



Procurement Strategy

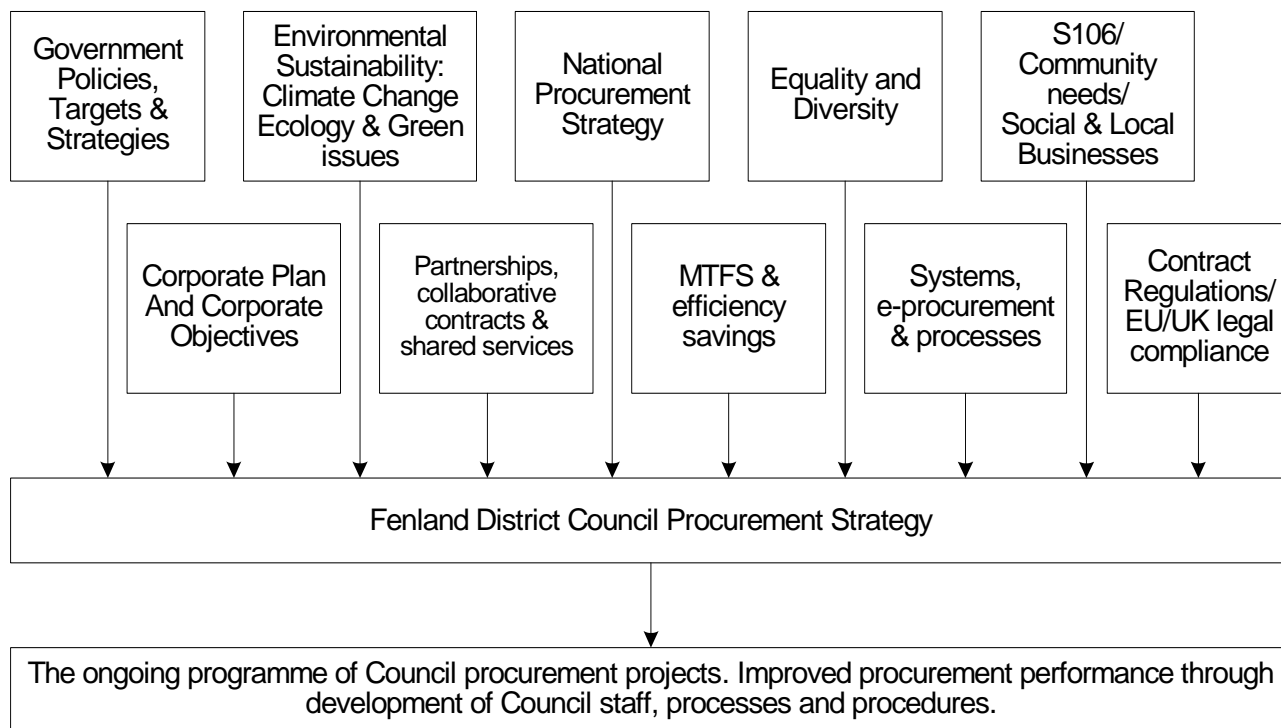
2012 – 2015

1. INTRODUCTION

1.1 Definition:

1.1.1 Fenland define procurement as, “the acquisition of works, services and goods, which meet the customers’ and service users’ needs, whilst ensuring value for money throughout the life of the product, including disposal.”

1.2 Document Context:



1.2.1 This Procurement Strategy is not a procurement manual, nor is it a set of purchasing procedures. The detailed procedures for letting contracts, and ensuring compliance with policy and legislative requirements, are set out in the Council’s Code of Procurement, which complements this document; full copy of the current Code of Procurement can be found on the Council’s Intranet.
http://intranet/files/finance/code_of_procurement.doc.

1.2.2 Excluding salary related costs and other costs which have no procurement requirements (eg. business rates, internal drainage board levies etc.), in 2011/12 the Council spent over £6 million with third party suppliers and contractors on revenue activities. In addition, the Council spent around £4 million on capital projects (excluding grants and contributions to community projects eg. College of West Anglia). Procurement therefore has a significant role in ensuring that the Council obtains best value for money from its expenditure.

1.2.3 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 seek to use local traders in its supply of goods, services and works.

1.2.4 The Government has underlined the need for value for money procurement with its efficiency programme. This Council will utilise the procurement process to assist its efforts to find continuous savings year on year.

1.2.5 This strategy relies on continuous and sustained development by the corporate procurement function that will;-

- Better achieve Corporate Plan objectives and enhance the Council's key aims and priorities.
- Deliver consistently high quality services that meet users' needs, with a range of partners from other sectors.
- Provide savings and better value for money, thereby improving the cost effectiveness of the Council.
- Be sustainable for the community and benefit local citizens.
- Support the delivery of the e-Government agenda.
- Enable the Council to manage and assess risks in the market place.
- To promote and drive continued savings through efficient procurement to assist the Council meet its' financial objectives over the medium term.

1.3 Objectives

1.3.1 A National Procurement Strategy provides a "route map of how to improve service delivery and value for money through better procurement." The objectives below, highlighted in the national strategy, are adopted by this council.

- To deliver significantly better quality public services that meet the needs of citizens through sustainable partnerships with a range of public, private, social enterprise and voluntary sector organisations.
- To operate a mixed economy of service provision, with ready access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector groups.
- To achieve and demonstrate continuous improvement in value for money by collaborating with partners at local, regional, national, and European levels.
- To obtain greater value from all categories of procurement expenditure through a corporate procurement strategy and the necessary resources for implementation.
- To realise community benefits.
- To stimulate markets and use their buying power creatively to drive innovation in the design, construction and delivery of services.

1.4 Strategy statement

What is meant by procurement?

- 1.4.1 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 a useful life of an asset.
- 1.4.2 Fenland's Procurement Strategy recognises that different models and approaches will be required for the very different and divergent services that the Council has responsibility for.
- 1.4.3 Fenland will apply the following guiding principles in its procurement activity.
- Consider the impact of all major procurements on the achievement of the strategic priorities of the Council.
 - Continue to promote procurement opportunities to the local economy and to assist businesses and employment within Fenland, wherever possible.
 - Apply the principles of Best Value, fairness, openness and transparency to all activities.
 - Ensure that all procurement activity is efficient, and seeks and obtains value for money for the Council.
 - Maximise mutual advantage and continuous improvement in relations with suppliers.
 - Consider the potential for innovation, the management and balance of risk, and the opportunity for new or alternative methods of service delivery.
 - Work with others including strategic partners, public sector agencies and consortia to maximise purchasing power and harness knowledge and the economies of scale.
 - Incorporate sustainability, equality, diversity, quality, social responsibility and safety as important criteria in the provision of all services procured.
 - Operate within the framework determined by European Union and United Kingdom law and those outlined within Fenland's own Financial Regulations and Standing Orders.
 - Preserve the highest standards of honesty, integrity, impartiality and objectivity in all dealings.
 - Utilise competition as a means of achieving economy, efficiency and effectiveness, wherever appropriate and seek to ensure that this contributes to the competitiveness of suppliers, contractors and service providers.
 - Ensure that procurement activity is customer focused, involving internal consultation and involvement to support service objectives. Feedback will be

sought and customer satisfaction measured as a means of improving performance.

- Consult end Service Users, where appropriate, to ensure that the service meets their needs, especially where decisions directly affect their lives.
- Explore collaborative procurement opportunities both internally and regionally.

1.5 The Scope

1.5.1 This document sets out five key themes that are necessary for the delivery of the procurement strategy.

- i) The corporate and organisational issues;
- ii) Leadership and building capacity;
- iii) Partnership working;
- iv) Maximising the use of electronic procurement;
- v) Stimulating local markets to achieve economic, social, environmental and community benefits.

1.6 The Council's Competition Policy:

1.6.1 The Council is committed to providing services in a manner which demonstrates support for the principles of best value. It has adopted an open-minded approach to the provision of goods, works and services and will ensure delivery in the best way possible by the suppliers best suited..

1.6.2 The Council therefore encourages a "mixed economy" approach to service provision which anticipates contracts, partnerships and other arrangements with the private and voluntary sectors and with other appropriate providers, including internal sources.

1.6.3 All competition shall be fair and open to produce services which are efficient and of high quality, achieve strategic collaboration, are forward looking and not short term reactive. They should comply with strategic directions of the Council and meet Service Planning requirements.

2. CORPORATE AND ORGANISATIONAL ISSUES

2.1 Fenland's Corporate Objectives 2012-2015

2.1.1 The Council has five corporate objectives:

2.1.1.1 Neighbourhood Planning:

- Growth and future shape of Fenland
- The built environment

2.1.1.2 Localism

- Supporting vulnerable members of our community
- Promoting Cohesion throughout Fenland
- Supporting our ageing population
- Promote healthy lifestyles
- Engaging young people

- 2.1.1.3 Streets Ahead
- Maintain current levels of waste, recycling & cleansing
 - Delivering community projects that improve the environment and our streetscene
 - Promote a Safer Fenland
 - Provide quality parks and open spaces in Fenland
- 2.1.1.4 Open for Business
- Develop business and employment in Fenland
 - Promote the economic profile of Fenland
 - Raising aspirations and improving learning opportunities
 - Promote Fenland as a Tourism and Visitor destination
- 2.1.1.5 Quality Organisation
- Providing good quality customer services that are accessible to the community
 - Continue to use our resources effectively
 - Deliver regulatory services in a customer focused way
- 2.1.2 Each of these objectives is underpinned with specific priorities for delivery 2012-2015. One of the key objectives of procurement is supporting the delivery of these strategic objectives.

2.2 Organisation and Positioning of Procurement

- 2.2.1 Improvements in procurement will be underpinned by an alignment of the structure and organisational framework reflecting the focus necessary to obtain maximum benefit. Responsibilities for leading and managing procurement within the Council and for providing managerial leadership to this strategic development area will rest with the Corporate Director and Chief Finance Officer.
- 2.2.2 Procurement improvement will be delivered through structured arrangements located to provide a more cohesive approach to procurement and provide optimum benefit.

2.3 Best Value and Corporate Procurement

- 2.3.1 Fenland Council aims to provide services that offer best value in terms of economy, efficiency and effectiveness; and that have the capacity to improve performance.
- 2.3.2 In the context of a procurement process, obtaining 'best value for money' means choosing "the optimum combination of whole life costs and benefits to meet the customer's requirements". This is not necessarily the lowest initial price option and requires an assessment of the ongoing revenue/resource costs as well as initial capital investment. The Council's requirement can include social, environmental and other strategic objectives and should be specified at the earliest stages of the procurement cycle. The criterion of best value for money is used at the award stage to select the bid that best meets the requirement.
- 2.3.4 Procurement is an essential part of best value. The Council believes that in-house services can provide a high quality, flexible framework for developing and delivering services but acknowledges that there may be other ways to deliver services. The Council will support in-house provision where this is best value and operate in the best interest of service users.

2.3.5 Procurement should be an important element in any best value or other strategic review of service. It is that rigorous review process that should trigger consideration of alternative methods of provision. Each review should always include a robust and challenging appraisal of service delivery models. The initial consideration will analyse whether there may be material net benefits arising from a change to the method of provision. Each review should complete effectively a risk assessment that will assist in determining how suitable the service under review, or any aspect of the service, may be for changes in the delivery of the service, as identified by the Government including, the:

- cessation of the service, in whole or in part
- creation of a public/private partnership
- transfer or externalisation of the service
- market testing of all or part of the service
- restructuring of the in-house service or renegotiation of existing contracts.
- joint commissioning of delivery of the service.

2.3.6 All best value procurements will encourage flexibility in developing alternative procurement and partnership arrangements, will contribute to the Council's corporate aims and objectives, will seek continuous improvement in the provision of services, will be driven by desired outputs, and will represent the most advantageous balance of quality and cost.

2.4 Value for Money

2.4.1 The procurement of goods, services and works is about making choices and obtaining best value for money. It spans the 'whole life cycle' from the inception of the project to the end of the contract or useful life of the asset. In order to obtain value for money there needs to be a balance between whole life costs and the requirements of the service to meet customer requirements. In most instances, the Council will seek the 'most economically advantageous contract' and make a balanced judgement between price and quality.

2.4.2 In assessing best value in procurement the Council will take into account the follow criteria.

- **Economy** – maximizing the resources available to the Council by using them in the best possible way.
- **Efficiency** – providing value for money, balancing cost and quality.
- **Effectiveness** – delivering responsive, 'customer first' services that achieve their objectives.
- **Equality and diversity** – allowing access for the whole community and making provision for special needs.
- **Environment** - promoting safer, healthier, more sustainable communities and stimulating local economic activity. Integrating 'green procurement' into all aspects of the purchasing process, including the use of renewable resources and recyclable products. Ensuring that health and safety procedures are affective in the contract process.

- service delivery and e-procurement, wherever applicable and appropriate, as a means of reducing costs and modernising services.

2.5 Equality and Diversity

- 2.5.1 In accordance with legislation specified in the Race Relations Act 1976 and the Race Relations Amendment Act 2000, all Local Authorities "have a public duty to monitor the Equality and Diversity practices of their suppliers on an ongoing basis"; organisations must be able to prove that they have effective equality and diversity practices.
- 2.5.2 Fenland Council is committed to promoting equality of access. The Council will treat all people equally including those contracting to supply goods or services. It will not discriminate on the grounds of age, colour, disability, offending past, religious belief, gender, transgender and transsexual people and sexual orientation or on any other unjustifiable grounds. Suppliers or contractors appointed for the provision of goods, services or works will have to comply with these criteria themselves, as well as applying these requirements to all sub-contractors employed by the contractor/supplier.
- 2.5.3 The Council also expects its officers to be treated with respect by suppliers, contractors and sub-contractors, and has developed a "Dignity at Work" policy which must be considered in relation to supplier/contractor communications.
- 2.5.4 The Council has adopted a Common Standard for Council Contracts (CSCC).

2.6 Sustainability

- 2.6.1 The Council recognises that carrying out procurement activities in an environmentally responsible manner is an important factor and will, therefore:
- Lead by example.
 - Set clear priorities.
 - Phase out products and services that fall below minimum standards.
 - Build the skill sets of officers involved with procuring.
 - Encourage sustainable procurement through positive facilitation.
 - Be open to innovative solutions from suppliers.
 - Comply with all relevant environmental legislation.
 - Follow leading industry guidance leaflets for procurement sustainability; new guidance is regularly produced.
 - Encourage contractors and suppliers to investigate and develop environmentally friendly procedures and products.
 - Ensure that suppliers' environmental policies are considered during tender evaluations and that, where appropriate, environmental criteria are used in the award of contracts.
 - Wherever possible and practicable, specify the use of environmentally friendly materials and products.
 - Ensure that specifications, as appropriate, provide the facility for suppliers to provide environmentally friendly alternatives.

2.6.2 Procurement will play a major role in assisting the Council to achieve outcomes embedded in the FDC Energy Management Plan : Keen to be Green 2012-15, by setting product and service standards as guidance and advice for services on future purchases. To maximise procurement effectiveness the Council will invest in strong supplier liaison to consider climate change mitigation, i.e. the contributing factors, and climate change adaptation, i.e. how Fenland will see the effects.

3. PROVIDING LEADERSHIP AND BUILDING CAPACITY

3.1 People

3.1.1 While procurement is seen as a set of procedures with specific guidance, it is crucial that all Council stakeholders play an active roll in maintaining, adhering and disseminating procurement policies. Stakeholder actions will be fully supported by a comprehensive 'Procurement Training Plan' which will address all procurement training and development needs. Listed below are outline actions to ensure procurement is embraced fully by all stakeholders.

3.2 Cabinet Members' role:

- Receive appropriate reports on the progress of major procurement exercises.
- Take an active part in monitoring progress on procurement exercises within their portfolios.
- Contribute to the strategic planning of procurement as part of the annual strategic planning cycles.
- Set priorities for procurement.

3.3 Corporate Governance Committee role:

- Monitor the Council's approach to procurement.

3.4 Members' role:

- Approval of the procurement strategy.
- Consider and comment on the annual procurement priorities.
- Contribute to the strategic planning of procurement as part of the annual strategic planning cycles.
- Seek procurement and purchasing advice, where necessary, from the Council's Procurement Team.

3.5 Managers' role:

- Understand where to find information about Fenland's procurement priorities and procedures.
- Contribute to the strategic planning of procurement as part of the annual strategic planning cycles.
- Know what to do about routine purchasing and when to invoke other procedures.
- Work with others to co-ordinate requirements internally and with partner organisations.
- Plan and manage major procurement exercises collaboratively, using project management methodology.

- Provide details to the Procurement Team of all 'live' and forthcoming contracts.
- Notify the Procurement Team of all procurement exercises where expenditure is likely to exceed £5,000; the purchasing threshold to obtain at least three quotations.
- Seek procurement and purchasing advice and guidance where necessary, from the Council's Procurement Team.

3.6 Officers' role:

- Know what to do about routine purchasing and when to invoke other procedures.
- Know where to find guidance on all procurement issues.
- Know where they can find specialist advice and expertise on procurement issues.
- Know where to find information about Fenland's spending plans.
- Deal with all routine procurement electronically.
- Reduce time spent sourcing goods, works and services.
- Plan and manage all non-routine procurements effectively.
- Notify the Procurement Team at the start of all procurement exercises where expenditure is likely to exceed £5,000; the purchasing threshold to obtain at least three quotations.
- Seek procurement and purchasing advice and guidance where necessary, from the Council's Procurement Team.

3.7 Competencies and Development

3.7.1 The Council is committed to the training and development of all staff and members involved in procurement. An annual training programme will be prepared and delivered as an integral element of the Council's Annual Training Plan to support the programme of modernisation and the development of innovative procurement methods. Training delivery will be via both internal and external providers, as appropriate, following a skills audit. The continual measurement of awareness and the competency of Procurement related staff will be ongoing.

3.8 Capacity Building

3.8.1 The Partnership for Improvement and Efficiency East(RIEP) take a strategic approach to procurement, identify opportunities for efficiency savings, share good practice and build on procurement and project management expertise across eastern region public sector.

4. PARTNERING AND COLLABORATION

4.1 Probity

4.1.1 Controls within the procurement and financial processes exist to promote good practice and not only help the prevention of fraud but also protect the individuals concerned against allegations of fraud. Compliance with appropriate legal requirements and the internal controls set out in the Financial Regulations and Standing Orders is essential. Involvement in procurement requires consideration of the following:

- There is a duty to behave honestly and in a trustworthy manner maintaining standards which the public is entitled to expect.
- All staff have a fiduciary responsibility which means they are individually and collectively, responsible for the safe and proper arrangements relating to public spending, including fairness in public contract allocation.
- All managers have a responsibility to ensure systems and appropriate training are operating to prevent fraud.

4.2 Partnering

4.2.1 Partnering may be identified through a best value or strategic review to provide opportunities for providing improved delivery of a major project or service. This would necessitate the creation of a sustainable relationship with suppliers in the public, private, social enterprise or voluntary sectors to deliver services, carry out major projects or acquire supplies and equipment. Benefits could include:

- better designed solutions
- integration of services for customers
- access to new and scarce skills
- economies of scale and scope
- investment
- community benefits (including jobs and local economic effects)
- the sharing of risk and reward

4.2.2 Fenland acknowledges the importance and relevance of partnerships in delivering Best Value and would seek to test this option by:

- Carrying out a challenging option appraisal
- Examining partnering models, including:
 - Public Sector consortium
 - Non-profit distributing organisation
 - Voluntary and Community sector provision
 - Partnering contract
 - Local Authority Company (Local Government Act 2003)
 - Joint Venture Company
 - Framework Agreement
 (The preferred model should be identified through a business case before procurement commences).
- Examining opportunities for the collaborative procurement of partnerships
- Following best practice in the partnership procurement process, including:
 - building continuous improvement into contracts
 - following the guidance contained in the final report of the Strategic Partnering Task Force (Department of Communities and Local Government, March 2004)
 - adopting a structured approach to project and risk management
 - implementing a gateway review process for all medium and high risk projects
 - streamlining the process to procure partnerships

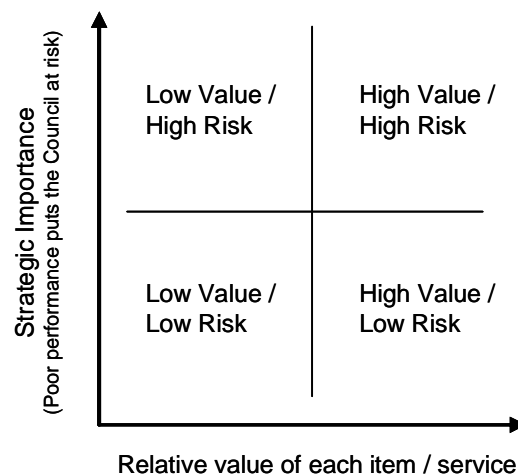
4.3 Collaboration, networks and links with other Local Authorities

4.3.1 These contacts can provide benefits to the Council. Collaboration between Fenland, other Councils and public bodies to combine buying power, to procure or commission goods, works or services jointly or to create shared services is seen as advantageous. This form of public-public partnership should, in appropriate circumstances, be regarded as an option capable of delivering economies of scale and accelerated learning. The Council will seek, for example, to extend existing activities, including:

- use electronic marketplaces to make framework agreements and contracts more widely accessible across local Government.
- extending the use of 'open' framework agreements to enable use within the local or regional public sector community.
- the Council already utilises contractual arrangements available via GPS (Government Procurement Services) and ESPO (Eastern Shires Purchasing Organisation).
- ensuring that all tender documentation/contracts carry a statement allowing other Cambridgeshire Council's to take advantage of the contracted goods, services or works.

4.4 Risk Management in Procurement

4.4.1 It is essential that the risks associated with procurement are properly assessed, managed and recorded. This will be particularly important when changing service providers and suppliers and will need to be considered in respect of both initial and ongoing costs and service levels. The areas of particular concern, which would be informed by an initial risk assessment, can be seen by reference to the matrix below:



4.4.2 The high value/high risk quadrant will be the main focus of attention with the other high risk and high value areas requiring proportionately less attention. Goods and services being procured in these categories require careful consideration of alternatives.

4.4.3 Management of risk involves having processes in place to monitor risks, access to reliable current information about risks and appropriate levels of control operational

within a framework of risk identification and analysis. Risk, if it is recognised, must be managed in an integrated way.

- 4.4.4 Additionally, to minimize risk, all high risk/high value contracts will be monitored against the Council's Contract Monitoring guidance.

5. MAXIMISING THE USE OF AUTOMATED PROCUREMENT

Electronic Procurement (e-procurement)

- 5.1 Electronic procurement relates to the electronic systems, procedures and processes for electronic trading between the Council and its suppliers.
- 5.2 In the context of this strategy, e-procurement generally relates to the contractual business relationship between the Council and its suppliers and contractors. Fenland will continually strive to improve internal purchasing processes and supplier involvement by use of automated electronic processes.
- 5.3 Development considerations for the Council include:
- Internal development of the Council's Financial Management System to automate the purchase to pay process
 - Increase use of electronic processing for tenders
 - Online catalogues to investigate products and request quotations.
 - The extension and growth of electronic payment to suppliers.
- 5.4 The use of information and communication technology will be used to reduce the cost, and improve the efficiency and effectiveness, of all aspects of the procurement process for the Council and its suppliers and contractors.
- 5.5 All procurement via this method will comply with existing Council procedures and regulations, or those adopted by the Council to reflect necessary changes arising from new methods.

6. STIMULATING LOCAL MARKETS TO ACHIEVE ECONOMIC, SOCIAL, ENVIRONMENTAL AND COMMUNITY BENEFITS

Local Purchasing

- 6.1 The Council's portfolio of contracts for goods, services and works covers a wide range of requirements, and local Fenland based suppliers already account for a significant level of expenditure through these contracts, as detailed in the table below:

Supplier Spend Analysis – 2011/12

2011/12	Revenue £m's	%	Capital £m's	%
No procurement requirements <i>(Note 1)</i>	17.7	74%	2.2	35%
Specialist contracts <i>(Note 2)</i>	5.0	21%		
Other spend	1.2	5%	4.0	65%
Total Spend	23.9	100%	6.2	100%
Other Spend	1.2		4.0	
<i>Of which:</i>				
<i>Local Suppliers – Fenland (Note 3)</i>	<i>0.44</i>	<i>37%</i>	<i>1.8</i>	<i>45%</i>
<i>Local Suppliers – Cambridgeshire</i>	<i>0.21</i>	<i>17%</i>	<i>0.4</i>	<i>10%</i>

Note 1: 'No procurement requirements include staffing costs, business rates, internal drainage board levies, water rates, external audit fees, member allowances and community grants.

Note 2: 'Specialist' contracts are contracts which have followed the Council's procurement processes and are carried out by either nationally based or specialist companies. This includes insurance provision, electricity, gas, grounds maintenance, cleaning, provision of diesel fuel, equipment lease and maintenance, postages, telephones, ICT hardware and software licences and maintenance, bailiff and legal fees, banking and cash collection contracts, training, care and repair agency, and any specialist consultants required. There is limited scope for the provision of these services by the local economy.

Note 3: Local companies provide services relating to building repair and maintenance, office equipment purchases, printing, marketing, refreshments. In addition, local companies have been involved in some notable capital projects such as South Fens Business Park. They are also used to carry out disabled adaptations via the care and repair agency.

- 6.2 The Council recognises its responsibilities to local communities and the opportunities afforded through procurement to help deliver corporate objectives, including the economic, social and environmental objectives set out in the Corporate Plan.
- 6.3 Local business should be able to compete for work alongside contractors from outside the area and the Council will encourage them to do this by:

- Ensuring that procurement procedures, including electronic business, does not disadvantage local businesses.
- Be reactive to changes in European and Government legislation
- Developing and publishing a 'Selling to the Council' guide as a means of clarification for suppliers and an opportunity to market the Council.
- Publishing details of forthcoming bidding opportunities and contact details for each contract on the Council's web-site and the Source Cambridgeshire web-site.
- Reviewing the internal procurement processes and procedures to examine methods of reducing the challenges facing small and medium sized enterprises when doing business with the Council.
- Include, where practicable, at least one estimate/quotation/tender from a local supplier within all procurement processes below the appropriate EU thresholds.
- Understand local supplier reliance on the Council, in terms of business proportion and community impact.
- Embrace local Social Enterprises to develop and improve community resource.
- Increasing the level of contact with local business by liaison with the local Chamber of Commerce to sponsor and support 'meet the buyer' events.
- Encouraging supplier partnerships to better facilitate competitive quotations for Council business, through consortium bids.