the supply chain
- Comply with all relevant environmental, health & safety, equality and diversity, disability, race relations, social responsibility and employment legislation

Forward Planning

Forward Planning, particularly of major expenditure, is essential to maximise the potential savings through efficient and effective procurement. Planning annual procurement activity in advance will enable officers to undertake procurement in a more structured manner, identify options and prepare properly.

Specifications should include measurable outputs or outcomes, performance standards or other appropriate measures by which the contract can be assessed.

To plan effectively it is essential to implement and update a central Contract Register detailing all contracts in place and all future known procurements, both for renewal of existing period based contracts and for new future requirements.

Performance Management

Effective procurement is measured by the outcomes and not by the completion of the process. Contracts must be managed throughout their life to ensure that benefits identified in business cases are delivered. Regular review meetings with incumbent suppliers are crucial in ensuring that set Key Performance Indicators and Service Level Agreements are achieved and maintained.

The Council will expand the use of contract management and build on areas of current best practice. This will involve working closely with both the Essex Procurement Hub and the Regional Improvement and Efficiency Partnership.

Risk will be managed throughout the procurement cycle to ensure that risks are identified and managed by the most appropriate stakeholder. Risks will be added to service risk registers or the Corporate Risk Register where appropriate. All risks will be revisited at key milestones in the procurement process and throughout the life of the contract.

When suppliers and contractors handle information on behalf of Epping Forest District Council, then we will ensure where possible, that equivalent processes are applied or seek to influence our supplier's and contractor's standards.

eProcurement

Technology can be used to achieve efficiencies in the procure-to-pay cycle including reduction in cycle time and reduction in transaction costs. This will free resources that can be directed into front line services.

The Council uses an electronic marketplace (The Essex Marketplace) to place orders.

An electronic supplier portal is linked to the Council's website to enable potential suppliers to register their interest in trading with the Council.

Action Plan

An annual action plan for procurement will be produced. This will set out the key work areas and provide a set of measurable targets for the coming year. Progress against those key work areas is monitored regularly with the Essex Procurement Hub. The action plan for 2009/10 is attached at Appendix 2.

The procedural rules governing procurement

The Constitution provides guidance on the commissioning of goods and services and is managed through the Contract Standing Orders and Financial Regulations. Officers are required to adhere to these rules when purchasing on behalf of the Council.

Broadly the guidelines can be summarised as follows:

1. A buyer identifies the need to purchase goods/services.
2. Before any tender is conducted or order placed, a budget needs to be approved, following Financial Regulations.
3. Once a budget has been determined, current contracts and frameworks in place should be reviewed to determine whether a supplier is already available. If in any doubt the buyer should check with the Senior Finance Officer, Procurement and Administration.
4. If yes, then the Marketplace Purchase Order Process is followed.
5. If no contract or framework is available then the buyer will need to follow the Contract Procedure Rules, gaining at least three quotes (spend less than £50,000), conducting a full tender process (spend £50,000 or more) or conducting a full EU tender process (spend on Goods or Services over 4 years >£139,893 or Works >£3.497M, at January 2008 values).
6. All contract spend should be assessed on a lifetime value basis.
7. Once a contract or framework is in place, buyers should follow the Marketplace Purchase Order Process to secure the order and record the financial transactions correctly.

Action Plan 2009/10

Action	Outcome	Lead Officer	Target Date
Conduct a spend analysis	Savings achieved by means of: Areas where contracts can be introduced are identified and action plan agreed to implement. Areas of 'maverick' spend identified and action taken via appropriate Service Director to address	Senior Finance Officer	September 2009
Review Contract Procedure Rules in the Constitution	Updated Contract Procedure Rules in the Constitution. Publicised to staff within Council.	Assistant to the Chief Executive	March 2010
Continue quarterly meeting for staff using the Marketplace ordering system.	Improved staff satisfaction with the ordering system	Senior Finance Officer	Ongoing
Evaluate the different stationery frameworks and recommend the most appropriate for adoption.	Simplified procurement process. Reduction in costs.	Senior Finance Officer	December 2009
Establish a comprehensive Contracts Register.	Better planning and co-ordination of procurement activities.	Senior Finance Officer	October 2009
Complete and maintain an Equality Impact Assessment of the Strategy.	Implement any priority remedial actions identified.	Senior Finance Officer	March 2010
Ensure quotes are being obtained from local suppliers, in compliance with Contract Standing Orders.	Increased opportunities for local suppliers to win contracts.	Procurement Steering Group	Ongoing