



Broxbourne Procurement Strategy

2007/09



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The report is available in both hard copy and electronic format. It is also available in large print and Braille.

Questa notizia si puo ottenere in Italiano e anche in ingrandimento.

Wider Context and Vision

Procurement is defined by the Department for Communities and Local Government (DCLG) as being, “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 service contract or the end of the useful life of an asset. It involves option appraisal and the critical “make or buy” decision which may result in the provision of services in-house in appropriate circumstances.”

The DCLG, in partnership with other government departments has issued policies, guidance, and legislation to inform the way in which local authorities undertake procurement. Improving procurement is part of the modernisation of local government.

Two key recent documents that inform Local Government procurement are the National Procurement Strategy for Local Government (DCLG) and Releasing Resources to the Front Line (H.M. Treasury). The National Procurement Strategy for Local Government provides milestones for local government to reach in the years 2004, 2005, and 2006 and was based upon a review of local government procurement undertaken by Sir Ian Byatt. Releasing Resources to the Front Line recommends a role for procurement in helping to refocus resources from back office functions to front line services. This report has led to the DCLG requiring local authorities to achieve 2.5% efficiency savings on their 2004/05 baseline expenditure on an annual basis from 2005 to 2008, through one or more of the following ways:

- reducing resources (i.e. people, money, assets) used to deliver services at existing levels;
- reducing costs (e.g. procurement, labour) associated with delivering the existing level of services;
- obtaining improved quality of services for the existing level of resources;
- obtaining a proportionately higher quality of services in return for an increase in resources.

Other key elements that guide procurement are:

- Best Value
- Comprehensive Performance Assessment
- Local government e-government agenda
- Legislation (workforce matters, equalities, and sustainability)
- Policies (markets, partnerships, joint working,

working with the Third Sector [the Third Sector is a new term used to describe Voluntary and Community organisations])

The Context and Vision for Broxbourne

The need for a procurement strategy does not only emanate from central government, but comes from the realisation by this Council that procurement has a key role to play in achieving value for money and in the provision and delivery of high quality services to the citizens of Broxbourne. Publishing a procurement strategy provides the Council with a mechanism for addressing areas for development and improvement. It will also allow the Council to advocate a consistent approach to procurement internally and externally, as all departments within the Council undertake procurement in order to deliver the Council’s objectives. The Council’s procurement strategy should be read in context with the Council’s contract standing orders and financial regulations. The Council’s first procurement strategy was published in 2001; this document is a comprehensive review of that strategy. It aims to provide a framework for the full range of procurement activity carried out across the Council. It should be noted that this document is not a procurement manual. A revised guide to procurement procedures will be published in April 2007.

The Objectives of this strategy are:

- To secure value for money and provide quality in service delivery to the community in a consistent, cohesive, and clear manner
- To ensure a consistent approach to procurement is undertaken throughout the Council
- To ensure effective procurement systems are in place
- To ensure continuous improvement takes place in procurement
- To work with private, public, and third sector organisations to exploit joint procurement initiatives and best practice.
- To encourage local and regional suppliers and the third sector
- To promote sustainable procurement and minimise the environmental impact of

- procurement activity
- To promote equality and diversity through procurement

These objectives are reinforced by a cascade of objectives set out in the Best Value Performance Plan, business plans and personal and team objectives. An action plan to support the implementation of these objectives is set out in Appendix A.

of all work undertaken by this Council, and is underpinned by the recently refreshed Broxbourne community plan 2007/09.

The key community plan themes and how they are linked to procurement can be seen in the diagram below.

Factors to be taken into account when procuring goods or services

Factors relevant to the procurement decision are:

- > The Council's goals including those related to the best value programme, to the local employment base and to protecting the local environment.
- > The impact and importance of the service.
- > Views of service users and stakeholders.
- > Evidence of efficiency and effectiveness of the current provider in comparison with evidence of other providers and potential for improvement.
- > The degree of competition in the market place and the availability of quality and reputable service providers.
- > The scope for joint commissioning with other local authorities or service providers.

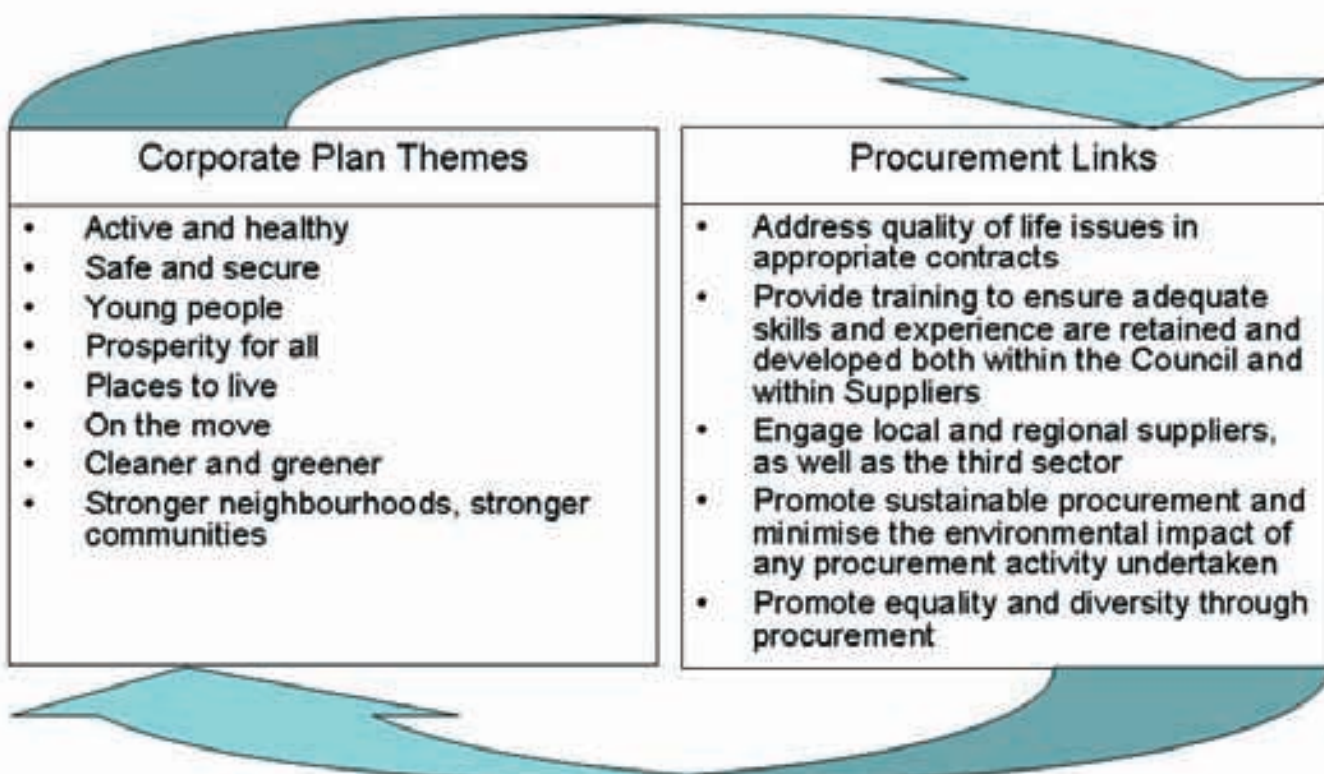
Benefits of implementing this Strategy

- Greater value for money
- Greater efficiency in procurement processes
- Improved partnership working with public, private, and third sector organisations
- Better integration between procurement and the Council's community plan
- Improvement in mixed economy provision
- Greater consideration of sustainability and equality issues

Community Plan

The Council in partnership with other organisations has the role of promoting the economic, social and environmental well being of the area. This role provides the foundation

Corporate Plan & Procurement Links



- > The potential for working with the future provider to deliver innovative approaches and continuous improvement.
- > The balance of potential costs and benefits in any change including the impact on the local economy and employment.
- > The balance of quality and price appropriate to the needs of the Council's service.
- > Consideration of the potential risks associated with each option.
- > Availability of specialist's skills and resources to manage the service by the Council.
- > Considerations of equality, sustainability and long-term impact in financial and environmental terms.

Types of Procurement

Procurement activity falls into two categories, low value, routine procurement and high value, major procurement.

Routine Procurement

Procurement of low value items by individual officers accounts for a significant proportion of council expenditure when aggregated across the whole range of Council services. Whilst flexibility needs to be maintained to ensure managers can respond to their own requirements, there needs to be sufficient co-ordination to enable good practices to be shared, benefits to be accrued from economies of scale and improvements to be identified.

Overall Framework for dealing with major procurements

The procurement process will consist of the following key stages:

- > Establish the strategic context at member level, including the policy framework and relevant objectives.
- > Research the maturity or strength of the market.
- > Consider (i) all procurement options available, and (ii) opportunities to aggregate contracts across service and break up or modularise contracts where advantageous to do so.
- > Select the preferred procurement option for detailed appraisal.
- > Consider available routes to deliver preferred option.

- > Select the preferred procurement route, in a comprehensive business case assessment.
- > Report to members with recommendations.
- > Draw up a clear programme and timetable to implement the chosen procurement route.

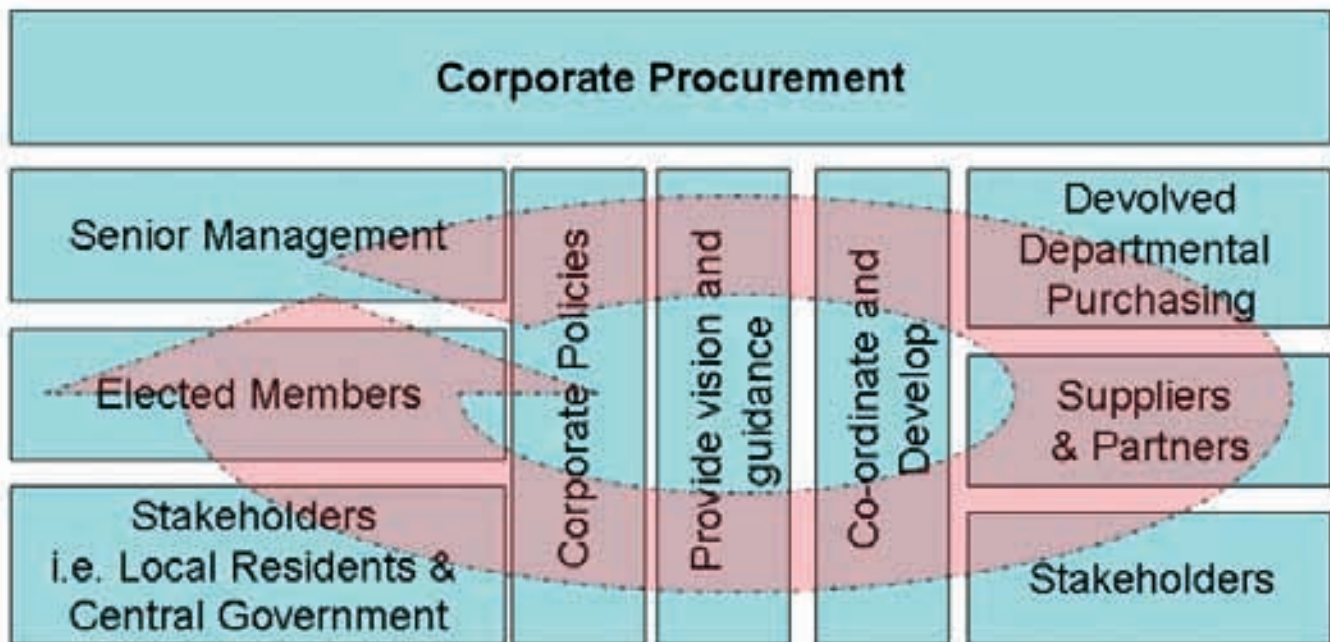
A corporate interdisciplinary group of officers has been set up to deal with the management of procurement issues, known as the procurement group. The lead of this group has overall responsibility for co-ordinating the procurement function, implementing these improvements, and integrating the procurement function in the best value framework.

Responsibility for Procurement

The responsibility for the procurement of goods, services and works lies with each chief officer, dependent upon their delegations, who will in turn seek member approval for larger purchases in accordance with standing orders. However, departments must act corporately in planning and carrying out procurements. In the case of goods and services in common use the Council will expect reference to be made to a common database and contract services framework in formulating contracts, and opportunities will be sought to maximise the potential purchasing power of the Council where appropriate.

Every procurement which results in a legally binding agreement will be managed and led by an appropriately skilled officer throughout the procurement process and during the life of the arrangement, who will be identified. Contracts will be managed against clear performance targets. The scrutiny committee will review the adequacy of these arrangements. Procurement is the subject of an annual report to the Council, which summarises and reviews progress of procurement undertaken throughout the Council.

The corporate structure of procurement takes the form shown on the next page. This structure allows for 360 degrees feedback and improvement. Those who undertake procurement on a daily basis can give feedback to those who provide the procurement guidance and vision. Thus the Council can continually improve and review the decentralised service.



Statutory Framework for Procurement, the Council's own Rules and Best Practice Principles for Procurement

The framework of rules for procurement are those determined by EC and UK law and those set out within contract standing orders, in that order of precedence. A review of the Council's financial regulations and contract standing orders is undertaken every two years to ensure that regulations and best practice guidance remains relevant. Responsibility for this review lies with the Director of Resources. The Council has set and published standards for the conduct of employees and requires adherence to these at all times. Officers dealing with suppliers will ensure the highest standards of honesty, integrity, impartiality and objectivity.

In dealing with suppliers and providers, the Council will ensure that there is an equal opportunity, for all who meet the stated criteria, to participate in bidding for requirements. Whenever requested, unsuccessful applicants will be provided with the reasons why and unsuccessful bidders will be given feedback. The Council will seek to remove obstacles to conducting business and will encourage participation in tendering by local businesses.

The Council will appraise offers received on the basis of whole life costing and will seek an appropriate balance between cost and quality in the evaluation in accordance with the Council's policy. In any

procurement the Council will consider the impact upon the market of particular ways of packaging and presenting requirements so that these are as attractive as possible, consistent with the needs of users.

Procurement Process Management

Records and procedures set out in contract regulations will be properly maintained. Decisions will be recorded and clear audit trails maintained in order to ensure openness, propriety and probity. The Council does not have a central procurement unit that manages procurement, the responsibility for undertaking procurement is devolved throughout the Council and resources required for procurement are reviewed by departments in relation to their individual needs. The use of electronic systems to reduce acquisition and transaction costs, as well as to improve and make procurement processes more transparent will be encouraged.

Tender Evaluation Model

The Council's contract standing orders provide guidance on how the Council evaluates tenders. The Council has a policy of evaluating tenders on the basis of a 40:60 ratio of cost to quality. This means allocating 40% of the evaluation score to the bid price and 60% to the technical and quality aspects of a tender. Each tender evaluation model can also be tailored to take into consideration the unique nature of a contract and issues considered

to be important to the Council. Issues to be considered include:

- Price
- Service
- Quality of goods or services
- Running costs
- Whole life cycle costs
- Technical merit
- Previous experience
- Delivery date
- Cost effectiveness
- Relevant environmental considerations
- Aesthetic and functional characteristics (including security and control features)
- Safety
- After-sales services
- Technical assistance
- Partnering
- Long-term relationships

For tenders that do not adopt the tender evaluation model, the Council advocates undertaking a best value for money approach and the basic criteria for this is:

- Lowest price, where payment is to be made by the Council
- Highest price, if payment is to be received

Contracts under £10,000 that are not tendered for should however be awarded based on achieving the 'lowest price' unless approval is given by the chief officer to secure a contract based upon a 'most economically advantageous' approach. Such an approach would adopt the 40:60 cost:quality tender evaluation model. The tender evaluation model in all cases should be prepared before officers invite tenders, using part or all of the above criteria and ascribing each with a relevant weighting. No adjustment to the framework is allowed after tenders are received.

The Council's Approach to Construction Contracts

The Council will also take in to consideration the Government's 'Rethinking Construction' regime, the objective of which is to improve the performance of the construction industry amongst both the private and public sectors through involving the supply chain in projects at an early stage. The aim is to deliver construction projects on time, on budget and defect free, thus meeting the needs of clients and users. This will be achieved through consulting with the private sector and other organisations at the conception stages of a project to ensure best

practice approaches and expert opinions are taken into consideration.

Approach to New Trading Powers conferred by Local Government Act 2003

The Council constantly reviews its approach to service delivery and the various options available to it. The procedure that must be followed for charging for discretionary services and power to trade is:

- All proposals must follow DCLG guidance
- The Borough Management Team must review and support
- If supported by the management team proposals will be presented to members at a relevant committee meeting for decision in the form of a report, which includes a full business case.

The business case is to include:

- SMART aims and objectives for the project
- The resources required by the project
- A risk assessment
- Details of contribution to the Council's objectives, community plan and other relevant documents
- Improvements the project will make to the Council
- Clear, realistic, and achievable information relating to the charging process, sums to be charged, procedures and structures.

Efficient and Effective Procurement

Best Value

The Council has a duty to deliver best value and the 4 C's of best value: "Challenge, Compare, Consult and Compete". This is recognised and taken into consideration throughout all procurement activities and is a guiding principle for the Council's work and delivery of services.

Value for Money

When the Council procures goods and services (including works) the decisions the Council takes on what to procure and where to procure from are based upon the principle of value for money, whilst having due regard to propriety

and regularity. Value for money does not involve ensuring the Council obtains the lowest initial price for a good or service, but it is based on the Council ensuring it obtains "the optimum combination of whole life costs and quality". The combination varies and is dependent upon the good or service being procured. The Council also ensures that goods and services it procures are procured competitively, unless there is an explicit reason not to do so. The level and form of competition however varies, and is based upon the value of the good or service being procured, and the complexity of the associated procurement process.

Training and Development

The Council currently provides training in procurement related matters to officers who will be involved in procurement via 'Financial Regulations and Awareness' and 'Procurement and the Council's Contract Standing Orders' training courses. Further training courses are provided to officers so that they are able to use e-procurement systems that have been implemented within the Council. E-procurement training is provided on a needs basis, as not all officers within the Council require access to e-procurement systems, and those that do have access, have different levels of access and thus require different levels of training. The Council will seek to establish competencies for procurement which will form the basis for procurement training and staff development in the future. It will ensure that all officers responsible for procurement and contract management are fully trained and conversant with the principles of good procurement and develop the feasibility of certificated training options based upon the established competencies.

A procurement guidance manual for officers will be developed by the Council. The purpose of this manual will be to ensure officers within the Council follow a consistent approach to procurement activities so that they are able to understand the changes that have taken place in procurement, to manage risk, and ensure that all procurement decision making and subsequent activity is in compliance with the Council's contract standing orders which form part of the Council's constitution (as well as legal guidance). The overall purpose of the manual will be to ensure that officers have greater confidence in managing the entire procurement cycle.

The Council has also set up a procurement working group, comprised of officers from across the Council. The purpose of this group is to gather and disseminate best practice guidance throughout the Council, and to assist in the strategic development of procurement within the Council. The group will also provide assistance to any department or officer who is procuring goods or services above the value of £50,000.

Collaborative Procurement

Collaboration involves the Council working with other organisations, whether they are from the private, public or third sector to:

- reduce prices through increased purchasing power
- improve process efficiency through sharing of resources
- share knowledge for general procurement improvements

The Council works with other organisations to achieve economies of scale and thus obtains goods and services at lower prices. The Council also takes part in procurement forums within Hertfordshire that seek to share knowledge and expertise regarding procurement, in order to improve procurement processes throughout the County. The Council acknowledges that sharing of resources will be key to improving efficiencies in the future, and thus will ensure that service delivery reviews consider the benefits that may be gained through this approach.

Partnerships with Suppliers

For the Council partnering means having sustainable and collaborative relationships with suppliers from all sectors, whether public, private, or voluntary so that services or major projects can be delivered, or supplies and equipment acquired. The benefits of undertaking a partnering approach to procurement have been identified as being:

- Better designed solutions
- Integration of services for customers
- Access to new and scarce skills
- Economies of scale and scope
- Investment
- Shared risk
- Community benefits

Different forms of procurement may require different forms of partnering. An item of low value in terms

of cost and importance is best procured internally without any need for partnering. However, an item of high value in terms of cost and importance, for example a leisure facility, may be better procured through a partnering approach.

Risk Management and Accountability

Risk management is a core part of the Council's corporate governance. In the context of procurement it is about ensuring procurement at the Council is delivered within a consistent structure, and that the Council makes decisions based upon a process that explicitly defines and supports better decision-making. This is achieved by providing a better understanding of the risks involved with procurement and their impact upon the Council. The Council's contract standing orders provide a specific control to reduce procurement related risk and define officers accountable for various stages of procurement. The Council will be seeking to define its approach to risk management and provide further information on risk management to officers within the revised procurement guidance manual.

E-Procurement

E-Procurement is an umbrella term that includes all technologies that automate internal and external processes related to procurement. The activities covered by e-procurement can be seen in the diagram below, they include sourcing, buying, commissioning, receiving and making

payments across the Council. The main objective of e-procurement is to allow the supply chain to be managed electronically.

Technology advancements can help to reduce costs associated with procurement processes, which allows resources to be released to other areas. This in part assists Councils with the objective of achieving efficiency savings, and releasing these resources to the front line as identified by Sir Peter Gershon. Whilst delivering savings, e-procurement can improve the management of information and assist in increasing collaboration efforts with other authorities. This in future may help the Council achieve greater economies of scale and allow the Council to share expertise and knowledge.

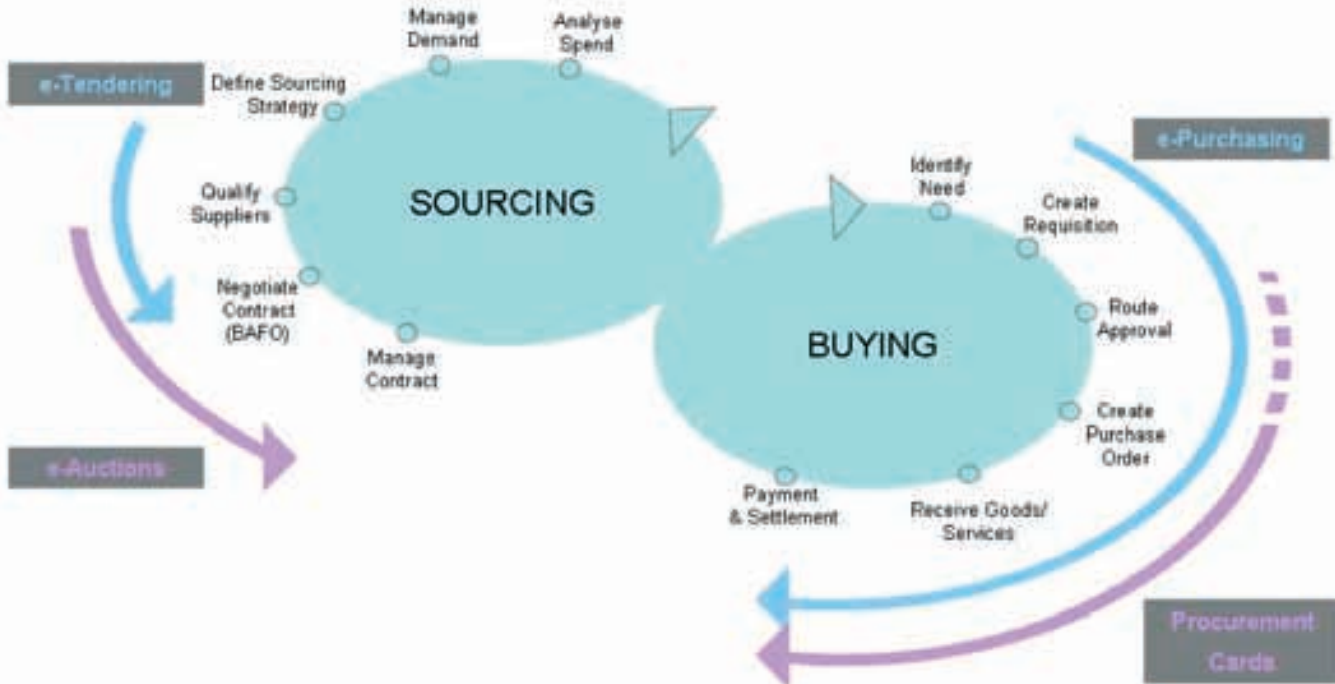
An e-procurement procure to pay map can be seen on the next page. This illustrates the e-procurement processes and technology involved with procuring goods and services.

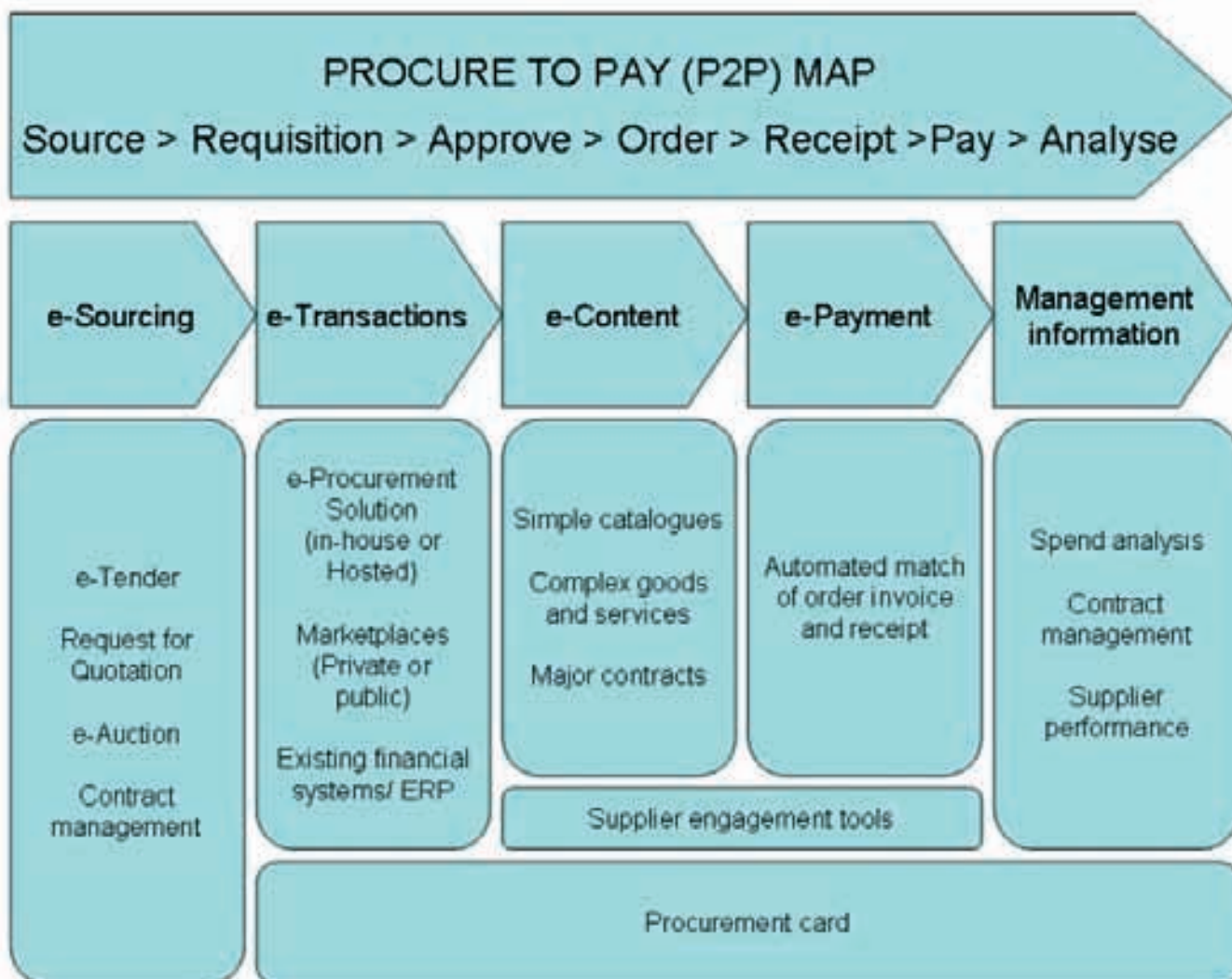
The Council will continue to diligently review e-procurement technologies and implement those that provide a sound business case, and can assist the Council to achieve its objectives.

Ethical and Socially Responsible Procurement

Sustainability and the Environment

Sustainable procurement considers the environmental, social and economic impacts associated with the products and services





purchased. It also involves working with suppliers to ensure the work or products they supply are sustainable. Sustainability should be built into the whole procurement process and should be considered at the earliest stage of procurement. Whole life costing is a key tool in obtaining best value whilst taking sustainability into consideration. When procuring goods and services the Council will consider not only the immediate environmental impact of procuring a particular good or service, but also the environmental impact of a good or service throughout the product's lifecycle or the duration of contract.

Equality and Diversity

Equality and diversity issues are not only important in relation to procurement, but are values that underpin how the Council as an organisation operates and is managed. The Council is committed to achieving equality of opportunity in everything it does. This includes ensuring that all procurement procedures comply with equality and diversity policies and

regulations, and that contractors providing a service on behalf of the council adhere to these policies and regulations. Equality and diversity also means ensuring that there is equality of opportunity for all suppliers and contractors, and the Council will seek to reduce barriers that exist for suppliers and contractors within this context.

Economic & Social Awareness

This can include supporting the local community and economy through procuring goods and services locally. Local businesses or social enterprises may be discouraged from tendering for local government contracts because of perceived or real barriers, in relation to bureaucracy or the availability of information. However not all goods and services can be procured locally, and to obtain value and quality it is not always appropriate to procure locally. Hence a balance has to be struck between taking local social issues into consideration and issues such as equality, diversity, value, and quality. The Council will take a proactive approach to

promoting local procurement opportunities, however the Council will ensure that increased procurement with local organisations and businesses achieves value for money and is competitive.

Fair Trade

The OGC define “fair trade” as covering a range of activities that are aimed at helping producers and workers in developing countries. One of the key objectives of fair trade is to help excluded and disadvantaged producers such as small independent farmers gain access to international markets and to receive a fair price for their products.

Whilst specifications for tenders cannot specify that fair trade goods and services have to be supplied, the Council can make it clear in advertisements and invitation to tender documents that fair trade options can be included in the products provided by the supplier. Contract documents can make it clear that, where the winning tenderer is able to provide fair trade options, such products should be made available, as required. However the contract itself should be awarded in the context of value for money and not on the ability of an organisation to provide fair trade products. Where a contract does not exist for the supply of products e.g. in a Council canteen supplying products to officers, the Council has fewer constraints on the supply or use of fair trade goods, as long as those providing the supplies ensure they obtain products through value for money guidelines.

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