

**Report to**    **Cabinet**  
                  14 September 2016  
**Report of**    Director of business services  
**Subject**      Procurement strategy 2016 - 2020

**Item**

**6**

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**Purpose**

To consider the *Procurement strategy* for the period 2016 to 2020

**Recommendation**

To approve the new procurement strategy for 2016-2020.

**Corporate and service priorities**

The report helps to meet the corporate priority value for money services

**Financial implications**

None

**Ward/s:** All Wards

**Cabinet member:** Councillor Stonard - Resources and income generation

**Contact officers**

Tracy Woods, business relationship and procurement manager                      01603 212140

Anton Bull, director of business services                                      01603 212326

**Background documents**

None

# Report

1. In early 2015 the procurement team underwent a restructure which changed the management reporting line to the business relationship manager, Tracy Woods.
2. Also in that year the Public Contract Regulations 2015 came into force; these implement the 2014 EU Public Sector Procurement Directive and some reforms, recommended by Lord Young of Graffham. They aim to make public procurement more accessible to small businesses.
3. During the last twelve months all the processes and procedures that give guidance and govern the procurement of goods and services in the council have been reviewed to ensure they are comprehensive, fit for purpose and legislatively compliant.
4. The Procurement Strategy is one of the documents reviewed. See Appendix A for the full document.
5. The first Procurement Strategy was published in 2007 and was subsequently updated in 2010 and 2012, therefore was in need of being brought up-to-date; to ensure it:
  - a) aligns with our current corporate priorities;
  - b) contributes to the transformation and savings program; and,
  - c) continues to build on maximising benefits from relationships that have been established, ensuring that our partners and joint venture companies, such as NPS Norwich Ltd deliver to this strategy.
6. This strategy has been reviewed by Justine Hartley, chief finance officer, and Councillor Stonnard, portfolio holder for resources and income generation.
7. It clearly states ten key procurement objectives which cover
  - a) processes and procedures
  - a) a focus on strategic procurement
  - b) incorporating social value objectives
  - c) governance to rules and regulations
  - d) enhancing the councils reputation
  - e) achieving and evidencing value for money
  - f) developing procurement skills
  - g) utilising e-commerce to achieve efficiencies
  - h) developing procurement

- i) a focus on performance management

8. Once approved the next steps will be to:

- a) publish this strategy on our website
- b) develop an action plan to deliver on these strategic objectives, working with cross cutting service area teams where appropriate
- c) launch a revised procurement citynet page, publishing all the revised procurement documents; Procurement Strategy, Contract Procedures, Procurement Guide and Contract Management Framework
- d) communicate and train relevant officers and
- e) discuss with our partners their contribution to these objectives and revised procedures to be followed.



## Integrated impact assessment



**NORWICH**  
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

### Report author to complete

<b>Committee:</b>	Cabinet
<b>Committee date:</b>	14-9-2016
<b>Director:</b>	Director of business services
<b>Report subject:</b>	Procurement Strategy 2016 - 2020
<b>Date assessed:</b>	10-8-16
<b>Description:</b>	Procurement strategy for the period 2016 to 2020

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Achieve and evidence value for money in all procurement arrangements, capture and record the benefits achieved, benchmark against peers. is a key objective of the strategy
Other departments and services e.g. office facilities, customer contact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	All procured services across the directorates will be impacted by the key objectives in this corporate procurement strategy
ICT services	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	All procured services across the directorates will be impacted by the key objectives in this corporate procurement strategy
Economic development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Working ethically and incorporating sustainability priorities including, local economic development, environmental, equality and diversity and other social value objectives throughout procurement activities is a key objective of the strategy
Financial inclusion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Working ethically and incorporating sustainability priorities including, local economic development, environmental, equality and diversity and other social value objectives throughout procurement activities is a key objective of the strategy
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Working ethically and incorporating sustainability priorities including, local economic development, environmental, equality and diversity and other social value objectives throughout procurement activities is a key objective of the strategy
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments

<b>Risk management</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Ensure all procurement activity is governed and complies with contract procedure rules and statutory regulations is a key objective of the strategy. A robust procurement procedure mitigates risk of costly challenge and regular performance management of contracts reduces risk of standards falling.
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Recommendations from impact assessment	
<b>Positive</b>	
Strategy is an overarching corporate view of procurement of goods and services for ourselves and partners, incorporating corporate priorities for value for money, also a prosperous, vibrant and fair city	
<b>Negative</b>	
<b>Neutral</b>	
<b>Issues</b>	





# Procurement Strategy 2016 - 2020

September 2016 v1.0

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## **Foreword by Councillor Mike Stonard**

### **Portfolio holder for resources and business liaison**



This strategy sees an incremental change to our vision for procurement as we have now established good procurement practice across the council. Systems and processes are now firmly in place to ensure that contracts are let that deliver value for money and are legislatively robust to minimise costly challenge.

The council's commissioning strategy provides the framework within which this procurement strategy sits.

The previous strategies focussed on systems, process and procedure and key principles. This strategy will continue to build on maximising benefits from relationships that have been established, ensuring that our partners and joint venture companies, such as NPS Norwich Ltd deliver to this strategy.

Service areas inform the specifications and evaluation to ensure that the suppliers will deliver the required services, involving service users where appropriate.

The council has a number of contracts and monitors performance to ensure that they deliver. The strategic aim continues to be to ensure that contract management is consistent across the council and that all social, environmental and economic factors are measured and monitored as part of contract management. Good relationships with suppliers will see continuous improvement encouraged through strong performance management and creating an environment where either party can promote changes to reduce costs and improve service delivery for the customer.

We will continue to use our procurement spend to create opportunities for employment through requiring apprenticeships. We also work with local businesses to make sure they are aware of our tenders and also how to complete the application in the best way. Our contracts require the payment of a living wage.

This procurement strategy will support the council to ensure that every pound spent on bought in goods, services or works delivers value for money and contributes towards achieving our wider social, economic and environmental objectives.

## Executive Summary

1. This strategy sets out proposals for the continued development of procurement by Norwich City Council over the next four years to meet the following vision:

“To procure goods, services and works by the most efficient, transparent, ethical and sustainable means, ensuring accountability, achieving value for money and deriving maximum benefit to support the Corporate Plan”.

2. The council is aware of the continued need for improvement, particularly in terms of supporting its corporate priorities, reducing costs in line with budgetary restrictions and adding social, economic and environmental value through its procurement activities.
3. To deliver this vision we have identified ten main objectives which are set out in this strategy and these will form the basis against which all future activities will be planned.
4. We recognise opportunities to improve service provision through better commercial contracting arrangements whilst upholding the core values of the council, to support the local economy, to procure from sustainable sources and to ensure that equality and diversity are fully considered in our evaluation of options.
5. Governance arrangements and reporting structures have been well established through the revised Contract Procedures and are embedded in the day to day procurement activities of the council.
6. Monitoring of all existing ‘platinum’ and ‘gold’ contracts (as defined in the Business Relationship and Contract Management Strategy and Guide) is essential and should be used as an opportunity to discuss performance with existing suppliers and contract managers with the objective of revealing opportunities to examine the competitiveness of each agreement.
7. The existing centralised procurement resource was reviewed in 2015/2016 and re-structured. It will continue to support service areas to procure their requirements whilst applying a level of corporate governance and acting as the point of first contact for procurement related matters.
8. The council will continue to work collaboratively with other organisations to investigate shared services models, where it is more efficient and effective to do so, in line with the design principles agreed in the Changing Pace operating model. As part of this collaboration benchmarking against other organisations will be encouraged.
9. Pursuing best practice in procurement is important and we are involved in a range of initiatives that require further development to contribute to the quality of the procurement service. We will work collaboratively with others both inside and outside the organisation and actively share learning and best practice.

10. The policies and procedures for contracting have been reviewed and simplified and are being applied more consistently across the council.
11. An electronic e-tendering system has been adopted and implemented and will be further developed. Early indications are that the system adds a whole new level of transparency for procurement opportunities offered by the council whilst saving both the council and its supplier's time and resources associated with publishing and submitting tenders and quotes.
12. Procurement guidance and early involvement in projects above the competitive tendering threshold values is embedded within the council and reduces the burden of chasing compliance at a later date. Continued involvement of the council's qualified procurement staff in all the stages of letting and renewing contracts (eg market warming exercises, preparing tender documentation, advertising, evaluations, awards, debriefing etc) will help to eliminate irregular practices and minimise the risk of challenge. The procurement team will be focused on supporting services areas and providing the required level of guidance throughout the process.
13. The existing Oracle purchase to pay system provides a level of automated purchase ordering for the whole council and this is an important feature of control. However, it has limited flexibility, is relatively labour intensive and does not readily offer some of the more advanced beneficial compatibility, user friendly and intuitive features of other systems that are now available on the market. The council is reviewing a potential upgrade or change of system to improve functionality and realise the associated benefits. This will require investment along with considerable staff time, effort and training. The whole system is more comprehensive than just being a procurement tool as it is the basic platform on which all financials either run on or interface with.
14. This strategy needs to be discussed, defined and publicised and all key stakeholders will be involved in agreeing the objectives and understanding their responsibilities. Once established, progress against the strategy will be reported against an action plan (details/priorities of that plan are to be determined by the business management group). Measurement should include the assessment of savings and efficiencies, but this must be carefully positioned so that it also takes into consideration the council's corporate social responsibility and the need to provide social value through procurement.

## **1.0 Introduction**

Definition of sustainable procurement:

*‘a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment’<sup>1</sup>*

Whole life is the period from the initial definition of the business need through to the end of the useful life of the asset or service contract, including disposal where relevant. Procurement has a far wider scope than “purchasing” or “buying”. It is about securing services and products that best meet the needs of users and the local community in its widest sense.

- 1.2. The purpose of this procurement strategy is to develop and share our approach to procurement and to enhance the adoption of best practice, including the coordination and governance of the function to ensure compliance with regulations and increase levels of efficiency and value for money. Continuing to take a more strategic approach through the support for service areas will provide opportunities to further develop efficiencies and generate savings. The whole council will contribute to and benefit from the improvements obtained.
- 1.3. Increasing pressures on budgets and the search for future efficiencies makes procurement activity a vital factor in the successful delivery of services. The council recognises that it should identify and adopt best practice to maximise the benefits available from all its commercial arrangements. Improvements are expected to lead to continued cashable financial savings, operational efficiency gains and wider benefits.
- 1.4. Support for procurement projects needs to be proactive to accommodate local and national initiatives. It must be capable of dealing with continually changing markets by researching and obtaining the most favourable arrangements.
- 1.5. This Procurement Strategy will be reviewed annually in the light of council priorities, the regulatory and commercial landscape and stakeholder needs. An action plan will be developed to implement this strategy and progress will be reported to the portfolio holder.

## **2.0 Procurement Strategy**

- 2.1 Public bodies achieve their objectives through a variety of routes, either by carrying out activities directly or by working with external parties in the public, private, voluntary and community sectors. The particular route of working with external parties is described as ‘commissioning’.

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<sup>1</sup> *Procuring the Future – June 2006 Department for Environment, Food and Rural Affairs*

- 2.2 Commissioning is the entire cycle of assessing the needs of people in a local area, designing services to address those needs and securing a cost-effective service in order to deliver better outcomes.
- 2.3 The corporate commissioning strategy can be found in the publication Commissioning Framework 2014. The Commissioning Framework specifies procurement, along with grants, grant aid and grants in kind as methods of externally sourcing the council's requirements.
- 2.4 The framework describes procurement as buying in services through a contractual relationship, and seeking to secure specific goods, works or services from third party suppliers which will meet the council's defined outcomes without specifying available resources.
- 2.5 Strategic procurement relies on the coordination and oversight of all procurement activities being managed within a professional discipline. The council requires sufficient visibility and control of procurement to be able to take decisions based on expert advice and guidance backed by market intelligence and research. The corporate procurement team needs to be influential and proactive so that it can coordinate all procurement across the whole council.
- 2.6 Procurement strategy must be aligned with the council's vision, mission, priorities and core values, whilst also taking into consideration the recommendations of the Local Government Association [National Procurement Strategy](#) (2014). Recognising the priorities within council policies is also necessary to ensure that the strategy is relevant to local circumstances and accurately reflects the key themes of the council. All decision making processes should encourage long-term thinking and commitment to strategic procurement issues.
- 2.7 Strategic procurement must include innovative ways of securing goods, works and services that best meet the needs of users and the local community in its widest sense. Strategic procurement is concerned with the end-to-end process, not simply the transaction of buying. It involves understanding the council as an integral part of the supply chain, not just a buyer of goods and services. It involves an appraisal of all viable supply options in order to assess the best value for money for stakeholders, identifying the solution that offers the optimum combination of whole life costs and benefits to meet customer requirements and manage the performance of contractors to deliver the identified outcomes.
- 2.8 Procurement involves considering options and making informed choices. To be most effective early engagement with end users is essential so that standards and service requirements can be discussed and determined. The selection of compliant procurement routes and relevant evaluation criteria will assist in making the most of market opportunities and matching user requirements.
- 2.9 Significant projects will be progressed through business cases and review stages and input from corporate procurement is essential to guide these processes. Option appraisals should be provided for consideration/approval and supporting evidence on service definition, risk assessment, shared services opportunities

and market intelligence is also required. A compliant procurement route will be selected as part of the approval process and detailed planning and programmes will be developed.

### **3.0 Resources**

- 3.1 The procurement team will be responsible for leading and supporting service areas conducting procurement activities, along with setting policies and standards. The scope and remit of this leadership and support can be found in the corporate 'Business relationship and democracy service plan'.
- 3.2 The procurement team will also be responsible for monitoring and supporting contract managers with the implementation and application of the Business Relationship and Contract Management Strategy.
- 3.3 Delivering strategic procurement requires skilled and experienced officers who are able to provide advice and guidance on all aspects of procurement and who have knowledge and expertise of how to apply best practice in obtaining value for money. The council has recognised this requirement and invested in training members of the procurement team to an appropriate level. If vacancies in the team occur, then replacement staff will also need to be trained to an appropriate level.
- 3.4 Due to the limited resources available for the procurement team it will need to continue to work with other organisations to share opportunities and identify best practice in order to keep costs to a minimum. These organisations include: Crown Commercial Services, ESPO, Procurement for Housing, Norfolk County Council, other district councils and the East of England LGA.

### **4.0 Governance, compliance & accountability**

- 4.1 All procurement activities must be conducted in compliance with the council's Contract Procedures and the Public Contracts Regulations 2015. Effective application of procurement across the council will continue to be delivered through the active participation and compliance of all those who control budgets and authorise expenditure as well as those with appropriate technical expertise/service experience.
- 4.2 The activities of the procurement team will be monitored at corporate leadership team level by the Director of business services and at council member level by the portfolio holder for resources and business liaison.
- 4.3 Processes are in place for any exemptions to contract procedures to cater for exceptional circumstances to be reviewed and approved where appropriate by the business relationship and procurement manager and chief finance officer (s151 officer).



- 4.4 The nplaw legal advice team and the monitoring officer will be engaged where appropriate in cases where legal and constitutional advice is required.
- 4.5 The approval routes and scheme of delegation are specified in the corporate Financial Procedures.
- 4.6 Once contracts or other procurement arrangements are in place, the council will ensure ongoing compliance with application of the Business Relationship and Contract Management Strategy. Performance monitoring against key performance indicators (preferably on an automated system) is an essential function to ensure that value for money evidence is being captured. The ongoing working relationship between the procurement team, contract managers and suppliers is vital to ensure successful delivery and development of the contract.
- 4.7 In most circumstances the evidence required to prove value for money can be obtained through competition. The regulations surrounding procurement are intended to promote 'transparent and fair' competitions and the way in which the council is obliged to advertise its requirements and conduct procurement is prescribed by law and its own contract procedures. The council has a duty to ensure that all procurement activities are properly managed and have appropriate measures in place to meet this obligation. Advice and guidance on compliance is available from the procurement team and an appropriate level of support will be provided for all forms of expenditure.

## **5.0 Value for money**

- 5.1 The council's drive to achieve value for money services will be linked to the government's efficiency agenda and the council's Medium Term Financial Strategy. These initiatives call for on-going cashable savings to be achieved in part through effective procurement leading to overall cost reductions. The council will analyse its expenditure and target opportunities to save money, rationalise the supplier base, increase competition and enter joint contracts with other public bodies where benefits are achievable.
- 5.2 Obtaining "value for money" means choosing the bid that offers "the optimum combination of whole life costs and benefits to meet the customer's requirement". This does not necessarily mean selecting the lowest initial price option and the evaluation of quality and the ongoing revenue/resource costs require thorough assessment as well as the initial capital investment. The term 'quality' includes social, environmental and economic benefits realised through a contract as well as the standard of the goods, works or services procured. The council needs to apply value for money principles in making all procurement decisions. Value is often confused with lowest price, however, throughout the contracting process, value for money requires a balance of quality and price to be considered. In this context price should take into account the whole life cost of the provision as far as is practicable.
- 5.3 Achieving value for money also requires challenging the need for the procurement and the way in which the service may be configured to achieve

improvements in service delivery and value. Managing demand at the initial stages is a key to reducing costs.

## **6.0 Risk management**

Risk management is an integral part of the procurement process and is, to a varying degree, present in all procurement activity. Any risks will be identified, assessed and managed accordingly, by the service areas involved, at an early stage of the procurement process. These risks may be financial, commercial, operational, environmental, economic, social or even reputational. Where necessary risks will be shared with stakeholders and opinions sought so that all decisions relating to procurement will be taken in the light of all the details.

## **7.0 Our objectives and what we will do**

- 7.1 Streamline processes and procedures and adopt innovative practice where appropriate to support the council's wider aims and objectives through effective use of financial resources.

- Review processes and systems
- Assess resources against requirements
- Norwich City Council to share its good practice
- Seek good practice from other organisations and share ideas

- 7.2 Provide a corporate led focus on strategic procurement, supporting service areas to achieve optimum outcomes from contracted services.

- Gather service area forward procurement plans
- Allocate resources against requirements and potential risks and plan activity

- 7.3 Work ethically and incorporate sustainability priorities including, local economic development, environmental, equality and diversity and other social value objectives throughout procurement activities.

- Identify categories of expenditure of significant risk or opportunity
- Support service areas in identifying potential for securing social value through procurement
- Ensure that where appropriate procured goods and services include sustainability criteria in their selection, eg carbon emissions, apprenticeships,
- Assess the advertising of opportunities to address any potential accessibility issues for local relevant organisations irrespective of sector.

7.4 Ensure all procurement activity is governed and complies with contract procedure rules and statutory regulations.

- Maintain up to date knowledge of legislation and be aware of upcoming changes and their impact
- Review contract procedure rules annually ensuring that they are both current and fit for purpose
- Provide guidance and updated materials as required

7.5 Enhance the reputation of the council with its partners and suppliers through professional supply chain management and communication.

- Develop and implement a local supplier engagement plan
- Undertake pre-market engagement where appropriate to gain market intelligence and 'warm' market where necessary
- Review supplier accessibility and ease of use of systems
- Ensure that requirements are bundled into lots appropriately
- Ensure that relevant requirements are cascaded through the supply chain, including prompt payment, equalities and ethical practices.

7.6 Achieve and evidence value for money in all procurement arrangements, capture and record the benefits achieved, benchmark against peers.

- Develop key procurement indicators and share with peers
- Undertake an annual review of expenditure to identify potential savings opportunities
- Embed robust mechanisms for capturing savings and other benefits
- Record and report achievements

7.7 Develop procurement skills and provide guidance, support and training for all service area staff involved in procurement activities across the council.

- Assess skills and knowledge requirements within service areas
- Review and adjust guidance to meet requirements
- Provide training as required

7.8 Utilise e-commerce to achieve transactional efficiency for all contracts and provide accurate and up to date management information.

- Collate procurement functional requirements
- Assess functionality and performance of current systems
- Plan and implement any changes required

7.9 Develop procurement collaboration with other public bodies, sharing services where appropriate and encouraging partnering arrangements.

- Ensure representation at county and regional collaborative procurement meetings
- Openly consider opportunities for sharing services and entering into collaborative arrangements

7.10 Embed appropriate contract management, ensuring a focus on the performance of contracts and delivery of intended outcomes and continuous improvement.

- Ensure procurement processes and specifications include requirements for contract management, including draft service level agreements and key performance indicators
- Support service areas to manage contracts effectively and provide guidance and templates as appropriate

## **8.0 Summary**

The 2016-2020 Procurement Strategy will be implemented through well managed action plans and will deliver a sound structure and framework to support ongoing procurement activity. This will enable the council to maximise opportunities, minimise risks and support several of its corporate priorities through good procurement practice.