



Leicester
City Council

**WARDS AFFECTED:
ALL WARDS (CORPORATE ISSUE)**

CABINET

29th JANUARY 2001

BEST VALUE REVIEW PROCESS – YEAR ONE: PROCUREMENT

Name of Lead Director

Mr Mike Forrester, Director of Housing

1. PURPOSE OF REPORT

1.1. To seek Member consideration and approval of:

- (i) the Improvement Options put forward as a result of the Best Value Review;
- (ii) the implementation of the City Council's Best Value Review Process to date in respect of this review;
- (iii) the assessment of the review against the Audit Commission's "Seeing Is Believing" criteria.

2. SUMMARY

2.1 This report sets out the results of the Procurement Best Value Review to date and provides the information and options for Member consideration prior to finalising the improvement plans for implementation. Key supporting information is appended and referenced within the report and full documentation is available on file in the Members' Library.

2.2 Members are aware that the reviews have been undertaken against a thorough process and very tight deadlines. The difficulties resulting from this allied to the recent introduction of a performance management framework within the Authority lead, as would be expected, to a significant amount of

learning and development for both the process and the participants. Evaluation of this year's review activities and recommendations for next year form the basis of a separate report.

- 2.3 In order to expedite progress in relation to this review, it is proposed that the current work in support of the improvement plan be concluded as quickly as possible, incorporating Members' comments. The main finding of the review is the need for the Council to fully adopt and implement the Procurement Strategy. We recommend that the improvement plan should be consolidated by a lead officer into an implementation plan with clear actions for all Departments involved in the procurement of goods, works, and services.

3. **REPORT**

3.1 **Process**

This is the first time that all Departments have been brought together to consider procurement processes including the Council's draft Procurement Strategy. Whilst this should be viewed as a major positive, in that the review has been cross-cutting and encompassed a wide range of (sometimes conflicting) views, there are a number of key issues which are highlighted in the draft improvement plan below.

3.2 **Headline Findings and Draft Improvement Plan**

The main findings of the review to date can be summarised as follows:

- **Consultation:** The need for effective consultation was identified as a key issue throughout the Review. Whilst a number of outside agencies were of the opinion that the Council was extremely good at consultation, there were concerns that there appeared to be no outcome to the process or, if there was, it was not appropriately shared with stakeholders. Such a view would appear to concur with the general view of the District Auditor in relation to the need to put policies into practice.
- **Policies, procedures and practices:** There are a number of different policies, procedures, and practices, in operation throughout and between Departments. Whilst some of the policies, procedures and practices are good, consistency is an issue and there is clearly a need for Departments to understand – and implement – the Procurement Strategy. In addition, whilst there may be a need for different procurement practices in relation to goods, services, and works, minimum standards and guidelines should be introduced throughout.
- **The system of procurement:** A number of areas of improvement have been identified (see table below).

- **Use of Eastern Shires Purchasing Organisation (ESPO):** A number of Departments currently utilise the services of ESPO to procure their goods, services, and works, whereas others do not. There is a need to undertake a fundamental review of our use of ESPO in order to ascertain that it provides a best value service on behalf of the Authority both in terms of what goods it purchases and its performance in doing so.
- **E-Commerce:** Is currently underdeveloped within local government. Given Central Government's stated intention to introduce e-commerce into the procurement process by the year 2005 there is an urgent need for further consideration to be given to this matter. Furthermore, the work currently underway within the Authority in relation to maximising the opportunities afforded by the internet and new technology needs to be informed of the advantages for procurement.
- **Equality, Sustainability, Health and Safety, and Crime and Disorder Implications:** It is essential that all of these key issues are integral throughout the procurement process. This will particularly be the case where services are likely to be tendered out.
- **Voluntary Sector Strategy:** It was recognised in the Voluntary Sector Strategy (agreed in January 2000) that current funding arrangements encompass more than just the purchase of a service. The Sector plays a significant role in relation to civic development, community engagement, and in the capacity it has to lever in resources that are not accessible to the Local Authority. The Voluntary Sector Strategy clearly defines this as a partnership development, which can bring added value to the services being funded. The added value of such arrangements are, therefore, an aspect that need to be encompassed when considering such arrangements as part of the Procurement Review.
- **Standing orders and financial regulations:** Will need to be fundamentally reviewed in light of changing practice.

3.3 As a result of the headline findings outlined above the following draft improvement plan is proposed:

PROPOSAL NO.	IMPROVEMENT PROPOSAL
1.	The Procurement Strategy is further developed, alongside a code of practice, which is designed to raise standards and, where appropriate, consistency and transparency of process. It should be noted that the development of a Strategy and its consistent application throughout the Authority will assist staff in carrying out all future Best Value reviews.
2.	An innovative improvement plan for procurement will need to be developed by a lead officer who will assume overall responsibility for procurement processes across the Authority. In addition, the lead officer will be supported by departmental "experts" in the procurement of goods, works, and services, who will be "champions of change", responsible for the implementation of the strategy and for maintaining its integrity.

	It is also recommended that an inter-departmental procurement officer group be set up (internal) and that formal relationships are developed with external suppliers.
3.	In relation to improving consultation it is recommended that all external stakeholders should be identified and a corporate stakeholder database be developed and updated regularly. In addition, there should be a series of six-monthly meetings with stakeholders to undertake appropriate consultation and to ensure appropriate feedback in relation to the Authority's developing policies, procedures, and practices.
4.	Policies, procedures and practices are to be fully reviewed and developed by the lead officer in conjunction with the departmental procurement experts and champions of change. A code of practice for procurement needs to be developed and owned by all.
5.	<p>With regards to the system of procurement a number of major changes are suggested:</p> <ul style="list-style-type: none"> • There is a need for more transparency throughout the process, in order to demonstrate that alternatives for provision have been fully considered and in accordance with the Procurement Strategy. • The identification of need, at the outset of the process, for goods, services and works warrants further guidance and development, as does the concept of supply mapping, to understand both demand and supply. • There is a need to consider a move towards working more collaboratively with providers, throughout all of the procurement process. Whilst a number of departments expressed the view that good working and collaborative practices were in place, others (including key stakeholders and the in-house services) suggested that this was not the case. There is, therefore, a need to move towards shared development activity and to ensure the exchange of good practice both within and outside the Authority.
6.	A review of our use of ESPO should be undertaken in order to ascertain that it provides a best value service on behalf of the Authority both in terms of what goods it purchases and its performance in doing so.
7.	The potential for e-commerce needs to be fully examined and, where appropriate, fully developed. In addition the implementation of on-line commitment accounting needs to be finalised and consideration given to the use of credit / charge cards to improve the invoice payment process. It may also be possible to reduce dependency on stores by the introduction of "just in time" on site delivery.
8.	Incorporating equality issues, environmental compliance, health and safety, and crime and disorder implications into everyday procurement, and achieving consistency across the Authority, is a large area of work requiring consistent input if it is to be successful. Standard basic contract conditions need to be established encompassing equality, health and safety, environmental, and crime and disorder implication issues. Experts on these issues would need to be included within the corporate group, as well as legal expertise. Procurement processes need to be seen as an active tool to promote sustainability.

	<p>Equality issues need to be integral to working more collaboratively.</p> <p>The Government is putting health and safety issues at the heart of the procurement process, via the document Revitalising Health and Safety, and there needs to be a formal input from health and safety colleagues.</p>
9.	The issue of voluntary sector procurement should be referred to the Voluntary Sector Corporate Officer Working Group to consider how to develop and move this issue forward.
10.	A fundamental review of standing orders and financial regulations should be undertaken in light of changing practice. Internal Audit will also need to actively contribute to such a review.
11.	Appropriate performance information will need to be developed as a high priority, including unit costs and comparative data.
12.	A number of detailed comments have been received from the Trade Unions, which are attached as Appendix 1 and these points should be incorporated within the Procurement Strategy.
13.	It is recommended that the Council get involved, as part of the continuous improvement plan, in the work of the Government task force on local government procurement, which will also be useful for future research, information and networking.

3.4 **Consultation with stakeholders**

The review sought the view of external stakeholders at one meeting which was also attended by the Best Value Review's independent consultant. The major outcome from this meeting was that, whilst the Authority consulted regularly, there were concerns that there appeared to be no outcome to the process or, if there was, it was not appropriately shared with stakeholders. It is the intention of the review group to ensure that minutes of meetings held and a summary report are made available to stakeholders. However, the need for ongoing and effective consultation will be a key to the future success of the Procurement Strategy.

3.5 **Consultation with staff**

The key findings from an EFQM workshop were that staff shared the concerns already outlined in this report and fully supported the recommendations made above.

3.6 **Consultation with Trade Unions**

Trade Union representatives participated actively in the core review group, stakeholder panel, and the EFQM workshop. They were invited to submit their comments on this report and on the process of the review, and these are detailed in Appendix 1.

3.7 **Assessment against the Inspectorate criteria**

The Cabinet may wish to consider the key criteria, which will be used by

the Inspectorate to make judgements about services and our examination of them.

The questions which will be asked by the inspectors are:

- Is it a Good Service?
- Is it Going to Improve?

INSPECTORATE QUESTIONS	RESPONSES AS A RESULT OF THE REVIEW
A good service?	
<p><u>Are the authority's aims clear and challenging?</u></p> <p>Has the authority challenged the need for the service?</p> <p>Does the service support corporate aims/ Community Plan?</p>	<p>A fundamental challenge has been completed in relation to how goods, services and works are procured throughout the Authority. In addition, the development of the commissioning strategy is designed to improve and enhance procurement practices.</p> <p>Yes.</p>
<p><u>Does the service meet these aims?</u></p> <p>Is there effective performance management?</p> <p>Is the authority delivering?</p>	
<p><u>How does its performance compare?</u></p> <p>How does the authority compare with the top 25%?</p> <p>Has the authority demonstrated cost effectiveness?</p>	<p>Procurement is integral to all activities of the local authority. However, performance management is under-developed and action needs to be taken to ensure consistency and effectiveness in relation to policies, procedures and practices. Action is recommended as part of the improvement plan detailed above.</p> <p>There is limited national data in relation to procurement. We anticipate that within the next year Central Government will be issuing detailed guidance in relation to procurement practice and producing national data, enabling comparison to be undertaken. It is the intention of the local authority to ensure our involvement with the national task force which has been established to examine procurement activities.</p>

INSPECTORATE QUESTIONS	RESPONSES AS A RESULT OF THE REVIEW
Going to Improve?	
<p><u>Does the BVR drive improvement?</u></p> <p>Is the BVR process managed effectively?</p> <p>Has the authority fundamentally challenged what it does?</p> <p>Has the authority made rigorous comparisons throughout the review?</p> <p>Has the authority made good use of consultation?</p> <p>How competitive is the authority's choice of procurement?</p>	<p>We believe we have developed a pragmatic process fitted to the limited time available and the complexities of the Council's cross-cutting approach.</p> <p>We have challenged the continuing need for procurement and recommended major changes as part of the improvement plan.</p> <p>It has not been possible to compare our practice with other local authorities (see above).</p> <p>In the limited time available we have undertaken one major consultation exercise with stakeholders. The need for ongoing effective consultation is acknowledged and will be integral to the successful development of the Procurement Strategy.</p> <p>We recommend future procurement should be in the context of the developing strategy.</p>
<p><u>How good is the Improvement Plan ?</u></p> <p>Is the authority trying to improve the right things ?</p> <p>Are the improvements ambitious enough to get the Authority into the top 25% ?</p>	<p>This is subject to Members' consideration in this report</p> <p>There are no national indicators</p>
<p><u>Will the authority deliver the improvements?</u></p> <p>Does the Plan have the commitment that it needs from Members and others?</p> <p>Is the Improvement Plan practical?</p> <p>Does the authority have a track record of managing both change and performance?</p>	<p>We are not in a position yet to demonstrate this</p> <p>A number of external inspections of the Authority have suggested that the Authority will continue to improve .</p>

4. **ATTACHED DOCUMENTATION**

Trade Union comments throughout the review are recommended to be taken forward as part of the improvement plan, and are attached as **Appendix 1**.

The Best Value Process Plan diagram is attached as **Appendix 2**.

The Independent Consultant's report on the review is attached as **Appendix 3**.

Comments from Legal Services are attached as **Appendix 4**

A Procurement Survey concerning procurement practices across the Authority in respect of goods, services, and works, has been carried out as part of this Best Value review. A copy of this survey has been placed in the Members' Library.

The City Council's draft Procurement Strategy is also appended to this report for Members' information.

5. **FINANCIAL AND LEGAL IMPLICATIONS**

5.1 The review has been asked to illustrate the following financial options:

a) *The implications of a 2% reduction in costs*

Whilst it has not been possible to fully consider the implications of a 2% reduction in costs, we are of the view that the implementation of the Procurement Strategy and the improvement of practice could free-up resources for strategic re-investments.

b) *The options for re-investing 2% in the service area*

A key concern raised by staff throughout the review process was the apparent lack of appropriate training and development of staff undertaking the procurement process.

Options for re-investment could include the development of appropriate training facilities, e.g. : with a further or higher education organisation.

Comments from Legal Services regarding legal implications are appended to the report.

5.2 The Review Facilitator has been funded from corporate resources ear-marked for reviews. The cost of the consultation panels was met from the Social Services budget, and the Independent Consultant has been secured at minimum cost. Other costs have fallen to the Departments concerned in the review, particularly in relation to the heavy time commitment of officers working on such a complex review.

5.3 Best Value reviews are a statutory requirement. One of the major issues arising from the review has been the need to review current standing orders and financial regulations in light of changing procurement practices.

6. **EQUALITY IMPLICATIONS**

Issues of equality need to be integral to the Procurement Strategy and are highlighted throughout this report.

7. **SUSTAINABILITY AND ENVIRONMENTAL IMPLICATIONS**

Issues of sustainability , and environmental implications, are integral to the procurement of goods, services, and works, and need to be considered and taken forward in the context of the developing Procurement Strategy.

8 **RECOMMENDATIONS**

The Cabinet is recommended to support the Lead Director in completing the review process and;

- i. endorse the Lead Director's management of the process to date;
- ii. endorse the Lead Director's proposals;
- iii. advise the Lead Director on the preferred options and any further action required.

Report Author/ Officer to contact

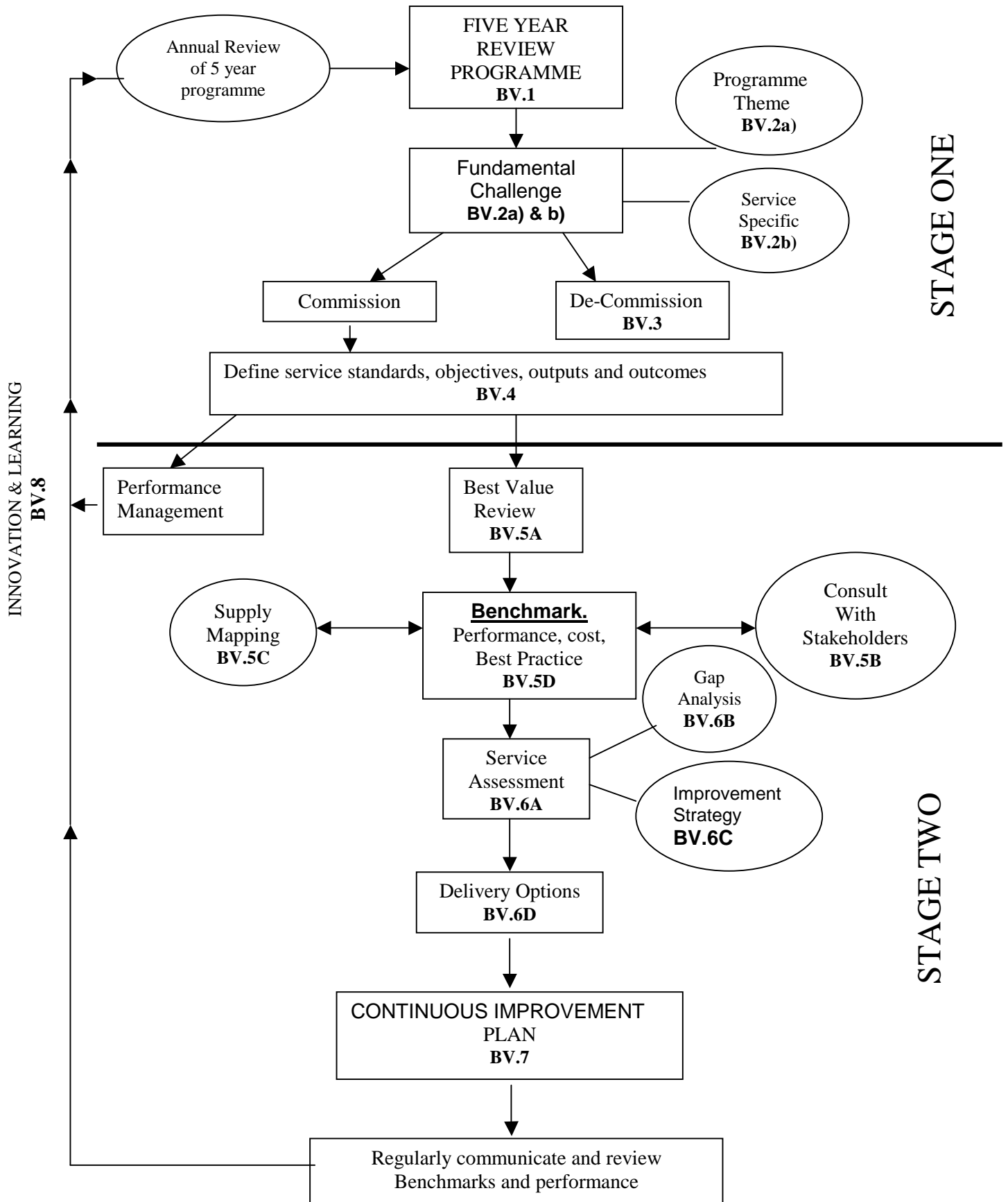
Lead Director	Mike Forrester – Director of Housing ext : 6800
Facilitator	Lynn Senior – Chief Executives Department ext :6372
Lead Review Officer	John Bull – Social Services Department ext : 5875

Trade Union Comments

1. That primarily for services and works, a better and forward looking system for programming activities is required, and decisions that are SMART, so we can ensure and demonstrate maximum use and value of procurement route taken where possible.
2. Full consultation with all relevant sections and Trade Unions on how we specifically update financial regulations and standing orders to protect against fraud or abuse, be more flexible when specialist or time constraints require different approaches (while not infringing protection of staff), a consistent and transparent approach by departments removing inconsistencies of interpretation, and splitting strategies/ responsibilities for goods, services and works, which require different approaches.
3. Ensure that out turns are the most important issue. Council and stakeholders to receive best option in terms of product (quality and price) or services. Greater co-operation between business units (as appears to be happening now) to ensure that duplication, checking each other, is minimised. Each unit to be accountable for their own service.
4. Forum to be set up to look at new/existing partnerships and possibilities, but all persons affected need to be included especially where statutory conditions need to be considered.
5. Set up a proper pre-tender questionnaire (documents available) to incorporate necessary standards and how the vetting is carried out.
6. An assurance that all units involved in the procurement procedure will form a partnership in terms of Pls, benchmarking, new initiatives and market testing.

- 7 Regarding health and safety, it is important that the lead officer ensures that correct CDM regulations are followed throughout the procurement process.
- 8 New initiatives around procurement need to be discussed and developed in the context of the overall strategy.
- 9 An inherent problem with procurement is that the Council is still duplicating actual checking of works . This should be reviewed immediately . Strategic roles and posts should be identified and duplication checking posts should be assimilated and combined so making better use of resources. Ultimately this will free up some resources to ensure a better service .

LEICESTER CITY COUNCIL
BEST VALUE PROCESS CHART



Re: Best Value Review of Procurement – report of independent consultee

Herewith, my comments, as independent consultee, on the review of procurement report.

The report reveals that a sound, thorough but initial review of the authority-wide procurement process has been undertaken within a tight timetable and with limited resources. The focus is primarily on processes and procedures rather than substance and outcomes but significant improvements to processes and procedures have been identified and recommended to members, which if accepted, will in time lead to improvements in the quality and cost of the goods, services and works procured by the authority.

The monitoring of suppliers performance and the intervention necessary when it is inadequate, is a crucial component in a procurement process and it may be that in a future review this component will need addressing specifically.

Consultation has been undertaken with some suppliers though the scope of it needs widening to include all suppliers, potential suppliers and indeed, service users themselves. However, for this sort of exercise long lead-times will be necessary if a representative range of consultees are to be involved. In certain circumstances, service/industry specific consultation may be necessary but this could be part of the role of commissioning officers. The authority will also require a central data base and a 'consultation strategy' if consultees are not to become exhausted.

In summary, the report provides a sound basis for the future work and improvements proposed but it is just that – a 'starting point' not a 'finishing line'.

The one reservation I have is not about this particular review, but its relationship to the other 'themed' reviews taking place in Leicester this year and indeed, the year two reviews. My concern is that as the results and recommendations of all the reviews roll out, they will create a log-jam of change, tasks, activities and serious resource implications which by year three may damage rather than improve actual service delivery. Moreover, it is clear that if more and more service is provided from outside the authority then more and more officers will be involved in the process of procurement which in turn will create significant if not serious training and development needs.

Ray Puffitt
Senior Lecturer in Public Policy
University of Birmingham

APPENDIX 4

BEST VALUE REVIEW PROCESS – YEAR ONE

PROCUREMENT

Comments of Legal Services

1. The Review Process

The review process has sought to comply with the statutory requirements, against constraints noted in the report. However, considerable work remains to be done, particularly to finalise the Procurement Strategy and to develop guidelines for the evaluation of bids where quality issues make direct comparisons difficult. These will need to be completed to ensure that the elements of the Review required by law are completed within the statutory time-scale, i.e. by January 2005.

2. Service Improvement Options

Increasing the use of e-commerce (improvement proposal 7) presents a number of legal challenges, as this remains to a substantial degree legally uncharted territory.

Contract compliance (improvement proposal 8) already takes place to a substantial degree. Extending this will require care as there a number of external constraints (including section 17 of the Local Government Act 1988, which remains in force, and European Union law) which limit the Council's freedom of action in this area.

Revision of Standing Orders and Financial Regulations (improvement proposal 10) will require legal advice, to ensure that any changes safeguard the Council's legal interests and ensure probity in contracting procedures, while streamlining procedures. Probity issues also arise if there is more collaborative work with providers (improvement proposal 5).

Alan Trench
4th January 2001

LEICESTER CITY COUNCIL'S

PROCUREMENT STRATEGY AND CODE OF PRACTICE

DRAFT



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THE STRATEGY

(DRAFT)

INTRODUCTION

The Authority is committed to the implementation of Best Value and the whole of the Government's Modernising Agenda.

Best Value is a statutory duty on local authorities to deliver services to clear standards, including both cost and quality, by the most effective, economic and efficient means available. The four key principles which underpin it are:

- ★ **Challenge** - Challenge why and how a service is being provided.
- ★ **Compare** - Invite comparison with others' performance across a range of relevant indicators, taking into account the views of both service users and potential suppliers.
- ★ **Consult** - Consult with local citizens, service users and the wider business community in setting new performance targets.
- ★ **Competition** - Embrace fair competition as a means of securing efficient and effective services.

As a Local Authority we are required to fundamentally review the performance of all our services over a five year period, covering strategic objectives, cost and efficiency, effectiveness, quality and fair access. In response to this we must develop a more challenging and systematic process for making decisions on which services we should provide and the way in which they should be provided e.g. directly or through other agencies. The Procurement Strategy and Code of Practice are the tools by which members and officers can objectively make an assessment of supplier options for service delivery. This is particularly important when we have to work on improving performance whilst limiting resources. Effectiveness of services in delivering outcomes rather than just the amount of service delivered irrespective of value to the user will be key to the Authority's success.

This Strategy and Code of Practice will provide the common approach within which all significant procurement within Leicester City Council will be carried out. Using this Procurement Strategy, Members will decide, on the recommendations of the relevant senior officer, how goods and services will be commissioned.

This could be:

- Internally; or
- Externally; or
- In partnership; or
- A combination of any of the above.

Commissioning decisions will be evidence based, transparent and auditable. Decisions may be taken at various times, but are likely to be taken:

- Annually as part of the business planning process;
- Prior to the end of existing arrangements;
- As a result of the Best Value review process;
- As a result of performance management information indicating service provision difficulties.

Procurement is a key activity of the City Council. The estimated total budget of the Authority is £..... and managing this money to ensure that it is spent effectively and efficiently requires constant review and evaluation. The Strategy and the Code of Practice will also be regularly reviewed to ensure its relevance to changing circumstances.

The term “**Procurement**” is defined by the Authority as:

“The process of specifying, securing and reviewing the provision of goods and services to meet the needs of the citizens of Leicester, both in the short and long term.”

The development of this corporate Procurement Strategy will ensure a consistent purchasing process, as well as a more cohesive approach to shaping the overall markets to meet future needs. As well as meeting the current needs the Authority will have a mechanism in place that enables all departments to have a clear idea of:

- the type of goods and services that will be needed in the future;
- the volume of goods and services that will be required;
- what quality and price goods and services should be;
- how current supply can be changed, innovation encouraged and redundant or inefficient suppliers of goods and services decommissioned.

The following pages set out the principles upon which this Strategy is to be built, the way in which it will be developed, how current procurement practice will be assessed, and the Code of Practice further developed and implemented.

OUR POLICY ON PROCUREMENT

The Procurement Strategy will apply to both goods and services across all departments. Procurement considerations do not have to be either whole, or single service limited, but can be part of a themed approach.

The statutory Best Value guidance is clear that:

“services should not be delivered directly if other more efficient and effective means are available”

Leicester City Council’s Procurement Policy is:

“Procurement decisions will be made within an auditable framework, to support the implementation of the Authority’s planned and strategic responsibilities (Community Plan, Performance Plan, Key Strategies, etc.) ensuring due consideration of alternative methods of service provision where these can be demonstrated to be the best option for meeting the service needs of the citizens of Leicester.”

In order to meet this principle we have set out our aims and our key objectives for the next twelve months.

AIMS OF THE STRATEGY

- ❖ To give clear guidance to enable all departments of the Authority to be proficient in the procurement of goods and services via contracts, service level agreements or alternative trading arrangements.
- ❖ To ensure that services provided or commissioned by the Authority are appropriate and can respond sensitively to changes.
- ❖ To ensure that the purchasing power of the Authority and its partners are used to best effect in the purchasing of goods and services.
- ❖ To support the Community Plan, Performance Plan and delivery of key strategies of the Authority via procurement good practice.
- ❖ To ensure a customer focussed approach that secures continuous improvement in the economy, efficiency and effectiveness of the Council's services and, therefore, complement the Authority's Best Value process.
- ❖ To promote equality and fair treatment for all employees whether employed directly or indirectly by the Authority.
- ❖ To ensure that the assessment of supplier commitment to sustainability is integral to the procurement process.

KEY OBJECTIVES 2000/2001

1. To provide an outline Procurement Strategy and Code of Practice by April 2000.
2. To undertake a Best Value Review of Procurement within the Authority between April and October 2000 that:
 - utilises the outline Strategy and Code of Practice;
 - further develops the Code of Practice via local and external expertise;
 - assesses the current procurement practices of the Authority;
 - produces an innovative improvement plan for procurement that responds to the challenge of Best Value.
3. To set up a mechanism for regular review of the Strategy, Code of Practice and associated documents to include annual objective setting. (October 2000).
4. To identify individuals who will be responsible for maintaining the integrity of implementation of the Code of Practice and champion its benefit to the Authority and the citizens of Leicester. (October 2000).
5. To utilise the outcomes of the Procurement Best Value Review to consider changes to the Authority's current Best Value Process and Guidelines. (November 2000).

MANAGEMENT OF THE STRATEGY

Responsibility for the Strategy and its current objectives will lie temporarily with the Best Value Process Project Team, reporting to the Assistant Chief Executive Corporate Management. The tasks allied to the objectives will fall largely within the Procurement Best Value Review for whom the nominated Lead Director is the Director of Housing.

Further information on the current Best Value Review Process (2000) can be obtained via Leicesternet or the Principal Assistant Director, Commercial Services.

The Code of Practice

(Draft)

INTRODUCTION

This Code of Practice is designed to enable all areas of the Authority to be proficient in the procurement of goods and services, and as a result respond effectively to the statutory duty of Best Value.

The document will take the commissioner through a three stage process via a step by step approach.

The Policy and aims for using this process are set out in the Procurement Strategy, this can be summarised as two key tasks for the Commissioner:

- **Demonstrate that the main alternatives for provision have been properly considered.**

- **Present the best options for achieving the Authority's corporate priorities to Members for decision.**

PROCUREMENT

OUR DEFINITION

“The process of specifying, securing and reviewing the provision of goods and services to meet the needs of the citizens of Leicester, both in the short and long term.”

THE BEST VALUE REQUIREMENTS

Best Value requires authorities to:

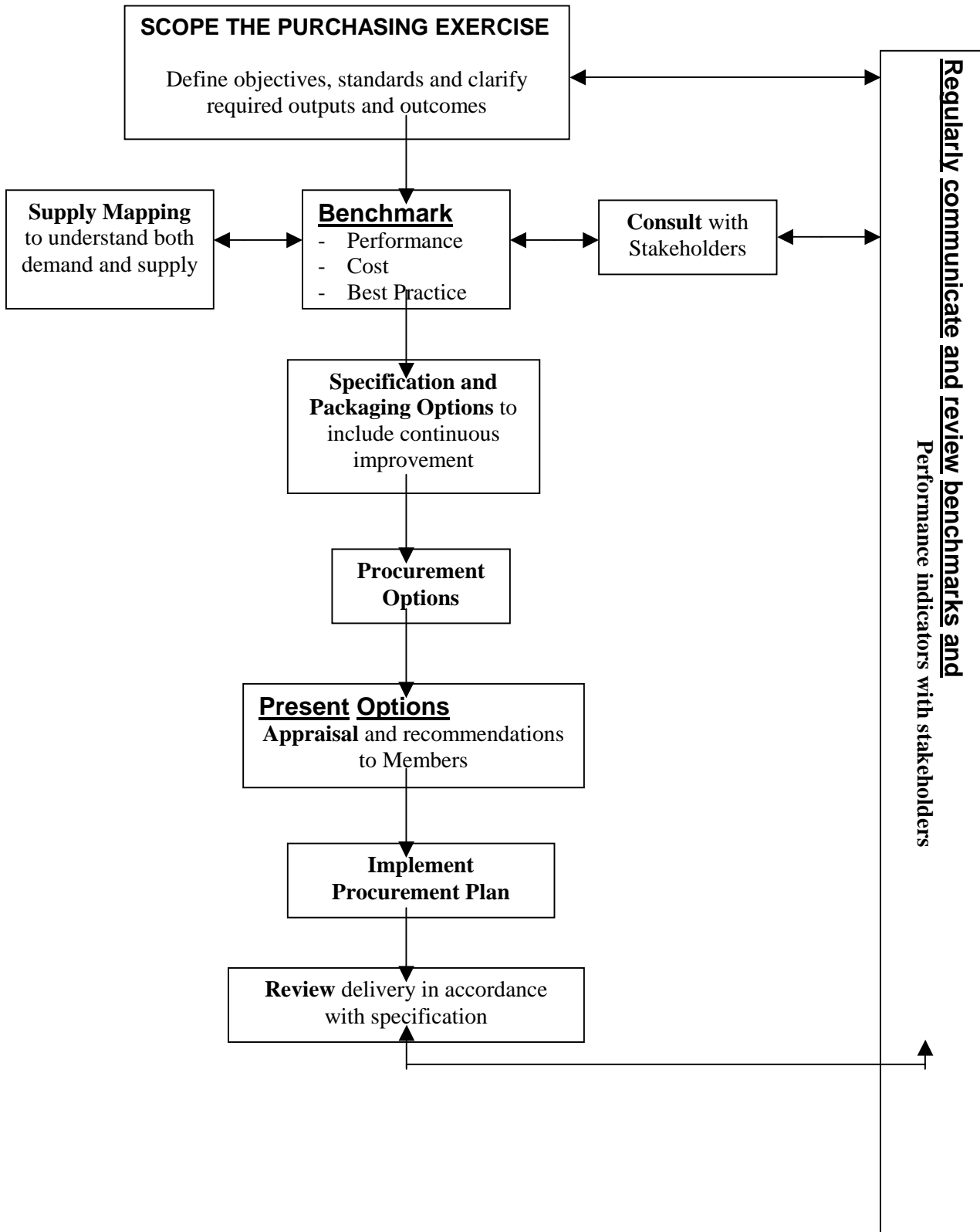
“demonstrate that they have explored the full range of practical alternatives and selected the options most likely to deliver best value to the public.”

Whilst our definition covers both goods and services the “practical alternatives” of Best Value are service options and can be summarised as:

- ceasing to provide a service, entirely or in part;
- creating public-private partnership e.g. a joint-venture company;
- the transfer or externalisation of the service to another provider (i.e. no direct provision).
- the market testing of all or part of a service via competitive tendering;
- the re-negotiation of arrangements with existing providers;
- joint commissioning or delivery of a service;
- the restructuring or re-positioning of services provided in-house.

It is important to note that whilst there is no obligation to subject services to competition **there is an obligation to demonstrate that a service is competitive with the best providers.**

THE PROCUREMENT PATH



PROCUREMENT ROLES AND RESPONSIBILITIES

Procurement of goods and services is managed corporately via a Procurement Group. This group is formed from departmental procurement lead officers and corporate advisors with accountability to a Lead Director and Scrutiny Committee.

The role of the group is to:

- ❖ Review and improve the Procurement Strategy, Code of Practice and associated documents (including good practice guides/toolkits).
- ❖ Ensure the integrity of the implementation of the Code of Practice.
- ❖ Champion the cultural change required to maximise effective and innovative procurement.
- ❖ Maintain a Corporate Benchmarking contacts database.
- ❖ Ensure the appropriate expert training and corporate learning takes place.
- ❖ Ensure the regular review of the “Market Place” and maintenance of useful market intelligence for the Authority.
- ❖ Provide expert advice on procurement exercises.
- ❖ Consult with stakeholders on the outputs and outcomes of procurement exercises.
- ❖ Provide advice and commentary on procurement options recommended to Members.
- ❖ Review the implementation of procurement plans.

The Membership of the group is:

Executive Lead	-	Director of
.....	-	Head of Legal Services
.....	-	Chief Financial Officer
.....	-	Head of IT Services
.....	-	Head of Property Services
.....	-	Head of Human Resources
.....	-	For Arts & Leisure
.....	-	For Education
.....	-	For Environment & Development
.....	-	For Commercial Services
.....	-	For Social Services
.....	-	For Housing
.....	-	For Town Clerks
.....	-	For Chief Executives
.....	-	For UNISON Staff Side

Heads of Resources may nominate their representative with approval from the Executive Lead Director.

STEP ONE – SCOPING THE PURCHASING EXERCISE

A purchasing exercise may be initiated from a range of sources

- e.g.
- Members
 - Departments
 - SRG
 - DMT
 - Inspectorates

It is important to be clear about the scope of the exercise and its relationship to the corporate planning responsibilities of the Authority.

Information that will be required as a minimum at this stage will be:

1. Key standards for the goods or services to be purchased.
2. Key objectives for the supply and utilisation of the goods or services.
3. Anticipated outputs for the service or via use of the goods.
4. Anticipated outcomes via the use of the goods and/or provision of the service.
5. Financial constraints in respect of the exercise. (Budgetary or legislative).
6. Links with
 - The Community Plan
 - The Performance Plan
 - Key Strategies
 - Other key corporate requirements
7. Public perception issues associated with the exercise.
8. Performance Review – If the goods or services are currently provided then measurable targets and performance may be available and should be sought against:
 - Financial performance
 - Customer satisfaction
 - Staff perception
 - Equality indicators
 - EMAS
 - National and local P.I's
 - Other significant plans
9. Major stakeholders and likely consultees.

The above and other information should be considered and refined and the final scope of the exercise agreed with the originating commissioner prior to progressing on to the next steps.

STEP TWO – SUPPLY MAPPING, BENCHMARKING AND STAKEHOLDER CONSULTATION

SUPPLY MAPPING

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

There are local and external agencies who are able to provide a range of market intelligence. Information that is required as a minimum within the Authority is:

1. Information on whether or not the goods or services have been subject to previous tendering exercises, and if so, when? Under what legislation? What are the contract expiry dates? Who is the current provider and who bid previously?

(For CCT information LGMB hold national data in their Best Value Unit).

2. Number and location of suppliers.
3. Measurable quality information for known suppliers.
4. Size and reputation of suppliers.
5. Recent procurement innovations in the market place that are relevant to the exercise (e.g. Joint Ventures, Trusts, PFI, Management Buy-out, Voluntary Sector, etc.)
6. Market Share – What is the market within the City/County and how is this apportioned between direct and indirect provision?
7. Are there non-providers providing related goods or services that could be interested in developing into a new market?
8. Would partnership with other public sector providers stimulate change in the market?
9. Information on consultation with the market place on supply and packaging options.

BENCHMARKING

Benchmarking data will be required to demonstrate the competitiveness of a service. Data may include Performance Indicators, National and Local or other information that is considered key to the procurement exercise in respect of the supply of goods and services.

Information will be available from a number of sources:

- Audit Commission tables
- Family groups of Authorities
- Beacon Authorities
- Private sector companies
- Professional bodies and other agencies who are co-ordinating benchmark comparators

The Corporate Management and Consultancy Unit hold a benchmarking database for the Authority which indicates which business units are benchmarking with whom and for what purpose.

For the Authority's procurement exercises benchmarking will be expected to:

1. Be pursued under the headings of:
 - Performance
 - Best Practice
 - Cost
2. Include equality and sustainability indicators wherever possible.
3. Based on outputs not inputs (unless inputs are key to the process of achieving outputs)
4. Include customer satisfaction levels.
5. Be transparent in its formulation.
6. Be capable of independent scrutiny.
7. Be relative to the task and cost effective.

STAKEHOLDER CONSULTATION

The stakeholders and potential consultees for the procurement exercise will have been identified at step one as part of the scoping.

Commissioners will be expected to record the following as appropriate to the individual procurement exercise:

1. Stakeholders identified and reasons for this.
2. Consultation and communication methods, utilised to date with stakeholders, relevant to the exercise.
3. A summary of key points of feedback, in particular issues of:
 - Quality
 - Reliability

- Cost
- Packaging options
- Improvements (carried out, or required)
- Fair employment
- Equality
- Sustainability

STEP THREE – SPECIFICATION AND PACKAGING OPTIONS

Having completed steps one and two the Commissioner will have a range of information that will enable clarification of:

The Specification

- What is required – outputs and outcomes
- Financial constraints
- Performance Indicators
- Improvement aspirations etc.

The Packaging Options

- Ways in which the goods or services required could be packaged to attract:
 - greater economies;
 - improved effectiveness;
 - market interest.

This information should be confirmed with the originating commissioner prior to the next steps to ensure agreement and the examination of any concerns.

STEP FOUR – PROCUREMENT OPTIONS

A range of procurement options is set out below. The Corporate Procurement Group can give more detailed information and advice on the options as required. A range of good practice documentation will become available during 2000/01.

Retain Existing Provider

If it is established on the basis of evidence that an existing provider is competitive, or that there is no viable market then it may be sensible to retain the existing provider. This would save the Authority on procurement costs. However, there will be a requirement for the commissioner to:

- carry out regular performance review;
- put a time period on the extended arrangements with clear periods of notice;
- agree a quality improvement plan as appropriate;
- agree a cost reduction strategy as appropriate

Mixed Economy Provision

It is not necessary to take an “all or nothing” approach to procurement options.

A mixed economy allows for:

- market testing;
- the development of markets;
- competitive comparisons;
- exchange of good practice;
- shared development activity

The Authority’s Social Services Department Commissioning Team currently provide a number of services on a mixed economy basis using in-house, private sector and voluntary sector providers.

Partnering

The Authority is clear in its intention to create a partnership culture within the organisation regardless of the procurement option chosen. Such partnership will be based on the principles of:

- shared objectives;
- commitment to the local community and environment;
- trust;
- openness and honesty;
- good communication;
- pro-active problem solving;

- sharing of risk and reward;
- continuous performance improvement;
- continuous examination of cost;
- joint investment;
- sharing of knowledge and resources;
- mutual learning

Commissioners are required to build and sustain purchaser provider relationships that ensure the best support for the Authority's corporate plans and activities.

The Authority's partners may be:

- voluntary organisations;
- registered social landlords;
- community enterprises/trusts;
- private contractors or developers;
- other public sector bodies;
- another local authority;
- a local authority company;
- it's own business units

There may be informal and formal partnerships:

Informal Partnerships

- **Work-for-work agreements** between two parties (for example a local authority and a developer) under which each does work for their own purposes which is also of value to the other.
- **Demarcation agreement**, between public authorities and other voluntary or not-for-profit bodies whose interests coincide or overlap, for example housing authorities and the police, or social services authorities and the health authorities. Agreements define what each partner will contribute, usually in what is for both a special area of concern.
- The advisory bodies set up to help run projects funded by the **Single Regeneration Budget**.
- **Accommodation works**, which authorities encourage their contractors to carry out work at the request (and expenses) of third parties.
- **Barter**, in which two parties exchange services, supplies or works, but no cash changes hands.
- **Partnership sourcing**, in which the parties (usually a manufacturer and a supplier) work together for their collective long term advantage; usually with no formal specification, and with prices fixed by negotiation. The only means of enforcement is the freedom of either party to pull out of the partnership at any time, if dissatisfied.

Formal Partnerships

- **Joint ventures** between local authorities and private sector bodies, banks or other sources of finance, for the purpose of setting up local authority companies, and PFI special purpose vehicles.
- **Joint boards** and **joint committees** of local authorities, set up under statutory powers to provide service (such as planning in national parks) or activities (such as purchasing) jointly.
- **Trusts** managed by appointed trustees, and operating in accordance with the law of trusts; they may be registered as charities.
- **Industrial and provident societies** (I & PSs). These are non-profit making corporate bodies, registered under the Industrial and Provident Societies Acts 1965-1978. They too may be registered as charities.
- **Companies limited by guarantee** (CLGs). They cannot issue shares. Instead, members guarantee to pay a fixed sum, usually £1, to cover any debts of the CLG. The sum guaranteed is the limit of their liability. They also may be registered as charities.
- **Companies** limited by share capital (CLSs). Nearly all private sector companies are limited by share capital, which means that the liabilities of their shareholders for company debts are limited to their shares. They too may be registered as charities but the procedure for doing so is time consuming. In practice it is usually quicker and more effective to form for this purpose one of the other types of partnership noted above.
- **Joint management**, in which two bodies with overlapping interests and responsibilities share the services of the same chief officer.
- A **joint service** in which one authority provides a service (for example specialist legal or engineering advice) both to the providing authority and also, on secondment, to other authorities.

STEP FIVE – OPTIONS APPRAISAL

Options appraisal will be presented to the Corporate Procurement Group for consideration and commentary prior to presentation to Members. This will ensure that options are appropriate and deliverable.

Commissioners must consider, as a minimum:

- Why is this the best option?
- Have we got the legal power to do it?
- Will this option achieve value for money?
- Are finances going to be available for the lifetime of the agreement?
- What risks are involved?
- What are the procurement resource requirements to manage this option?
- How long will it take to action the proposal?

A format for the appraisal is shown below and relates to the previous steps in the procurement path:

1. **Proposed procurement option**

Explain the preferred option.

2. **The Scope**

Outline the scope of the exercise:

- how it relates to corporate plans;
- how it relates to local plans;
- anticipated outputs and outcomes;
- constraints;
- other relevant information from step one of the procurement process.

3. **Powers**

Note the statutory powers that enable the procurement option to be taken.

4. **Options appraisal**

Indicate consideration of other options and reasons for rejecting them.

Give evidence that supports the reason for the preferred option based on:

- market activity;
- competitiveness;
- quality;
- equality/sustainability.

5. **Finance**

Indicate the likely cost implications of the preferred option and include:

- the associated procurement costs;
- the financial benefits arising from implementing the option;
- the financial commitment of the Authority in entering into the agreement (short and long term);
- any capital investment associated with the option;
- relevant cost comparators utilised in deciding on the option.

6. **Risk Appraisal**

Identify the risks associated with the option covering:

- risks to the Authority as the purchaser (or partner);
- risks for service delivery;
- how the risks will be controlled or mitigated.

7. **Outline procurement plan**

Indicate how the implementation of the option will take place noting as a minimum:

- officers responsible and their roles;
- timetable;
- resource estimate;
- transition arrangements if relevant;
- arrangements for performance review.

Each procurement activity will be managed on a task and finish project basis with performance review managed on a partnership basis via the purchaser, provider and end user, to maximise innovation and improvement and minimise the Authority's previous "monitoring" costs.

SUPPORTING REFERENCE DOCUMENTS

The Corporate Procurement Group will be responsible for commissioning the development and review of the relevant guidance and best practice supporting procurement activity. Examples of these to date are:

CRE Standards

Grant Aid Contracts Guidelines

Partnerships Guidance Document

Standing Orders

Financial Regulations

EMAS Procedures

TUPE Guidelines

etc.