



PROCUREMENT STRATEGY

Procurement Strategy

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1.0 Purpose of Procurement Strategy

Procurement is the process by which the Council acquires goods and services. This process is initiated through the identification of a business need and it is completed once the useful life of an asset ends or at the end of a service contract.

This Procurement Strategy is designed to inform the procurement process within the Council and to ensure that the procurement is undertaken in line with best practice and the Council's Corporate Plan. It should be read in the context of Contract Standing Orders and Financial Regulations.

It is also designed to address the requirements set out by the Office of the Deputy Prime Minister (ODPM) for procurement within 'The National Procurement Strategy for Local Government'. One of these requirements is that the Council should have a Procurement Strategy in place by the end of 2004.

2.0 Procurement in context

Dartford Borough Council is intent on delivering cost effective services and ensuring that there is prudent stewardship of public funds. The National Procurement Strategy for Local Government describes achieving 'best value' in procurement as choosing the bid or option that offers the "optimum combination of whole life costs and benefits to meet the customer's requirements". Having an appropriate procurement strategy, applied consistently across the range of Council activities, is essential to achieving this. Although the Council has not previously has an overarching procurement strategy, it has a number of policies and approaches to procurement which collectively define its current approach.

The Council's recognition of the importance of procurement is highlighted within key strategies, plans and policies, for example the Corporate Plan 2004 and the Annual Performance Plan. It has long operated a policy of 'mixed economy of provision and partnership for service delivery'. It has taken decisions based on the most effective way of delivering services, resulting in some being delivered by contractors, others in-house and others in partnership with external organisations, companies or bodies.

The Council's volume of purchasing is relatively low. This is partly due to its size and non-unitary status but is due also to the Council not having a Direct Service Organisation (DSO); having contracted out our housing repairs function (and with it the need to purchase and store many hundreds of items) and various other maintenance contracts; and having leased out to the private sector its major leisure facilities. Each of these provides evidence of the 'mixed economy' approach.

During 2003/4 the Council raised 2,219 purchase orders under the value of £50,000 (the level at which formal contracts were required). Total spend on the goods, services and works covered by these orders was £3.7million. The

average value of orders was £1,677. The Council has recently given corporate credit cards to those officers who either purchase low value items on an ad hoc basis or who can achieve good value for money by buying goods on-line. This speeds up purchasing and minimises administration thereby reducing the disproportionate cost of purchasing such items.

The Council's performance against BV8 (payment of invoices within 30 days) was in the top quartile for 2003/04 at 95%. This is likely to improve over time as the benefits of a new financial system are realised.

3.0 Procurement targets and goals

The aim of the Council is to undertake Best Value procurement. The need for the Council to achieve Best Value not only emanates from its own aspirations, but also from the Local Government Act 1999. This Act imposes that the services local government offer should be economic, efficient, and effective. It also emphasizes that the performance of council services should be continuously improved. Both the National Procurement Strategy for Local Government and the Gershon report 'Releasing Resources to the Front Line' set out the need to drive improvement in procurement, ensuring that local government adopts an economic, efficient, and effective approach to procurement in the interests of all stakeholders. This strategy and action plan sets out how the Council will respond to this agenda.

In achieving excellence in procurement, the Council recognises that the aims and priorities of this strategy as being:

- To ensure that the procurement process contributes to the Council's Corporate Plan and service objectives.
- To ensure ownership of Best Value procurement throughout the Council, and the commitment of Members and senior officers to achieve this.
- To identify the most appropriate mechanism or mechanisms for undertaking procurement and to streamline the process.
- To disseminate information about procurement policy throughout the Council.
- To ensure the Council maximises the benefits of partnering and collaboration, working with suppliers in all sectors to deliver services, and combining with other Councils or organisations to maximise buying power or create shared services.
- To take forward e-procurement.

- To ensure that all Members and officers throughout the Council have the appropriate skills to either manage or undertake procurement.
- To review and monitor procurement performance.

4.0 Organisational structure of procurement

Procurement of small value goods and services, and the central purchasing of goods and services common to all areas of the Council are administered by Financial Services. Responsibility for procurement however lies within different areas. Whilst Financial Services administer day-to-day activities and have overall responsibility for the central purchasing system, each service area within the Council is responsible for undertaking their own procurement. Financial Services and Contract/ Project Officers are supported by Legal Services with regards to procurement, as Legal Services deal the associated contractual issues. In addition, the Cabinet monitors the Councils' revenue and capital budgets.

Financial Services also provide a 'Financial Guidance Manual' which outlines issues such as, how to purchase and pay for goods and services to all service areas within the Council. This provides the basis for a consistent approach to procurement in all service areas. Each service area is tasked with maintaining its own supplier list. Some ten years ago or more, these lists were maintained by a designated officer who also had the responsibility of advising officers throughout the Council on procurement issues. This is no longer the case, and centralised advice is now available only in respect of Standing Orders and Financial Regulations.

The current structure of procurement within the Council does not lend itself to the various service areas being able to disseminate and exchange information on a daily basis outside of their own service area. This may have an impact on the effectiveness of some procurement within the Council, but there are arguments both for and against having a centralised procurement function in a small authority. Nevertheless, one of the aims of this strategy is to identify how the Council should improve its procurement process.

5.0 Promoting standards and best practice

To ensure that the Council delivers a better procurement service, it is vital that the Council promotes and follows national standards and best practice. To achieve this, the following themes have been identified which need to be considered whilst procuring goods and services:

- Risk
- Accountability
- Continuous improvement
- Modernisation & Quality
- Equality
- Sustainability

- Economic & Social considerations
- Environmental considerations

- *Risk*

Goods and services have different levels of risk associated with them, usually dependent upon the price of a particular good or service and the impact on the customer if the service fails. For high cost goods and services the risk is also usually high and these tend to be goods and services of strategic importance. As a result it is important for the Council to have in place effective project management techniques to ensure that the strategic importance and risk associated with this form of procurement is managed correctly and any adverse impacts mitigated. For high risk procurement, it is often appropriate to undertake a partnering approach to ensure some of the risk is distributed.

Lower value goods and services carry a lower level of risk, thus the aim for the Council has to be to minimise the cost of the procuring process for these goods and services. This can involve leveraging collective buying both internally within the Council and externally through working with other councils. It may also be more appropriate to procure these goods and services through e-Procurement methods.

The Council's risk management strategy sets out the corporate approach to risk and this needs to be applied in the context of procurement.

- *Accountability*

Procurement as a process impacts on all areas of the Council. The responsibility for procurement must primarily lie with the relevant service areas. The responsibility is to ensure that the procurement undertaken is within the established corporate framework, that it follows best practice and takes account of issues such as risk and sustainability.

It is also of equal importance to ensure that there is clear leadership in respect of procurement. This will enable a clear structure within the organisation to be created for issues related to procurement to be strategically addressed and for procurement to be continually improved.

- *Continuous improvement*

The National Procurement Strategy for Local Government specifies the need for procurement within councils to develop and continually improve. This commitment to improvement is embodied in the Council's Corporate Plan. This includes a need to have review mechanisms in relation to procurement performance within the Council to ensure that goods and services procured are offering value to the Council and its stakeholders and enabling the Council to provide improved services.

- *Modernisation & Quality*

The modernisation and quality agenda for procurement is closely related to continuous improvement. To ensure that the Council's procurement service is following best practice, there is a need to ensure that up-to-date technology and methodologies are being used. The most recent example of this is e-procurement, which offers the Council the opportunity to procure goods and service in a more efficient, effective, and economic manner. It also provides the Council the opportunity to have access to a greater number of suppliers.

Quality is another issue that has to be addressed on an ongoing basis, as all the procurement the Council undertakes must offer value for money, and be fit for purpose. To ensure quality procurement is undertaken the Council cannot simply procure goods and services at the lowest price.

- *Equality*

Equality is an important factor throughout the procurement process. Dartford Borough Councils Comprehensive Equalities Policy commits the Council to achieving equality of opportunity in everything it does. This includes ensuring that all procurement procedures comply with the policy and that contractors providing a service on behalf of the council adhere to this policy. Equality also means ensuring that there is equality of opportunity for all suppliers and contractors, and the Council should take an active role in identifying what barriers exist for suppliers and contractors within this context, in order to address such barriers.

- *Sustainability*

Local Authorities have been pioneers relating to sustainable procurement, with many producing green procurement policies as part of their Local Agenda 21 efforts.

Sustainable procurement considers the environmental, social and economic impacts associated with the products and services purchased. It also involves working with suppliers. Sustainability should be built into the whole procurement process and should be considered at the earliest stage of procurement. Whole life costing is a key tool in obtaining best value.

Local government and the public sector in general have a culture, which emphasizes the need to procure goods and services at the lowest price possible. This however is not always consistent with undertaking sustainable procurement that offers value for money.

- *Economic & Social considerations*

This can include supporting the local community and economy through procuring goods and services locally. Local businesses or social enterprises may be discouraged from tendering for local government contracts because of perceived or real barriers, in relation to bureaucracy or the availability of information. However not all goods and services can be procured locally, and to obtain value and quality it is not always appropriate to procure locally.

Hence a balance has to be struck between taking local social issues into consideration and issues such as equality, value, and quality. The Council will take a proactive approach to promoting procurement opportunities.

- *Environmental considerations*

When procuring goods and services the Council should consider not only the immediate environmental impact of procuring a particular good or service, but also the environmental impact of procuring goods or services throughout their lifecycle or the duration of contract. For example, in many cases energy efficient products often have an increased capital cost which can be more than offset by reduced operating costs. One aim of the procurement process should be to reduce costs on energy, production, packaging, disposal and transport.

6.0 Partnering and Collaboration

For the Council partnering means having sustainable and collaborative relationships with suppliers from all sectors, whether it is public, private, or voluntary so that services or major projects can be delivered, or supplies and equipment acquired. The benefits of undertaking a partnering approach to procurement have been identified as being:

- Better designed solutions
- Integration of services for customers
- Access to new and scarce skills
- Economies of scale and scope
- Investment
- Shared risk
- Community benefits

Different forms of procurement may require different forms of partnering. An item of low value both in terms of cost and importance is best procured internally without any need for partnering. However, an item of high value in terms of cost and importance, for example a leisure facility, may be better procured through a partnering approach.

All forms of procurement may have an element of partnership working or collaboration. Collaboration describes the various ways in which the Council and other bodies can come together to combine their buying power, procure or commission goods, works or services jointly or create shared services. The extent to which a particular good or service should be procured collaboratively, or the form that partnership should take inherently depends upon what is procured.

7.0 Procurement training

Procurement training emphasizes the need to have officers within the Council who have the knowledge, ability, and experience to both manage and undertake procurement. Thus the skill requirements for the Council fall into two categories,

firstly, procurement skills for those who need to manage procurement and secondly, for those who need to undertake procurement. It is important that the Council establishes the current level of skills that exist within the organisation, and addresses any deficiencies in skills with appropriate training to ensure that procurement is being managed and undertaken effectively and appropriately.

As procurement can be undertaken throughout the Council, and as it cuts across service areas, the Council can benefit from ensuring that all individuals within the Council have a basic understanding of procurement and a basic level of procurement skills.

8.0 Best Value and procurement

Best Value considerations mean that the Council must ensure a balance exists between the cost of what is being procured and the value it provides. Best Value procurement should take into account issues such as quality, equality, sustainability, and value for money, enabling the Council to undertake high quality procurement that is transparent and accountable, as well as customer focused. Service reviews conducted by the Quality Services Committee should consider innovative approaches to commissioning, procuring and providing services.

To ensure that procurement is achieving standards which the Council and government advocate, it is essential that the Council puts in place an effective performance monitoring. Current performance measures provide a limited means of measuring the performance of procurement. Most targets, quite rightly relate to whether the Council is achieving service delivery outcomes, rather than specifically measuring aspects of the procurement service or process. It is appropriate however to introduce some limited measures to monitor the effectiveness of procurement in the Council.

9.0 Contract Standing Orders

The Local Government Act 1972 requires the Council to maintain standing orders for procuring services, works and supplies. Standing orders set out the procedures officers within the Council should follow and comply with when awarding contracts. Standing Orders cover the following issues:

- Legislative requirements
- Measures to ensure Best Value for money
- Arrangements to advertise work
- Criteria on which to select tenders
- Tender evaluation model and tender board procedures
- Competition requirements, and
- Responsibility to select the most economically advantageous tender

To meet the requirement of the Local Government Act 1999 the Council has reviewed its Contract Standing Orders, and revised them accordingly. However Standing Orders need to be reviewed and updated regularly to ensure that they

are not restrictive, and that they facilitate modern forms of procurement and encourage a sustainable and best practice approach.

10.0 Electronic Procurement

Electronic procurement (e-procurement) is the use of an electronic system to procure and pay third parties for goods and services. E-procurement is a key driver for modernising procurement, and provides the Council with an opportunity to achieve efficiencies during the procurement process. These efficiencies take the form of reductions in the procurement process time and in transaction costs. The Council has various e-procurement systems currently in place, however the Council could make more effective use of e-procurement and incur greater levels of benefit.

11.0 Meeting Local Government Milestones

This strategy seeks to provide a framework for achieving the milestones set out initially in the Byatt report and then in the National Procurement Strategy for Local Government. These relate to all tiers of local government and it is acknowledged that district authorities with lesser procurement needs and much less resource to devote to the procurement function will need take due account of this. This strategy and action plan focuses primarily on issues identified through the service review that will improve the Council's procurement performance. It seeks to ensure that national targets are also achieved without allowing this to become a major bureaucratic burden or drain on the Council's limited resources.

12.0 Taking Procurement Forward

The Council understands the strategic importance of procurement within the organisation, and the role procurement can play in helping the Council to achieve quality services and value for money. The Council also acknowledges that procurement, as a service within the Council requires analysis and change, to ensure that continuous improvement is undertaken. Through the review process conducted by officers and Members, the Council has identified the following key areas to address:

- Strategic procurement
- Measuring procurement
- Promoting standards and best practice
- Increasing procurement awareness
- Procurement training
- Electronic procurement

Some commentary on each of these is provided below, along with a target in respect of each. The detailed actions to be undertaken are set out in the attached action plan.

13.0 Areas for Improvement

13.1 Strategic Procurement

A strategic approach to procurement means ensuring that the Council is undertaking procurement that meets its objectives, as well as national best practice guidelines. To achieve this, the Council will ensure that the resources, leadership and capacity are in place to take procurement forward in the organisation, and that issues relating to best practice, and the opportunities for partnering and collaboration are fully taken into account.

It is essential that any procurement that is undertaken considers the service area, the state of supply markets, and an options appraisal. Service area factors relate to ensuring any procurement that is undertaken fulfills an identifiable need. Understanding the market involves ensuring that there is a thorough understanding of suppliers and competition. An options appraisal should seek to identify whether or not a good or service is required and the most suitable method of procuring a good or service.

A strategic approach to procurement should ensure that managers are empowered to make appropriate procurement decisions within a clear framework. All procurement exercises should include consideration of the following issues:

- How the service contributes to the Council's vision and goals
- Current perceptions and performance of service, and future aspirations
- The cost and quality of providing the service against a range of providers
- The resources required to provide the service
- Whether or not the service needs to be outsourced, undertaken externally to the Council, or requires external involvement. If the service can be contracted out in part or as a whole, identify whether the benefits derived outweigh the costs involved, and whether reputable suppliers are available, who amongst other things can provide the service within the agreed price to the standard that the Council requires
- The local economic, environmental, and social impact of the service

Target: To review and develop the Council's approach to strategic procurement

13.2 Measuring Procurement

As part of undertaking strategic procurement, the Council also needs to ensure that it is setting SMART (Specific, Measurable, Attainable, Realistic, Time-bound) targets for procurement. This will allow the Council to analyse the service on a regular basis and in greater detail. This will help the Council to ensure that the procurement service is reaching certain standards, and identify areas for improvement.

The Improvement and Development Agency (IDeA) and the Audit Commission are developing key performance indicators which Councils will be able to use to measure year-on-year improvement and compare performance with other Councils and organizations.

Target: To introduce and undertake procedures to measure the procurement service within the Council

13.2 Promoting standards and best practice

To enable the Council to promote best practice and promote procurement standards, the Council will establish mechanisms which enable officers and suppliers to ensure that they take key issues into account throughout the procurement process. These issues include risk, accountability, Best Value, equality, and sustainability.

The Council currently undertakes risk assessment when procuring large value goods and services, to ensure that it is not left open to the adverse effects from the failure of procured services or goods. However the Council should establish processes for all officers to follow so that risk can be managed better throughout the Council as a whole, and so that strategies are in place to deal with adverse risk if it should occur.

As procurement is a devolved service within the Council, procurement accountability lies with each service area. To ensure that all service areas are accountable for the procurement they undertake, the Council needs to ensure that any procurement undertaken at a mid to large scale is fully documented and records kept. This will allow the Council to review the effectiveness of procurement exercises.

Equality and sustainability are issues that will be addressed by the Council through making all stakeholders aware of equality, environmental, social, and economic issues. To ensure that all stakeholders take these issues into account, the Council will develop and introduce guidance for officers to follow so that they consider each of these issues as part of the procurement process. This procurement guidance will provide the context within which the Council's Standing Orders operate.

Promoting standards and best practice must also apply to working with suppliers. The Council should seek to stimulate markets and achieve community benefits. To do this it will actively engage and consult with suppliers, endeavouring to understand their perspective and marketing the Council to them. A diverse and competitive supply base will help improve value for money.

Target: To develop and introduce guidance, procedures, and mechanisms that allow officers and stakeholders to promote and ensure best practice is undertaken and procurement standards achieved

13.3 *Increasing procurement awareness*

As the Council has a devolved procurement structure, it is vitally important that those involved in procurement are aware of all the key issues that they need to consider both before, during, and after undertaking their procurement. It is equally important that they are aware of the procurement practices and standards the Council has set and which they are required to follow.

To achieve this, the Council needs to simplify information related to procurement and disseminate it throughout the organisation. This information will include best practice guidance, this strategy, Standing Orders and key contact information relating to procurement expertise both within and outside the Council. This is particularly important in the absence of an identified officer with specialist procurement knowledge in the Council, whom other officers undertaking procurement can consult with if they require information and guidance. This will help to ensure that whilst procurement within the Council is devolved and not managed centrally, it is undertaken to a consistent quality throughout the Council.

Target: To increase awareness of procurement issues throughout the Council

13.4 *Procurement training*

To ensure that relevant officers and Members have the skills and knowledge that they require to either manage or undertake procurement, it is necessary to identify training needs and provide the relevant training. A review to identify procurement training needs within the Council will be undertaken. This will provide clarity about the different levels of training required and the amount of training the Council needs to provide. From this the Council will identify and devise suitable training programmes.

Target: To provide officers and Members with suitable procurement training to meet their needs

13.5 *Electronic procurement*

The 'National Procurement Strategy for Local Government' calls for councils to have an e-procurement strategy and business cases for e-procurement projects in place. Whilst the Council currently does not have a strategy in place specifically for e-procurement, the Council does include e-procurement within its e-Government Strategy. To meet e-government deadlines set by national government, the Council has implemented e-procurement systems as part of its e-Government Strategy. The Council is committed to developing its e-government and e-procurement services further.

As part of the Council's current procurement practice, business cases are developed on a project by project basis. The Council will seek to develop future

business cases are in line with guidance provided, to ensure that both officers and Members are able to make informed decisions when deciding what e-procurement solutions should be implemented

As part of this strategy, the Council will continue to analyse and develop its e-procurement systems to ensure that they meet both current and future service needs. The Council will also seek to increase the effective use of e-procurement within the organisation.

Target: To develop an e-Procurement Strategy, to develop future e-procurement business cases inline with best practice guidance, and to continue to progress the use of e-procurement within the Council.