

East Sussex County Council

Procurement Strategy

2004-2006



Executive Summary

The Vision for procurement at ESCC is to:

“Promote excellence and modernisation across the Council in all aspects of our procurement practice, to support the efficient and effective achievement of corporate priorities and the delivery of improved service outcomes”.

Our objectives are to:

- deliver significantly better quality services that meet the needs and preferences of our customers, particularly residents;
- use a variety of ways to deliver services through a diverse and competitive range of suppliers;
- achieve continuous improvement in all categories of procurement, specifically by:
 - utilising eprocurement and corporate contracts to improve the efficiency and effectiveness of routine purchasing;
 - being innovative in seeking solutions for strategic procurement, through robust option appraisal and effective risk management;
- build capacity by improving the procurement skills of our staff; and
- improve procurement outcomes by collaborating with partner organisations at all levels.

1 Introduction

What is a Procurement Strategy?

1.1 A procurement strategy is the mechanism to ensure that procurement takes place in line with the Council's strategic objectives. It provides a framework for individuals or departments within an authority to operate in and to be measured against.

1.2 It also provides the means for assessing performance in procurement - that is, how well the procurement activities support the Council's strategic objectives. It can be defined as a series of key steps or activities that must be reviewed and considered, the output being a clear statement of intent with regard to the way to buy

What is procurement?

1.3 Procurement is the process of acquiring goods, works and services, covering both acquisition from 3rd parties and from in-house providers. The process spans the whole cycle from the identification of need, through to the end of a services contract or the end of the useful life of an asset. It involves option appraisal and the critical "make or buy" decision which may result in the provision of services in-house in appropriate circumstances.

Purpose of the Strategy

1.5 The Strategy sets out how in procurement terms we will deliver against the Council's priorities which are to:

- ❖ continue to improve services to older people;
- ❖ minimise council tax rises, as far as possible, by focusing on core services;
- ❖ raise the economic performance of East Sussex;
- ❖ further reduce crime and the fear of crime;
- ❖ provide safer and better maintained roads and repair street lights;
- ❖ support teachers in continuing to raise standards in our schools; and
- ❖ promote active citizenship.

This will be achieved by:

- ❖ being clear about priorities and long term direction;
- ❖ focusing on customers, particularly our residents' needs and preferences;
- ❖ providing equality of opportunity for all through our service delivery and as an employer;
- ❖ Departments working more closely with each other and with our partners;
- ❖ using a variety of ways to deliver services;
- ❖ managing our resources and our assets well;
- ❖ harnessing the potential of our staff; and
- ❖ improving further the County Council's reputation.

1.6 The Strategy forms part of the management arrangements at ESCC that have been made to secure continuous improvement in the economy, efficiency and effectiveness of services as required under the Local Government Act 1999 (Best Value).

1.7 The Strategy supports achievement of National, CPA and local targets. It is flexible so that it can meet changing local and national needs. It responds to key national drivers for change, primarily:

- The ODPM's National Procurement Strategy for Local Government sets out a 3 year plan for how central and local government, working together with partners from the public, private and voluntary sectors, can improve local government procurement. It builds on previous reports such as that by Sir Ian Byatt and sets a series of clear objectives and targets for completion by 2006.
- The establishment of Regional Centres of Procurement Excellence which are intended to be catalysts for improving procurement, collaboration and partnering in order to deliver better and more efficient services across local government and ultimately the wider public sector. At this stage it appears likely that the Centres of Excellence will focus on the efficiency agenda. It is not clear how they will fulfil their wider brief of assisting local authorities in delivering improvements across the wider National Procurement Strategy agenda.
- The Spending Review 2004 (SR2004) and the Gershon Report which set out a challenging agenda for better, more co-ordinated procurement and service delivery between public bodies, and overall savings in procurement costs. There is a significant risk that the Government will make broad assumptions on efficiency savings in procurement terms and use these to reduce local government grant funding, expecting the resulting funding gap to be bridged through savings generated through better procurement at a local level.
- From 2005 the Audit Commission's Comprehensive Performance Assessment will have a far greater focus on cost effectiveness within the use of resources assessment and how procurement practices help to deliver this. In addition the IDeA, 4ps and SOPO have consulted on a set of key performance indicators for procurement which will allow councils and central government to measure progress in improving procurement and implementing the National Strategy.

1.8 The Strategy recognises that Council priorities and strategic objectives are framed within a national policy and legal context that includes:

- Best Value;
- community well-being;
- sustainability;
- diversity and equalities;
- procurement law;
- service delivery requirements;
- local government finance; and
- E-Government.

2 Internal Roles, Responsibilities and Resources

2.1 The Cabinet Lead Member for Corporate Resources has the lead for procurement. Major procurement decisions are made by the Cabinet. Members are involved in scrutiny and best value reviews which can make recommendations on procurement solutions. There is a specific policy steer for procurement which is reflected in a key service target within the Council Plan which states that the Council will "ensure procurement arrangements meet corporate policies and improve service delivery".

2.2 The Deputy Chief Executive and Director of Corporate Resources has lead managerial responsibility for procurement.

2.3 The Procurement Steering Group was formed in November 2003 to become the Council's lead body responsible for promoting excellence in procurement. It is chaired by the AD Audit and Performance and each department has nominated an officer who is empowered to lead on procurement issues for that department as a procurement champion, to sit on the group and to link to other procurement champions within their department. The PSG reports through the Deputy Chief Executive and Director of Corporate Resources to COMT.

2.4 A network of procurement champions has been established linking all key business units involved in procurement activity. Nominated by departments, they form the focus of the drive for procurement excellence, providing a network to roll-out the implementation of corporate procurement initiatives, including CBOSS e-procurement functions, and will receive training and information to enhance their existing skills.

2.5 The Council has had a Corporate Procurement team since 1998. Following a review in 2003 its resources, role and responsibilities have been clarified and strengthened to enable it to:

- Implement CBOSS e-procurement and benefits realisation
- Manage agreed procurement improvement projects
- Work with external partners and resources

The team is lead by the Corporate Procurement Manager, who reports to the AD Audit and Performance, and includes 3 permanent posts and a further 2 temporary posts funded by the CBOSS project to work on e-procurement.

2.6 Each department (excepting Chief Executive's) has strong contracting / commissioning expertise generally centred on a single team which has responsibility for service based contract and procurement within that department (excepting CRD where the expertise lies across 3 separate divisions).

2.7 This has created a structure that enables us to make a clear statement on the Organisational Leadership and responsibility for procurement at ESCC

3 External Partners and Resources

3.1 The structure will become strongly linked to a wider procurement community through:

- the National procurement strategy for local government (ODPM);
- the new Regional Centre of Excellence (hosted by Kent CC); and
- the new East Sussex Procurement Group (ESPG).

3.2 A key to the success of the strategy will be the extent to which ESCC engages with and is supported by the partners identified by ODPM

3.3 A new Regional Centre of Excellence (Kent County Council) has been nominated and funded by ODPM to lead the improvement agenda and support all local Councils within their area

3.4 The Regional Centre of Excellence will deploy a number of professional government agencies to implement improvement projects- in particular I&DeA, 4PS and the EO who are nominated by ODPM to lead in major development areas.

3.5 It is essential therefore, as part of the ESCC Procurement Strategy, for us to engage with the Regional Centre and its agencies to ensure we receive maximum support to implement the Improvement plan

3.6 It is equally important that this is done through the new East Sussex Procurement Group (ESPG) so that all our constituent councils receive equal and co-ordinated benefits

4 Vision, Aims and Objectives

4.1 The Vision for procurement at ESCC is to:

“Promote excellence and modernisation across the Council in all aspects of our procurement practice, to support the efficient and effective achievement of corporate priorities and the delivery of improved service outcomes”.

4.2 Our objectives are to:

- deliver significantly better quality services that meet the needs and preferences of our customers, particularly residents;
- use a variety of ways to deliver services through a diverse and competitive range of suppliers;
- achieve continuous improvement in all categories of procurement, specifically by:
 - utilising eprocurement and corporate contracts to improve the efficiency and effectiveness of routine purchasing;
 - being innovative in seeking solutions for strategic procurement, through robust option appraisal and effective risk management;
- build capacity by improving the procurement skills of our staff; and
- improve procurement outcomes by collaborating with partner organisations at all levels.

5 Key principles

Partnering

5.1 Partnering means the creation of sustainable, collaborative relationships with suppliers in the public, private, social enterprise and voluntary sectors to deliver services, carry out major projects or acquire supplies and equipment. The Council will assess for all its strategically important projects whether partnering offers the best long term solution as part of its option appraisal.

Collaboration

5.2 The option of collaborating formally with other councils or public bodies on procurement will be considered for all procurement exercises and will be adopted where this option offers the best solution.

5.3 The Council's primary routes for developing collaborative approaches will be through the East Sussex Procurement Group, the Sussex Consortium and the South East Centre of Procurement Excellence.

Best Value, efficiency and continuous improvement

5.4 The principles of Best Value, including the achievement of economic, efficient and effective solutions, will be applied for all procurement activity.

5.5 Consultation with stakeholders will form a key part of the procurement process so that the Council can ensure that, as far as possible, their needs and preferences are met.

5.6 Arrangements should ensure that all key Council contracts are properly managed and monitored with a view to achieving completion of service delivery on time, within budget, and in accordance with the specification.

5.7 Where contracts are going to run for a number of years, the contract must be sufficiently flexible to provide for continuous improvement throughout the period of the contract.

Management of strategically important procurement projects

5.8 All strategically important procurement projects will have a robust and challenging option appraisal of the full range of potential service delivery models open to the Council against agreed criteria. The option appraisal should consider the following options, as appropriate:

- In-house provision
- Public sector consortium
- Non-profit distributing organisation
- Tactical (multiple) contracts
- Local authority company
- Joint venture company
- Framework agreement
- Partnering contract
- Design, build, finance and operate contract
- Concession or franchise
- Closure or disposal
- A mixture of these

5.9 All strategically important procurement projects should be managed in line with the Council's project management guidelines.

5.10 The risks associated with all procurement should be assessed and managed. For strategically important projects the Gateway project review and the annual Health check processes will be deployed.

Cost and the procurement decision

5.11 The Council recognises that cost is not the only consideration in making the procurement decision, and that other criteria such as quality, delivery, technical capacity, sustainability and market management will be taken into account.

Workforce Issues

5.12 Any procurement that potentially involves the transfer of staff who are currently employed by the council, and staff originally outsourced by the Council, shall as far as legally possible, fully protect the future terms and conditions of employment of such staff, including the provision of 'broadly comparable pensions'. The Council shall also seek to ensure that new staff (new joiners) recruited to work alongside transferred staff, are engaged on terms which are 'overall no less favourable than those of transferred employees', together with a reasonable pension provision which may be either membership of the Local Government Pension scheme, membership of a good quality employer pension scheme, or membership of a stakeholder scheme with an employer contribution.

Sustainability and Environmental Consideration

5.13 All major procurement shall have due regard to the issue of sustainability and environmental impact and early decisions should be taken to ensure that projects are packaged so as to encourage delivery in the most economic, efficient and effective manner and, as far as possible, meet the needs and preferences of customers and residents.

Impact on the local economy

5.14 We will ensure that information on how to access opportunities to supply the Council is widely available to all potential suppliers who meet our criteria. In order to support the Council's commitment to raise the performance of the local economy, this will include local firms particularly small and medium sized enterprises, businesses run by black and minority ethnic groups and voluntary and community sector groups.

Diversity and equalities

5.15 The County Council is committed to equality of opportunity in employment and in the provision of services. Accordingly all procurement activity will take into account equalities and diversity issues.

Skills and Training

5.16 Staff engaged in procurement and contract management should be suitably qualified and trained for the purpose. The Council is committed to providing opportunities for staff to gain the skills that they need to procure effectively.

Professional Best Practice

5.17 All procurement procedures will be operated in a professional manner and ensure the highest standards of transparency, probity and accountability. All procurement will be carried out within the framework of EU and UK law and the Council's contract standing orders and financial regulations.

Schools and procurement

5.18 The Council will support schools in achieving excellence in their procurement activity and work closely with them to ensure that they share the benefits of improvements in both strategic and routine procurement.

6 Analysis of Spend

6.1 A full analysis of procurement spend will be carried out as part of the Improvement Plan. A preliminary analysis using information currently available has sought to establish a base position for 2003/04. This has identified budgeted procurement spend of £272.5m which includes both capital and revenue funding and schools budgets but excludes internal payments and external bodies. This figure is broken down across a number of spend types and this analysis is shown in Appendix A.

6.2 A listing of current County Council contracts is shown in Appendix B, analysed across the same spend types used in Appendix A. A significant proportion of the County Council's procurement spend is already covered by contracts, either managed by departments or provided on a corporate basis by the Corporate Procurement Team. Many of the latter have been put in place as a result of the Best Value Review of Procurement carried out in 2000.

7 The Improvement Plan

7.1 The Strategy will be delivered using the structures and resources set out above (in sections 2 and 3) and through a formal Improvement Plan which will be managed by the new

Procurement Steering Group. A small budget exists within the Audit and Performance Division of CRD to support the delivery of projects, however, funding sources will need to be identified and bid for to support any actions resulting from the improvement plan. Major actions set out in the Improvement Plan will be subject to the Council's project management disciplines, with the Procurement Steering Group acting as project board. The Corporate Procurement Team will maintain an up-to-date record of progress against the Improvement Plan.

7.2 The Improvement Plan is based on the results of a series of workshops held between December 2003 and February 2004 at which, a wide range of procurement staff (including PSG members and Procurement Champions from all department) and those from other areas such as economic development, community planning and communications, evaluated the Council's current performance against the targets set out in the National Procurement Strategy for Local Government. This resulted in a Health Check against the National Strategy which identified a range of improvements that the Council needed to make. This document is attached as Appendix C.

7.3 The Improvement Plan sets out those key actions from the Health Check which underpin the delivery of the Council's Strategy. The Plan is set for 3 years 2004-2006 in line with the requirements of the National Strategy as set out below and mirrors its key themes:

By end 2004

- Every Council should adopt a Corporate Procurement Strategy, based on a Best Value or other review. The Strategy should be owned by members and senior officers;
- The Corporate Procurement Strategy's implementation should be regularly monitored;
- Every council's Corporate Procurement Strategy should set out the council's approach to partnering in service delivery and construction;
- Every council's Corporate Procurement Strategy should set out the council's approach to collaboration (including purchasing consortia, joint Procurement and commissioning and shared services), and how it intends to use new trading powers;
- Every Best Value or strategic review of a service should include a robust and challenging appraisal of the different service delivery models available;
- Where relevant, all council should consult staff during Procurement projects and build employment considerations into Procurement processes and contracts, including compliance with the Local Government Act 2003, Circular 03/2003 and the associated codes of practice;
- Every council should publish a 'Selling to the Council' guide on its Corporate website together with details of bidding opportunities and contact details for each contract;
- All Procurement strategies should address:
 - the relationship of Procurement to the Community Plan, workforce issues, diversity and equality and sustainability
 - how the council will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers;
- Every council should build sustainability into its procurement strategy, processes and contracts;
- Every council should conclude a compact with the local voluntary and community sectors
- Procurement processes for partnerships should include:

- issuing an information memorandum to prospective bidders setting out the background to the project, the council's objectives and an outline of the Procurement process and timetable, with role and responsibilities made clear
- inviting bidders to demonstrate their track record in achieving value for money through effective use of their supply chain, including the use of small firms; this should continue to be examined as part of contract management.

By end 2005

- Every single tier and county council should carry out a health check on progress against the National Strategy and the associated guidance as part of their Corporate Procurement Strategy;
- Every council should be involved with a regional centre of excellence in Procurement and project management;
- The average time taken from OJEU notice to contract award in a project of more than one year's duration should be reduced by 10%;
- Councils should identify opportunities for collaboration with neighbouring councils for shared commissioning and/or delivery of services;
- Every council should have implemented an appropriate e-Procurement solution as part of its e-Government programme;
- For low value purchases, every council should be making appropriate use of a Procurement card, the Government Procurement Card (GPC) or a suitable electronic alternative;
- Progress being monitored by means of the e-Procurement transaction type within BV157. 100% compliance;
- Every council should include in invitations to tender/negotiate for partnerships a requirement on bidders to submit optional, priced proposals for the delivery of specified community benefits which are relevant to the contract and add value to the community plan
- Every council should have signed up to the national concordat for SMEs.

By end 2006

- The average time taken from OJEU notice to contract award in a project of more than one year's duration should be reduced by 25%;
- Every council should be using an appropriate e-Marketplace.

8 Performance Management

8.1 The Improvement Plan above will have agreed priorities, targets and time scales and will be reviewed and presented annually to COMT and Cabinet.

SEAN NOLAN, DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CORPORATE RESOURCES

Contact Officers: Duncan Savage – Assistant Director – Audit and Performance
Tel No: 01273 482330
Jonathan Campbell – Corporate Procurement Manager