



Wyre Forest District Council

Corporate Procurement Strategy

January 2008

CONTENTS

Pages

1. Introduction	3
2. Context	3-4
3. Scope	4
4. Vision for the future and procurement principles	4-5
5. Organisation	5-6
6. Knowledge of the supplier market	6
7. Process management	6-7
8. Procurement results	7
9. Working with partners	7
10. E-procurement	8
11. Sustainability	8-9
12. Equalities	10
13. Links to other Council policy documents	11
Appendix 1	Procurement Options
Appendix 2	Tendering for Contracts

1. **Introduction**

Corporate Procurement has an important role to play in assisting the Council to meet its aims and objectives by achieving value for money from the way in which it procures and delivers its services and also to ensure it uses its resources in an economic, efficient, effective and sustainable way. It is also essential if the Council is to achieve its efficiency target included in Comprehensive Spending Review 2007 (CSR07).

The Council's Vision states that:

"We want Wyre Forest to be a District with healthy, safe and flourishing communities that are supported by a strong and diverse economy. The local environment will be clean, inspiring and valued, where people are proud to live and work and are attracted to visit and invest."

The Council has further adopted a series of Corporate Themes and Key Priorities which underpin the Vision. Corporate Procurement is within the Corporate Theme relating to Improving Corporacy and Performance and the Key Priority relating to Efficiency. Within this priority, the key result area relates to Efficiency and Value for Money which forms one of the main elements of CSR07, of which procurement is one of the major workstreams.

The Council spends over £9 million each year on goods and services.

Areas of good procurement practice already exist within the Council and much work has been carried out in relation to agency staff, paper, vending machines and total print solutions amongst others. It is the intention of this strategy that such good practice should be shared and used as the foundation of a corporate approach to procurement. In this way the Council will be able to deliver value for money across all its service areas.

This Corporate Procurement Strategy will be kept under review to ensure that it reflects progress made together with any emerging best practice and changes in Government requirements. This will form part of the remit of the Procurement Working Group.

2. **Context**

The Byatt, Egan and Gershon reports with their focus on better procurement and increased efficiency, the Government's National Procurement Strategy, the drive for continuous improvement across our services and the need to procure in a more sustainable way have, together with Government White Papers and the recent publication of CSR07, been significant factors in the requirement to continually review and update the Corporate Procurement Strategy.

In June 2001 the Government published a report (“Delivering Better Services for Citizens”) following a review by Sir Ian Byatt on the state of procurement skills and practice in local government in England. The review highlighted the key role procurement plays in providing high quality public services and established the principles that should be followed to ensure best practice in procurement.

Following the publication of the Byatt review, procurement took on a much higher profile and the Government’s white paper “Strong Local Leadership – Quality Public Services” published December 2001, emphasised the importance of providing diversity and choice to consumers. Procurement and the management of partnerships is included in the Comprehensive Performance Assessment framework for district councils.

In October 2003 the Office of the Deputy Prime Minister and the Local Government Association published a National Procurement Strategy that included milestones to be achieved by all local authorities between 2004 –2006.

The Local Government White Paper “Strong and prosperous communities” published in October 2006 proposed ambitious efficiency gains to be achieved through collaboration across the public sector, greater use of business process improvement techniques and greater competition in local government service markets.

Finally, CSR07 was published in October 2007 and sets out a Value for Money Plan for meeting the efficiency challenge, working with the Regional Improvement and Efficiency Partnerships and focussing on smarter procurement to achieve the annual efficiency target.

3. Scope

Procurement is defined as –

“The process spanning the whole life cycle from initial concept and definition of business needs through to the end of the useful life of an asset or the end of services contracts”.

This strategy covers the procurement of all goods, services, works and utilities on behalf of the Council by its members, staff, agents and providers.

4. Vision for the future and procurement principles

To obtain value for money through the planned and appropriate management of procurement and supply chains in order to deliver high standard, cost effective, efficient and sustainable services to the District’s residents.

In order to do this we will:

- Use on-going measurement, review and development of the performance of the procurement process through the Procurement Working Group;
- Develop and embed a corporate approach to value for money procurement that is aligned with and supports the Council's core values and business needs and the National Procurement Strategy for Local Government ;
- Put in place a set of high quality processes and documentation that will structure the delivery of procurement activity;
- Develop the knowledge and skills of all those involved in the Procurement Process;
- Ensure that Wyre Forest District Council is seen as a "Preferred Customer" by providers;
- Use consistent application and compliance with standing orders, Public Procurement Legislation and procurement rules;
- Be customer and business focused;
- Use procurement systems, including the principles of e-government and use of ICT, to improve efficiency;
- Be aware of the effects on the local economy and recognise that local providers can deliver benefits in terms of sustainability;
- Support and encourage good sustainability practices and adopt the whole life cycle approach to procurement;
- Consult with employees, Trade Unions and stakeholders when and where appropriate;
- Risk manage the process.

5. Organisation

Strategic

The Financial Services Division has the overall role for strategic Corporate Procurement.

The Procurement Working Group operates with the following terms of reference:

- To formulate and review Corporate Strategy for Procurement;
- To take the lead in negotiating the renewal of all major contracts;
- To monitor progress against the National Procurement Strategy;
- To act as a central point of reference for all matters relating to Procurement and contract renewal;
- To promote best procurement practices throughout all sections.

The Group is chaired by the Corporate Procurement Officer. Group Membership comprises the Lead Purchasing Officers and advisors from all divisions.

It is envisaged that the group will meet bi-monthly and be convened by the Corporate Procurement Officer.

The Group will report through to Corporate Management Team and Cabinet etc as appropriate.

6. Knowledge of the Supplier Market

A thorough knowledge of the market for the provision of goods and services is vital when considering effective, efficient and economic options, as is an understanding of the Council's power in the market place in respect of pricing strategies and the ability to influence quality and innovation.

The minimum information required by the Council which should be updated as appropriate is as follows:-

- Information on whether or not the goods or services have been subject to previous tendering exercises, if so, when? Under what legislation? What are the contract expiry dates? Who is the current provider and who bid previously?;
- Number and location of suppliers;
- Measurable quality information for known suppliers;
- Size and reputation of suppliers;
- Environmental/ sustainable development credentials of suppliers;
- Recent relevant procurement innovations in the market place;
- Market share – what is the market within the District/County and how is this apportioned between direct and indirect provision;
- Are there non-providers providing related goods or services that could be interested in developing into a new market?;
- Would partnership and other public sector providers stimulate change in the market?

7. Process Management

Managing the Corporate Procurement Strategy requires that:

- Standing orders reflect the principles and set out appropriate delegation arrangements. These have recently been updated following advances in electronic procurement and changes in European legislation and have been adopted in the Council's Constitution ;
- Records and procedures set out in relevant Standing Orders and Financial Regulations are properly maintained, decisions are recorded and clear audit trails exist;
- The procurement process is adequately resourced and ICT solutions are fully utilised in order to reduce acquisition and transaction costs;

- The payment of suppliers is managed promptly and in accordance with the Council's policies and targets;
- Performance indicators and targets are maintained and regularly reviewed to ensure appropriate levels of compliance and to measure continuous improvement;

8. Procurement results

The level of results achieved will depend on how quickly the Council improves and uses its procurement capacity and expertise. In this context we mean the level of cash releasing savings we achieve through procurement which will count towards our efficiency target under CSR07.

Non-cashable savings from more efficient processes are still important since they represent operational improvements, although they will not count towards this target.

9. Working with Partners

The Council recognises that working with partners from the public, voluntary, private or other sectors can bring significant benefits which can be in terms of shared resources to deliver services, exercising greater purchasing power or value for money. Any procurement process will be approached on the basis of working in partnership either through a contractual relationship or other forms of formal and informal arrangements.

Partnerships can be structured in many different ways, and the Council will be open to all options that can be demonstrated to be effective.

Within this strategy it is not appropriate to determine the range of these, but to establish a commitment to exploring new ways of delivering services where partnerships are relevant.

Where there is a formalised bidding process for the provision of works or services, partners will be asked to:

- Demonstrate their track record in the effective use of the supply chain using small firms;
- Submit optional priced proposals for the delivery of specified community benefits which are relevant to the contract and add value to the community plan.

10. E-procurement

Electronic procurement is capable of delivering significant benefit to Wyre Forest District Council and is a means by which we can establish good procurement practice in the future.

Some savings are anticipated from greater controls over “off-contract” spending within the authority and reduced transaction and processing costs although these non-cashable gains will not count against the Council’s efficiency target.

There are many aspects to e-procurement including electronic purchasing (including ordering and invoicing), electronic tendering, purchasing cards which can be utilised to minimise the cost of the procurement process for both the Council and its suppliers and contractors. Improvement in E-procurement links in to the development of the financial management system to include the capacity to implement purchase order processing.

11. Sustainability

Sustainable purchasing is optimising the environmental and social benefits of procurement decisions in accordance with the principle of Value for Money. Buying with sustainability in mind can help us to:

- Achieve best value for money by taking account of whole life costs;
- Help us achieve our corporate aim of remaining committed to a better environment and the pursuit of sustainability where practical;
- Stimulate the market for cleaner, greener technologies to provide technical solutions to our environmental issues;
- Maintain and improve our standard of living; if we deplete our natural resources so that they are insufficient to meet future needs, then prices will rise and standards of living will fall (unless substitutes can be found);
- Improve our own health and that of the environment - efficiency reduces waste which pollutes the air, water and land and contributes to global problems such as climate change;
- Adhere to increasing expectations to deliver sustainable Procurement.

Whole Life Costing is a perspective which allows a purchaser to determine if it is cost effective to invest in a more expensive product initially to reduce costs in the long run. The important elements are:

- Direct running costs – for example, energy, water and other resource used over the lifetime of the product or service;
- Indirect costs – for example, the purchase of consumables associated with the product, or the increased loading on cooling plant from buying energy intensive equipment;

- Administration costs – for example, paying extra to dispose of hazardous products which require special handling and disposal;
- Spending to save – for example, investing in higher level of insulation to save energy and thus money in the future;
- Recyclability – encouraging markets for our own waste by buying recycled products;
- Cost of disposal – paying a premium at the outset to reduce waste; i.e. by choosing a product, which is more durable, reusable, recyclable, includes disposal costs or is free of hazardous materials, which require disposal in a special way.

There is a general perception that environmentally preferable purchasing is more expensive than the traditional alternative, but this is not always the case. Good procurement practice challenges the need for a purchase by questioning whether existing items can be refurbished or repaired for example. Reducing consumption provides clear economic benefits and can also reduce environmental impacts. It not only means buying less, it can also mean not choosing items with unnecessary packaging, thereby reducing waste and saving on waste disposal costs.

However, the concept that environmental benefits are worth paying for provided the financial cost is not excessive, is also implicit. Where an environmentally preferable alternative does cost more, the Council must decide whether paying a “green premium” is justified, after taking into account the whole life costs. It is important to make such matters clear at the outset of a procurement exercise. Sustainable procurement is entirely compatible with value for money and fair competition.

There is no generic formula that can be applied to assess whether an environmental benefit outweighs the extra cost. Therefore such decisions are necessarily a matter of informed judgement.

In terms of encouraging local small and medium business enterprises the Council will take steps to ensure that local businesses are able to compete effectively for contracts on offer, are made aware of future trading opportunities and are kept informed via our website of how they can win business with the Council. The guide “How to do Business with the Council” is available on the website. Much can be gained by enabling small, preferably local, firms to compete. The benefits include better levels of service (responsiveness, flexibility and quality) and increased competitiveness (as a result of smaller administrative overheads and lower management costs than larger firms). Many smaller firms survive by supplying specialist products or services which larger suppliers find unattractive because of limited demand.

12. Equality and Diversity

Wyre Forest District Council is working towards equality and diversity to ensure that the way we deliver services and provide employment is fair and just for everyone.

We will endeavour to treat all people equally and fairly whether they are seeking employment with the Council or are already employees of the Council, users of, or potential users of the Councils services, contracting to supply services or goods to the Council or seeking assistance from the Council.

The Council opposes all forms of unlawful or unfair discrimination on the grounds of age, disability, gender, race, religion or belief or sexual orientation.

Buying with equalities in mind helps the council to:

- Achieve best value for money by ensuring that the goods and services we are purchasing meet stated needs within the District;
- Stimulate competition and the creation of markets, by ensuring that the widest possible range of businesses and suppliers are involved in providing services to the District;
- Promote the local economy by giving local businesses opportunities to tender for contracts;
- Promoting good employment practice amongst contractors;
- Ensuring services are delivered fairly and on the basis of defined need.

The specification of any contract is a key document. Where that specification deals with the provision of goods or services which have a direct impact upon the public in general or specific groups or individuals in particular, it is vital that it is based upon clear evidence of need and agreement about how the service can be most effectively delivered. The key methods for ensuring this are:

- Consultation with potential users and communities etc;
- Impact assessments of new services.

All of the above should identify key views and issues, which a specification should deal with. For example, impact assessments will demonstrate what different communities want and think about a service.

Wyre Forest District Council will:

- Compile invitations to tender and specifications based upon an assessment of the full range of needs and views on the service concerned;
- Require all tenderers to demonstrate their company's approach to equalities and how they will meet council policies regarding equality of opportunity and access;
- Use its purchasing power to promote equality of opportunity and access for the people of Wyre Forest District.

13. Links to other Council Documents

Successful procurement links into a range of Council Documents and these are listed below:

- How to do Business with the Council
- Financial Strategy
- Standing Orders Relating to Contracts/Financial Regulations
- Asset Management Plan
- Annual Efficiency Statement
- Best Value Performance Plan
- Sustainability Strategy
- E-government Strategy
- Value for Money Policy
- Customer Services Strategy
- Equality and Diversity Policy

Procurement Options

Higher value/non-routine purchases

The procurement options that should be tested are:

1. Creation of a partnership with private, voluntary or other public agency to form a strategic or tactical contract/ agreement or joint venture
 - Public-private partnerships are about establishing arrangements (often a legally binding contract) that will bring benefits to both sectors. The Council is clear in its intention to create a partnership culture within the organisation regardless of the procurement option chosen, based upon shared objectives and commitment to the local community environment. The private sector needs to earn a return on its ability to invest and perform. The public sector wants to deliver services to the standard specified and to make the best possible use of public resources. The Private Finance Initiative (PFI) is one of the main mechanisms through which the public sector can improve value for money in partnership with the private sector although the use of this option for smaller district councils is probably not feasible.
2. Joint commission or joint delivery of the service
 - This option involves joining with other local authorities or public bodies to jointly provide or purchase services. It can include delegation of powers to another authority, pooling of budgets, working with other government agencies or arrangements with not-for-profit organisations.
3. Re-negotiate existing contractual arrangements
 - The re-negotiation of an existing contract or existing arrangements with current providers may occur where permissible. This would save the Council money on procurement costs. There is a requirement to:
 - Demonstrate a history of continuous improvement via performance data
 - Clearly demonstrate value for money
 - Put a time period on the extended arrangements with clear periods of notice
 - Agree a quality improvement plan as appropriate
 - Agree a cost fluctuation strategy as appropriate

4. Market testing and/ or benchmarking of all or part of the service for economy, effectiveness and efficiency

- Also referred to as voluntary competitive tendering, this refers to competition with an in-house bid. It may apply to all or part of the service
- A competition exercise for the provision of a service or for the acquisition of goods or works will be considered if the following circumstances are satisfied:
 1. The results of a Best Value or Scrutiny Task & Finish Review indicate that:
 - A different provider may deliver a better service;
 - The service is regarded as failing or not competitive.
 2. A business case or options appraisal indicates:
 - That a different provider may enable the Council to improve services over time
 - An alternative supplier/ provider is able to clearly demonstrate delivering high quality and cost effectiveness at little or no risk
 - The specialist nature of the service or work requires an appropriate supplier to undertake it, and the Council lacks the skills, expertise or resources to provide the service or works in-house to the required targets
 - Partnering may enable the Council to develop new skills and expertise
 3. There is a central government or legal requirement

Any business case or option appraisal will need to demonstrate:

- The cost of procurement and monitoring of the effectiveness and savings in the cost of alternative delivery over time
- After taking account of the impact on other service areas,(including shared overheads and support), there are still potential savings to be made
- There is no significant adverse effect on any other service areas.

5. Restructuring or repositioning the in-house service including setting up a new function/ unit to deliver the particular service/ services

- An improved in-house delivery of the service could be adopted, but subject to challenging continuous improvement targets being set based upon the top performing quartile of local authorities. In addition, a realistic action plan for the delivery and measurement of the improvement will need to be developed

6. Transfer of the service to an external provider, without including the current internal provider
 - Otherwise known as outsourcing, this involves competition without an in-house bid being submitted. This option includes circumstances when the Council's client role would be passed to another organisation. This may be a not-for-profit organisation or a public/private sector partnership such as a joint venture company. In these cases the Council would retain a residual interest (rights to nominate people to use the service, a seat on the board etc). This can include call off contracts.
7. Cessation of the service in whole or in part
 - Pull-out, withdrawal or cessation of the activity is not likely to be a feasible option for most of the Council's services. It might, though, be possible for aspects of a service and is clearly possible in cases where the Council has powers rather than a duty to deliver i.e. where the service is discretionary rather than statutory. It should be noted however that any cuts in service will not count towards the Councils annual efficiency target under CSR07.
8. Transfer some responsibilities to the community, trust or charity (including Parish Councils)
 - An additional option would be a hybrid approach when it might be decided that no single option is appropriate e.g. where the service area includes a variety of different activity types.

Consideration will therefore need to be given to the feasibility of "breaking-up" services that are currently treated as a single service or delivered through a single contract. Similarly, consideration will need to be made whether or not to amalgamate services currently delivered separately.

Any of these procurement options must:

- Meet the current and future needs and demands of the service;
- Meet the procurement principles outlined above;
- Be capable of improving economy, effectiveness and efficiency and contribute towards the efficiency gains required in CSR07;
- Deliver the policy objectives of the Council;
- Support sustainable procurement;
- Balance the risk with the desired outcomes.

In the context of best value the following also need to be taken into account:

- Challenging current perceptions of service requirements and methods of delivery;
- Consulting with stakeholders on how services can be delivered and improved
- Comparing Wyre Forest District Council with other providers to further develop best practice and benchmark costs
- Competition for service where the market is able to most effectively meet the Council's need

Lower value/ routine purchases

Procurement arrangements for lower value and/ or more straight forward purchases will need to demonstrate compliance with the principles of the procurement evaluation process. Although options available may be less wide ranging, the arrangements should comply with the aims of the procurement strategy in obtaining the right balance between quality and cost.

The Council will enter into authority wide contracts for the supply of goods, materials, works or services where there is a financial or administrative advantage. Consideration will be given to both:

- The potential for partnering, or consortia arrangements, as a means of achieving economies of scale and effort for procurement spend
- The value for money, greater competition and sustainability aspects that small local firms can bring to service delivery

Tendering for Contracts

The Council's requirements for tendering and receipt of quotations are included in the Council's Constitution by way of the Standing Orders Relating to Contracts which are available on the Council's website.

The following details are a summary of these requirements but where there are areas of doubt, reference should be made to the Council's Standing Orders Relating to Contracts.

Individual contract documentation will set out the requirements for tender completion and the tender evaluation criteria will include sustainability issues (along with other issues such as equalities etc). Contractors/suppliers will be scored on their demonstrable good practice.

Divisions will need to ensure that all tenders comply with EU Legislation and the Council's Standing Orders Relating to Contracts and Financial Regulations.

A guide on 'How to do Business with the Council' is available on the internet for potential suppliers/providers to view an outline of our tender process.

The following aspects should be considered when inviting tenders:-

Pre-planning and timing

- Inviting tenders takes time – preparing documents including specifications and conditions of contract, advertising, awaiting responses, evaluating bids, obtaining approvals and notifying tenderers of their success or otherwise.
- If a proposed contract has to be publicly advertised, the absolute minimum time necessary to complete the process would be six weeks. More realistically the process will take 3 months owing to the stages involved in tendering, evaluation and contract award.
- If the contract has to be advertised in the European Union, the process may take up to 6 months.
- If the new contract is to replace an existing contract make sure that you have planned sufficiently well ahead so that the new contract can start on expiry of the old contract.

Service specification

- The purpose of a service specification is to define the Council's objectives and detailed requirements to be provided and to set out the terms of the relationship between the Council and the contractor. So far as possible, requirements should be specified in terms of the output and performance, rather than how the contractor is to go about providing the service.

Pre-qualification

- For certain contracts it is good practice to follow a pre-qualification process. The purpose of pre-qualification is to promote strong competition by producing a shortlist of organisations that have a proven capability to perform the contract. Those that are unsuitable may be rejected and a selection made from the best of those that do meet the minimum requirement. Pre-qualification is designed to allow the assessment of potential tenderers' suitability and general competence, including their personal standing, economic and financial standing, technical capacity and ability.
- If a contract reaches the EU procurement rules trigger, these set out evaluation criteria and the evidence which may be taken into account in assessing tenderers' suitability. Any evaluation criteria should be set out in the OJEU (Official Journal of the European Union).

Invitation to tender

- The invitation to tender documents, sent to those organisation being invited to tender, would normally include amongst other things the specification, the conditions of contract, the pricing schedule, instructions for tenders, background information and a covering letter.

Period of contract

- The contract must be for a defined period which must be clearly stated in the tender documents. It is possible to make limited provision for the contract to be extended by agreement between the two parties but again this must be stated together with any qualifications to the said extension (e.g. subject to satisfactory performance).

Tender evaluation

- The purpose of tender evaluation is to select the tender that meets the Council's requirements and delivers value for money. The evaluation should be systematic, objective and well-documented to provide a clear and logical audit trail.
- There are two broad criteria for tender evaluations:
 - Lowest price
 - Most Economically Advantageous Tender (MEAT)

- You should always decide at pre-tender stage which criteria you will use and advise tenderers accordingly.

Debriefing unsuccessful tenderers

- A very important element of the tendering process is to debrief unsuccessful tenderers who request to know the reasons why they were unsuccessful. They have a statutory right to be told. Without disclosing commercially sensitive information with regard to the successful contractor or other bidders you should be prepared to explain the reasons behind the decision that has been taken such as, quality of products/ services, pricing (without disclosing actual prices), service considerations, non compliance with specification or conditions of tender.