

Report for Resolution

Report to Executive
23 June 2010
Report of Head of Procurement and Service Improvement
Subject Procurement Strategy

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Purpose

The purpose of this report is to present a refreshed Procurement Strategy to the Executive for approval.

Recommendations

Executive approve the Procurement Strategy.

Financial Consequences

The financial consequences of this report are none.

Risk Assessment

There are no direct risks associated with the Procurement Strategy itself. There is a risk that without a current Procurement Strategy the authority is unable to demonstrate good procurement for the use of resources assessment.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority "One Council" and the service plan priority OC4 – achieve level 3 for our Use of Resources Score 2010-11

Executive Member: Councillor Waters - Corporate Resources and Governance

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Background Documents

Procurement Strategy and Plan 30 May 2007

Report

Background

1. The Executive approved a Procurement Strategy and Plan on 30 May 2007.
2. The 2007 plan was an ambitious undertaking to raise standards. Much of this first strategy centred on the processes around procurement such as purchase to pay processes and tendering processes.

Progress since the previous strategy

3. The following table shows the progress made against the actions identified in the previous plan

The key achievements since 2007 are detailed below

Key aim from 2007 plan	Progress to date	Key outcomes
Task 1: develop a contracts database.	Database in place and maintained by corporate procurement team.	Visibility of council's spending and contracts. Forward plan of procurement projects.
Task 2: Implement Oracle Purchasing.	Oracle Purchasing has been implemented fully rolled out since February 2008.	Visibility of the purchase to pay process, management information, identification of off contract expenditure, electronic authorisation and delivery of purchase orders.
Task 3: produce ordering procedures.	Ordering procedures produced.	Support users of the Oracle purchasing system.
Task 4: review contract standing orders.	New contract standing orders adopted by council on 18 March 2008.	Clearly defined governance and procedures.
Task 5: produce a purchasing guide.	Produced and added to manager's handbook.	Clear guidance for manager's and staff.
Note – there was no task 6 listed in the 2007 plan.		
Task 7: Review of city council's spend.	High spend areas identified as well as off contract spend.	Opportunities for reduction in cost, improved quality and appropriate risk management realised.
Task 8: Develop procurement skills across the city council.	Contract management training for officers managing CityCare contracts. Manager's handbook published and launched at manager's briefing. Procurement staff completing Chartered Institute of Purchasing and Supply	Improved knowledge, awareness and better analysis of procurement options at the beginning of the process.

	(CIPS) courses leading to level 3 and 4 qualifications.	
Task 9: promote the local economy and encourage local business to bid for city council business.	Local advertising of opportunities in the Eastern Daily Press. Notification to buy local opportunities.	Local businesses are aware of opportunities.
Task 10: make use of collaborative purchasing opportunities.	Procurement options analysis includes assessment of collaborative opportunities.	Various contracts in place through collaborative agreements.
Task 11: ensuring procurement issues are identified in the service planning process.	Service plans contain section for procurement requirements. Contracts database identifies recurring requirements.	Forward plan of procurement requirements.
Task 12: develop the use of purchasing cards.	Purchasing cards rolled out to over 80 users. Procedures reviewed and agreed with audit and finance.	Efficient use of officer time to purchase low value items.
Task 13: review central purchasing arrangements.	Central purchasing team re-organised to focus on value added activities.	New team structure in place with a budget saving of £25,000.

Key aims of the refreshed strategy

4. This Procurement strategy aims to support the implementation of the Sustainable community strategy and the Corporate plan. The strategy supports the effective use of resources and delivering value for money and sustainable outcomes for local communities.
5. The council's budget is already under pressure and this looks set to continue. The Audit Commission recognise the role of procurement in their use of resources guidance and the balance to be made between reducing cost and risk management. Procurement decisions will need to focus on both cost management and risk management to achieve value for money. There will need to be a clear decision making process supported by evidence and rigorous challenge.
6. This Procurement Strategy aims to support the Councils three driving principles of customer focus, continuous improvement and cost consciousness

NCC logo

Norwich City Council *Procurement strategy*

Draft 14 June 2010

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Foreword by Councillor Alan Waters



How the council procures goods and services has never been more important. Procurement now touches on every aspect of the work of the council from high level corporate strategies to frontline service delivery. I am therefore very pleased to present the *Procurement strategy* for Norwich City Council. Since 2007 when the first comprehensive strategy was published we have made significant progress in a number of key areas including:

- significant savings in areas such as electricity, payroll provision, pool car hire costs, solid fuel maintenance, staff survey costs, housing repairs and maintenance, refuse and recycling collection
- improved processes and options analysis
- incorporation of sustainability – including environmental, social and equality and diversity elements – into specifications, contracts and decision making
- implementation of an electronic purchase to pay system
- introduction of visa purchasing cards to reduce administration costs
- use of collaborative arrangements where these represent best value.

Looking to the future the council has ambitions to:

- make sure sustainability issues thread through all its procurement decisions
- ensure procurement decisions reflect the demands of customers and service users in a cost effective manner
- improve options analysis and early engagement of procurement staff in the process
- support the local economy with easy access to information about how organisations and individuals can find out about procurement opportunities with the council
- use procurement to make the most of scarce resources.

Introduction

This latest version of the council's *Procurement strategy* builds on the framework and principles set out in its predecessor¹. It is able to take advantage of the greater knowledge of the procurement² needs of the council, recognising there is still work to be done, as well as an increasing understanding of the relevance and value that effective and efficient procurement can have on supporting the delivery of the council's key objectives.

The first procurement strategy was adopted in 2007 along with a procurement plan which was an ambitious undertaking to raise standards. Much of this first strategy centred on the processes around procurement such as purchase to pay processes and tendering processes. These have been defined and implemented and the focus has now moved to improving the initial procurement decision making process to make sure all options are considered and that the final decision is justified and can demonstrate how the decision will meet the needs of the council and service users.

This *Procurement strategy* aims to support the implementation of the *Sustainable community strategy* and the *Corporate plan*. The strategy supports the effective use of resources and delivering value for money and sustainable outcomes for local communities.

The council's budget is already under pressure and this looks set to continue. The Audit Commission recognise the role of procurement in their use of resources guidance and the balance to be made between reducing cost and risk management. Procurement decisions will need to focus on both cost management and risk management to achieve value for money. There will need to be a clear decision making process supported by evidence and rigorous challenge.

¹ Version 1 dated May 2007

² Defined in the national procurement strategy as "the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers". The process spans the whole cycle from identification of needs through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical 'make or buy' decision which may result in the provision of services in-house in appropriate circumstances.

Background

The first procurement strategy adopted in 2007 was supported by an action plan which provided the key building blocks for procurement.

The key achievements since 2007 are detailed below

Key aim from 2007 plan	Progress to date	Key outcomes
Task 1: develop a contracts database.	Database in place and maintained by corporate procurement team.	Visibility of council's spending and contracts. Forward plan of procurement projects.
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Note – there was no task 6 listed in the 2007 plan.		
Task 7: Review of city council's spend.	High spend areas identified as well as off contract spend.	Opportunities for reduction in cost, improved quality and appropriate risk management realised.
Task 8: Develop procurement skills across the city council.	Contract management training for officers managing CityCare contracts. Manager's handbook published and launched at manager's briefing. Procurement staff completing Chartered Institute of Purchasing and	Improved knowledge, awareness and better analysis of procurement options at the beginning of the process.

	Supply (CIPS) courses leading to level 3 and 4 qualifications.	
Task 9: promote the local economy and encourage local business to bid for city council business.	Local advertising of opportunities in the Eastern Daily Press. Notification to buy local opportunities.	Local businesses are aware of opportunities.
Task 10: make use of collaborative purchasing opportunities.	Procurement options analysis includes assessment of collaborative opportunities.	Various contracts in place through collaborative agreements.
Task 11: ensuring procurement issues are identified in the service planning process.	Service plans contain section for procurement requirements. Contracts database identifies recurring requirements.	Forward plan of procurement requirements.
Task 12: develop the use of purchasing cards.	Purchasing cards rolled out to over 80 users. Procedures reviewed and agreed with audit and finance.	Efficient use of officer time to purchase low value items.
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Since the previous procurement strategy and plan were adopted significant improvements have been made in procurement. As we move forward we have a strong foundation to build on. The focus for the future is on sound decision making for procurement decisions based on the needs of the customer, continuous improvement and achieving value for money.

Strategic aims of the *Procurement strategy*

1. To assist in the delivery of the council's key objectives as reflected in the *Sustainable community strategy* and the *Corporate plan*.
2. To be an integral element in the council's effective use of resources and delivery of value for money services.
3. To provide a strategic framework to inform all council employees involved with procurement whether at operational or managerial level.

Appropriate officers have delegated responsibility for contract management and developing their own service procurement strategies although the procurement team will assist, advise and guide as required.

The strategic contracts manager is responsible to the head of procurement and service improvement for the effective delivery of this strategy.

This strategy reflects the procurement guidance and advice contained within the council's *Managers handbook* and the council's contract standing orders³. It is also consistent with and reflects the best practice of:

European Union Regulations and Directives
Public Contracts Regulations 2006
National Procurement Strategy
Office of Government Commerce (OGC) Guidance
Council Environmental Policy
Council Diversity Policy

Key principles

- a. Value for money – all procurement at Norwich City Council will be made with the intention of making sure best value for money is obtained. This is a balance between cost and quality and will be assessed on a case by case basis.
- b. Open, fair and transparent – all procurement within Norwich City Council must be and must be seen to adhere to these three key principles of public procurement.
- c. Sustainability – procurement must be completed in a manner that does not compromise resources for future generations.
- d. Through life costing – procurement decisions will be made by including due consideration to through life costing, not just cost at point of contract.
- e. Equality and diversity - we will use appropriate mechanisms to make sure our suppliers promote equal opportunity for the people they employ and in recruitment practices.
- f. Stimulating markets and developing supply chain.

In addition to the above key principles, the additional ones listed below are also fundamental to delivering the aims of the strategy:

- g. Strong leadership and effective contract management – options analysis and clear decision making processes must be promoted at the highest level in the council.
- h. High professional standards – all those involved in procurement must make sure they maintain high professional and ethical standards and understand fully the importance of adhering to the key principles.
- i. Legislative changes – central procurement should ensure policies and processes reflect the most current legislation and contract law.
- j. Staff development – to increase the capabilities of all officers involved in procurement through guidance and training.
- k. Effective stakeholder involvement – to ensure the product or service provided meets the requirements of all stakeholders. This will involve effective information sharing and consultation with stakeholders.
- l. Cost minimisation – take proactive steps to reduce the administrative cost of procurement.

³ Appendix 11 of constitution dated Apr 07

Implementation of the strategy

The implementation and subsequent success of this procurement strategy will be achieved by:

- a. Development of procurement policies, procedures, guidance notes and templates.
- b. Officers at all levels involved in procurement will receive appropriate training, advice and guidance to enable them to fulfil their procurement duties.
- c. Development of procurement performance indicators to monitor performance and target resources to ensure improvements.
- d. Developing effective procurement strategies that appropriately reflect the specific requirement. This includes consideration of consortia framework arrangements.
- e. Researching markets and suppliers to better understand the supply chain.
- f. Progressing towards an e-tendering system⁴.
- g. Balancing support for local purchasing and procurement while ensuring compliance with EU legislation.
- h. Promoting equality of opportunity for all suppliers to Norwich City Council.
- i. Continually reviewing our procurement practices, learning both from within and through consultation with other bodies such as the Regional Improvement and Efficiency Partnership.
- j. Consultation with employees and trade unions, primarily Unison, to agree policies for employee and union involvement at all stages of the procurement process.

Monitoring and reporting

Monitoring and reporting against this strategy will be via the procurement and service improvement strategic priority and resourcing plans that will support the delivery of the Corporate plan. Each year a procurement operational delivery and resourcing plan will be developed detailing the actions to be completed to deliver the strategy. This will be reported as part of the corporate reporting process.

⁴ Glover Report recommendation