

Corporate procurement strategy 2007 to 2012

Approved by Cabinet 12 February 2008

Updated May 2010

Contents

1	Introduction	3
2	Objectives	3
3	Governance, structure and responsibility	4
4	Development plan	5
5	Budget savings target	5
6	Corporate social responsibility	5
7	Partnering and collaboration	9
8	Electronic procurement	11
9	Electronic purchasing.....	12
10	Capacity, training, development and skills framework.....	12
	Appendix one – Procurement strategy development plan 2007 – 2012.....	13

1 Introduction

The overarching aim of the strategy is to ensure our procurement activities are undertaken efficiently and economically whilst contributing to the realisation of the economic, social and environmental benefits for Cheltenham as set out in the Sustainable Community Strategy. The strategy is accordingly aligned with the strategic aims and objectives of the community strategy, the council's business plan and with other corporate and service strategies, plans and procedures.

This strategy provides a vision and direction to strive for best practice in procurement and continually improving value for money and quality in the services and goods that are procured.

This strategy forms an essential part of the approach by the council to improve the way it procures goods, works and services. It should be read in conjunction with the council's constitution, specifically the contract rules (Part 4 Rules of Procedure – 4i) that that must be followed by council employees when engaged in procurement activities on behalf of the council.

2 Objectives

The council's intention is to procure goods services and works to deliver consistently high quality services that meet users' needs:

- which are fit for purpose –

what is procured should be of adequate quality for its purpose, not necessarily of high quality, where that would be wasteful.

- at optimum lifetime cost –

when what is procured has a significant lifetime, it is the total cost of using and maintaining it for that lifetime and its disposal which should be the determinant, not just the initial purchase cost.

- using processes which are economic, efficient and effective —

procurement processes should be operated to produce the intended result in the most cost effective manner and reflect changes in practice and technology.

- which contribute to the council's community and corporate objectives by supporting and conforming to the authority's business plan and relevant initiatives, policies and strategies¹, both internal and external, in as far as they do not detract from the other elements of the strategy –

procurement is seen to have an increasing significance in the provision of cost effective and efficient services. It is a subject of significant attention by the

¹ In particular, but not exclusively the sustainable community strategy, corporate business plan, and the climate change strategy.

government, which has issued a national procurement strategy for local government that stresses that procurement practises should realise economic, social and environmental benefits for their communities. Our procurement activities should contribute to the success of key corporate and community plan objectives, consistent with proper procurement principles.

3 Governance, structure and responsibility

3.1 Structure

The council has designated an officer procurement champion (at senior leadership team level)² an elected member procurement champion (at cabinet level)³, and appointed a procurement manager to lead the procurement team

The duties of the procurement function include:

- supplier analysis and category management to identify: supplier base, spend per supplier and spend per commodity as the basis for co-ordinated and efficient procurement and the implementation of this strategy
- assistance to contract owners in the control and management of corporate contracts (including monitoring market intelligence, advice, facilitation, tendering and performance management)
- development and maintenance of web pages to publicise procurement plans, information on select lists and advice to potential suppliers
- development and implementation of e-procurement
- assistance to contract owners in the planning and co-ordination of improvement strategies to current contracts
- co-ordination of the actions of employees carrying out procurement activities across the council in compliance with the strategy

3.2 Procurement code, policies, procedures, best practice and management information

The council has reviewed and updated its contract rules and published a procurement code, supplementary guidance and associated model documentation, policies and procedures to support and ensure compliance with the procurement strategy.

Accurate procurement management information is recorded to enable the regular monitoring of the service through the mechanism of a contracts register.

² Strategic director

³ Cabinet member finance.

3.3 Controls and standards

In addition to the procurement code, the council has a guidance toolkit and model tender and contract documentation to ensure a corporate approach to procurement and compliance with the strategy which can be accessed via the intranet.

3.4 Countering fraud and risk management

The Council is committed to countering fraud and corruption and officers who procure goods, works and services must be fully aware of the rules and procedures that support this aim.

Counter fraud and corruption arrangements should be the consequence of effective business systems, practices and control arrangements, specifically the:

- contract rules
- financial rules
- employees code of conduct, and
- the anti-fraud and anti-corruption policy and process.

3.5 Management of risk

Risk management is embedded within the organisation. The risk when procuring, including that of fraud and corruption will be a key consideration and an integral part of the procurement process. The council will identify the risks associated with major procurements and the contingencies for service disruption in the corporate risk register.

3.6 Standard of conduct

The highest standards of conduct must be observed by members and officers engaged in procurement of any type on behalf of the council.

In all their dealings they must preserve the highest standards of honesty, integrity, impartiality and objectivity and comply with council's contract rules, financial rules and applicable codes of conduct.

4 Development plan

The development plan appended to this strategy details the programme of actions that are required to fully strengthen the council's procurement function. This will be updated periodically.

5 Budget savings target

A target is set in the annual council budget for the achievement of additional cashable savings from procurement. This is currently set at £120,000 (2010/11)

6 Corporate social responsibility

Through the procurement strategy and procurement code the council must satisfy the aspirations of all stakeholders; including customers, suppliers, employees, the local community, government, partners, public interest and environment groups. To satisfy this scrutiny and the demands for greater accountability in society the council needs to measure,

track and report on their social and ethical performance. Corporate social responsibility embraces a number of distinct areas, as follows:

6.1 Sustainability and environmental responsibility

The national procurement strategy states that every council should build sustainability into its procurement strategy, processes and contracts. The council's business plan includes the ambition to integrate sustainability issues into all its purchasing decisions by achieving the requirements of the Sustainable Procurement Taskforce Flexible framework⁴ and level 3 was achieved in March 2010

The Cheltenham Sustainable Community Strategy states that the organisations of the Cheltenham Strategic Partnership will promote sustainable procurement and purchasing, especially food and other local products. The council has responded to these ambitions in the development of this strategy.

Cheltenham Borough Council will ensure that environmental and social issues form part of the decision-making process in procurement. This strategy supports the council's objective of continuously improving the sustainability performance of its activities by contributing to local economic, social and environmental well-being, whilst minimising negative impacts both here and farther afield.

Wherever possible, subject to economical constraints, Cheltenham Borough Council will procure from sustainable sources and where environmental damage can be minimised. The procurement of goods and services will comply with the council's environmental policy and aims set out in the Environmental Management Policy. A needs analysis and impact assessment should form part of the decision-making process using the sustainable procurement tool.

The council will award contracts to those suppliers who can demonstrate that they have the ability to supply goods, works or services that have a clear environmental advantage, unless there are significant reasons for not doing so.

The council will require its suppliers and its subcontractors to comply with Environmental Protection Act legislation including duty of care in all contract award criteria.

6.2 Equal opportunities

We will apply the same high standards to services that are delivered in partnership or by a third party as it does to the services that are delivered directly by the council – including with regard to equality. We will seek to use our role as a community leader to promote equality and respect diversity with our partners and suppliers.

⁴ The Government has a crucial role in furthering sustainable development through its procurement of goods, services and buildings. It established the Sustainable Procurement Task Force in May 2005 charged with drawing up an action plan to bring about a step-change in sustainable public procurement so that the UK is among the leaders in the EU by 2009. The action plan was launched on 12 June 2006 including the Flexible Framework, a benchmark for public sector organisations to assess their current performance and map a path to excellence. It identifies five key themes of behavioural and operational change: people, policy, strategy and communications, procurement process, engaging suppliers, and measurement and results

In response to the Sustainable Procurement Task Force, the UK Government Sustainable Procurement Action Plan was published in March 2007. This encouraged this use of the Framework and a wide range of plans to improve Governmental Department Purchasing Practice, to lead by example.

The council's draft Corporate Equality and Diversity Policy (CEDP) sets out the commitment that we will use our spending power to encourage our suppliers to adopt equality policies in terms of their own employment and service delivery processes. The policy includes the following actions

- seek to ensure that the corporate equality policy and objectives are incorporated in partnership and contractual arrangements engaged in by the authority
- establish mechanisms for ensuring that equality targets are delivered by contractors through contract management
- ensure that for agencies delivering services on our behalf, contracts include a requirement to deliver an effective and appropriate service, fairly and without unlawful discrimination, and
- provide training for managers on the implementation of these actions with contractors and partners.

There are also new provisions within the Equality Act which will also be applied to all procurement projects, where appropriate, when they come into effect from April 2011.

Within the procurement process, we will aim to

- build outcomes into our specifications, where appropriate
- amend some contract conditions for suppliers, which may include the following:
 - o non-discrimination and equality requirements for the recruitment, selection, terms and conditions – including pay – for the workforce employed to perform the contract
 - o requirement to comply with equalities legislation and codes of practice
 - o customer care standards for behaviour when collecting bins
 - o requirements for equality monitoring of the contractor's performance of the contract
 - o standard clauses on handling of workforce matters and the two-tier workforce
 - o can require contractors to address equalities with their sub-contractors
- at tender evaluation stage we may include an equality related award criterion in our evaluation matrix
- we will state how you will enforce the contract and what sanctions you will apply for poor quality, inadequate or non-performance of equality requirements
- we will consider whether we need to check on employment practices as part of our PQQ process
- monitor as part of ongoing contract management whether new service meets requirements as specified.

6.3 Ethics, ethical trading, code of conduct and human rights

The Council will ensure, where applicable, on ethical standards from our suppliers, and in turn will ensure, where possible, that the highest standards of conduct are observed by members and officers engaged in procurement of any type on behalf of the council.

The applicability of, and emphasis on, different aspects of ethical procurement will vary considerably according to the nature of the services or goods being procured, therefore this policy cannot be either prescriptive or exhaustive. It is the responsibility of the service areas who have expert knowledge of the service requirements to identify specific expectations of partners/suppliers and the requirements for ethical standards.

The procurement service undertakes to include any specific requirements, requested by service areas, relating to equality and diversity in the invitation to tender and the tender evaluation criteria, weighted according to the nature of the goods/services being procured.

Where applicable, supplier commitments to equality and diversity policies, both the Council's and their own, will be included in the legal contract.

Where applicable, the performance against the equality and diversity policies will form part of the ongoing contract monitoring for the life of the contract.

In all their dealings they must preserve the highest standards of honesty, integrity, impartiality and objectivity and comply with council's contract rules, financial rules and applicable codes of conduct.

Wherever possible the council will only use suppliers that can demonstrate fair-trade and ethical trading of their business. This means purchasing goods and services produced and delivered under conditions which do not involve abuse or exploitation and which have the least negative impact on the environment.

6.4 Community involvement and economic development

The council has a responsibility to the community within which it works; and if all other criteria are equal then the preference would be to use local suppliers where possible, and work with them to improve their ability to meet our requirements.

The borough's Sustainable Community Strategy states that the members of the Cheltenham Strategic partnership will take action to ensure that Cheltenham has a vibrant and sustainable low carbon economy with a diverse employment base and will engage with businesses to help them to grow and develop in a sustainable way.

Cheltenham Borough Council believes that securing these community benefits is an appropriate core purpose to a procurement contract. User requirements relating to community benefits that are:

- directly relevant to the product or service being procured, and
- supported by the authority's objectives

may be reflected in the specification and considered as a core aim of the procurement in as far as they are consistent with the core objective of fitness for purpose and optimum lifetime cost. Such community benefits will only be used at the selection stage if they can be measurable, and are clearly advised as such in the tendering guidance.

The Gloucestershire Compact was formally adopted by the council in March 2004. The compact is an agreement between local public sector bodies and the voluntary and community sector to support and improve partnership working between the sectors. There are six underpinning codes of practice including one on funding and procurement to assist in

the achievement of community benefits through improved procurement activities by the council. The compact and the code are published online at www.gloshub.org.uk.

The council has adopted a small and medium sized enterprise (SME) friendly procurement concordat that sets out the actions the council will take to make its contracts more accessible to SMEs.

Procurement processes need to be kept as simple as possible, within the framework of this strategy, to enable smaller local businesses to compete for the supply of goods and services.

The council publishes a guide for suppliers and service providers on its website together with details of tendering opportunities.

6.5 Competition

Local government has responsibilities to local communities to promote economic development. The council works with its public, private and voluntary sector partners to support a thriving, prosperous and sustainable economy. The council will balance the priorities of business decisions and supporting the local economy whilst conforming to legislation and regulation governing public procurement. The supplier analysis will identify those local traders who may be heavily reliant on the council and thus at risk from changes to procurement practices. Local businesses will be supported by the council by way of explaining requirements and opportunities to enable them to compete with contractors from other areas, in this regard the council will comply with the Competition Act 1999 and no supplier will be given an unfair advantage.

Where there is a restricted supply market that prevents Cheltenham Borough Council achieving best value, options will be generated, as part of the contract strategy, to propose how to encourage more activity within the supply market. Likewise where the market is weak Cheltenham Borough Council will encourage new entrants, particularly small to medium enterprises (SMEs) and social entrepreneurs.

7 Partnering and collaboration

7.1 Partnering

As referred to here, *partnering* means the creation of sustainable, collaborative relationships with suppliers in the public, private, social enterprise and voluntary sectors to deliver services, carry out major projects or acquire supplies and equipment.

Partnerships can be beneficial and integrated in service delivery, but it needs to be recognised that this is not an easier contract style; indeed partnering agreements are likely to be more challenging than traditional contracts. Partnering is a form of formal agreement between organisations and will require careful preparation. In addition to the normal contractual considerations, some attention should be given to cultural issues, which if addressed correctly will make the co-ordination of activities easier.

Partnering should be considered when engaging in best value reviews of services as a potential alternative to established methods of service delivery.

7.1.1 Partnering in construction projects

Partnership can be particularly beneficial in construction projects. However Cheltenham Borough Council rarely has such projects and will consider the potential for partnership on a

case-by-case basis. All construction procurement will be carried out under Constructing Excellence partnering arrangements wherever possible.

7.1.2 Partnering in service delivery

The council is keen to work in partnership (or outsource if appropriate) with willing partners provided there is a business case. The council supports the countywide Joint Improvement Board (JIB) and at present is actively engaging with other authorities in seeking to develop shared arrangements. Until a clear direction is set for the Gloucestershire councils by the JIB the council will continue to take an opportunist approach to partnering in service delivery and is keen to engage with any public organisation to this end where there are clear benefits to both the council and its customers.

The council has established a programme approach ('bridging the gap') to activities to eliminate the budget shortfall. This programme has included responsibility for coordinating strategic service reviews since June last year. This work is underpinned by a documented methodology, approved by the board of directors, which includes consideration of all delivery models, impact analyses and employee consultation.

7.2 Collaboration

The concept of collaborative contracts and framework agreements has been embraced by the Gloucestershire Procurement Partnership (GPP).

Collaboration describes the various ways in which councils and other public bodies come together to combine their buying power, to procure or commission goods, works or services jointly or to create shared services. Collaboration is a form of public-public partnership. Its major benefits are economies of scale and accelerated learning. The Local Strategic Partnership is a forum that can be used to promote collaboration at the local level and be a means through which procurement can help to deliver the community plan.

Cheltenham Borough Council supports the concept of procurement efficiency through collaboration. The council will actively participate with other authorities and organisations where appropriate and feasible, to seek economies through joint procurement, joint commissioning, framework agreements and shared services.

The council, through membership of consortia groups such as the:

- Gloucestershire Procurement Partnership, and
- South West Councils

shall seek to develop opportunities for collaborative procurement.

7.3 Trading powers

The council is not currently making use of the trading powers under the Local Government Act 2003

8 Electronic procurement

The council's contract rules have been updated to enable the council to use electronic procurement techniques and gain the benefits of process efficiencies and contract savings⁵

8.1 Electronic promotion of contract opportunities and electronic tendering

8.1.1 Publishing opportunities

The council subscribes to Delta-ets, an online service which enables the secure publication of contract notices. This website automatically issues notices to the Official Journal of the European Union and sends a copy to the supply2gov website⁶ for low value opportunities ensuring all suppliers have access to our tendering opportunities.

The council also publishes its contract opportunities over £10k on the corporate website.

8.1.2 Electronic tendering

E-tendering is the use of electronic tools to increase efficiency and reduce costs during the tendering process. Through the use of e-tendering, a reduction in paper and overhead costs for suppliers and buyers (including postage and handling costs) can be expected. E-tendering can be beneficial in unlocking public sector tendering opportunities for SMEs and provides a more secure environment than the traditional hard copy process. The awarded contracts function allows SMEs to identify potential business leads and deal directly with larger businesses.

8.2 Electronic reverse auctions

The council has gained a reputation in the region for pioneering the use of electronic reverse auctions. An electronic reverse auction is an online event in which suppliers compete in real time by bidding lower as the auction unfolds until all bidders have reached their final offer.

The auction does not replace the traditional evaluation of tenders in terms of suppliers' ability to meet the requirement and provide a consistent and quality service. These aspects are evaluated first. Suppliers that pass this qualitative evaluation stage are invited to take part in the reverse auction, where the focus is on price. The award decision is thus made on the basis of value for money (the combination of quality and price).

It is council policy, wherever possible, to include the option for electronic auctions in the procurement process. All appropriate future contracts will be assessed for their suitability and the auction element will be stipulated at the start of each tender exercise.

⁵ *e-Procurement* describes the use of electronic systems to acquire goods, works and services and payments from third parties.

⁶ The supply2gov website is a free government-backed initiative developed by the Small Business Service (SBS) and the Office of Government Commerce (OGC) to enable all organisations across the public sector to publicise contract opportunities under £100,000 and provides access to these contract opportunities in a single location

9 Electronic purchasing

9.1 Definition

Procurement is a strategic or high level function that takes a long view of buying goods and services – it seeks to gain economies from scale and improved quality from negotiating contracts with suppliers. Whereas *purchasing* is the daily administration operation of individual ordering of goods and services; as such it may be viewed as order management.

Thus strictly consideration of purchasing does not fall within a strategy dealing with procurement. However, the national procurement strategy makes requirements to both electronic marketplaces and procurements cards, both of which are purchasing solutions, and so are included in this local strategy

9.2 Purchase cards

The council will evaluate the benefits of purchase cards in relation to low value procurement and will, in circumstances where it perceives that benefit will accrue, deploy purchase cards having first established the necessary control mechanisms.

10 Capacity, training, development and skills framework

The council recognises that in order to achieve its procurement objectives it will need to build capacity and skills within the authority. It will seek to develop the skills of all its staff engaged in procurement processes to a level consistent with the objectives of this strategy.

The council has developed a procurement code of practice, consistent with the aims of this procurement strategy, as a guide to best practice and processes for achieving best value. The council holds regular in-house training sessions on “Buying for the Council” all purchasers are encouraged to attend to ensure compliance with the contract rules
(Constitution Part 4i)

Appendix one – Procurement strategy development plan 2007 – 2012, Updated April 2010

The action plan is divided into three priorities:

high –these tasks, some of which require immediate action, should all be achieved within six to nine months of the launch of the strategy.

medium – to be achieved within two years, and

low –to be completed within the five year period of the plan.

Action	Outcome	Responsibility	Progress	Priority
To achieve level 3 of the Sustainable Procurement Taskforce Flexible framework by 2010.	Integrate sustainability issues into all its purchasing decisions	Procurement and sustainability teams	This has now been completed. Level 3 was achieved 31/3/2010	Low
Evaluate the benefits of purchase cards in relation to low value procurement and deploy as found appropriate	Possibly cost effective procurement primarily for high volume low-cost goods	Procurement team/ financial services division	This project is on hold pending the outcome of the GO-7 ERP project	Low
Carry out procurement skills audit and training needs analysis	Foundation for a targeted training and development programme	Procurement team/ Learning & Development / Legal Services	Regular contract rules training and refresher training is undertaken by the Procurement Manager for all officers involved in purchasing for CBC and CBH	Low
Monitor the amount of works, goods and services which are awarded to local businesses	Supporting the economy through improving the potential for local firms to do business with the council	Procurement team	This information is now recorded on the Contracts Register	Low
Implementation of Category Management	Ongoing Cashable and efficiency savings	Procurement Team	Meetings diarised with Service Managers to start this off	High
Cheltenham as a commissioning authority	Support the authority as it changes its focus on service delivery	Procurement team within strategic hub	Project team and thematic leads have been identified. Ongoing project	High