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**NORTH EAST DERBYSHIRE DISTRICT  
COUNCIL  
PROCUREMENT  
STRATEGY**

**2011-2014**

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## **North East Derbyshire District Council Equalities Statement**

**North East Derbyshire District Council is committed to equalities as an employer and in the services it provides to all sections of the community.**

**The Council believes that no person should be treated unfairly and is committed to eliminate all forms of discrimination in compliance with the Corporate Equality Schemes of the three Councils' and in line with current legal requirements.**

**The Council will have due regard to eliminate discrimination and to proactively promote equality of opportunity and social harmony between all groups in society when performing its functions.**

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## 1. Executive Summary

North East Derbyshire District Council, Chesterfield Borough Council and Bolsover District Council are working together on the delivery of a number of services on a shared basis. This is in line with the Government's agenda and secures both efficiency gains and improvements in services for our local residents. In 2007, a Shared Procurement Unit was established. This strategy reflects issues faced by the Shared Procurement Unit as well as North East Derbyshire District Council alone.

Between them, the Councils have an annual expenditure in excess of £60 million. The manner in which the Councils acquire and manage the resources they need to undertake their many functions is critical to the success of the organisations. This Corporate Procurement Strategy provides a framework for the Councils to obtain value for money in all their procurement activities.

Each partner Council's vision for their community is contained within their Sustainable Communities Strategy. In broad terms these visions are concerned with enabling each area to be an excellent place to live, work and visit. The Councils strive to represent and advance community interests by providing high quality services, which will meet the aspirations of local people and which can demonstrate that the Council's themselves are performing well and achieving high standards. As all services grow more dependent on external suppliers of goods, works and services, it is increasingly important for the Councils to develop clear policy and guidelines for how these externally provided resources are selected, acquired and managed. Even where services are currently provided in-house they are dependent upon a range of goods, works and services that are procured externally in order to support direct service provision. Finally, there needs to be an on-going review of all Council Services, irrespective of whether they are provided in-house or through an external body to ensure that they are being provided efficiently and effectively.

In order to streamline the procurement process across the three Councils, Standing Orders for Contracts and Financial Regulations are being redrafted to reflect current best practice and allow for flexibility in order to enable officers to obtain best value whilst observing high standards and relevant legislation and protocols. In conjunction with the three Legal Departments, the Shared Procurement Unit will attempt to produce one set of Contract Procedure Rules to cover the three Councils.

This document sets out the Council's strategic approach to procurement. It is not intended to be a procurement manual, however, the principles contained within this strategy should be applied to all procurement activity. Supporting this Strategy are the Contract Standing Orders and Financial Regulations which provide the practical guidance enabling Officers to implement this strategy and to follow good procurement practice in their everyday activities.

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## **2 Introduction**

### **2.1 The Councils' Objectives**

The three Councils share a vision that services, supplies and works procured should be of a high quality, flexible, represent value for money and above all be customer/user focused. The Councils expect our suppliers to find an appropriate balance between delivering high quality, economical, and fit for purpose goods and services, with promoting equality, good employment practices and sustainable development.

Procurement aims to help each authority make informed decisions about how to deliver its corporate and service objectives most effectively and how to support their Strategic and Community Plans. It is also a mechanism to assist the delivery of key policies such as those addressing diversity, sustainability.

### **2.2 Foreword**

The strategy supports the strategic Corporate Plans of the three Councils which the Shared Procurement Unit serves, namely North East Derbyshire District Council, Chesterfield Borough Council and Bolsover District Council. These Corporate Plans seek to:

- Create and maintain organisations of excellence (managing our finances, securing real value for money, fostering innovation in service delivery and making the best use of new technology)
- Facilitate a sustainable and growing economy for the North Derbyshire area (use of local suppliers and service providers)
- Preserve and enhance a high quality, clean and sustainable environment (adopting, promoting and influencing sustainable practices)

While each individual Council has its own Corporate Plan, Chesterfield and North East have a joint Local Strategic Partnership (LSP), and a Sustainable Community Strategy which covers both Districts. North East Derbyshire has its own LSP and a separate Sustainable Community Strategy. More generally the characteristics of our areas, our geographical proximity, and growing experience of joint working have resulted in a number of our core objectives being closely aligned. The similar goals of our authorities provide a solid foundation on which joint working can be built. While our three authorities have considerable experience of working together in a number of areas, there are distinct advantages in the area of procurement where our combined purchasing power increases our ability to secure advantageous terms of supply, and will secure economies of scale in our administrative arrangements. While our three authorities have committed to working together as part of formal joint working arrangement we remain committed to working with other partners where appropriate. In particular we seek to develop close links with Derbyshire County Council, other neighbouring District Councils, and other public sector purchasing consortia, where this will serve to further our agreed objectives.

We are committed to work to align our procurement activity with our corporate goals in order to help deliver our core policy objectives, and in particular our procurement activities will contribute to the economic, social and environmental well being of the North Derbyshire area. In turn, this will enable the three Councils to build on existing partnerships, and in particular to develop links with our local business community and voluntary sector.

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This strategy is intended to ensure that Procurement:

- reflects the Council's core values and corporate aims;
- reflects national objectives and best practice guidance;
- secures member and senior management commitment to effective procurement throughout the Council;
- secures effective partnership working both within the Council and with other key public sector agencies, and with the local supply chains;
- operates effectively and is understood and applied throughout our organisations
- ensures financial probity

### **2.3 Progress to Date**

This strategy aims to build upon the previous Strategy baseline objectives, set out in the North East Derbyshire 2007-2010 Procurement Strategy. The Council has progressed significantly in the following areas;

- A Corporate Procurement Strategy has been developed and owned by the Members, Chief Executive, and Senior Officers
- At Officer level procurement activities are increasingly aligned with good practice.
- Revised Contract Procedure Rules are in place and staff are aware of these.
- A significant contribution has been made to the CSR targets
- Commitment to collaborative working with all Councils
- Commitment to addressing sustainability and equalities in procurement
- Commitment to the voluntary and community sector COMPACT
- Engagement and co-operation with the East Midlands Regional Improvement and Efficiency Partnership
- Co-operation with other Derbyshire Councils through membership of the Derbyshire Procurement Forum
- Shared Services in place with NEDDC, CBC and Derbyshire Dales DC
- Use of Standard Tender Documentation
- Use of e-purchasing systems
- Use of e-tendering systems

### **2.4 Principles & Values**

It is recognised that procurement and commissioning is a diverse specialism that crosses all service areas and impacts upon our corporate ambitions to;

- Ensure that communities are safe and secure
- Provide excellent customer focused services
- Promote and enhance a clean and sustainable environment
- Develop healthy, prosperous and sustainable communities
- Promote fairness, equality and lifelong learning
- Continue to improve our organisation

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## 2.5 Value for money

Value for money requires each Council to demonstrate economy, efficiency and effectiveness in service delivery. Procurement decisions such as whether to continue to provide particular goods, services or works, and whether to provide them internally or externally are central to this requirement.

The Council produces an annual report of the overall performance and management of the Council's services, setting out how it intends to improve in the short to medium term. Our procurement practices will play a key part in securing value for money, and in delivering our wider vision for our communities. In particular we are working to ensure that our procurement will:

- be driven by desired outputs and results;
- balance quality and cost;
- consider the optimum combination of whole life costs and benefits to meet the customer's requirements;
- respond promptly and effectively to service and resident requirements;
- minimise administrative processes and unnecessary bureaucracy;
- ensure routine transactions are carried out in the most efficient manner;
- consider all options in obtaining the most appropriate solution;
- value innovation and creativity;
- use competition to obtain value for money;
- support the Council's policies and priorities;
- comply with legislation;
- promote good employment practices, fair trade and environmental sustainability amongst our suppliers
- reduce energy use and reduce carbon dioxide emissions
- be transparent and accountable
- encourage local suppliers, supply chains

In order to demonstrate Value for Money and continuous improvement, the following will be embedded into procurement activity:

- Performance indicators and targets (based on both quality and cost) will be central to the procurement process.
- Procedures to manage contractual arrangements will be established with performance measured, reported and effectively benchmarked.
- Procurement procedures and processes will be subject to regular review and updating
- The management of risk will be an integral part of the procurement process.
- The Shared Procurement Unit will ensure procurement training requirements are met to support the procurement process and subsequent contract management.

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A key objective of this procurement strategy is to provide a mechanism to improving quality and efficiency by harnessing competition. This will be achieved by:

- Effective use of the Intend electronic tendering system
- Effective advertising of contracts through the Source Derbyshire Website, OJEU.
- Engagement with local Small and Medium Enterprises (SME's) and the community through "Meet the Buyer" events
- Encouraging SME's to make use of the Source Derbyshire website
- Effective use of electronic requisitioning, purchase ordering and invoice matching
- Standardisation of contract terms and conditions and tender documents
- Standardisation of specifications
- Centralising Supply Contracts
- Proactively benchmarking key services and goods supply routes
- Maintaining ethical standards amongst our suppliers, promoting good employment practices, environmental sustainability, equalities and fair trade.
- Promote active engagement with the "Third Sector" and "Fair Trade" supply chains
- Service Managers across North Derbyshire demonstrating to their Management Team that they have achieved Value for Money. Whilst operating within the requirements of the Council Standing Orders and national and international legislation, Service Managers shall explore all avenues for improving Value for Money.
- Service Managers committing to open and regular consultation with staff during procurements which could potentially involve a TUPE<sup>1</sup> transfer of staff.
- The procurement, utilisation and management of consultants (and assessment of the resulting required outcomes) being undertaken in accordance with guidance issued in the Procurement Toolkit.

### **3 Shared Procurement Policy**

#### **3.1 Leadership and Responsibility**

Subject to the matters of policy vested in the Council, the procurement of goods, services and works will be delegated to officers, having regard to the principles of Value for Money.

Service Areas must act corporately in planning and implementing any procurement, drawing on existing experience and expertise, in consultation with the Shared Procurement Unit, and where appropriate, with their own Legal Department.

In the case of goods and services in common use across all authorities, the Head of the Shared Procurement Unit is authorised to act on behalf of the Council in the formulation of Corporate Contracts, and should accordingly be consulted in the event of any intended procurement in respect of such goods and services.

All procurement exercises which are intended to lead to a contractual relationship with a third party should be managed and led by an appropriately skilled Officer throughout the procurement process, and during the life cycle of any resultant contractual arrangements. Such contractual agreements and other allied arrangements are required to be actively managed against clear performance targets.

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<sup>1</sup> Transfer of Undertakings (Protection of Employment)

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## **3.2 Governance**

Stakeholder consultation is critical to the success of the Procurement Strategy. The Council is committed to driving the procurement agenda forward and achieving the highest professional and ethical standards in its procurement and commissioning activities; having regard in the decision making process for sustainable “whole life cost” scenarios and to their socio-environmental and ecological impact. The Head of the Shared Procurement Unit is responsible for ensuring that the procurement strategy is fully reflected in our procurement processes and procedures, and that agreed milestones are met. The Head of the Shared Procurement Unit will also ensure that all appropriate policies, such as equalities and whistle blowing, are adhered to by contractors.

## **3.3 Rules and Best Practice**

The framework of rules for procurement are those determined by EU and UK law, the Council’s Contract Procedure Rules and those set out within the Procurement Toolkit (in that order of precedence).

The Procurement Toolkit will be formally reviewed on at least an annual basis in order to ensure that it remains in line with evolving best practice, and the requirements of the Council. Responsibility for this shall rest with the Head of the Shared Procurement Unit.

The Council has established and published standards for the conduct of its employees and will require adherence to these at all times both generally and specifically in relation to Procurement. In all dealings those officers who are working with the suppliers of works, goods and services must ensure that they demonstrate the highest standards of honesty, integrity, impartiality and objectivity. Both Members and Officers need to ensure that they comply with the Council’s agreed Code of Conduct.

In dealing with suppliers and providers, the Council will ensure that there is an effective equality of opportunity, for all who meet the stated criteria, to participate in tendering for any Council requirement. Whenever requested, unsuccessful applicants or suppliers will be provided with feedback explaining why they have been unsuccessful.

In appointing contractors, the Council will appraise offers received on the basis of whole life costing (including, where appropriate, environmental considerations) and will seek an appropriate balance between cost and quality in any evaluation having regard to the Most Economically Advantageous Tender (“MEAT”).

## **3.4 Process Management**

Records and procedures as set out in the Procurement Toolkit shall be properly maintained, decisions recorded and clear audit trails established in order to ensure openness, propriety, and probity. Procurement projects will be subject to Scrutiny review, and the use of electronic and other means to reduce acquisition and transaction costs will be encouraged. The payment of suppliers will be within 30 days of receipt of invoice or according to the contract terms. Implicit within this is the need to secure continuous improvement in our management and processing of invoices and the development of electronic trading where appropriate.

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### **3.5 Partnering and collaboration**

The Council's relationships with its providers will be based on openness and honesty. The Council will provide all relevant information to all its providers and regularly review its practices. Non-adversarial relationships will be promoted in order to engender a commitment to mutual continuous improvement and to foster positive working relationships with our suppliers.

The Council is actively supporting collaborative working alliances and have an active membership on the "Derbyshire Procurement Forum". The Forum comprises all Derbyshire Councils and other public bodies including colleges, and the health and blue light services.

### **3.6 Commissioning of Services**

It is the responsibility of the Officers reviewing a Service to:

- Understand the market;
- To assess the Service systematically;
- Undertake an Option Appraisal and make appropriate recommendations to progress the proposals.

Any decisions and their underlying rationale must be based on transparent and auditable supporting evidence, which must be adequately recorded by the Officer responsible.

The choice between internal and external options is a fundamental one. All Council services must demonstrate value for money. Officers must also ensure that significant decisions are subject to appropriate independent challenge, and Member approval where necessary.

### **3.7 Small Business Friendly Concordat**

The Council is one of the largest spending organisations within the local area, and clearly the more money that is spent locally, the greater the positive impact this will have on the local economy, particularly for small and medium sized businesses. Procurement legislation limits a Council's ability to favour local businesses, but there are numerous ways in which it can legitimately support local businesses, including;

- working pro-actively with the local businesses to explain how to do business with the Council;
- participating in Meet the Buyer / Meet the Contractor events to publicise opportunities to local SMEs
- providing information about current spend (and possible contracting opportunities) via the Council website;
- where possible packaging contracts in a manner that does not preclude local, small or newly formed companies from tendering;
- the Council participates in the Source Derbyshire Initiative which is a web based bulletin board for the advertisement of contracts. This provides links into the electronic tendering system and allows businesses to express an interest in a particular contract. This service is available at no cost to the business community.

The Council is a signatory to the national concordat for Small and Medium Enterprises (SME). To support this, the Council will where possible;

- consider the use of purchase cards to procure low value goods through local outlets;

- 
- make use of the Source Derbyshire website to advertise contracts so that they are accessible to SME's and voluntary organisations;
  - streamline tender documentation to ensure that only relevant information is requested
  - make use of electronic tendering systems to speed up the procurement process and make it more accessible
  - increase awareness amongst local businesses of the opportunities available within the wider local government market.

We anticipate that effective adoption of this approach will enable local businesses to compete more effectively within the local authority market place, and thus will contribute to our objectives of supporting the local economy and sustainable economic activity, whilst securing Value for Money for our Citizens

### **3.8 Voluntary Sector COMPACT**

The Council recognises the ability of Voluntary Community Organisations (VCO's) to provide valuable and effective services and have concluded a compact with the voluntary sector. Many of the issues which face local small businesses also impact upon the voluntary sector, and we anticipate that by adopting a similar approach we will be in a better position to secure the advantages that are associated with contracting with a voluntary sector provider. The Council is a signatory to the Derbyshire Countywide Voluntary Sector COMPACT. The Council fully supports the philosophy of "Third Sector" engagement as outlined in the Audit Commission Paper "Hearts and minds: commissioning from the voluntary sector". As part of the procurement strategy, the Council will look for collaborations with VCO's that represent Value for money and will actively seek their involvement in projects. The Council will also endeavour to:

- Inform VCO's about any opportunities they are aware of, and about organisations which may be in a position to provide support
- Work to develop VCO's
- Encourage the early involvement of VCO's when planning new policies and programmes
- Assist VCO's in the development of their approach to bidding for the supply of council products/services e.g. promoting the Source Derbyshire Web Portal, and e-tendering
- Develop a good understanding of the market, knowing who can supply these particular services at an affordable price
- Run an effective procurement process, balancing the need for short-term efficiency gains with longer-term market development objectives.

### **3.9 Ethics**

All procurement activity must be undertaken to the highest standards of ethical behaviour and probity. The Council insists on compliance to recognised ethical standards from its suppliers, and in turn must exhibit the highest ethical standards itself. Officers and members must not only be fair and above board in all business dealings, but must also avoid any conduct that is capable of being adversely interpreted.

This strategy, the Procurement Toolkit, Standing Orders and the Codes of Conduct all set out clearly the standards that are required of both Members and Officers.

### **3.10 Sustainability**

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In the 2005 Sustainable Development Strategy, the UK Government stated its ambitious goal to be amongst the leaders within the European Union on sustainable procurement by 2009. To this end the Sustainable Procurement Task Force (SPTF), jointly funded by the Department for the Environment, Food and Rural Affairs and HM Treasury, was set up under the direction of Sir Neville Simms, Chairman of International Power Plc. and a leading private sector proponent of sustainability. The National Action Plan: 'Procuring the Future', delivered its findings and recommendations on 12 June 2006.

#### Definition of Sustainable Procurement.

*'Sustainable procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.'*

#### Footnote:

*Sustainable procurement should consider the environmental, social and economic consequences of: Design; non-renewable material use; manufacture and production methods; logistics; service delivery; use; operation; maintenance; re-use; recycling options; disposal; and suppliers' capabilities to address these consequences throughout the supply chain.'*

(Procuring the Future. Sustainable Procurement National Action Plan. June 2006 p10.)

E-procurement and all that it entails in terms of e-invoicing, e-auctions, e-tendering, use of p-cards and the electronic market place will yield some improvements in terms of efficiency, cost savings by reducing the volume of paper/number of envelopes and stamps and this can in turn contribute to associated environmental benefits..

The Local Authorities recognise that Sustainable Procurement impacts on four key areas **price and quality, environment, social considerations and ethical/reputation** and these are associated with a range of key considerations;

#### **a) Price and Quality**

- Price and Quality. (Value for money)
- Greater outputs for less or same value
- Accessing additional resources.
- Encouraging a wide and diverse supply market
- Use of whole life cost pricing to accommodate issues such as running costs, energy efficiency, disposal costs
- Collaboration with supplier to reduce costs and maintain quality after the award of the contract
- Sub-dividing large contracts into separate lots where this can be justified in terms of cost
- Weightings for quality and price, including sustainability, as part of value for money criteria for overall evaluation.

#### **b) Environment**

- 
- Requirement of supplier to be prepared to follow a sustainable procurement strategy
  - Reduction of material transport miles
  - Waste reduction requirements
  - Mitigation of energy procurement risk
  - Contract conditions that wherever possible seek to implement sustainability policies, for example use of 20% recyclables/re-usables in construction work
  - Section 106 agreements with developers will introduce environmental improvements alongside capital projects.
  - Capital build projects incorporate requirements for an agreed % renewable energy production on site.
  - Suppliers required to retain/take back packaging
  - Increase the range and quantity of items procured that have an agreed % recycled content.
  - Vehicle and fuel use demonstrate improved environmental performance
  - A clear indication of the weighting of sustainability considerations in the overall evaluation.
  - Source equitably, wherever possible reduce transport unless there are compelling reasons not to.
  - Adherence to the corporate Environmental Policy commitment .
  - Adherence to the corporate Ethical Statement of Intent.

**c) Social Considerations**

- Promote local authority objectives for diversity and equality
- Workforce related, for example employment conditions and job satisfaction
- Regeneration of local area
- Local employment, in particular in an environment where the volume of work is declining.
- Skills and training for those living and working locally
- Requirement to actively participate in the economic regeneration of the locality
- Social (benefit) clauses are systematically considered and applied in contracts where possible to deliver community benefits linked to 'worklessness.
- Social enterprise is fostered and encouraged as new way of delivery and adding value to delivery of services.
- Delivery of broader, shared community strategy of well being objectives, for example social cohesion, crime and disorder issues
- Support and encourage local distinctiveness and neighbourhood vitality

**d) Ethical/Reputational**

Consideration will also be given to:

- not knowingly buying foods that are genetically modified or contain genetically modified ingredients
- not buying products that have been tested on animals where viable alternatives are available.
- animal welfare
- purchasing from reputable suppliers

**3.11 Communication**

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Effective communication between Service Areas is essential to the success of a co-ordinated, strategic approach to procurement. The Intranet and regular updates for individual service areas will be used as mechanisms to communicate procurement and related issues. In addition to this, the development and publishing of a web based Buyer Profile and Selling to The Council Guide provides standard advisory information to external suppliers on how to do business with the Council. The Council will maintain an ongoing link with local business support organisations, and will actively seek to use these to promote supply opportunities to the local government sector.

In order to increase awareness and understanding, this Procurement Strategy, together with the Contract Standing Orders, provides some outline guidance on procurement. These documents are disseminated to all officers who have a responsibility for, and/or undertake commissioning and procurement activity.

This will be achieved through 'in-house' workshops, and by the creation of procurement intranet pages on the Council's Intranet site which should provide sufficient guidance to enable routine procurement activities to be conducted in accordance with good practice. Where more problematic issues are identified then they should be discussed at the earliest possible opportunity with the procurement team.

### **3.12 Structure of Procurement**

Given the key role that Procurement plays in delivering a number of national, regional and local priorities, there will need to be an active participation by elected members. Their involvement will ensure that the best procurement route has been identified to satisfy the needs and that our procurement strategy is appropriate, and that it is effectively delivered.

Elected Members take a strategic role in securing quality outcomes. Members will scrutinise the procurement processes and the effective implementation of this strategy and will consider reports which monitor the outcomes of high value risk procurement projects where appropriate Spotlight Scrutiny Reviews will be utilised.

The Shared Procurement Unit will provide;

- Central reference point for procurement
- Central resource for procurement expertise
- A co-ordinated approach to procurement decisions across the three Councils
- Advice on National and Local Framework Contracts for Goods and Services
- Structured Risk Management Approach
- Support the enforcement of Council Standing Orders and Contract Terms & Conditions
- Enhancement of procurement skills and knowledge across the Council

### **3.13 Risk Management**

The choice of procurement method will be dependent on the strategic importance, the value of the goods, services or works, and the potential risk associated with each procurement option. Different procurement options will be suitable for different goods and services and will involve undertaking different approaches in practice to maximise the likelihood of achieving the desired outcome. The Shared Procurement Unit will develop its overall management of procurement by modelling its approach to particular tasks on a risk / value matrix, illustrated at Appendix 3.

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It is important that the option selected is the one most likely to deliver Value for Money for the Council and its residents, and tenders will normally be evaluated using a balanced scorecard evaluation model. Risk management will also be applied in the form of supplier accreditation, via the Pre-Qualification Questionnaire process.

### **3.14 Typical Risk Areas**

The procurement process will undertake a structured approach to the identification, quantification and subsequent management of risk to ensure such risk is retained by the Council or transferred to the third party (i.e. service provider) who can manage the risk most effectively.

Contract documentation, in particular conditions and specifications, will set out the scope, nature and expectations of the contract. The main categories of risk are Financial, Reputational and Operational and they may well manifest themselves in the form of;

- Increased cost
- Service failure
- Customer dissatisfaction
- Poor service delivery
- Provider lock in
- TUPE transfers
- Difficult or costly relationship management
- Permanent loss of specialist skills and assets
- Political change in the authority leading to project misalignment with authority objectives
- Loss of key procurement/project management staff
- Insufficient resources and skills in project team
- Insufficient resources and skills to manage contract over its term
- Low response rate from market leading to poor (or no) competition
- Funding cannot be secured for the full period of the contract
- The projected timescales for implementation are too short
- Evaluation process fails to identify the value for money for money supplier
- The authority is unable to agree favourable terms with the preferred supplier
- The supplier fails to perform as required
- Commencement date of the contract is set in a sensitive or high demand period for the service (i.e. Christmas, Bank Holidays)

### **3.15 To mitigate the probability of these potential risks the Council will decide on an appropriate approach to include;**

- Check references, visit referees and reference sites.
- Question short-listed suppliers on their capability and require a structured presentation as part of the evaluation process
- Set the cost quality ratio used in the bid evaluation so that high weighting is placed on quality. However, this should not be set too high so as to undermine potential efficiency gains, or result in an over specified product.

- 
- Ensure that there are clear termination and performance criteria in the contract, which can be invoked and is enforceable in cases of poor performance
  - Consider dual-sourcing, splitting the business between two suppliers
  - Consider each supplier's financial standing (including accounts and insurance cover) before awarding the contract and re-assess each year during the contract period.
  - Pay the supplier on time

## **4 Key Procurement Objectives**

### **4.1 Controls and Standards**

Public Sector Procurement is subject to a number of requirements and constraints. Councils have a fiduciary duty to their taxpayers and are legally required to have Contract Procedure Rules. Councils can achieve value for money by the application of controls and consistent standards across the authority.

#### **Key Objective**

To ensure that procurement is appropriately managed in a legal, ethical and transparent manner, whilst embodying and promoting, the Council's core values.

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## **CURRENT POSITION**

The Shared Procurement Unit will work actively to ensure that the Council is compliant with EU Directives, good practice and internal Contract Standing Orders. In particular advice and support will be offered in respect of the more complex contracts.

The Council will approve a procurement strategy supported by a “toolkit” which will facilitate the development of standard processes.

## **KEY ISSUES**

While Procurement is a well established discipline there is currently a significant programme of change impacting upon the public sector. In particular there are the technological initiatives associated with the development of e-procurement, whilst the impact of the revised EU Legislation which came into effect from 31<sup>st</sup> January 2006 is still modifying our understanding regarding good practice.

At a local level procurement resources and service areas within the Councils vary considerably, depending on the expertise and capacity of the staff, and the scale, nature and complexity of the procurement requirements.

As part of the Government’s modernising agenda and in particular the recent drive to secure CSR07 efficiency savings, procurement overall has assumed a considerably enhanced role within local government. Given the continued emphasis on value for money it seems relatively clear that good quality procurement will continue to play a central role in achieving the objectives of local government for the foreseeable future.

The Government’s Modernising Agenda incorporates the expectation that new methods of modern procurement are adopted and applied within all Local Authorities. In particular the procurement activity should be a key driver in leading on supply chain initiatives that embrace and promote;

- Sustainability
- Corporate Social Responsibility
- Diversity and Equality
- Third Sector Engagement

Given the importance of the procurement agenda it is critical that there is a knowledge and understanding of the agenda, and how to implement it at a local level throughout our authorities. The key role in ensuring that our Strategy underpins the everyday activities of the Council will be the Procurement Toolkit which will provide a short summary of our agreed procurement practices, and will help provide officers with the knowledge to deliver those practices. It will be available – as part of a wider suite of summary good practice guides – on our websites, and will be supported by training and where appropriate recourse to specialist advice.

## **ACTIONS**

- 
- The Procurement Toolkit will be updated on a regular basis to reflect any new legislation and practices.
  - The Procurement Toolkit will be formally reviewed on an annual basis.
  - The Procurement Toolkit will be made available to all Council's on a web based platform.
  - A Supplier Questionnaire will be developed that incorporates, Sustainability, Corporate Social Responsibility, Diversity and Equality, Third Sector Engagement.
  - Using the Competitive Dialogue procedure for larger projects

## **4.2 Training and Development**

The delivery of effective public sector procurement requires people who are suitably trained and qualified according to the complexity and frequency of the procurement activities that they undertake.

### **Key Objective**

To facilitate a structured approach to procurement education, training and development will be provided for all officers across the three Councils with procurement responsibilities. Training and awareness programmes will also be provided to Members and senior officers.

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## **CURRENT POSITION**

The procurement-related knowledge, skills and experience of officers with procurement responsibilities varies across the Councils.

Procurement skills are a scarce resource within the Councils.

Workshops for the Council's Members and senior officers are necessary to develop and enhance existing knowledge. Training delivered for users of the e-ordering system

## **KEY ISSUES**

On going training requirement both for new employees and for existing staff will be identified via appraisals.

The recognition that Contract Management is a key element in service delivery and requires specific skills.

A procurement briefing could be included in induction training

Exploring opportunities for partnership working with other Councils and the RIEP to deliver certain areas of procurement training.

As the Council moves towards new service delivery and partnership arrangements there will be an increasing reliance on procurement and contract management skills, to ensure that these opportunities are realised for the benefit of our residents.

## **ACTIONS**

- Publicise and take advantage of the regular free training sessions offered by the Regional Improvement and Efficiency Partnership.
- Identify employee training requirements via the appraisal process.
- Develop a structured approach to continuing development for staff involved in procurement within the Council.
- Provide training to develop contract management skills.

### **4.3 Electronic Procurement**

E-procurement is the phrase commonly applied to 'doing business' electronically, and opens up a wide range of possibility for working with suppliers to reduce costs.

<p><b><u>Key Objective</u></b></p> <p>To promote the use of Information Technology, to reduce the cost, and improve the efficiency and effectiveness of all aspects of the procurement process for the Councils and their suppliers.</p>
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## **CURRENT POSITION**

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In excess of 80% of all creditors are paid on a regular basis via Bank Automated Clearing System (BACS) payments.

The majority of orders are places on the Council's e-ordering system.

The Council has introduced a corporate credit card on a limited basis and with limited functionality. There is limited use of electronic tenders.

EU notices are all placed electronically via the European Union on-line system ("SIMAP").

## **KEY ISSUES**

Local authorities are being urged by the Government to set themselves targets to increase the number of routine purchases carried out electronically and to increase the percentage of electronic interaction with suppliers and contractors.

There is a relatively slow take up among suppliers to sign up to conducting business electronically and therefore guidance is required to assist suppliers to adopt this approach. The Council needs to encourage this approach which is beneficial to both parties.

E-procurement and purchase cards transactions need to be undertaken in a secure environment.

## **ACTIONS**

- Encourage local suppliers and small, medium enterprises to become e-enabled, allowing them to access and receive information and documentation electronically.
- Expand the use of the e-purchasing, e-tendering, e-invoicing
- Work closely with the East Midlands Regional Improvement and Efficiency Partnership (RIEP) and the Derbyshire Procurement Forum (DPF) to identify e-procurement linked opportunities (frameworks, joint working, standardised supplier accreditation).
- Make use of the spend analysis provided by RIEP, identifying the possible areas that might benefit from an e-procurement approach.

## **4.4 Procurement Management Information**

It is necessary to have available the relevant information that will enable strategic procurement decisions to be taken and which, in turn, will make Council procurement more efficient, effective and economic.

<p><b><u>Key Objective</u></b></p> <p>To improve the accuracy, availability, appropriateness and accessibility of procurement related management information.</p>
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## **CURRENT POSITION**

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The Council procures goods, services and works through a variety of sources and mediums, in conjunction with the work done by staff from the LEGI

The Shared Procurement Unit maintains a database of contracts and agreements with suppliers but the Council has no routine process for analysing management information and contract data.

The Council participates in bench marking exercises within the RIEP and DPF.

## **KEY ISSUES**

The Spikes Cavell Observatory software has been procured by RIEP for use by the Derbyshire Districts. This software will improve the detail of procurement management information. This will be viewable on a single council basis, sub-regionally and regionally.

Information systems will need to be developed and adapted in order to produce the required information for agreed performance indicators.

There are no nationally agreed performance indicators, so it will be necessary to develop these on a local basis

## **ACTIONS**

- Take advantage of the RIEP program to analyse Council expenditure through the Spikes Cavell Observatory system.
- Utilise ongoing membership of Observatory to monitor contracts.
- Work with the RIEP and DPF and others to develop benchmarking standards, and take part in benchmarking exercises.
- Identify strategic and tactical purchases for collaborative tender on a County Wide basis
- Prioritise areas for collaboration

### **4.5 Organisation**

Currently, purchasing and procurement are managed in a number of ways across the three authorities. While it is likely to be appropriate that our approach reflects local circumstances and requirements within each of the individual authorities, the overriding principle will be that wherever possible we will seek to standardise policies and practices. This will both ensure that each authority implements best practice, and it will optimise the advantages of joint working. It is important that these are managed effectively and that there is a consistent corporate approach across the authorities, and with our wider network of partners.

<b><u>Key Objective</u></b>
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To ensure that procurement resources are deployed effectively and that systems are in place to deliver value for money.

## **CURRENT POSITION**

The Shared Procurement Unit provides a range of services from advice to undertaking the full procurement process, to supporting departments requiring goods and services specific to their profession.

Responsibility for placing orders with suppliers will remain with the service officer / budget holder.

Councils are represented at meetings of the RIEP and the DPF and collaborative links have been made with a number of neighbouring Local Authorities.

## **KEY ISSUES**

Consistency is required in terms of corporate standards and approach to procurement.

Shared Procurement Unit resources are finite and cannot be directly involved in all contract evaluation and negotiations.

Cultural change issues are likely to emerge as reliance increases upon Partnership type contracts.

## **ACTIONS**

- Corporate Procurement to engage with Service Managers and extend its influence to explore wherever possible the use of framework/consortia contracts
- The SPU is to be informed on all proposed procurement over £10,000 via [procurement@ne-derbyshire.gov.uk](mailto:procurement@ne-derbyshire.gov.uk)
- Continue to develop collaborative working and our active involvement in the RIEP and DPF
- Explore the opportunities for collaborative working with other agencies and local authorities

### **4.6 Equality and Diversity**

The values of quality, equality and diversity should be taken into account when assessing the suitability of products or services. Products and services should not be assessed solely on lowest price.

#### **Key Objective**

To promote procurement practices and policies which contribute to the Council's priorities on equality and diversity.

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## **CURRENT POSITION**

Buyer Profile established and published on Source Derbyshire.

The Council will require pre-qualification of suppliers to ensure that they practice equal opportunities policies. Equality and diversity are to be included in the evaluation criteria on appropriate contracts.

Tender evaluation will take account of quality/price mix.

North East Derbyshire District Council has a corporate commitment to equality of opportunity in provision of goods and services, and strives to ensure services are equally accessible to all and appropriate to the differing needs of all sectors of our community. An important part of this commitment to equality is to ensure that all providers of Council services practice equal opportunities and that providers are aware that they are required to adhere to the policy. Equality is a core principle of employment relations and service delivery.

## **KEY ISSUES**

A consistency of approach is required when building equality issues into tender evaluation.

Balancing the need for cost savings against securing socially acceptable products and the use of local supply chains

SME's often do not understand public sector systems or documents

## **ACTIONS**

- Roll out standard tender documents and contract terms and conditions which consider equality issues where appropriate.
- Monitor the use of local suppliers.
- Ensure that all specifications include the facility for potential suppliers to offer community benefits and local social benefits as part of their bid
- Train local suppliers via Chamber / Federation for Small Business/Voluntary Sector

### **4.7 Sustainability**

Sustainability should be taken into account when assessing the suitability of products or services. Products and services should not be assessed solely on lowest price.

<p><b><u>Key Objective</u></b></p> <p>To promote procurement practices and policies which contribute to the Council's sustainability policies.</p>
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## **CURRENT POSITION**

Sustainability is an evaluation criteria on appropriate contracts.

Procurement activity considers 'Green purchasing guidelines'

The Council requires pre-qualification of suppliers to ensure that they have adopted environmental policies.

The Council subscribes to the sustainability website <http://www.s-p-i-n.co.uk>

The Council buys "Fair Trade" tea and coffee for internal use

## **KEY ISSUES**

Difficulties in valuing sustainability issues in tender evaluation.

The Government advocates a number of potentially conflicting agendas, e.g. cost reduction and sustainable products may on occasions conflict with our objectives.

## **ACTIONS**

- Roll out standard tender documents and contract terms and conditions which consider sustainability issues where appropriate.
- Consider the use of environmental weighting criteria where appropriate.
- Ensure that all specifications include the facility for potential suppliers to offer prices for environmentally friendly variants
- Take into consideration the whole life costs of purchases and their impact on the environment.
- Increase the use of Fair Trade products where appropriate

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## 4.8 Collaboration

The Government is encouraging collaboration, joint working, consortia and the sharing of services between local authorities, and the wider public sector as a way of providing more flexible and cost-effective services.

### **Key Objective**

To develop further collaborative arrangements with other public bodies, outside of the three Councils in the North Derbyshire arrangement.

### **CURRENT POSITION**

The Council is currently engaged in collaborative working with other Derbyshire Districts, Derby City Council, Derbyshire County Council and the East Midlands Regional Improvement and Efficiency Partnership.

The Council is an active participant on Eastern Shires Purchasing Organisation (ESPO), Yorkshire Purchasing Organisation (YPO) and Office of Government Commerce (OGC) frameworks.

There is an established joint working agreement between North East Derbyshire District Council, Chesterfield Borough Council and Bolsover District Council to provide a shared procurement resource and develop joint contracts.

### **KEY ISSUES**

Difficulty in getting an agreed specification amongst Consortium participants.

Joint Working with other District Councils is time consuming and requires positive action from all parties to make it work.

The DCLG supports a number of Regional Improvement and Efficiency Partnerships who actively support Local Authorities on procurement and associated issues.

### **ACTIONS**

- Explore and develop opportunities for joint working with other District Councils.
- Where appropriate, consider the use of contracts negotiated via the joint ESPO/OGC procurement mechanisms.

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## 4.9 Public Sector Framework Agreements

The Department for Communities and Local Government (DCLG) is encouraging Local Authorities to make use of public sector framework agreements and also to engage in tender exercises as part of a Local Authority partnership.

### **Key Objective**

To explore the wider use of public sector framework agreements.

### **CURRENT POSITION**

The Council has a number of framework agreements in place e.g., Stationery contract, mobile phones, photocopiers, etc.

The Council recognises the value of public sector frameworks and use them.

A business case is considered at the start of the procurement process, and framework agreements are explored amongst the other models of partnership.

### **KEY ISSUES**

There are a number of key cultural issues surrounding the capacity and understanding of partnerships that need to be overcome before they can begin to work on a wide scale.

How does the Council know whether framework agreements exist?

How does the Council know when to use framework agreements?

It is recognised that the Council may on occasions undertake procurement activity on behalf of partnerships, often as the Accountable Body.

### **ACTIONS**

- To further consider models of partnering, including framework agreements and the use of consortia in all future procurement reviews and contracts.
- To enable other public authorities to use any frameworks that the Council has established.
- Shared Procurement Unit to keep up to date with framework opportunities and advise on their use.

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## **5. Action Plan**

North East Derbyshire District Council has identified several Key Strategic Areas for targeting improvement and has set itself timelines for achieving the objectives. The Action Plan is intended to be a dynamic document that will be available on the intranet and constantly updated. The plan can be found overleaf. Progress against this Action Plan will be monitored in the first instance by the Member and Officer Champion.

### **5.1 Contact Details**

Details of contact officers for further information regarding this strategy or its implementation:  
[bob.truswell@ne-derbyshire.gov.uk](mailto:bob.truswell@ne-derbyshire.gov.uk)

Area	Action to be Taken	Completion	Date Completed
Controls & Standards	Formally agree revised Strategy through Executive	March 2011	
	Make the Procurement Toolkit available on the intranet	March 2011	
	Populate central contracts database for SPU	Ongoing	
	Use credit monitoring system to aid Council risk management	Ongoing	
	Produce Key performance indicator management info	March Annually	
Training Development	Publicise / take advantage of RIEP training sessions	Annually	
	Identify employee training requirement via Appraisals	Annually	
	Implement structured continuing development training	Annually	
	Develop training for contract management skills	Annually	
E-Procurement	Develop a culture of effective procurement throughout the organisation	Annually	
	Encourage SME's, Voluntary Sector and "Fair Trade" to become e-enabled (issue our documentation electronically)	Annually	
	Implement the Intend e-tendering system	June 2011	
	Use e-ordering module of FMS	Annually	
	Work with RIEP/DPF to identify e-procurement opportunities	Annually	
Management Information	Identify Collaborative Procurement Opportunities through networking and benchmarking	Ongoing	
	Engage in benchmarking exercises with RIEP/DPF	Annually	
Organisation	Develop collaborative work with RIEP/DPF	Annually	
Equality & Sustainability	Use RIEP standard documents, keep up to date with refreshes	April 2011	
	Monitor use of local suppliers via local Spend Analysis	Quarterly	
Collaboration	Develop opportunities for joint working with other councils	Annually	
	Increase amount of goods procured via frameworks etc, where VFM can be achieved.	Annually	
Framework Agreements	Enable use of our framework agreements by others (for new tenders)	Ongoing	
	Procurement Officers to keep up to date with framework opportunities and advise on use.	Annually	

Ref	Description	Actual 2009/10	Target 2010/11	Target 2011/12	Target 2012/13	Collection	Progress Update
PP1	Total cost of the procurement function: a) Cost of the procurement function as a percentage of organisational running costs (expenditure); and b) Cost of procurement function as a percentage of non-pay expenditure.					Annually	
PP3	Percentage of non-pay spend which is actively managed by procurement professionals.					Annually	
PP6	Efficiency savings of £300,000 per annum for North East Derbyshire District Council (to support CSR07 requirements)					Annually	
PS2	Average invoice value.					Annually	
PS3	Number of the organisation's top 10 suppliers (by spend value) who have a formal partnership / framework agreement					Annually	
PS4	The percentage of non-pay spend that is channelled directly through SMEs (Small and Medium sized Enterprises).					Annually	
PS5	The percentage of total non-pay spend channelled through collaborative procurement arrangements with other buying organisations.					Annually	
PS6	Management of supplier base: a) Average spend per accredited supplier; and b) Percentage of total non-pay spend represented by the top 20% of suppliers (by value)					Annually	

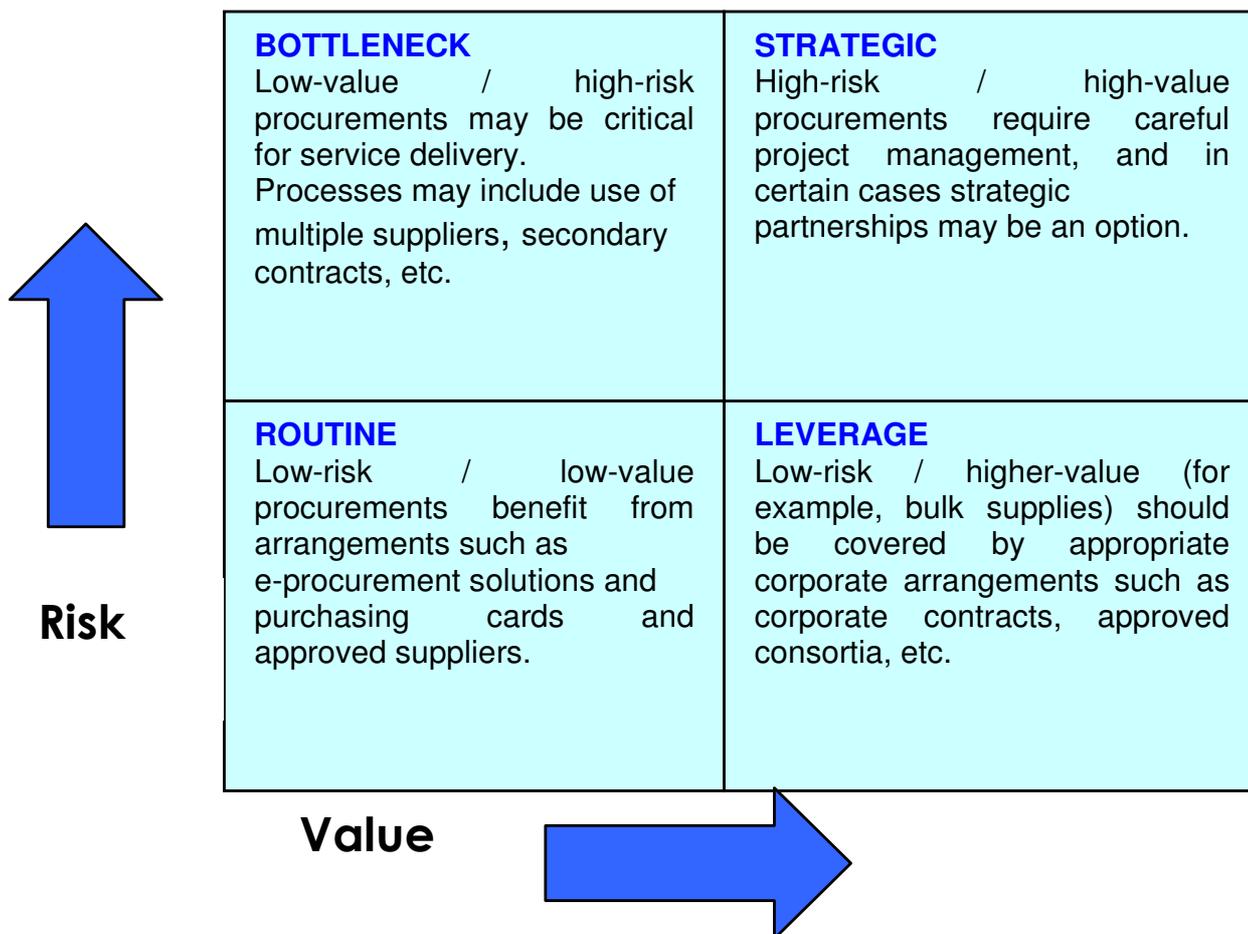
**Role of the Shared Procurement Unit**

The Councils will manage corporate procurement through their Shared Procurement Unit. The service will not be a central buying unit. It will be a corporate resource which leads on letting corporate contracts and supporting projects, whilst allowing departmental purchasing officers (who have best knowledge of local requirements) to procure locally within a clear corporate framework. It will provide support wherever required to departmental purchasing officers, and monitor procurement activity across the council. The activity of the service will be focused on maximising benefits for all departments.

The objectives of the Shared Procurement Unit will be to:

- Develop Corporate Procurement policies and procedures that embody good practice and facilitate high ethical standards amongst our members and staff;
- Ensure that procurement makes an optimum contribution to achieving the Council's stated objectives;
- Securing Value for Money
- Assisting the Councils to engage effectively with local residents, local suppliers and other public sector agencies
- Instigate the aggregation of goods and services in common use across the three Councils, undertake the procurement process, develop agreements and contract manage such contracts for the benefit of all departments;
- Provide a range of services, from advice to undertaking the full procurement process for departments on specific procurement projects;
- Become involved in Service delivery options reviews
- Liaise with Consortia (i.e. ESPO, HCA, Buying Solutions);
- Maintain a register of agreements with suppliers, identifies areas of spend and plans the tendering processes;
- Develop and promote appropriate contracting strategies relevant to the goods, services or works required;
- Develop, in association with the Legal Departments, various document templates for use in the tender/contracting process.
- The Shared Procurement Unit ensures that procurement issues link directly into the drive for greater efficiency.
- The Head of the Shared Procurement Unit represents the three Councils on the Derbyshire Procurement Forum and with the Regional Improvement and Efficiency Partnership.

Procurement Options Available



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## Appendix 4

<b>GLOSSARY</b>	
BACS	Bank Automated Clearing System
BVPP	Best Value Performance Plan
CPA	Comprehensive Performance Assessment
DCLG	Department for Communities and Local Government
DPF	Derbyshire Procurement Forum
ESPO	Eastern Shires Purchasing Organisation
EU	European Union
MEAT	Most Economically Advantageous Tender
NPS	National Procurement Strategy
OGC	Office of Government Commerce
OJEU	Official Journal of the European Union
RIEP	Regional Improvement and Efficiency Partnership
SME	Small and Medium Enterprises
SOPO	Society of Procurement Officers
SPU	Shared Procurement Unit
SPTF	Sustainable Procurement Task Force
TUPE	Transfer of Undertakings (Protection of Employment) Regulations
VCO	Voluntary and Community Organisation
VFM	Value for Money
YPO	Yorkshire Purchasing Organisation