

CORPORATE PROCUREMENT STRATEGY

2008/09 TO 2010/11

1 POLICY STATEMENT

- 1.1 The Council seeks to use its buying power strategically, to meet its objectives. It follows that all departmental buying activity takes place within a corporate framework.
- 1.2 The Council's objectives will be defined in its corporate plan, due for completion in Spring 2008. The corporate plan will itself be based upon the 25 year Vision for Leicester, which is currently subject to wide-ranging consultation.
- 1.3 The Council will use its buying power to meet the following objectives:
 - (a) To help achieve **a prosperous city where everyone meets their potential** by encouraging sources of supply which provide employment for local people, particularly skilled employment.
 - (b) To help achieve **a beautiful, vibrant, clean and green city** by promoting environmental sustainability through its procurement.
 - (c) To support the delivery of **quality services which promote equality and accessibility** by seeking to achieve the best possible supplies/services for the best possible price.
- 1.4 It is expressly recognised that there is some tension between these objectives, and that a commitment to local prosperity and environmental sustainability comes at a cost.
- 1.5 To meet the objectives, the procurement function will work to the following principles:
 - (a) **High Professional Standards:** All our procurement practice will be professional and remain fair, ethical, legal and transparent.
 - (b) **Simple and Proportional:** We will make our rules and processes as simple as possible, consistent with legal requirements and good practice, and proportionate to the value and risk of contracts; we will ensure our requests for information from suppliers are as simple as possible consistent with good practice; and we will provide model policies of our best practice when appropriate, rather than ask suppliers to design their own;
 - (c) **Continuous Improvement:** Where a contract is going to be run for a number of years, we will make sure that the contract is sufficiently flexible to provide for continuous improvement throughout the period of the contract.

- (d) **Risk Management:** We will assess the risks associated with the development and performance of contracts and manage these risks appropriately to the scale of the risk. This will include the risk of fraud and collusion and we will minimise the risk of fraud by clearly stipulating requirements for division of responsibility, promoting proper ethical guidelines for procuring officers, providing training, and ensuring effective management oversight of procurement.
- (e) **Equality and Diversity:** We will use appropriate mechanisms to ensure our suppliers promote equality of opportunity for the people they employ, and in recruitment practices.
- (f) **Business Continuity:** Where supplies or services are critical to the Council, evidence of business continuity and security arrangements will be obtained to minimise the risk of disruption.
- (g) **External Trading:** Provision of services to external organisations is encouraged, where this contributes to wider objectives of the Council or its partners. It is permissible in other circumstances.

1.6 Subject to specified exclusions, described in section 5, the Council has no preference for in-house over external procurement (or vice-versa): it will choose the most appropriate means to deliver the above objectives.

1.7 The Council will work with its partners on Leicester Partnership to secure strategic use of our combined purchasing power to meet joint objectives. This strategy will be updated accordingly once this has been done.

2 DEFINITION

2.1 Procurement is the process of acquiring supplies, works and services, covering acquisition from both third parties and in-house providers. The process spans the whole cycle from identification of needs, through to the end of a service contract or the end of the useful life of an asset.

3 BACKGROUND

3.1 The Council incurs around £200 million of revenue expenditure every year on supplies, services and works. Nearly 50% of this expenditure is with Small and Medium Enterprise (SMEs).

3.2 Responsibility for buying decisions in the Council rests with departmental business units, being the principal buyers. The Corporate Procurement Team is responsible for creating procurement policies and strategies, managing a group of corporate contracts, managing compliance with EU legislation and the delivery of training. Development of the procurement agenda is managed through an interdepartmental Corporate Procurement Group. The role and remit of procurement is championed at Cabinet level by Councillor Willmott, Leader of the Council; and at Corporate Directors' Board by the Director of Resources.

- 3.3 The Council has, for a long time, acted collaboratively in its procurement, through its membership of the Eastern Shires Purchasing Organisation. Prior to 2001, however, procurement was almost entirely a devolved function and (apart from ESPO) there were few initiatives to utilise the Council's overall buying strength to deliver its objectives. ESPO remains a key feature of our corporate procurement strategy, and the Council transacts around £50m a year of business through ESPO.
- 3.4 In 2001, responding to national initiatives, the Council created an improvement plan to deliver the National Procurement Strategy. This included the creation of the Corporate Procurement Team, and the Corporate Procurement Group.
- 3.5 Since that time, the Council has had a number of successes:
- (a) the National Procurement Strategy was largely delivered;
 - (b) the Council has been able to respond to the developing requirements of EU legislation;
 - (c) substantial efficiency savings have been made through aggregating the whole of the Council's purchasing for specific services in framework contracts;
 - (d) there has been successful regional level working, including stimulation of local markets.
- 3.6 However, there are lessons which have been learned, and which this strategy seeks to address:
- (a) there is still too much evidence of non-compliance with procurement procedures. This is believed to be a combination of making the rules too complex, particularly for small purchases; lack of planning at early stages of some procurement exercises; shortage of capacity both centrally and departmentally; and residual cultural resistance in small pockets of the organisation;
 - (b) procurement is becoming increasingly specialised and professionalised, and we continue to allow far too many people to make buying decisions. This, in part, contributes to the above;
 - (c) there is explicit recognition that some buyers have found the rules difficult to navigate, particularly ie for specialist supplies (such as creative industries), and that we need to make some things simpler.
- 3.7 These issues have, to some extent, been brought to the fore by a critical audit report into aspects of housing procurement.
- 3.8 The action plan seeks to respond to these lessons in the following way:

- (a) work is taking place to review contract procedure rules, making it easier to make small purchases which fall outside ESPO or other corporate arrangements and to engage specialists such as artists;
- (b) the forthcoming development of e-procurement will make compliance with procedures the “easy option”, whereas compliance can at present be more arduous than breaking the rules. In future, it will take additional effort to circumvent accepted principles, and the new Resource Management System will make such circumvention far more visible;
- (c) work has taken place to create a definitive list of authorised procurers, who must have mandatory accreditation by December 2008. Next steps will be to reduce the numbers who can buy on behalf of the Council.

3.9 The Council’s approach to procurement is defined in:

- (a) Contract procedure rules, which provide mandatory instruction on how to procure.
- (b) The procurement toolkit, which provides supporting guidance for practitioners.
- (c) A short guide to procurement for occasional and low value procurers.

3.10 The Corporate Procurement Team has developed an externally facilitated training programme which has been taken up by nearly 1600 officers. The programme covers seven mandatory modules (depending on the level at which an officer procures) and six elective options designed to meet some very specific job related requirements. Successful completion of the modules will lead to accreditation to the Council’s Procurement Practitioner’s Award.

4 REPORTING

4.1 Procurement is a function primarily delegated to officers, with significant decisions reserved to members. This takes place within an overall framework:

- (a) Cabinet is responsible for approving this strategy.
- (b) Cabinet approves an annual plan of procurement activity, and subsequent variations to that plan (this plan becomes publicly available in order to inform the market place).
- (c) Decisions on letting individual contracts need member consideration where EU limits are exceeded. This may be given in advance through the procurement plan.
- (d) The Performance and Value for Money Select Committee will receive twice yearly reports monitoring:

- (i) The delivery of this strategy.
- (ii) Achievement of the procurement plan.
- (iii) Performance of the procurement function.

5 IN-HOUSE SERVICE PROVISION

- 5.1 The Council's policy states that, subject to specific exclusions, there is no preference for in-house provision over external procurement. This section of the strategy describes exceptions and variations to that principle.
- 5.2 The following services will always be commissioned, in the first instance, from the Council's in-house capability. The head of the in-house team may provide the service in-house, or commission externally, as the needs of the work and available resource dictate. The balance between the 2 routes may change over time, and the services in question will provide means of demonstrating value for money:
- (a) Printing, via the Creative Services hub.
 - (b) Creative design.
 - (c) ICT.
 - (d) Buildings maintenance.
 - (e) Insurance.
- 5.3 The following services are normally provided internally, but may be procured externally if the head of profession advises that this is the most appropriate route. The external service provider will be engaged by, and report in the first instance to, the head of profession:
- (a) Financial services.
 - (b) Legal services.
 - (c) Property services (all aspects of building design and construction).
 - (d) Transport (other than for staff travel).
 - (e) Project management.
- 5.4 Where supplies or services are available through ESPO, ESPO shall always be used unless there is the prior agreement of the Head of Corporate Procurement.
- 5.5 Where, as a condition of grant, service is normally procured in-house or required to be procured elsewhere, such services should be procured by (and report in the first instance to) the relevant head of profession.

6 STRATEGIC OBJECTIVES

- 6.1 This strategy is supported by an action plan. This is split into the following themes:

- (a) **Providing leadership and building capacity:** to achieve procurement excellence by managing procurement strategically, and by using a highly skilled team of procurement professionals. In practice, the action plan over the next 3 years will deliver a category management approach to procurement, and help achieve the strategic objective of delivering the best possible supplies/services for the best possible price.
- (b) **Partnering and collaboration:** securing and sustaining successful partnerships with public, private and voluntary and community sector organisations, and thereby achieving the strategic objective of increasing sources of supply which provide employment for local people.
- (c) **Doing business electronically:** making best use of the new resource management system to reduce the cost of the procurement process, to improve the quality and timeliness of procurement information, and to improve control.
- (d) **Stimulating markets and achieving community benefits:** building a diverse, innovative and competitive supply base, which delivers the objectives of the Council described in the procurement policy above; which produces local economic and environmental benefits and encourages social enterprises.
- (e) **Maintaining effective control:** in particular responding to an earlier audit report into housing procurement through a contracts improvement plan.

7 ACTION PLAN

7.1 Providing Leadership And Building Capacity

Our Current Position

- (a) We have appointed procurement champions at Cabinet and corporate director level to demonstrate the strategic importance of procurement to the Council.
- (b) We have a Corporate Procurement Team to support buyers Council-wide, and to facilitate change.
- (c) As a member of ESPO, we use this Consortium for catalogue purchasing and framework contracts.
- (d) We make use of corporately negotiated framework contracts which are available to all departments.
- (e) We have a corporate procurement toolkit to guide buyers through the process.

- (f) We have initiated a programme of procurement projects to make efficiency gains and have delivered £3.6m of cashable savings.
- (g) We have adopted Prince 2 as the corporate project management methodology.
- (h) We have undertaken a skills analysis to assess Procurement training needs for the authority and have developed a full training programme.

Our Future Plans

	Year
We will further reduce the costs of supplies and services by a cumulative total of £3.5m by 2011 through the implementation of a strategic approach to procurement. This will contribute to the Council's overall efficiency target of £30m set by DCLG.	1 – 3
We will establish a professional network of dedicated 'category managers' who will be responsible for managing our procurement activity for related supplies and services. Most category managers will be embedded within specific service areas to ensure that a close link is maintained with operational activity. Each category manager will also maintain a close working relationship with the Corporate Procurement Team and ESPO buyers.	1
We will strengthen the role of the corporate procurement function so that it can act as a change agent, responsible for strategy, policy, guidance, developing electronic procurement tools, co-ordinating procurement through our category management network and undertaking compliance monitoring.	1 – 2
We will develop sourcing plans for each individual procurement category. These plans will clearly identify how, when and where efficiency savings are going to be delivered and will be reviewed on an annual basis.	1 – 3
We will aim to control our consumption of and demand for corporate supplies and services, such as stationery, consultancy, travel and venue arrangements.	2
We will continue to embed good practice across procurement spend categories, for example by ensuring the procurement toolkit is regularly updated and continuing with the development of a standard corporate terms and conditions of contract.	2
We will adopt a common project risk assessment framework and will develop staff guidance on how to use gateway controls to manage project risk.	2 – 3

	Year
We will ensure that elected members have an awareness of the procurement process sufficient to meet their identified needs and to enable them to exercise their roles as Executive Member, Scrutiny Member or member of the Corporate Governance Committee, as appropriate.	1
We will introduce an accreditation scheme into our comprehensive training programme.	1
We will review contract procedure rules to provide greater structure to significant procurement exercises, and greater flexibility for small and specialised exercises.	1
We publish the Contract Procedure Rules on the intranet and internet and put in place arrangements for an annual review of their content to make sure the Rules remain up-to-date.	1
We will review and improve procurement communications, and access to standard information such as approved suppliers.	1
We will establish a buyers' forum to complement CPG, comprising category managers.	1

How We Will Measure Our Performance

Performance Measure	04/07	Targets 08/09	Targets 08/11
Percentage of National Procurement Strategy milestones completed.	80%	90%	100%
Contribute to the expected £30m efficiency savings by making savings in procuring goods and services.	£3.6m	£2.0m	£3.5m

7.2 Partnering And Collaboration

Our Current Position

- (a) We already have a good track record of being involved in collaborative procurement through, for example, our membership of ESPO.
- (b) We are working with Leicester Partnership to refine our procedures for engaging within the market, and are working with the Partnership to develop a new strategic commissioning approach.

- (c) We have concluded a Compact, a partnership agreement, which provides a framework for the way in which the voluntary and community sector organisations in Leicester work together.
- (d) We are actively engaged with the East Midlands Regional Improvement and Efficiency Partnership (RIEP) and participate in the Leicestershire and Rutland Procurement Forum and the Midlands Procurement Forum.

Our Future Plans

	Year
We will make sure that any framework agreements and contracts we let (or participate in) are open for use by a wider audience so that others may benefit from them.	1 – 3
We will review our relationship with ESPO, to ensure the most appropriate use of them is made by the City, and to provide greater flexibility in ESPO contracts where sought by our users. We will also monitor our use of ESPO as well as ESPO's performance through agreed performance measures.	1 – 3
We will work with ESPO to standardise and, where appropriate, reduce their range of supply to increase our cost efficiency.	1 – 3
We will continue the consolidation of the number of suppliers in certain procurement categories to enable us to improve the management and the quality of our supplier relationships. We will do this by minimising duplicated suppliers (that is, multiple suppliers of the same supply/service) and by evaluating the remainder to determine those which are 'strategic' in terms of their level of activity and the relationship of the supplies or services to our objectives.	1 – 3
We have 53 suppliers which account for more than half of our procurement revenue spend. We are introducing processes to monitor and report corporately on the performance of these key suppliers (by value of spend) to help ensure the successful delivery of services.	1 – 3
We will aim, where appropriate, to transact only with pre-approved suppliers. This will also help us to achieve greater levels of contract compliance.	1 – 3

How We Will Measure Our Performance

Performance Measure	06/07	Targets 08/09	Target 08/11
Percentage of procurement spend supported by ESPO.	To be established		
Level of satisfaction with ESPO.	To be established		

7.3 Doing Business Electronically

Our Current Position

- (a) Our vision for effective electronic procurement is a corporate, integrated procurement solution based on the Council's new Resource Management System that encourages leading edge practices, streamlined processes and demonstrates real value to the Authority.
- (b) Our preferred approach is to do business with our partners and suppliers through electronic means. This includes electronic ordering and invoicing, BACS payments and self-billing. This is dependent upon our partners' ability to transact in this way.
- (c) We are participating in a programme of reverse electronic auctions run by ESPO and funded by the RCE-East.

Our Future Plans

	Year
We will roll out an electronic ordering process for standard commodity type transactions across the Authority from 2009 onwards. This will provide the mechanism for electronic requisitions, electronic authorisation, budget commitment, confirmation of supplies received, electronic matching between invoice and order, and the final payment. It will greatly simplify these transactions for buyers and improve contract compliance and management information.	2 – 3
We will review the need for corporate payment or credit cards, with a view to increasing their availability for some purchases.	1
We will review the offers contained within existing catalogues and where possible, reduce the range in order to increase efficiencies.	1
We will, through our Category Managers, work with our key suppliers to introduce web-based interactive catalogues as a precursor to the introduction of a full e-Procurement solution.	1

	Year
We will continue to work with all suppliers to ensure where possible they can receive orders, despatch invoices and receive payments electronically.	1 – 2
We will, along with key stakeholders, create an electronic procurement policy for both the internal and external market.	1
We will continue to work with our suppliers to reduce the numbers of invoices received, to reduce processing costs.	2 - 3
We will continue to assess the capability of our suppliers to trade electronically with us and will run supplier adoption seminars to provide further information and training.	2 – 3
We will investigate the costs and benefits of other electronic procurement methods, including self-billing, e-marketplaces and e-invoicing to help develop our approach to procurement technology and the delivery of efficiency savings.	1 – 3
Until this evaluation of alternative methods has been undertaken, we will continue to use the Vault System for e-Tendering.	1 – 2
Taking in to account the views of our suppliers we will also investigate through ESPO the use of an electronic tendering solution and review the possibility of including an e-mail alert for our suppliers.	2 – 3

How We Will Measure Our Performance

Performance Measure	04/07	Targets 08/09	By 10/11
Value (£) of orders placed electronically (inc GPC)	£0.01k	£0m	£3.00m
Percentage of payments made within 30 days	92%	95%	100%

7.4 Stimulating Markets And Achieving Community Benefits

Our Current Position

- (a) We have published a 'Doing Business Guide' on our corporate website to explain how to do business with us and to provide contact details for service areas.
- (b) Details of forthcoming bidding opportunities are available through ESPO's website: <http://www.espo.org/index.asp?CMD=CTR>, and on

the Council's website www.leicester.gov.uk, together with details of recently awarded contracts to help stimulate local supply chains.

- (c) We have participated in supplier workshops, funded by the RCE-East Midlands, with other councils in Leicestershire and Rutland to talk about potential bidding opportunities and to explain our requirements. We have helped to launch a new website which we maintain with our neighbouring authorities <http://www.sourceleicestershire.co.uk> to make information on potential tender opportunities even more accessible.
- (d) We have achieved Level 4 of the Equality Standard, which means that we have introduced processes of assessment and consultation in policy and service development and service delivery. There are specific actions on how we work with our suppliers to ensure that they too meet their legal obligations.
- (e) We have also adopted the guidance set out in the Commission for Racial Equality document "Race Equality and Procurement in Local Government"
(<http://www.equalityhumanrights.com/Documents/Race/Public%20sector/Race%20equality%20duty/Government/Local%20government%20procurement%20Race%20equality%20duty%20guidance.pdf>).
- (f) We have developed and published a guide to sustainable procurement.
- (g) We have signed up to the National Procurement Concordat for Small and Medium-Sized Enterprises.
- (h) We have undertaken a detailed analysis of our supply base to identify our expenditure with small and medium-sized enterprises (SMEs) and to give us a better understanding of the impact on our purchasing activity upon the local economy. We will also participate in a regional and sub-regional analysis of supplier/spend activity being funded by the RCE-East Midlands.
- (i) We have led two significant projects to develop SME's ability to do business with the Council.

Our Future Plans

	Year
We will revise the guide to doing business with the Council, and help SMEs work within public procurement expectations.	1
We will work with the voluntary and community sectors on the best way to implement the good practice recommendations laid out in the "Think Smart – Think Voluntary Sector" Guidance Document. (http://commercial.homeoffice.gov.uk/documents/thinksmart.pdf?view=Binary)	1 – 3
We recognise the role that consumers can play in improving the terms of trade for developing countries and will work with our suppliers to maximise the use of Fairtrade products wherever possible.	2 – 3
We will review the policy and guidance for staff on environmental purchasing, so that staff address environmental issues at all stages of the procurement process. This will include the purchase of resource efficient products, supplies with recycled content.	1 – 3
We will work with suppliers to help them meet their equality obligations and understand our equality approach.	1 – 3
We will work with our key suppliers to help them improve their environmental performance and to understand our environmental approach.	1 – 3
We will continue to support the Sustainable Procurement Agenda in all contracting exercises.	1 – 3

How We Will Measure Our Performance

Performance Measure	05/06	08/09	09/11
Percentage of Council business done through SMEs.	48%	50%	55%
Key suppliers working with the Council to embed the Sustainable procurement Strategy.		25%	75%

7.5 Maintaining Effective Control

Our Current Position

- (a) Contact and Finance procedure Rules govern the processes Officers must follow when procuring supplies, services and works.
- (b) Compliance has historically been tested by Internal Audit as part of their Annual Audit Plan. The Audit Commission also undertake audits on a lower frequency.

Our Future Plans

	Year
All Departments will create and maintain a list of Officers authorised to procure.	1
All Departments will put in place a system to confirm adequate insurances are maintained by suppliers throughout the life of a contract.	1
Corporate Directors will produce annual assurances that devolved arrangements are operating effectively in their departments.	1 and ongoing
We will establish a training programme leading to accreditation whereby Officers nominated to procure are suitably trained.	1 and ongoing
We will review job requirements of officers involved in procurement at the time of recruitment, to ensure essential skills are included.	1
We will establish an executive training event for Members, providing an overview of procurement.	1
We will update the Procurement Toolkit to clarify responsibilities and mandatory requirements.	1
We will enhance the existing contracts registration system to minimise the opportunity for contracts to be omitted and to provide a long-stop control over priceover.	1
We will review and reduce the numbers of officers who can make decisions about source and type of supply, as part of the introduction of e-procurement.	2 – 3

8 RESOURCES TO DELIVER THE PLAN

It is anticipated that the strategy can be delivered with an additional complement of 2 procurement staff to the present establishment.

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Corporate Procurement Group Membership

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Sue Oliver	-	Resources
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Adam Archer	-	CXO
Peter Stephens	-	A&H
Pradeep Gadhok	-	A&H
Helen Lansdown	-	R&C (Sustainability)
Vacant	-	CYPS
Jean Geary	-	Resources