



Appendix 1

## **Oadby and Wigston Borough Council**

# **Corporate Procurement Strategy**

**January 2014**

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## **Contents**

	Page
Executive Summary	1
Introduction	3
National Drivers	4
Local Drivers	5
Organisational Structure for Delivery	6
Key Principles of Procurement	6
Key Considerations prior to any Procurement Exercise	7
Key Procedural Elements of Procurement	8
Procurement Improvement	12
Action Plan	16

## Executive Summary

- 1.0 **Procurement** is the process of acquiring goods, works and services. The process spans the whole cycle from the identification of need right through to the end of a services contract or the end of the useful life of an asset.
- 2.0 **The Strategy**
  - 2.1 This document sets out the Council's strategic approach to procurement. It is not intended to be a procurement manual: the principles contained within this strategy should be applied to all procurement activity. Consideration of this strategy is not optional and it should be read in conjunction with the Contract Procedure Rules and Financial Regulations.
  - 2.2 The Council has a duty to secure best value and continuous improvement in the way that functions are carried out, having regard to the combination of efficiency, economy and effectiveness. Effective procurement is crucial in securing high quality, best value services. The development of a clear procurement strategy is a key step towards delivering efficiency targets.
  - 2.3 This procurement strategy also emphasises the continuing importance of Sustainable Procurement, engaging with local and regional suppliers to promote the local economy and taking account of the social, economic and environmental impact of spending decisions.
- 3.0 **Key Principles** are identified which set the platform for the delivery of :
  - Improved Procurement
  - Good Procurement
  - Aggregation
  - Collaboration
  - Procurement Expertise
  - Business case
  - Management Information
  - Compliance
- 4.0 **The Council's Vision for Procurement is to:**
  - 4.1 **"Promote excellence and modernisation across the Council in all aspects of our procurement practice, to support the efficient and effective achievement of corporate priorities and the delivery of improved services to our customers"**
  - 4.2 All procurement and commissioning activity carried out on behalf of Oadby and Wigston Borough Council will support the vision and aims of the Council. Measured, innovative and targeted procurement and commissioning techniques will be adopted which will achieve the maximum value from the goods and services the Council acquires.
  - 4.3 The aim of the Council's Corporate Procurement Strategy is to set a clear framework throughout the organisation. The strategy aims to reflect the Council's updated Corporate Plan, organisational values and meet sustainability objectives. It addresses these within the framework of the

## Corporate Procurement Strategy

Contract Procedure Rules and meeting the targets laid out in the National Procurement Strategy for Local Government and the Government's Efficiency Review. It supports the Council's progress against the UK Government Sustainable Procurement Action Plan.

4.4 Key Procurement Priorities set out the important considerations and processes to be undertaken in any procurement exercise to deliver the maximum benefits to the Council and the people of Oadby, Wigston and South Wigston.

### 5.0 **Benefits of implementing the Corporate Procurement Strategy**

5.1 The benefits to the Council of complying with the provisions of this Corporate Procurement Strategy are:

- Improved overall cost effectiveness of council services to meet public service agreement obligations.
- Increased capacity through savings enabled by partnerships with both the private sector and other public sector bodies
- Contributing to the delivery of high quality and affordable services, through a transformation programme, which achieve the Council aims and meets service user's needs
- Promoting social benefits and equality of opportunity for service users, businesses and Council staff:
  - Enabling the Council to manage and assess risks in the marketplace
  - Sustainability of services taking into consideration environmental, social and economic aspects within the procurement cycle
- Delivery of whole life cost savings to the Council, supporting its commitment to good corporate citizenship, safeguarding its reputation as a responsible public body thus ensuring that it maximises its contribution to delivering the objectives of the Council's updated Corporate Plan.

1.0 **Introduction:**

1.1 **What is commissioning led procurement?**

**Commissioning Definition:**

*“The Strategic Activity of assessing needs, resources and current services and developing a strategy to make best use of (available) resources”*

1.2 **Procurement is defined as:**

*“Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the **whole 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.”<sup>1</sup>*

1.3 Commissioning led procurement is about making choices, sometimes-difficult choices. It ensures that the needs of users or the business need are predominant in the process and therefore avoid supply led demand. It also ensures that emerging needs, best practice, market analysis and available resources are taken into full account when developing procurement strategies. It further ensures historical provision patterns (including in-house) do not unduly distort future purchasing decisions.

1.3.1 The choice that the Council makes about a particular procurement or form of partnering is a very clear signal of what type of authority the Council wants to be and how it wants to be seen now and in the future.

1.4 **What is a Corporate Procurement Strategy?**

1.4.1 A corporate procurement strategy is the mechanism to ensure that procurement and commissioning takes place in accordance with the Council’s strategic aims. It provides a framework for individuals or services within the authority to operate in and to be measured against.

1.4.2 It also provides the means for assessing performance in procurement - that is, how well the procurement activities support the Council’s strategic aims. It can be defined as a series of key steps or activities that must be reviewed and considered, the output being a clear statement of intent with regard to the way we buy.

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<sup>1</sup> National Procurement Strategy for Local Government - Oct. 2003, ODPM.

## 1.5 Purpose of the Strategy

1.5.1 The strategy sets out how, in procurement terms, we will deliver against the Council's priorities.

This will be achieved by:

- Being clear about priorities and long term direction
- Services working more closely with each other and with our partners
- Using a variety of ways to deliver services
- Focusing on customers, particularly our residents' needs and preferences
- Providing equality of opportunity for all through our service delivery and as an employer
- Harnessing the potential of our staff; and
- Improving further the Council's reputation.

1.5.2 The strategy forms part of the management arrangements of the Council and aims to deliver procurement which delivers benefits to meet specific Services and the wider corporate objectives.

## 1.6 Scope

This strategy applies to all purchasing activities of Oadby and Wigston Borough Council, including the purchasing of goods, the commissioning of public services and procurement of new and refurbished buildings.

## 2.0 National Drivers

2.1 Social Value Act.

As one of the largest spending organisations in the district, the Council has a role to play in addressing social impact and cohesion across the district. Social benefits range from the creation of employment and training opportunities to the elimination of child labour in the supply chain.

The Public Services (Social Value) Act 2012 places a statutory duty on authorities' to consider in their procurement and commissioning processes:

*a) How what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and*

*b) How, in conducting the process of procurement, it might act with a view to securing that improvement.*

For further guidance and information refer to the Council's Social Value Policy.

## Corporate Procurement Strategy

Our procurement and commissioning processes seek not only to maximise Value for Money in terms of taxpayer spending and outcomes for customers but also seek to:

- *Benefit local people and organisations, including developing the third sector and small medium enterprises (SMEs) in our district.*
- *Encourage innovative approaches to social, environmental and economic issues in our district.*
- *Deliver sustainable solutions, benefiting our communities beyond the length of a contract.*

### 3.0 Local Drivers

3.1 All procurement and commissioning activity will support the Council's updated Corporate Plan, other recognised Council strategies and service delivery plans.

Specifically, the move to a commissioning led organisation will ensure:

- **Needs** drive the commissioning agenda
- **Best Practice** drives the way in which services are provided
- **Resident or user centred services** are provided
- **Provision led demand** is reduced and ultimately eliminated
- **Environmental, Social and Economic Sustainability** is intrinsic to Procurement
- **Costs** of services are optimised and the Council leverages maximum value, including commercial advantage, from its buying power
- **Costs** of procurement and commissioning and transaction processing are reduced

The following Council's approved local priorities will be adhered to:

- Protect the good quality, consistent, value for money front line services provided to residents, particularly weekly refuse and recycling collections.
- Enhance the green environment of the Borough so that residents are able to take full advantage of it.
- Revitalise the town centres through development and by retaining free shoppers parking.
- Work with the Police to create a safer Borough where people feel comfortable and at ease.
- Listen to and delegate more issues to the three town centre forums.
- Work smarter to deliver efficiency savings required to meet continuing budget cuts
- Work with others to try to improve the health and wellbeing of the residents of the borough.

4.0 **Organisational Structure for Delivery**

The Policy, Finance and Development Committee approve revisions of this strategy based on recommendation from the Council's Senior Management Team (SMT) which includes the Chief Financial Officer. The Finance Manager is the senior officer with specific responsibility for procurement and has responsibility for achieving the targets and objectives set out in the Procurement Action Plan. Heads of Service have responsibility for ensuring that procurement undertaken by their service area is in compliance with the Corporate Procurement Strategy

4.1 The primary contacts for advice are:

Paul Loveday	Finance Manager
Kalv Garcha	Head of Corporate Resources

5.0 **Key Principles of Procurement at Oadby and Wigston Borough Council**

5.1 **Good Procurement;** represents blended value of economic efficiencies and strong social and environmental performance.

5.2 **Aggregation;** Any contract requirement of the Council should be procured on a corporate basis and be available for use by the whole of the Council. Senior Management Team will nominate an appropriate officer, to act as a lead officer for specific tenders, reporting progress to SMT and the Policy, Finance and Development Committee on a periodic basis.

5.3 **Collaboration;** Consideration shall be given to the opportunities for possible collaboration, or alternative delivery vehicles, specifically shared services at the outset of any procurement exercise with a value of £75,000 and above.

5.4 **Procurement Expertise;** The Finance Manager will be consulted prior to the commencement of all procurement exercises where the total value is estimated to be £25,000 or above.

- 5.5 **Business Case;** Justification for a project exceeding £75,000 will be through a business case agreed by SMT. Where the requirement is specifically a procurement exercise the business case will be developed in consultation with the Finance Manager and agreed by the appropriate Head of Service. Business case's will identify all of the baseline data in relation to the current provision, whole life costs of what is done now, together with a needs analysis and proposals for change and the measurable benefits it will deliver. This will include social, environmental as well as financial benefits to be achieved through each procurement process. There needs to be a clear statement of outcomes expected, including the key performance indicators that will be used to measure performance and success. These may form part of the contractual arrangements. The business case will also summarise the risks identified and proposals for how they will be managed.
- 5.6 **Management Information;** The outcome of all procurement exercises will be notified to the Finance Manager and Head of Corporate Resources, for the update of the Procurement Plan and Contracts Register.
- 5.7 **Compliance:** All procurement will be undertaken in compliance with the Corporate Procurement Strategy, the Contract Procedure Rules, Social Value Policy , Financial Regulations and the Constitution of the Council.

6.0 **Key Considerations prior to any Procurement Exercise**

The need for prioritisation and greater efficiency to accommodate depleted funding for the Council creates a challenging environment. To achieve the right balance of service we have to consider alternative ways of delivering goods, works and services, establishing at the outset any opportunities to deliver in a more cost effective way, whilst understanding fully all of the costs incurred over its life.

- 6.1 **Transforming Services:** In transforming services we look for new and innovative ways of delivery, rather than repeating without challenge current ways of doing things. Consideration needs to be given to opportunities that exist through working with others, researching what constitutes best practice, establishing what have others achieved in similar circumstances and what can be learnt from their experience. Partnering enables the creation of sustainable relationships with suppliers in the public, private, social enterprise and voluntary sectors to deliver services, carry out major projects or acquire supplies and equipment. The Council will assess, for all its strategically important projects, whether partnering offers the best long-term solution as part of its option appraisal.

Better value services can be achievable through use of alternative service delivery options which will be considered as part of a comprehensive options appraisal exercise:

- In-house provision
- Use of consortium framework contract
- Collaborative contract
- Shared Service
- Private Sector
- Voluntary Sector
- Social Enterprise
- Local authority company
- Joint venture company
- Partnering contract
- Design, build, finance and operate contract
- Concession or franchise
- A mixture of the above

The undertaking of an options appraisal exercise will be transparent and consider all options.

### 6.2 **Whole Life Costs**

Where relevant, buyers will evaluate all tenders on the basis of long-term value for money, using whole life costing to assess:

- purchase, installation, transportation and commissioning costs
- operating costs, including labour, maintenance, re-processing, energy, water and consumables usage
- management costs, including staff training, insurance, health and safety and environmental costs
- disposal costs

This approach should be used for all capital investments, waste contracts and where comparing consumables against reusable alternatives. For key cost categories, such as energy, price escalation indices will be used to reflect cost increases over time.

### 7.0 **Key Procedural Elements of Procurement**

The following are the key procedures, which will underpin effective and efficient procurement at this Council.

- 7.1 **Needs analysis:** Prior to any procurement exercise, this looks at the qualitative and quantity aspects of need. In line with policy, users and stakeholders should be consulted. Consideration of changing needs and priorities should be made. Avoidance of provision led demand is paramount.

Buyers will:

- Establish there is a genuine operational need for the purchase,
- Establish that all cost effective opportunities for products to be shared, upgraded, refurbished, leased or delivered as a service have been exploited,
- Establish that the product will be used efficiently, minimising waste
- That the remaining forecast is accurate.
- Carry out an Equality Impact Assessment, where necessary

### 7.2 **Procurement Manual**

The Procurement Manual will set out the route that will be followed for all procurement and commissioning undertaken by the Council. It makes best use of our in house services and reduces time spent in procuring goods, works and services where framework or corporate contracts already exist. The Procurement Manual will be published on the intranet together with access to information on; in-house services, framework contracts and corporate contracts. This particular aspect currently needs redeveloping and will be the basis of a target on the newly revised Procurement Action Plan.

### 7.3 **Increased Buying Power**

The option of collaborating formally with other councils or suitable bodies will be considered for all procurement exercises and will be adopted where this option offers the best solution.

The Council will continue to use purchasing consortia e.g. Eastern Shires Purchasing Organisation (ESPO) as a means of effective and efficient purchasing of goods and services.

Requirement outside of the remit of ESPO, will give consideration to Office of Government Commerce (OGC) framework contracts, where they provide an appropriate option.

This increased leverage will enable the raising of sustainability standards whilst improving affordability through volume discounts. It will also release procurement resource to support more strategic spend areas.

### 7.4 **Best Practice**

In parallel to the needs analysis a thorough review of emerging national, international and regional best practice should be undertaken, feeding into the outcome based specification.

### 7.5 **Consultation**

Consultation with stakeholders will form a key part of the procurement process, to enable the Council to ensure that, as far as possible, their needs and preferences are met.

## 7.6 Sustainability

Sustainability should be considered as having three distinct but dependent pillars – environmental, economic and social. As such sustainable procurement is wider than just ‘greening’ the supply chain. It is a vital ingredient in the Council’s obligation to preserve the well being of the people of Oadby, Wigston and South Wigston.

Prior to any tender process, buyers will review the purchase and its life cycle impact against the key sustainability objectives listed below. If possible, where there is a risk of negative impact, buyers will identify actions to reduce impacts through supplier pre-qualification, specifications, evaluation criteria, supplier development and continuous improvement. As it is often difficult to give sustainability a sufficiently high weighting during tender evaluation, a strong emphasis will be placed on the use of sustainable specifications to improve the performance of products and services. This will raise standards and ensure all bidders submit sustainable tenders.

- Reducing fossil fuel usage to minimise climate change
- Reducing usage of hazardous materials
- Reducing waste
- Improving public health and quality of life
- Increasing levels of employment, skills and equality in the Council’s area
- Ensuring fair pay and working conditions
- Protecting biodiversity

The greatest gain in sustainability is by reducing our consumption of products that have a high environmental impact. All major procurement shall have due regard to the principals of sustainability and consider environmental and social issues such as fair trade, greenhouse gas emissions etc, at the earliest stages of the procurement cycle. Decisions should be taken to ensure that projects are packaged so as to encourage delivery in the most economic, efficient and effective manner and, as far as possible, meet the needs and preferences of customers and residents.

**7.7 Equalities and Diversity**

This Council is committed to equality of opportunity in employment and in the provision of services. Accordingly, all procurement and commissioning exercises for service provision will undertake an Equality Impact Assessment (EIA).

**7.8 Best Value**

The principles of the achievement of optimal sustainable benefits, a good price and efficient and effective solutions which meet the user's needs, will be applied to all procurement activity.

**7.9 Continuous Improvement**

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

**7.10 Project Management**

For strategically important, or major projects, e.g. those having an impact on more than two or more Services or involving external partners, those involving purchase, implementation or update of software, or the implementation of a specific business change process, will be managed by a member of SMT.

**7.11 Risk Management**

The risks associated with all procurement and commissioning should be identified at the beginning of and throughout the procurement exercise and throughout contract delivery. An operational risk log will be created and procedures put in place to monitor and control the likelihood and the impact of any potential identified risk.

Each identified risk should be allocated to the party most able to manage and minimize them, this being the contractor or the Council.

**7.12 Business Continuity**

Where the requirement of a commodity or service is to be delivered or includes a maintenance or service contract, which will be delivered over a period of time, the procurement and commissioning process will require submission by potential contractors of their arrangements for business continuity. The weighting of this element of the evaluation will be appropriate to the potential level of impact business failure would have on the Council and its delivery of public services.

### 7.13 **Contract Management**

Arrangements should ensure that all key Council contracts are properly managed and monitored with a view to achieving completion of service delivery on time, within budget, and in accordance with the specification.

### 7.14 **Workforce Issues**

The Council will comply with the requirements of the Cabinet Office Code of Practice on Workforce Matters in Public Sector Service Contracts, when dealing with the issue of transferred staff.

Any procurement that potentially involves the transfer of staff who are currently employed by the council, and staff originally outsourced by the Council, shall as far as legally possible, fully protect the future terms and conditions of employment of such staff, including the provision of 'broadly comparable pensions'. The Council shall also seek to ensure that new staff (new joiners) recruited to work alongside transferred staff, are engaged on terms which are 'overall no less favourable than those of transferred employees', together with a reasonable pension provision which may be either membership of the Local Government Pension scheme, membership of a good quality employer pension scheme, or membership of a stakeholder scheme with an employer contribution.

### 7.15 **Social Enterprise and SME engagement**

To increase the level of business awarded to Social Enterprises and local SMEs, all requirements will be advertised on [SourceLeicestershire.co.uk](http://SourceLeicestershire.co.uk).

## 8.0 **Procurement Improvement**

8.1 **Spend analysis** which enables the Council to understand it's spend with external suppliers will be developed This will enable more effective aggregation and reduced transactional costs. The analysis also better enables us to work collaboratively with other authorities both in Leicestershire and the East Midlands region. This will enable the Council to assess:

- Level of spend by supplier
- Level of contract renewal activity
- Key suppliers by type and location (Multinational, National, SME, Social Enterprise / Overseas, UK, Regional, Local)
- Level of risk against each sustainability objective
- Scope for improvement
- Level of influence

This aspect will form a new target on the newly revised Procurement Plan.

8.2 **Purchase Order System:** The Council already has an implemented electronic purchase ordering system which provides more control over who we buy from and provides an efficiency saving in the ordering and payment of suppliers service. Further development will be undertaken on the information that is available from the database to inform spend analysis referred to at 8.1 above.

## Corporate Procurement Strategy

The Council will have increased control over the number of suppliers that they use; increasing buying power and reducing transaction costs. Where it is proposed to order from a new supplier, prior to the order being placed a request form will be completed and submitted to the Finance Manager, to confirm that we have no existing contracts in place.

- 8.3 **Focusing Procurement Activity:** To best use the procurement resources, a focused approach should be in place. The Councils spend will be analysed with the supply positioning matrix, a means of assessing the strategic importance of each of the spend areas.

<b>Bottle Neck High Risk Low Value</b>	<b>Strategic High Risk High Value</b>
e.g. Specialist Software, maintenance of key computer system May be critical for service delivery but low value. Strategies include use of multiple suppliers, back up contractors or partnering.	e.g. Waste collection, transportation The greatest concentration of resources should be employed here. Procurement in this segment requires a wider consideration of the available options for delivery.
<b>Routine Low Risk Low Value</b>	<b>Leverage Low Risk High Value</b>
e.g. Stationery, Office Furniture, Mobile Phones The least concentration of resources in this segment. The segment will benefit from arrangements such as use of ESPO contracts	e.g. Energy, ICT Hardware Less concentration of resources for these spend areas. They should be covered by appropriate contract arrangements such as ESPO, OGC or Corporate Contracts.

By ensuring that the Council has a focus on the key strategic spend areas and active involvement of the Finance Manager in all strategic procurement, we can deliver our aims and objectives.

- 8.6 **Sustainability:** The Council will make a commitment to increase the sustainability of their specifications, achieving minimum mandatory standards at least equivalent to those of OGC. Procuring improved specifications at a lower price.

### 8.7 Innovation and Supplier Development

- 8.7.1 Sustainability is a key aspect of the Council's commitment to innovation.
- 8.7.2 The Council will prioritise key suppliers with the highest spend and sustainability impacts for targeted supplier development activities. These will give senior management support and focus on continuous improvement and tangible delivery of sustainability benefits throughout the supply chain.
- 8.7.3 The Council will work with these suppliers to explore service-based contracts for products. This will encourage suppliers to hold responsibility for the through life management of products, using gain share and incentives to reduce their whole life costs and environmental impacts.

8.7.4 In addition to increasing the sustainability of specifications, we will encourage suppliers to propose innovations which improve the sustainability of their tender responses and reflect this in tender evaluation criteria. Suppliers will recognise the Council's commitment to sustainability and strive to offer innovative and cost effective sustainable solutions.

#### 8.7.5 **Skills and Training**

Awareness sessions will be undertaken to include Heads of Services and managers. Procurement will be incorporated into relevant financial and purchase order training sessions, induction, job descriptions, objectives and recruitment criteria for all relevant staff.

8.7.6 As previously stated, a Procurement Manual is being developed to provide all staff engaged in procurement activities with a reference and ensure a consistent approach throughout the authority.

#### 8.7 **Communication**

8.7.1 To communicate this strategy to suppliers, buyers will include a copy of the Executive Summary as an appendix to all invitations to tender. In addition, the strategy will be distributed to key suppliers.

8.7.2 Procurement will report annually to SMT on the key targets of the Procurement Action Plan.

#### 8.8 **e-Procurement**

8.8.1 e-Procurement is a collective term for a range of technologies that can be used to automate by computer workflow, the processes associated with sourcing and purchasing; request for quotation, purchase order, receipting and invoicing.

8.8.2 An example of this is our purchase order module which forms part of our Integra Financial Management System.

8.8.3 e-Auctions where appropriate will be undertaken on a collaborative contract basis by ESPO.

8.8.4 Financial evaluation of suppliers can take place through use of an electronic on line system, at the prequalification stage. The prequalification process will allow compilation of a short list of suppliers evaluated as suitable to tender thus reducing the resources required during the tender process. A feasibility study will be undertaken to evaluate the levels of efficiencies that could be achieved by this process.

8.8.5 Electronic tendering, a process where the tender process is undertaken electronically providing an efficient, cost effective method of tendering whilst providing a complete auditable record of the whole process will be assessed. A feasibility will be undertaken to assess the level of efficiencies that could be achieved.

**8.9 Approved List**

A feasibility study will be undertaken to assess the benefits of delivering an approved list of suitably experienced, vetted providers through an electronic web hosted system, as opposed to developing a corporately approved list for the Council from current internal resources.

**8.10 Procurement Cards**

Procurement cards are already available to key officers for low value low risk purchases.

**8.11 Procurement Plan**

A three year procurement plan to include all future proposed procurement exercises will be developed. Initially developed from Service Development Plans and knowledge of contracts due for renewal then continuously updated to reflect a current picture of the Councils anticipated procurement activity.

**8.12 Strategy Development**

This strategy will be reviewed on a six monthly basis and following any new public sector purchasing policies.

**8.13 Procurement Action Plan**

A Procurement Action Plan to cover three years will be produced based on this strategy. This will be reviewed on an annual basis.

<b>Procurement Action Plan</b>	
<b>Targets</b>	<b>Date</b>
Compile a 3 year procurement plan for the Council. Initially from service development plans.	December 2014
Produce an online procurement manual for the use of officers	September 2014
Carry out procurement training sessions for officers	December 2014
Report on a six monthly basis to the Policy, Finance and Development Committee on the action plan targets	Ongoing (commencing September 2014)
Development of a procurement spend analysis	March 2015
Carry out an efficiency feasibility study on the introduction of an electronic online evaluation system at pre-qualification stage	December 2015
Carry out an efficiency feasibility study on the introduction of an electronic tendering	March 2016
Carry out a feasibility study on the benefits of delivering an approved list of suitably experienced, vetted providers through an electronic web hosted system	December 2016