



# **COMMISSIONING AND PROCUREMENT STRATEGY**

**2010 - 2012**

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## **Introduction**

This strategy is the third revision of the Broxbourne Borough Council procurement strategy, the previous two having been published in 2001 and 2006 respectively. This strategy encompasses the whole cycle of commissioning and procurement. The Comprehensive Spending Review (2007) makes clear reference to achieving value for money through smarter procurement with a projected saving of £2.8bn to be achieved across local government as a whole in the next three years. The Council hopes to use procurement to improve outcomes for service users and to deliver efficiencies and cost savings. Effective commissioning and procurement are vital to the Council and its partners to meet the needs of residents, deliver best value, and achieve the savings required. This revised strategy seeks to address feedback from the Council's most recent Use of Resources assessment in 2009 where a number of recommendations were made regarding improvements to commissioning and procurement practice and process.

The Council recognises that commissioning and procurement are key to delivery of services which:

- are designed to meet residents' and service users' needs
- are based on defined key outcomes
- are provided and paid for by the appropriate parties
- encompass best practice
- take account of future needs and developments
- demonstrate best value for money and make best use of available resources.

## **Aims**

The Aims of this strategy are:

- To ensure services and facilities are commissioned which meet the needs of residents
- 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 promote sustainable procurement and minimise the environmental impact of procurement activity

### **Instrumental aims of implementing this Strategy**

- Greater value for money
- Greater efficiency in procurement processes
- Improved partnership working with public, private, and third sector organisations

- Integration between procurement and the Council's sustainable community strategy
- Greater consideration of sustainability and equality issues

These objectives are reinforced by a cascade of objectives set out in the [Corporate plan](#), [Improvement plan](#), business plans and personal and team objectives. An action plan to support the implementation of these objectives is set out in *Appendix A*.

## Definitions

### Commissioning

Commissioning is the activity of assessing needs, resources and current services to develop a strategy to make best use of available resources to meet the assessed needs.

### Procurement

Procurement is the process of acquiring goods, works and services, covering acquisition from both third parties and in-house providers. The process spans the whole life cycle from identification of needs, through to the end of a works or services contract or the end of the useful life of an asset. It involves options appraisal and the critical 'make or buy' decision. (National Procurement Strategy for Local Government, (2003)).

### Commissioning and Procurement

In order to establish a robust strategy for any procurement and ensure effectiveness, it is good practice to undertake research before committing to a tender process in order to:

- Establish service user and business need.
- Identify future needs and developments.
- Define key outcomes.
- Question whether services need to be provided.
- Question whether other agencies should be meeting some or all of the need.
- Find out if other external organisations or departments within the Council have a requirement for the same goods or service
- Understand the strengths and weaknesses of current provision.
- Review best practice.
- Undertake market analysis, consultation and engagement.
- Establish resources available and how they can be most effectively and efficiently deployed.
- Consider future contract management arrangements for the new contract(s).

## **Responsibilities**

### **Responsibility for Commissioning**

Directors and Service Heads are responsible for commissioning in their service areas.

### **Responsibility for Procurement**

The Head of Community Planning and Corporate Projects has responsibility for leading on procurement guidance. Procurement activity is undertaken by service departments and is fully devolved. The corporate procurement group interdisciplinary group of officers has been set up to deal with the management of procurement issues. 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. Departments must act corporately in planning and carrying out procurements, and to share procurements for similar goods or services where possible. In the case of goods and services in common use the Council will expect use of existing contracts, and for new contracts to be advertised and let where a need is identified. Opportunities will be sought to maximise the potential purchasing power of the Council where appropriate.

Every procurement that results in a legally binding agreement in addition to standard terms and conditions, or is of high value (over £10,000 in total) will be managed and led by an identified, appropriately skilled officer throughout the procurement process and during the life of the arrangement. Contracts will be managed against clear performance targets. Contract management guidance for officers will be prepared. 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.

## **Statutory Framework and Rules**

The framework of rules for procurement are those determined by EC and UK law and those set out within contract standing orders. The Director of Resources reviews financial regulations and Contract Standing Orders every two years. 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.

## **Sustainable Community Strategy and Corporate Plan**

The Council in partnership with other organisations promotes the economic, social and environmental well being of the area by the recently refreshed Broxbourne Sustainable Community Strategy 2010-2021. The priorities of Broxbourne Council are revised each year; the delivery framework is shown in the corporate plan. Both the corporate plan and sustainable community strategy have cross-cutting

objectives which can be affected by commissioning and procurement decisions, including reducing inequalities, improving environmental sustainability and ensuring value for money.

## **Efficient and Effective Procurement**

### **Factors to be taken into account when procuring goods or services**

Factors relevant to the procurement decision are:

- Demand management – could the service be provided by other means, or could the need for goods be reduced?
- The Council's goals including those related to the service review 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.
- 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 services.
- Consideration of the potential risks associated with each option.
- Availability of specialist skills and resources to manage the service by the Council.
- Considerations of equality, sustainability and long-term impact in financial and environmental terms.
- Methods of evaluating customer satisfaction before and after procurement

### **Achieving best value**

The Council is committed to maintaining high standards and efficiency in procurement in order to deliver best value. Savings achieved can be used for areas of service priority. The following principles of best value procurement must be observed by all officers involved in procuring for the Council:

- Be open and transparent, comply with the relevant legislation and local governance and encourage competition.
- Focus on delivery of effective services that meet the outcome required.
- Reduce administration and transactional costs.
- Comply with this procurement strategy and the Council's corporate plan
- Deliver value for money.
- Comply with the Council's equality policy.

- Contribute to sustainable procurement aims and actively promote the well being of the environment.
- Implement robust contract management.

### **Collaboration and Public Buying Consortia**

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 the Hertfordshire Procurement Forum to share knowledge and expertise regarding procurement and to exploit opportunities for local collaboration. 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. The Council will always look to procure in collaboration or through existing consortia arrangements wherever they are available, appropriate and represent value for money. Through the Hertfordshire Procurement Forum the Council is linked to the “Supply Hertfordshire” web portal. Contracts are procured through OGC Buying Solutions and other public sector procurement consortia wherever it is cost and service effective to do so.

### **Competition and Competitiveness**

The Council will look to maximise and make best use of the market to provide services reliably, sustainably and ethically. The Council will also seek to develop markets where competition is weak to improve competitiveness, supplier diversity and capacity. Services that are already provided externally will be monitored and kept under review to ensure planned re-procurement is undertaken appropriately to enhance service delivery, harness innovation and deliver best value.

### **Types of Procurement**

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

#### ***Routine (low value) procurement***

Procurement of low value items (under £10,000) 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 requirements, there must be sufficient co-ordination to enable good practices to be shared, benefits to be accrued from economies of scale and improvements to be identified. A low value procurement guidance manual is available to officers.

#### ***Major (high value) procurement***

Major procurements are defined as being above £10,000 in value. 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.
- Report the award of contract to members
- Regularly report to members on the progress of the contract.

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**

Procedures as set out in contract standing orders and guidance manuals will be properly maintained. Decisions will be recorded and clear audit trails maintained in order to ensure openness, propriety and probity. 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. Detailed guidance on tender evaluation and the recommended models for scoring can be found in guidance manuals. Each tender evaluation can be tailored to take into consideration the unique nature of a contract and issues considered to be important to the Council. 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 prior 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.

### **Training and Guidance**

It is mandatory for all Council staff who will be involved in procurement to attend a basic training course, and for those staff who will be involved in major procurement to attend training on contract standing orders. Guidance manuals are provided for both low value and high value procurement with template documents. Template documents will also be made available through the Council's new Intranet.

### **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

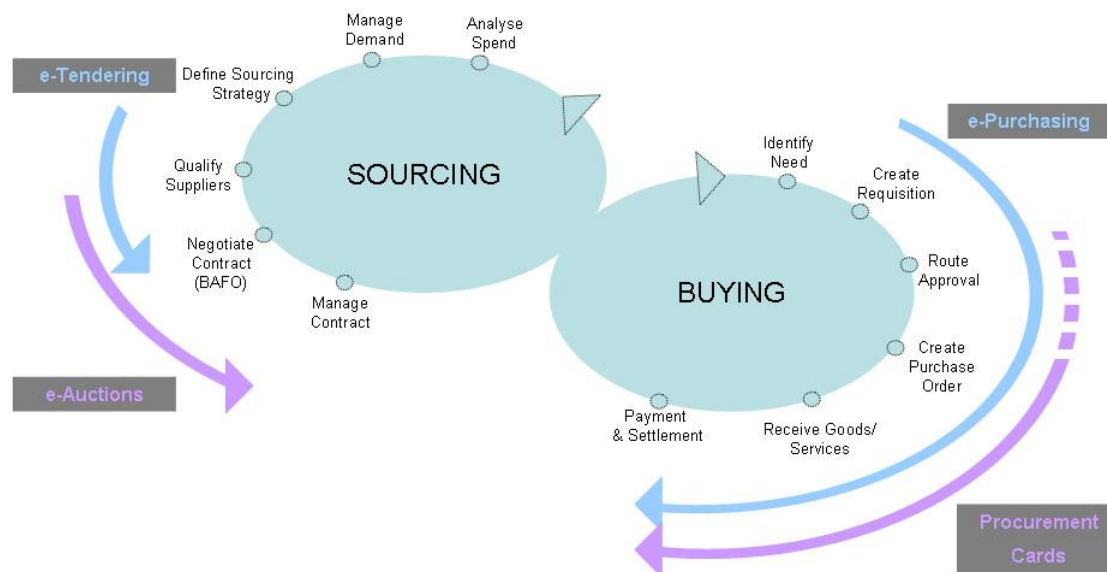
Different forms of procurement may require different forms of partnering. An item of low value in terms of cost and importance is best procured internally without any need for partnering. However, an item of high value in terms of cost and importance, for example a leisure facility, may be better procured 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.

### **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, receipting and making payments across the Council. The main objective of e-procurement is to allow the supply chain to be managed electronically.



Technological advancements can help to reduce costs associated with procurement processes, which then allows resources to be released to other areas. Whilst delivering savings, e-procurement can improve the management of information and assist in increasing collaboration efforts with other authorities. The Council uses electronic means to order and pay for all good and services, which enables automatic matching of orders and payments and analysis of spend. All contracts above £10,000 in total value are advertised on the Council’s website, which is linked to the Supply Hertfordshire web portal. Further electronic methods may be used in the future if they are proven to be effective and deliver value for money.

## 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. Sustainability should be built into the whole procurement process and should be considered at the earliest stage of procurement. 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. A guide to sustainable procurement is provided for officers.

### Equality and Diversity

The Council is committed to achieving equality of opportunity in its work. 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 any barriers that exist for suppliers and contractors.

## **Fair Trade**

The Office for Government Commerce (OGC) define “fair trade” as covering a range of activities that are aimed at helping producers and workers in developing countries. 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. The Council has decided that fair trade products must be widely available for internal catering, Council meetings, vending machines and public outlets.

## **Bibliography**

*National Procurement Strategy for Local Government in England*, (2003), Office of the Deputy Prime Minister

*Procurement Strategy*, (2001), Broxbourne Borough Council

*Procurement Strategy*, (2006), Broxbourne Borough Council

*Releasing Resources to the Front Line*, (2004), HM Treasury

## Draft Action Plan

Borough of Broxbourne Procurement Improvement Plan 2010-12												
Item No.	Area of activity	Priority	Area for Improvement	Driver	Actions	Who	Report to	When	Progress Update January 2010	Progress Update June 2010	Resources required	Anticipated outcome
2. 1. 1	Corp	1	Verify that services are consistently following Council procurement guidance, and are obtaining good value for money	UoR	Regular checks by internal audit. An audit of procurement within a specific departmental area to be included in the audit plan for each year, to cover the whole council on a rolling basis.	Julie Sharp	Scrutiny	Annual	In depth audit report of facilities management is in progress Rolling programme of procurement audits included in audit plan		Officer time	Value for money obtained and procedures correctly followed in a consistent manner
2. 1. 2	Corp	3	Demonstrate outcomes from engaging diverse groups in the commissioning process	UoR	Ensure needs identified through consultation processes with diverse groups are recorded and acted upon and new/changed services commissioned to meet needs.  Use Equality Impact assessments when commissioning a new service.	All Via procurement group.	All committees	Ongoing	Equality level 3 obtained by Council October 2009.		Officer time	Needs of diverse groups are acted upon and new/changed services commissioned if need be.
2. 1. 3	Corp	1	Ensure the procurement strategy is implemented and has delivered positive outcomes	UoR	Review of procurement strategy due for end 2009. to be a commissioning and procurements strategy. An implementation plan to be included in this review	Rosie Sanderson	P & R Then in annual report on procurement to Scrutiny	Feb 2010 then Annual	Procurement Strategy is scheduled for P & R committee February 2010		Officer time	Continual improvements in the procurement process to meet changing national guidance obtain value for money

## Borough of Broxbourne Procurement Improvement Plan 2010-12

Item No.	Area of activity	Priority	Area for Improvement	Driver	Actions	Who	Report to	When	Progress Update January 2010	Progress Update June 2010	Resources required	Anticipated outcome
			Measure efficiencies achieved		Develop systems to measure and record efficiency gains made through procurement	Rosie Sanderson	Scrutiny Committee	June 2010			Officer Time	Efficiency data relating to procurement activity is recorded and collated
2.1.4	Corp	2	Use of demand management to reduce demand levels	UoR	Embed need not want approach to procurement, and encourage sharing of resources	Procurement group	Successes to be included in annual report to scrutiny	Ongoing,	Process for reducing demand of Disabled Facilities Grant service agreed by P & R committee October 2009 Review of use of lease cars conducted prior to award of contract		Officer time	All procurement exercises are scrutinised at senior level to determine need
2.1.5	Corp	2	Analyse procurement expenditure corporately, identify off contract spend, and the scope for corporate efficiency gains	UoR	Undertake annual spend analysis using e5 system. Identify off contract spend and determine whether efficiencies can be made by either tendering a contract or making use of an existing contract.	Rosie Sanderson	Procurement group  In annual procurement report to Scrutiny	Dec 2009- Jan 2010  June 2010	Framework contracts awarded for small works and fencing and arboriculture during 2009 Further analysis of spend to take place Dec 2009.		Officer time	Reduction in off contract spend results in more efficient and effective procurement, reduces invoice processing and obtains best price
2.1.6	Corp	2	Evidence positive outcomes and customer satisfaction from procurement exercises	UoR	Integrate before and after measurement of customer satisfaction into tendering process	Rosie and procurement group	All committees, dependent on contract	Ongoing	The provision of vehicle cross overs is contracted out. Customer satisfaction surveys are carried out.		Officer time	Customer satisfaction is improved by procurement exercises

## Borough of Broxbourne Procurement Improvement Plan 2010-12

Item No.	Area of activity	Priority	Area for Improvement	Driver	Actions	Who	Report to	When	Progress Update January 2010	Progress Update June 2010	Resources required	Anticipated outcome
2. 1. 7	Corp	1	Make greater use of benchmarking of procurement costs. Investigate the scope for more shared contracts	UoR L2	Make use of Herts Procurement Forum to find out about sharing possibilities Encourage appropriate use of national and regional contracts	Rosie Sanderson	All committees, dependent on contract	Ongoing	New "Supply Herts" countywide initiative under pathfinder will aid shared procurement by aligning contract expiry dates, CSO etc. Training arranged for officer use of East of England procurement hub which provides access to shared contracts for the public sector			Use of shared contracts may deliver efficiency savings
2. 1. 8	Corp	3	Consistently apply sustainable procurement guidance and demonstrate positive outcomes from this	UoR	Ensure sustainability issues are included in evaluation criteria for assessing tenders. Collect evidence of consideration of environmental benefits when making procurement decisions and monitoring outcomes Monitor as part of rolling audit programme referred to in 1. 1 above.	Procurement Group Julie Sharp	Scrutiny	June Part of annual report on Procurement				
2. 1. 9	Corp	2	Elected members and council staff have a clear understanding of	UoR (Guidance for level 3)	Briefings for members and staff once revised strategy agreed,	Rosie Sanderson	P & R as part of report on new strategy	Mar-Jun 2010				

## Borough of Broxbourne Procurement Improvement Plan 2010-12

Item No.	Area of activity	Priority	Area for Improvement	Driver	Actions	Who	Report to	When	Progress Update January 2010	Progress Update June 2010	Resources required	Anticipated outcome
			how the commissioning and procurement strategy aligns with the sustainable community strategy and what it is designed to achieve.									
2. 1. 10	Corp	2	information on satisfaction with services and how it differs across different groups in the community is used to influence commissioning	UOR (Guidance for level 3)	Satisfaction surveys etc to be used to influence future commissioning				MORI survey to be carried out during 2010 will deliver data about service satisfaction ratings			
2. 1. 11	Corp	2	user friendly explanation of the commissioning and procurement strategy on the council's website	UOR (Guidance for level 3)	Add section to website when new strategy agreed	Rosie Sanderson	P & R as part of report on new strategy	Feb 2010				
2. 1. 12	Corp	1	identify and implement new ways of delivering services, e. g. the use of interactive websites	UoR (Guidance for level 3)				Ongoing	Need for planning document management system with automatic web interface for consultations identified to improve			

## Borough of Broxbourne Procurement Improvement Plan 2010-12

Item No.	Area of activity	Priority	Area for Improvement	Driver	Actions	Who	Report to	When	Progress Update January 2010	Progress Update June 2010	Resources required	Anticipated outcome
									<p>service to customers. Tenders due Nov. 2009.</p> <p>Planning documents to be accessible on Council website to aid consultation – target timescale March 2010 (based on decision/approval in Dec 2009)</p> <p>Introduction of mobile working solution for Building Control officers, go live planned in January 2010</p>			
2. 1. 13	Corp	1	Provide guidance for contract management		Produce guidance documents and include in procurement training	Rosie Sanderson	Scrutiny June 2010	March-June 2010	Good practice guidance requested and received from other authorities			Improved contract management and monitoring

Notes:

(i) Highest priority is allocated to those issues which will have most direct impact on the public, or /and which are urgent.