



REDDITCH BOROUGH COUNCIL

REVISED CORPORATE PROCUREMENT STRATEGY

2009 - 2012

Redditch Borough Council is committed to achieving Value for Money from its annual influenceable procurement expenditure. This Procurement Strategy sets out how we intend to deliver this through more effective strategic procurement.

This Strategy underpins and supports the delivery of the Council's vision of "An enterprising community which is safe, clean and green"

Procurement has a key role to play in helping the Council to achieve its Vision for Redditch by ensuring that value and efficiency is delivered for every pound spent with its suppliers and contractors.

WHAT IS PROCUREMENT?

Procurement has many different meanings. Within the National Procurement Strategy it is defined as *"the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the whole cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical "make or buy" decision which may result in the provision of services in-house in appropriate circumstances"*.

Procurement is not the same as purchasing. Purchasing is only one element of the process i.e. the basis of the acquisition stage in the procurement cycle. The procurement cycle starts with the identification of a need and moves through purchasing decisions to the end of a service or the end of the useful life of an asset.

PURPOSE OF THIS PROCUREMENT STRATEGY

The Strategy aims to set a clear framework and way forward for procurement throughout the authority through adopting efficient and consistent procurement processes and improving the effectiveness of procurement by the Council. It reflects the Council's corporate Vision and Values and is supported by a number of documents including:

- The Corporate Plan
- Contracts Procedure Rules (Previously SO46)
- Financial Regulations
- E-Government Strategy
- Sustainability & Environmental Strategy
- Equality and Diversity policies

The Strategy will communicate clearly to all Officers, Councillors and Suppliers in the private, public and voluntary sectors the council's vision for the way forward in its procurement of goods, works and services and will:

- support the Council's corporate Vision and Values
- focus on achieving Value for Money and efficiency savings
- support the local business and third sector communities
- profit from economies of scale and ensure our purchasing power is used intelligently
- ensure a consistent approach to procurement methods utilised by Officers
- monitor developments and make the best use of new technology in purchasing
- contribute to Environmental Procurement and Sustainability issues

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- manage risks effectively
- encourage continuous review and improvement in procurement processes

THE AIMS OF THE STRATEGY

The aim of our procurement Strategy is -

“To achieve minimum cost for the goods, services and works we require, whilst maintaining or improving the quality of our services:

- by paying less for what we currently buy.
- through buying more for the same price or at a lower price and
- by improving procurement working practices across the Council”.

This will help to release resources for use elsewhere in the organisation and support the delivery of high quality services to the citizens of Redditch. A number of other criteria must also be considered such as sustainability, equalities and whole life costs.

THE SCOPE OF THE STRATEGY

This Strategy covers the next three years and is intended to:

- set out the principles and framework for the Council’s (and where relevant its partners’) approach to procurement.
- give guidance and direction to officers in fulfilling their stewardship and Value for Money obligations in regard to procurement.

The Strategy is underpinned by a Procurement Toolkit, comprising:

- The Councils Contract Procedure Rules. (previously known as Standing Order 46)
- A procurement good practice summary guide for officers.
- A guide for suppliers on how to do business with the Council
- Sustainable Purchasing Guidelines
- Equalities Guidelines
- a contracts register.
- A procurement website & intranet site
- Relevant training and development opportunities.

GOVERNANCE STRUCTURE

The Governance structure for our approach to Procurement is: -

- leadership through the Deputy Chief Executive
- The Corporate Management Team (CMT)
- The Executive Committee
- The Procurement Steering Committee.
- a Corporate Procurement Unit (CPU)

The Council has an established Corporate Procurement Unit which:

- develops Corporate Procurement policies and procedures;
- instigates the aggregation of goods, services and works in common use across the Council, undertakes the procurement process, develops agreements and contract manages such contracts for the benefit of all departments;
- provides a range of services, from advice to undertaking the full procurement process for departments on specific procurement projects;

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- is involved in Service delivery options reviews
- liaises with Consortia;
- maintains a register of agreements with suppliers, identifies areas of spend and plans the tendering processes;
- develops and promotes appropriate contracting strategies relevant to the goods, services or works required;
- has, in association with Legal Services, developed various document templates for use in the tender/contracting process.

The majority of purchasing is conducted independently by each Service and a variety of staff deal with a large number of suppliers. When making purchases on behalf of the Council, it is necessary that the responsible officer follows the correct procedures, which means that under the terms of the Council's Constitution every Council officer must operate in accordance with the Council's current Financial Regulations and Contracts Procedure Rules (previously SO46)

IMPLICATIONS OF THE COMPREHENSIVE SPENDING REVIEW OF 2007 (CSR07) FOR PROCUREMENT IN THE COUNCIL

The Government, as part of the Comprehensive Spending Review 2007 (CSR07), is due to allocate circa £150m towards "improvement" and "efficiency" in Local Government over the 3 years commencing April 2008.

In exchange the Government is expecting an annual 3% cashable efficiency or a 9.3% cashable gain by the end of the financial year 2010/11. Non-cashable gains will not count towards the efficiency target. The Government is expecting Procurement to make the most substantial contribution to the efficiencies required. Of the £4.9bn worth of efficiencies expected nationally £2.8bn (57%) is anticipated to be from smarter procurement practices.

The 3% annual efficiency target will be not be cascaded to each Council individually. Instead, each Council will be expected to devise its own strategies for contributing to the national target, and will be required to report the total value of net ongoing cash releasing savings from the financial year 08/09 onwards.

KEY OBJECTIVES

The key objectives of this Strategy are to;

1. Provide a clear implementation plan of how the objectives of the Strategy will be achieved. The plan for 2009/2010 is attached as Appendix A. This plan is a living document and is monitored and updated each quarter by the Corporate Procurement Team. A revised plan for 2010/2011 will be issued by the end of March 2010.
2. Support the Council's vision and Corporate Objectives as detailed in the Corporate Plan with particular reference to the delivery of quality services to the citizens of the Borough.
3. Contribute to the identification and delivery of procurement related savings by participating in value for money reviews.
4. Support the statutory duty the Council has to achieve Best Value for Money.
5. Encourage long-term thinking and commitment to strategic procurement including delivering best value, mitigating commercial risk and effectively managing suppliers/contractors

6. Promote the development of organisational capacity and capability to deliver successful procurement, commissioning and contract management.

7. Change the way the Council thinks about procurement and commissioning issues so that it is able to meet the challenges presented to it on a national, regional and local basis.

8. Provide a clear framework for procurement priorities throughout the Council, which ensures that all procurement decisions are made on a consistent and transparent basis.

9. Support the Council to deliver against statutory requirements, including European Union (EU) Procurement Regulations.

10. Enable procurement performance to be measured internally and externally by the use of procurement Value for Money indicators.

11. Provide a framework for delivering procurement policy with regard to addressing sustainable procurement and RBC's duties under the Crime and Disorder Act and the Equalities legislation.

12. Engage more effectively with Small to Medium sized Enterprises (SME's), social enterprises, ethnic minority businesses and the voluntary and community sectors.

13. Lead and support a shared procurement service for Worcestershire and contribute to regional collaborative opportunities to deliver savings.

MAKING PURCHASING MORE EFFICIENT

The Council can secure savings by reducing the administration of purchasing activities across the authority, for instance, by reducing the number of suppliers that we deal with and the number of transactions that we pay.

In addition we will seek areas in which we can collaborate with other Local Authorities to utilise combined buying power to reduce prices paid and administrative costs, thus not only bringing financial and efficiency savings, but also increasing our capacity to deliver.

We will also review other opportunities for making the procurement process more efficient and cost effective by

- utilising OGC or other suitable public sector consortia such as NHS PASA, ESPO and YPO for pre-tendered products and services. This eliminates the need to undertake a competitive process (e.g. tendering) and can offer competitive prices
- looking at how we organise purchasing within the Council
- increased use of centrally let Corporate Contracts
- utilising more Framework Contracts
- encouraging better planning of procurements particularly high cost/value procurements

The potential for making efficiency and cost savings by utilising electronic technology such as Reverse 'e' Auctions, Procurement Cards to name but two will be investigated and implemented as appropriate.

IDENTIFYING THE RIGHT PROCUREMENT OPTION

There are a range of methods that can be adopted in procuring and delivering services. The Council will review and market test its services in conjunction with the Procurement Unit.

The Council will look to:

- Justify the need for services
- Select services for appraisal
- Identify the drivers for change
- Complete an option appraisal for each service
- Select a preferred option for service delivery

The Council will identify the reasons (drivers) for changing or endorsing current delivery arrangements to deliver key outcomes. These could be based on the council wanting to:-

- Improve the service;
- Deliver growth/regeneration;
- Develop capacity/investment;
- Effect Community Involvement;
- Deliver Efficiency Savings.

The options that will be considered for service delivery at a strategic level include:

- Shared Services
- Partnership arrangements
- Purchasing through consortia

SUSTAINABILITY, THE ENVIRONMENT AND PROCUREMENT

Through the new clean and green corporate objective, the Council is committed to improving its sustainability performance and reducing its impact on the environment and climate change. In 2009, the Council was successful in gaining funding the Energy Saving Trust to reduce carbon emissions in Redditch which will provide a number of recommendations including improving the sustainability of our procurement process which is key to achieving this aim. In addition, our existing commitments made under the Worcestershire Climate Change Pledge (2% year on year CO2 emission reductions) and Nottingham Declaration oblige us to reduce our environmental impact (specifically in relation to energy sourcing and use, travel and transport, waste production and disposal and the purchasing of goods and services) and adopting a truly sustainable procurement policy will begin to embed this within the Council. From NI185 which requires us to reduce our CO2 emissions as an organisation (the draft minimum target proposed is 1% year on year reductions – equating to 364 tonnes of CO2 in 2009/10) through to our involvement in the Worcestershire Partnership and our LAA commitments, mitigating and adapting to climate change are key performance indicators which can be affected through procurement in addition to the desire to be a more sustainable Council overall.

Consideration will also be given to reflecting the Council's sustainability objectives and requirements in the pre-qualification questionnaire and tender documents as appropriate, and we will encourage suppliers to adopt sustainable practices.

EQUALITIES AND PROCUREMENT

We can use our influence to promote a positive approach to equality and diversity. In our procurement processes, we will make sure that we give our suppliers advice on equality issues and ensure that contracts promote equality and diversity.

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The Council is committed to equal opportunities and expects its partners and suppliers to share this commitment. Procurement is one of the tools by which the Council can promote equality of opportunity and service delivery. The role of procurement in this context is to influence and promote good equalities practice in those organisations that supply goods and services to the Council or to the citizens of the Borough. Our tender documents already require prospective suppliers to abide by equal opportunities legislation (and to provide documentary evidence thereof), but our tendering procedures will be reviewed and amended to ensure compliance with a common standard. Consideration will also be given to sanctions that may be imposed by the Council should partners and suppliers subsequently fail to comply with Equalities legislation.

The Council will work alongside other Local Authorities within the West Midlands Forum to enforce the agreed Common Standard of commitment to Equalities and Diversity that businesses must adopt as directed by the Commission for Racial Equality.

WHOLE LIFE COSTS

For 2009/10 onwards, a whole life approach will be an integral part of the decision making process for all significant contracts and the new capital appraisal forms require this information as part of the capital scheme approval process. Before entering into any significant long-term agreement with a third party, the responsible manager will therefore need to undertake an appraisal of the whole life costs associated with a contract by taking into account

- acquisition costs.
- operating costs.
- disposal costs.

This process is key to demonstrating value for money.

ACTIONS

CONTRACT MANAGEMENT AND SUPPLIER RELATIONSHIPS

We will seek to develop relationships with suppliers and encourage them to conduct their business in an ethical manner. In particular we will encourage suppliers to adopt high standards of health and safety and to recognize the benefits of improved diversity.

We will not put companies at risk of being dependent upon the award of Council contracts. As a guideline we will limit the annual value of Council contracts for any company to no more than 50% of its annual turnover. Equally, we will not put the Council at risk of being dependent upon a single supplier and will vary companies invited to tender where this does not put Value for Money at risk.

Officers will be required to instigate and operate viable contract management for the life of any contract they let and manage we will not have a culture of "Let and Forget"

The Council supports the local business community and will encourage local suppliers to compete for opportunities to do business with the Council, keeping wealth and jobs within the borough, the County and the Region. We are committed to purchasing locally, where it is reasonable and legal to do so from local suppliers provided that this does not put Value for Money at risk.

The Council will also work with and seek ways in which to support Small to Medium Size enterprises (SME's) start-up ventures, ethnic minority businesses by making contract and other business opportunities accessible.

In addition we will work with local businesses to help them develop their health and safety, equalities and diversity policies & procedures.

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The Council recognises the role that the Voluntary and Community sectors can play within the quality of life for local residents and in developing social cohesion throughout the community. Where it is reasonable and legal to do so, the Council will consider options for the Voluntary and Community sectors to supply goods, services or works to the Council