

OLDHAM BOROUGH COUNCIL

CORPORATE PROCUREMENT STRATEGY

REVISED

SEPTEMBER 2008

Contents

Foreword	3
Summary	4
1. Introduction	6
1.1 Strategic Procurement in Context	6
1.2 The Community Strategy and Citizens' Plan	6
2. Action	7
2.2 Socially Responsible Procurement	7
3. Principles for Effective Procurement	9
3.1 Improved service delivery	9
3.2 Support and promote Council policies and priorities.....	9
3.3 Role of Corporate Procurement Team	10
3.4 Commissioning cycle	10
3.5 Procurement Analysis	12
4. Best Value Procurement	13
5. Performance Management in Procurement	14
6. Partnerships and Partnering	15
7. E-Procurement	16
8. Code of Conduct for Procurement	17

Foreword

It is with great pleasure that I am able to provide a foreword for the Corporate Procurement Strategy.

Since the turn of the millennium the role of Procurement in the Public Sector has come under close scrutiny and was brought in to sharp focus by the publication in October 1999 of Sir Peter Gershon's report 'The Review of Civil Procurement'. This was followed by a number of reviews by Sir Ian Byatt whose recommendations resulted in the 'National Procurement Strategy for Local Government in England' in October 2003 and this, together with a final report in July 2004 by Sir Peter Gershon entitled 'Releasing Resources to the Front Line – An Independent Review of Public Sector Efficiency' has prompted Local Authorities to review and reorganise their procurement activities.

Simply put, Local Authorities are being encouraged to improve procurement performance as a means to deliver financial savings and/or release resources to be utilised elsewhere in the provision of services provided by the Council to the community.

In 2006, the Senior Management Team, fully supported by Council Members, addressed the shortcomings of Council's Procurement and put in place a comprehensive review, the outcome of which is summarised later in this Strategy. From a Strategic point of view, Procurement exists to support the Council in its mission to provide "Better Life opportunities for Oldham's Citizens" There is also an outward facing responsibility to ensure that the Council's Procurement Policy promotes and coordinates a consistent corporate approach in its commercial dealings with suppliers.

By means of a department fully resourced with qualified professionals, and the backing of Council officers, we are well placed to take full advantage of the opportunities the market offers us.

Signed _____ Lynne Thompson
Cabinet Member and Procurement Portfolio Holder

Summary

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. Consideration of this strategy is not optional and should be read in conjunction with the Contract Procedure Rules and the developing Procurement Guidance. Currently Guidance is available in the form of Intranet pages, workshops on the Contract Procedure Rules, an Organisational Development course and Guidance as and when it is required in the Procurement process. The Guidance will be constantly developed to meet changes in need.

The Local Government Act 1999 places a duty of Best Value on all authorities to secure continuous improvement in the way that functions are carried out, having regard to a combination of efficiency, economy and effectiveness. In addition, the Gershon Review has placed obligations on Councils to improve efficiency year-on-year by improving internal procedures, seeking more collaborative arrangements and working in partnership with other public bodies.

Effective procurement is crucial in securing high quality, best value public services and the Government has highlighted the development of a clear procurement strategy as a key step towards achieving Best Value and delivering the demanding savings targets highlighted in CSR07. This Procurement Strategy also emphasises the importance of Socially Responsible Procurement, assessing whole life costs and social, environmental and economic impact.

Best Value and Efficiency targets will not be achieved if the council fails to approach competition positively, taking full account of the opportunities for innovation and genuine partnerships which are available from working with others in the public, private and voluntary sectors. Importantly, this strategy seeks to balance two priorities:

- Delivering efficiencies and quality
- Socially responsible procurement, engaging with local and regional suppliers to promote the local economy and taking account of the social and environmental impact of spending decisions.

A mixed economy approach to procurement also relies on developing a collaborative approach to procurement with other authorities and organisations to achieve economies of scale where appropriate.

The Corporate Procurement Strategy provides a framework for the Council to obtain best value in all procurement and the strategy addresses all elements of procurement activity:

- Identifying need
- Considering options
- Procuring the appropriate goods, services or works
- Effective supplier monitoring and contract management
- Disposal of assets.

The strategy also addresses the many solutions available to the Council, from establishing corporate contracts, using collaborative and consortia arrangements, through to developing long-term strategic partnerships.

In January 2006 the Council's Senior Management Team (SMT) acknowledged that Oldham had made very little progress in the area of procurement – essentially a limited staff resource was unable to fully engage in procurement activity across the Council and had very little impact in particular with regard to delivering savings as part of the Gershon agenda.

As a result SMT approved the appointment of an independent consultant to undertake a review of Procurement within the Council. The outcome was a commitment to fully resourced Category Management, which came into force in October 2007. This will sit alongside the new Agresso Financial Management and eProcurement system and a centralised Accounts Payable function, fully operational from April 2008.

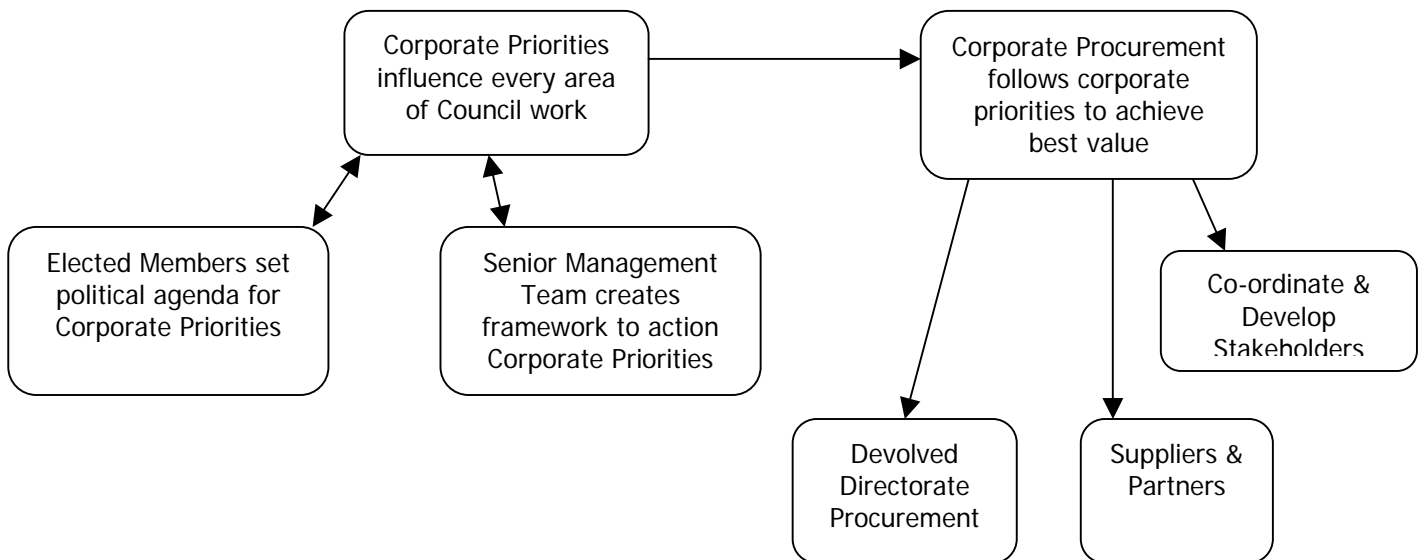
The Council's Contract Procedure Rules (CPRs) have recently been reviewed and revised. They not only reflect current best practice and legislative changes, but also provide a framework to enable all the Council's buyers to demonstrate value for money whilst taking account of social, economic and environmental issues.

A professional team and corporate systems that provide guidance and support for all officers of the Council who procure goods, services and works underpin the Contract Procedure Rules and this Corporate Procurement Strategy.

1. Introduction

1.1 Strategic Procurement in Context

Strategic Procurement is a series of activities and processes that sits at the heart of the Council, providing a framework for the Council to obtain best value in all the goods, services and works that it requires. This can be illustrated by the following diagram, which shows the interrelationship between the role of Corporate Procurement and the council as a whole.



The term procurement relates to the process of acquiring goods, services and works from the initial concept through to the end of the useful life of the asset or service contract. Procurement ranges from the negotiation of corporate contracts for the supply of routine goods and services through to the more complex partnership arrangements such as Public/Private Partnerships (PPP) and joint commissioning with other public sector organisations and construction projects.

1.2 The Community Strategy and Citizens' Plan

Effective procurement is crucial to achieve continuous improvement and to securing Best Value in public services. The Council is one of the largest purchasers of goods and services in the borough, and has both legal and moral responsibilities when making procurement decisions. It is important to ensure that procurement decisions are legal, ethical, in accordance with the policies and procedures of the Council and that consideration is given to the impact on the economic, social and environmental well-being of the district.

The Council's Aim is: 'Better life opportunities for Oldham's citizens'

The Council's Citizen's Plan outlines how the Council intends to achieve this main aim. The plan is written around four Corporate objectives:

- Safe and strong communities
- Economic prosperity
- Health and wellbeing
- Excellent services

2. Action

2.1 Corporate Plan

Introducing processes which identify the social, environmental and economic benefits that council contracts bring to the district.

2.2 Socially Responsible Procurement

The Council is working locally, regionally and nationally to develop models of socially responsible procurement, and engages with companies, agencies and the voluntary sector to test these models.

2.3 Economic Regeneration

The Council is one of the largest spending organisations in the district, and 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. The latest figures available show the Council has already increased its level of non-pay spend in the local and regional economy from 40% (March 2004) to 52% (March 2006) which in monetary terms is worth an additional £20 million per annum. The proportion of non-pay contracts going to regional SME's is currently in excess of 60%

Procurement legislation limits the 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 and providing information about future procurement activity.
- Packaging contracts in a manner, where possible, that does not preclude the following from tendering:
 - Local and regional companies
 - Small and medium sized enterprises and newly formed businesses in the voluntary and community sector
- The challenge for procurement is to balance the following conflicting priorities:
 - Obtaining value for money and the required quality.
 - Sourcing locally where possible within the legislative framework.
 - Reducing the number of low-value creditors (especially those where annual spend is less than £1,000).

The Council recognises and values the added benefits that the voluntary, community and social enterprise sectors can provide.

All procurements exceeding £50,000 in value will be placed on the Contracts Register.

2.4 Sustainability and Environmental Management

The Council, along with its partners, is committed to delivering economic, social and environmental well-being and recognises that procurement is a key tool for

- the delivery of a range of objectives in the Citizens' Plan
- delivering more sustainable outcomes for the district
- supporting local businesses to form collaborations/partnerships to enable them to be more competitive
- providing guidance on the tendering process

To achieve this it is necessary to ensure that environmental and broader sustainability considerations are taken into account throughout the procurement process to ensure delivery of the Sustainable Communities Strategy. To this end, we expect to achieve ISO14001 in early 2009.

The approach to sustainable procurement reflects the corporate approach to sustainability and is guided by the priorities in the Citizens' Plan. Specific guidance on sustainability issues in procurement is included as part of the Council's Procurement Guidance. Where possible we will use supply chain clauses as a means of stimulating local economic regeneration, training and local employment opportunities. We also need to ensure we procure from those who are able to demonstrate some level of ethical trading and corporate social responsibility.

As a Council we have also made an employment and skills pledge and will require our contractors to deliver on this pledge on our behalf.

Furthermore, the Council will work with the supply chain to continually seek improvements and to address ethical issues, for example, adopting the use of Fair Trade products.

The Council is working with other authorities and agencies to establish and promote minimum recycled content standards for products used in construction, highways maintenance, estates management and all printed matter, and is working to establish minimum environmental standards for all construction, refurbishment and maintenance work. Equally important, the Council will apply procedures for the proper management and disposal of assets to ensure both value for money and to minimise any adverse impact on the environment.

2.5 Equality & Diversity

As an influential democratically elected body, the Council is able to influence a positive approach to equality throughout the region. Oldham Council wants to make the Borough a cohesive, multi-cultural society in which all differences are valued. The public sector, in general, and local government in particular are increasingly involved in joint working with partner organisations from private, public and voluntary sectors. With Oldham Council's procurement processes it is able to demonstrate commitment to equality to all its suppliers and contractors in the questions it asks, by providing advice on equality issues and by ensuring that contractual arrangements actively promote equality.

The Service Needs Assessment is up-dated regularly to ensure targets are appropriate and kept in focus through the whole procurement cycle.

The Council recognises that meeting these targets and addressing these issues does place a disproportionate administrative and cost burden on small to medium enterprises, which can disadvantage them in a competitive environment. However, where possible we will work with SME's to explain our joint obligations to sustainability, equality and diversity and the long-term implications of not meeting them.

2.6 The Role of Procurement in Promoting Equality

The Council provides a wide range of services to the community and businesses in the Borough. In some cases these are provided directly by the Council, in other cases on our behalf by contractors and partners. The services provided to the community should be geared towards their diverse needs and requirements. Spending by the Council sustains and maintains a significant number of jobs within the Borough. The Council has a statutory duty to ensure that public money is spent in a way that ensures value for money and does not lead to unfair discrimination and social exclusion.

The promotion of equality in procurement will help the Council to:

- Improve the overall value for money for the Council in terms of the goods, works and services they purchase.
- Improve the quality, responsiveness and appropriateness of our services.
- Ensure that public money is not spent on practices which lead to unfair discrimination to sections of the Borough.
- Create a diverse and integrated workforce.
- Deliver more responsive and flexible services in combating social exclusion and building stronger and cohesive communities.
- Encourage other organisations to promote and practice Council policy on equality.
- Put Partnership working at the heart of local service delivery.

3. Principles for Effective Procurement

The following principles will form the basis of all procurement activity in order to achieve Best Value results:

3.1 Improved service delivery

Strategic procurement will support improved service delivery through the freeing up of resources and improving the quality of goods, services and works. Strategic procurement will ensure that the Council obtains Best Value in the acquisition and management of its resources, balancing quality and cost. The Council will undertake all procurement activity within a corporate framework to enable all officers to obtain goods, services and works to the required quality in the most efficient manner. The Council will ensure that procurement activity is undertaken in the most effective and appropriate manner, considering all options including (the following is not exclusive):

- Develop and promote use of corporate contracts
- Only use the approved ordering module contained in Agresso to place all orders
- Use consortia (for example, AGMA) if appropriate
- Use approved nationally negotiated contracts (for example those arranged by the Office of Government Commerce [OGC])
- Collaborative procurement with other Councils and organisations
- Develop strategic partnerships, particularly where these will deliver significant service improvement and/or efficiencies.

3.2 Support and promote Council policies and priorities

Procurement activity will support and promote Council policies and priorities, including equal rights, sustainability and economic regeneration. Procurement activity will be

transparent (and fully compliant with the Freedom of Information Act), fair, consistent and be undertaken to the highest standards of probity and accountability. Procurement decisions must be evidence based, and that evidence recorded.

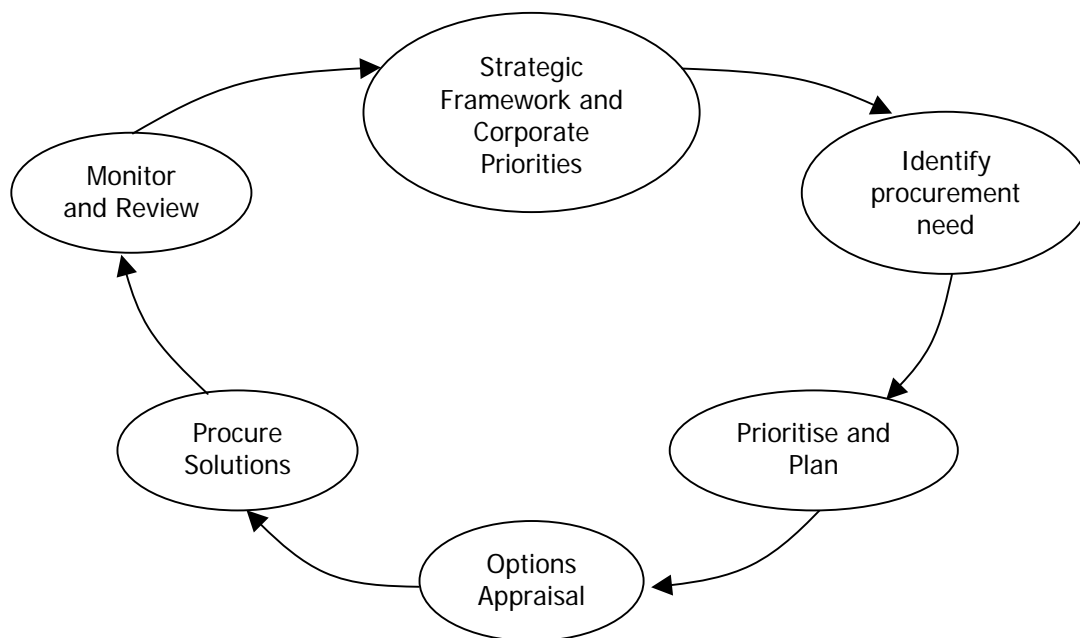
3.3 Role of Corporate Procurement Team

The Council will manage strategic procurement through its Corporate Procurement Team. 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 directorate purchasing officers (who have best knowledge of local requirements) to procure within a clear corporate framework. It will provide support wherever required to directorate purchasing officers, and manage procurement activity across the council. The service comprises a team of skilled and experienced officers, and the activity of the service will be predicated on maximising benefits for all directorates.

The training and development needs of all officers purchasing for the Council will need to be assessed via the use of a competency framework that is to be developed, and the Corporate Procurement Team will maintain a list of all officers that purchase on behalf of the Council to ensure that they are informed of new corporate contracts and developments in procurement.

3.4 Commissioning cycle

It is important that procurement is seen and managed as a component of the commissioning cycle, illustrated in the following diagram:



3.4.1 Strategic Framework and Corporate Objectives

Procurement activity will operate within a strategic framework consisting of this Procurement Strategy, the Contract Procedure Rules and the Procurement Guidance documents. Procurement activity must be carried out in a manner which supports the

Councils strategic priorities and the Community Strategy, including contributing to a safe and healthy environment, supporting the local economy, promoting equality, and being open, responsive, honest and accountable to the public in its decision making.

3.4.2 Identify procurement need

Procurement need can arise from a wide range of circumstances including mandated requirements, business development and improvement, programmes and projects, and the need to replace aging / legacy systems. Whatever the circumstance it is necessary to identify the need in enough detail so that the following stages of the cycle can be effectively carried out.

3.4.3 Prioritise and Plan

Strategic procurement activity will be planned over a three year cycle with detailed annual plans. It will be undertaken in a performance management environment and will prioritise areas of activity that will generate significant savings or improved quality, and/or contribute to corporate priorities and service improvements. Localised service procurement activity should also be planned in order to avoid panic buying and ensure that the service optimises its supply of all necessary goods and services. Good planning will allow common areas of spend across the council to be aggregated in order to obtain economies of scale and secure value for money.

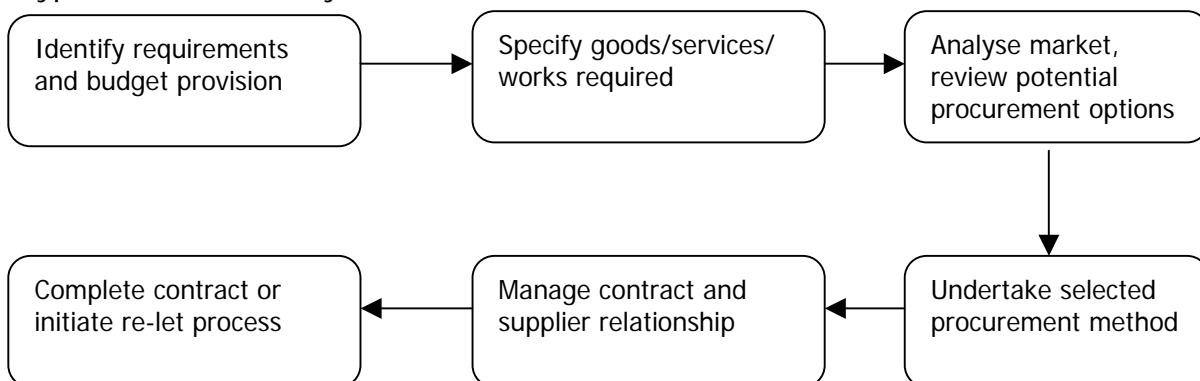
3.4.4 Options Appraisal

Best Value requires the council to demonstrate economy, efficiency and effectiveness of service delivery. Procurement decisions need to be taken such as whether it is necessary to obtain the goods, services or works, and whether they should be obtained internally or externally. Decisions also need to be made as to the most appropriate route to procure goods, services and works to ensure that the Council achieves value for money.

3.4.5 Procure Solutions

The actual procurement process will depend on the required outcomes, but a typical process is illustrated in the diagram below. In all cases the process must comply with the Council's Contract Procedure Rules and Procurement Guidance

Typical Contract life-cycle:



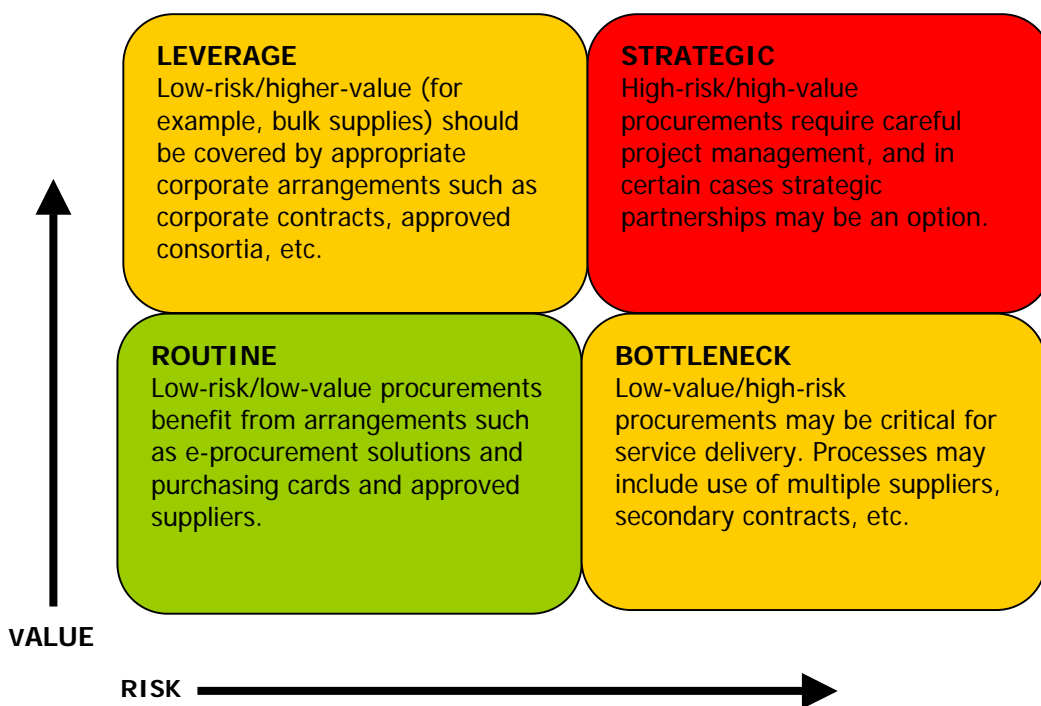
3.4.6 Monitor and Review

The monitoring and management of contracts is a critical factor, and can make the difference between a successful contract and a failed one. The procuring Directorate should effectively monitor contractual arrangements throughout the contract duration. Where appropriate, contracts should include quality and performance standards, which are monitored and reviewed. Contracts will be subject to continual review and vendor appraisal exercises. Benchmarking can be undertaken on a planned basis in liaison with both public and private sector organisations to measure the effectiveness of procurement decisions. A good working relationship should be developed with all suppliers, and liaison meetings with major suppliers will be held at suitable intervals. Plans should be made well in advance of the expiry of a contract for re-letting it based on a review of previous and current arrangements and performance.

3.5 Procurement Analysis

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 practical steps to achieve the desired outcome. The Council will develop its overall management of procurement by modelling its requirement on a risk / value matrix, illustrated below. Equally, individual procurement decisions should also be considered on their own merits following an appraisal of the suitable procurement options. It is important that the option selected is the one most likely to deliver optimum value for money for the Council and its citizens, and tenders should thus be evaluated using a balanced scorecard evaluation model that Corporate Procurement will help develop with Directorates.

The following diagram illustrates the possible procurement options available:



4. Best Value Procurement

Best Value requires the Council to demonstrate economy, efficiency and effectiveness of service delivery. Procurement decisions such as whether to continue to provide the goods, services or works, and whether to provide them internally or externally are central to this requirement.

It is essential that the Council not only adopts processes to secure best value, but also can evidence the efficiencies obtained to demonstrate delivery of national efficiency targets.

Best Value requires the Council to radically re-think and re-shape the way it undertakes procurement and imposes a duty on the council to secure continuous improvement in the way its functions are carried out. The efficiencies required by the Efficiency Agenda reinforce the need to ensure that the Council maximises efficiency in all its activities, and that procurement savings must be evidenced and recorded.

Best Value Procurement therefore will be:

- Be driven by desired outputs and results
- Balance quality and cost
- Respond promptly and effectively to service and citizen requirements
- Minimise administrative processes and unnecessary bureaucracy
- Ensure simple or routine transactions can be carried out in the most efficient manner
- Consider all options in obtaining the most appropriate solution
- Value innovation and creativity
- Use competition to obtain best value
- Support the Council's policies and priorities
- Comply with legislation
- Be transparent and accountable.

In order to demonstrate Best Value and continuous improvement, the following will be built into procurement activity:

- Performance indicators and targets (based on both quality and cost) will be established as part of procurement processes.
- Procedures to manage contractual arrangements will be established with performance measured and reported, including benchmarking arrangements.
- Procurement procedures and processes will be regularly reviewed.
- The management of risk will be an integral part of the procurement process.
- For larger and more complex procurements, the Council's project management framework will be followed (i.e. the procurement will be managed as a formal project).
- The Council will invest in procurement training and systems to support the procurement process.

In a Best Value procurement framework, the Council values in-house providers that demonstrate quality and value for money. However, such providers must clearly demonstrate value and quality for service users, and will be subject to challenge. Should

the Council take a decision that an in-house service be exposed to competition, it will undertake this in an open and fair manner, and ensure that:

- Staff and their representatives are fully and properly consulted
- Appropriate outcomes, performance standards and monitoring processes are developed
- All information required for a due diligence process is identified and collected
- Innovation is encouraged
- Relevant Council policies and priorities are incorporated into any specification
- Probity, accountability and competitive neutrality is ensured and conflict of interest is avoided or managed
- The responsibilities and accountabilities of all parties are explicit.

A key objective of this procurement strategy is to provide a means to improve quality and efficiency by harnessing competition. This can be through either:

- Indirect competition (for example, via benchmarking, market testing or external challenge). The Council will assess the competitiveness of different functions by reference to other Councils and organisations. In addition to comparing performance, this provides a vehicle for individual and organisational development, learning from experience and good practice.
- Direct competition (i.e. alternative means of procurement). The Best Value review process will enable the Council to consider whether alternative means of procurement or service delivery is appropriate.

Construction is one of the Council's largest areas of spend and includes buildings and highways work. Traditional approaches to construction-related procurement have tended to be adversarial and often result in overspends or project over-runs. The Council is embracing the Government's Rethinking Construction agenda and applying the appropriate principles to the Council's construction-related procurement activity through the development of partnering contracts and innovative solutions.

Consultants: the Council will have a continuing requirement to use external consultants and advisers to provide specialist advice and services not available within the council and to provide support and challenge for major projects. The procurement, utilisation and management of consultants (and assessment of the resulting required outcomes) should be managed in accordance with guidance issued in the Procurement Guidance.

5. Performance Management in Procurement

Procurement activity, like all other Council activities, should be undertaken in a performance management environment. Procurement will influence the attainment of some national performance indicators and the National Procurement Strategy for Local Government contains milestones that all authorities were expected to achieve by 2006. Local indicators (for example, the level of spend locally and regionally) have been developed. The Assistant Director, Procurement & Special Projects is required to report progress against performance indicators.

Key issues to consider in respect of performance management include:

- Planning: Planning annual procurement activity in advance enables officers to undertake procurement in a more structured manner, identify options and prepare properly.
- Specifications: Where possible should include measurable outputs or outcomes, performance standards or other measures by which the contract can be assessed.
- Contract Management: This is a major factor in the success or failure of a contract. All contracts should have an associated officer with responsibility for monitoring and managing the contract, including the development of relationship management.
- Risk: All projects contain some element of risk. Risk analysis and management should be developed for both the procurement process (for larger or high risk projects) and for the contract itself. The use of the procedures and controls contained within the Contract Procedure Rules will assist in managing risk. The Council's Risk Management Framework will be followed.
- Project management: Where appropriate, procurements will be conducted as formal projects. The Council's project management methodology will be followed in all such cases. To assess whether a procurement needs to be established as a formal project, the project sizing tool contained within the Project Management Handbook will be used.
- Review: It is important that lessons are learned (what went well, what didn't go well), in order to inform future procurement decisions. Problems encountered in a project should be fed into risk analysis models for future projects.
- Training and Development: The key to delivery of effective public sector procurement requires people who are suitably trained and qualified to provide the necessary professional input. This ranges from a formal procurement qualification and wide experience, to knowledge of basic procurement techniques. The level of expertise required depends on the frequency and complexity of the procurement activity in individual posts. The Council uses a procurement competency model, which can be used by managers to identify training, and development needs of any staff procuring goods, services or works for the Council.

6. Partnerships and Partnering

The Council acknowledges the importance of partnerships in delivering services. It already benefits from a range of partnerships (with private, public and voluntary organisations).

In May 2007 after presentation of a robust business case and months of detailed negotiation, the Council entered into a Strategic Service Delivery Partnership with Unity Partnership. This partnership will deliver realistic step-changes in service quality, providing access to new skills, resources and ways of doing things and allow for innovation and the pursuit of difficult or long-term goals. Unity will also provide access to investment, skills, and new opportunities that the Council is unable to acquire alone. It will form a model for future partnerships.

The process of carrying out fundamental performance reviews will foster an open and constructive dialogue with all those involved or who may have something to contribute be it from within the Council itself, or through partnership arrangements with the public, private and/or voluntary sectors. The Council will encourage the development of new methods or approaches to procurement that will deliver services more efficiently, effectively and economically.

The Council delivers a range of services via the Health Service and via the Voluntary and Community Sector. This is an area of potential growth that requires further support and development, and the Council will implement the good practice guidance published under the title Improving financial relationships with the third sector: Guidance to deliverers of funding and purchasers, jointly published May 2006 by the Cabinet Office Third Sector Unit, HM Treasury, Office of Government Commerce and the National Audit Office.

7. E-Procurement

Advances in technology are eliminating unnecessary cost from the procurement process and releasing resources to be utilised more efficiently elsewhere. The Agresso integrated purchase-to-pay process will deliver real savings and improved management information across the Council.

E-procurement is doing business electronically. The benefits of e-procurement include:

- Delivering savings by streamlining internal procurement procedures and processes.
- Providing a framework to ease the ordering of goods, services and works whilst maintaining compliance with legislation.
- Improving services (for example, the use of purchasing cards can speed up the process of obtaining materials for maintenance work).

The Council has adopted the Agresso procurement system integrated with the Financial Management System and with the Unity Partnership is reviewing the following opportunities to provide further means for electronic transactions:

- An on-line Marketplace, an e-procurement portal for ordering supplies and services.
- A Supplier and Contract Management System for the full tender and quotation process including e-tendering.
- Purchasing Cards for low value spot purchases.
- E-auctions where appropriate.

E-procurement also allows authorities to work collaboratively to achieve economies of scale and shared expertise and knowledge. The Council is an active partner in the Association of Greater Manchester Authorities (AGMA)

8. Code of Conduct for Procurement

All procurement activity must be undertaken to the highest standards of ethics and probity. The Council insists on ethical standards from its suppliers, and in turn it must exhibit the highest ethical standards itself. Officers and members must not only be fair and above board in all business dealings, but should also avoid any conduct that is capable of having an adverse interpretation put on it.

All employees must adhere to the Officers' Code of Conduct and the Protocol for Employees on Gifts and Hospitality. In addition, employees undertaking any purchasing activity should consider themselves bound by the Code of Ethics of the Chartered Institute of Purchasing & Supply.