



Procurement Strategy

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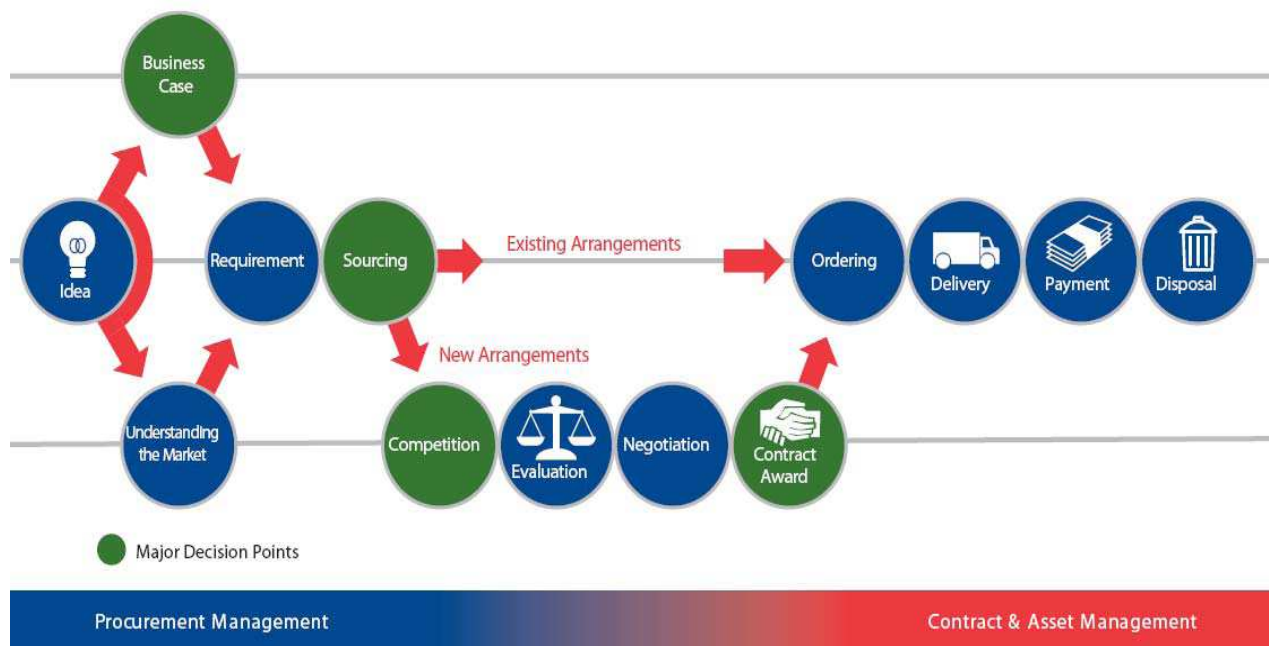
Introduction

The Council's first procurement strategy was approved in January 2003, following a detailed review of corporate procurement in 2002. This strategy was superseded in 2005 by a strategy encompassing the National Procurement Strategy which was launched in 2003. It set out the policies and practices the Council intended to follow as it spent £35 million each year on the acquisition of goods, works and services.

This strategy has been completely revised, it builds on the previous strategy and the policies and practices introduced as a result of changing national, regional and local priorities. It describes how the Council will organise its procurement practices in order to manage expenditure as effectively as possible. The strategy sets out a number of actions to further develop the Council's procurement policies and practices and establish a programme for continuous improvement.

What is Procurement?

Procurement is the execution of the decisions made during commissioning – when it has been identified that there is a need. Traditionally, local government and others have viewed procurement as Tenders and contracts. In reality this is only the purchasing cycle. Procurement is much wider as illustrated below.



“Procurement” is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the **whole cycle** from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves option appraisal and the critical “make or Buy” decision which may result in the provision of services in-house in appropriate circumstances.”

National Procurement Strategy 23rd October 2003

Aims and Purpose of the Strategy

The aim of this Procurement Strategy is to set out a clear framework for procurement throughout the authority, which is consistent with Lancaster City Council's Sustainable Community Strategy, the Council's Corporate Plan, the Council's Constitution, Standing Orders, Contract Procedure Rules, and Financial Regulations.

The strategy will communicate to all stakeholders, including Council Members, Chief Officers and Council staff the Council's 'vision' for the way forward in procuring its goods, works and services and detailing their responsibilities to play a meaningful role in achieving that 'vision'. It aims to bring together the existing examples of good procurement practice throughout the Authority.

The document seeks to set out the Council's high level, strategic plans for how procurement will be organised and managed in support of the 'vision'. It is aimed at promoting effective procurement across the whole of the authority and the wider district in collaboration with the Lancashire Procurement Hub, by setting a flexible framework within which procurement development can take place. Flexibility is required to allow the Council to respond to the rapidly changing environment surrounding public sector procurement, taking into account our own experiences and those of others and to integrate improvements into our processes and systems.

This strategy has been produced by the Procurement Strategy group, made up of senior officers led by the Corporate Director (Finance and Performance). Copies of the strategy are available directly from the Council's Procurement Manager or electronically via the Council's intranet or website

Strategic Positioning of Purchasing within Lancaster City Council

The Council provides a leadership role in promoting the economic, social and environmental well-being of the community and in delivering collaboratively through the Local Strategic Partnership, the strategic objectives, action plans and targets in the Community Strategy.

The Council has policies in place to facilitate the effective purchasing decisions for goods, works and services, to satisfy an immediate tactical/operational requirement. We now need to develop the ability to fully take account of whole life costs and the Council's wider objectives. Effective use of procurement across the Council will only be delivered through the active participation of all those who control budgets and authorise expenditure as well as those with the appropriate technical expertise.

The implementation of this Procurement Strategy will require decisive and sustained leadership from Members and Senior Officers to ensure that the Council is an organisation that is proactive, joined up and visionary in its approach to the delivery of best in class.

To support this approach there are a number of key tasks, these include:

- The review of all the Council's procurement related policies, regulations and procedures to ensure they support and do not hinder, the delivery of the Procurement Strategy and enhance the use of procurement to deliver the Council's objectives.
- The production of clear guidance on the new policies;
- The communication of the guidance;
- The provision of targeted training.

Council Priorities

The Council's current Corporate Plan has been divided into four Corporate Priorities to provide clarity and focus, these priorities are:

- Support Our Local Economy
- Clean and Green Places
- Safe and Healthy Communities
- Support our Local Communities

Within the four priorities there are seven objectives, the objectives will help us focus on the things we need to do to deliver real and lasting achievements. The objectives are:

1. work in partnership to ensure a strategic approach to economic development and regeneration;
2. Maintain the cleanliness of our streets and public spaces;
3. Develop local responses to Climate Change;
4. Contribute towards making our district an even safer place by reducing crime and the fear of crime, and anti-social behaviour;
5. To contribute towards health improvement and reduce health inequalities through both delivery of our own services and our work with partners;
6. Work in partnership with others to meet the differing needs of communities within our district;
7. Improve the standard, availability and affordability of housing in the district to

Whilst there may be changes to the Council's key priorities and objectives over time, the Procurement Strategy is designed to support in general terms the overall corporate aims of the Council, with sufficient flexibility to deal with such changes.

Comprehensive Spending Review 2007 (CSR07)

The CRS07 sets councils ambitious and stretching targets in terms of efficiency gains during the period 2008/11. Local Government is facing rising public expectations and increasing demands for local services in a tight fiscal environment. This will call for strong and innovative approaches to achieving efficiency; procurement will play an important role in identifying and assisting these approaches.

Performance Management.

The Council will need to implement monitoring and reporting arrangements in order to monitor progress towards meeting it's procurement objectives.

Procurement

In collaboration with the Lancashire Procurement Hub's Best Value Group, a suite of Key Performance Indicators (KPI's) will be adopted enabling Lancaster City Council to measure and monitor performance for improvement and against other authorities within the region.

Each year Lancaster City Council will complete the healthcheck produced by the Lancashire Procurement Hub from the document 'Procurement Working Better Together'. This will inform progress and aid the development of an annual action plan.

Contracts

Responsible Spending Officers (RSO's) will be required to monitor the performance of their contractors/contracts, this will be established by the completion of the Contractors Performance report which should be completed annually and at the end of each contract. Any issues arising from the reports will be reported to the Procurement Manager who will facilitate the sharing of information.

Each RSO will be responsible for determining a risk log for each contract that is in place. Together with the supplier and any other partners they will be responsible for the management and mitigation of risk within the contract.

Collaboration and Partnership Working

As part of the challenge and the options appraisal process the Council will take into account the appropriate use of partnering, collaboration and trading approaches.

The Council will proactively seek out collaborative opportunities with other councils and other public bodies, through active participation both in existing consortia and the North West Improvement and Efficiency Partnership, through the Team Lancashire Procurement Hub (Hub).

The Council will use identified collaborative opportunities wherever this is of benefit:

- exclusively to the Council;
- to both the Council and the other bodies; or
- exclusively for the other bodies, except where there is a negative impact on the Council.

In assessing such opportunities, the Council will have regard to the overall strategic direction of the Council, to achieve best fit with the Council's priorities and objectives.

Team Lancashire – Lancashire Procurement Hub

The aim of the Hub is to deliver a coherent and effectively managed procurement strategy for the sub region founded on proactively managed collaboration. The Hub will support the delivery of the Sub Regional Improvement and Efficiency Strategy and support the aspirations of the North West and National improvement and efficiency strategies. They will work with all the authorities in the district to facilitate collaboration. Lancaster City Council is committed to working with the Hub and will collaborate where it is in the best interest of the Council.

Lancaster City Council acknowledges that working in partnership with other authorities, agencies and other public bodies brings benefits that may not be achieved by working in isolation. We will work more in partnership and re-design the delivery of our services to realise true savings and efficiencies.

Purchasing Organisations

It is recognised that the use of purchasing organisations can reduce the amount of resources needed to carry out a procurement exercise and the combined buying power of several organisations could lead to financial savings. Lancaster City Council actively encourages officers to use Purchasing organisations such as OGC Buying Solutions, Yorkshire Purchasing Organisation (YPO) and East Shires Purchasing Organisation (ESPO)

The North West Development Agency (NWDA) insist that authorities use their panel of suppliers when using agency funding. The NWDA panels have suppliers who have been selected using a compliant European Union Public Procurement and are widely regarded as best practice.

Roles and Responsibilities

Members and Officers have a responsibility to make the most of the resources available to them while ensuring that services are maintained or improved. Implementation of this strategy requires clear functional responsibility to be assigned for procurement at both member and officer level. An outline of the responsibilities of Members and Officers is shown below.

Members

Elected Members:

Members will take a strategic role, scrutinizing the procurement processes and monitoring the outcomes of procurements. They should provide executive direction and decisions on strategic projects, and depending on their varied roles and responsibilities within the Council, will ask challenging questions about value for money and risk management in relation to procurement.

Cabinet

- All Executive Members need to be familiar with current best practice in Procurement and Partnering.
- The Cabinet Member with portfolio responsibilities for finance will be the Member Procurement Champion.
- Cabinet will preside over decisions where contracts are proposed for acceptance but are over the budgetary figure allocated to the contract.
- Other procurement decisions will be delegated to nominated officers or individual Cabinet Members, in line with the Constitution and where such decisions are within the budget framework.
- Reports presented to Cabinet, with the recommendation of a contract for approval which is in excess of the available budget, will be the responsibility of the Portfolio holder.

Member Champion

- The Member Champion will ensure that best practice procurement is communicated to all Members and act as a change agent for procurement.
- They have responsibility for approving the Corporate Procurement strategy, ensuring it is aligned with strategic objectives, and for monitoring the associated Action Plan.
- They will help ensure that systems are in place to facilitate member engagement in the making of key decisions in procurement, e.g. for major projects and contracts.
- They will promote the Procurement Strategy and vision with Members.
- They will seek to motivate Members, gaining their commitment to procurement change.
- They will contribute to developing Members' understanding of strategic procurement management and promoting skills' development.

Overview and Scrutiny

- Where necessary the Committee will challenge major projects to ensure that they support community and corporate strategies. This may include:
 - conducting inquiries into new models of service delivery
 - challenging the progress of major procurement projects
 - ensuring that lessons are learnt from major projects and partnerships.

Budget and Performance Panel

- Budget and Performance Panel will be responsible for scrutinising the Corporate Procurement Strategy, ensuring it is aligned with strategic objectives and monitor the associated Action Plan
- Through Performance Review Team (PRT) reports and corporate financial monitoring, the Panel will consider procurement issues in reviewing and scrutinising performance. In particular, this includes:
 - reviewing areas of high spend to identify opportunities for improved value for money
 - reviewing the performance of partnerships and other key contracts
 - holding the Member and Officer Procurement Champions to account.

Officers

Executive

Senior Management involvement should allow for prompt decisions on key decisions, enabling access to resources outside the project team's immediate control.

The Corporate Director (Finance and Performance)

- To act as the Council's Procurement Officer Champion with responsibility for liaising between Team Lancashire, Corporate Management Team and the Procurement Strategy Group.
- To ensure the Procurement Policies and Strategy are effective in supporting high standards of corporate governance.

Head of Financial Services

- To ensure that an effective system of internal audit is carried out for the authority.
- To incorporate the Procurement Strategy actions within the service business plan.
- To review Financial Regulations and other standing orders including the Contract Procedure rules.

Procurement Strategy Group

- To develop, implement and review the Procurement Strategy.
- To advise on the use of Procurement initiatives to support projects, activities and initiatives.
- To evaluate new approaches on procurement and the extent to which they would be helpful to the authority and its services.
- To advise on the development of procurement policies.
- To support the provision of staff training in procurement.
- To provide for information sharing and mutual support links with other groups at regional and national level.
- To promote good Procurement practice throughout the authority by co-operation and liaison with managers and employees and relevant external agencies.
- To monitor delivery of Corporate Procurement Strategy and achievement of KPIs.

Procurement Manager

- To act as professional lead on procurement matters, consulting and providing direction and/or advice as appropriate, to ensure that the Council meets associated legal and regulatory requirements.
- To lead on the promotion of good procurement practice throughout the authority, through co-operation and liaison with managers, other employees and relevant external agencies.

- To support the provision of staff training in, and raising the level of, procurement throughout the authority.
- To ensure that appropriate European Union returns are carried out.
- To report on procurement activity and performance to Services, Members, the Procurement Strategy Group and other relevant parties as appropriate.
- To maintain a corporate register of contracts.
- To examine the requests for exceptions, and report approved exceptions to through corporate financial monitoring.
- To collate and report on procurement efficiencies.
- To maintain up to date information on the internet and intranet.
- To represent Lancaster City council on Team Lancashire Procurement Groups as necessary and collate / provide information as required.

Heads of Service

- To ensure that procurement activity within their service areas is in accordance with this Strategy, the requirements of the Constitution and supporting professional advice.
- To identify procurements and opportunities within their service areas and to forward information on these on a timely basis to the Procurement Section.
- To ensure that procurement issues are appropriately considered and evidenced, as appropriate, when developing Service Business Plans.
- To ensure that officers within their service who have responsibility for procurement are suitably qualified, experienced and trained.
- To identify any skills, training or development needs to ensure the competencies within the authority support the drive for better procurement.
- To highlight areas of spend where corporate procurement arrangements can be developed.
- To ensure effective communication within their service area of the Procurement Strategy and supporting standing orders.
- To promote and support the development of the Council's Procurement Strategy.

Employees

- To procure goods, works and services in accordance with this Strategy, Contract Procedure Rules, Financial Regulations, and other relevant sections of the Constitution.
- To participate in collaborative working.
- To support the Procurement Section on corporate reporting requirements, and have due regard to professional advice.
- To report opportunities or risks to their Line Manager or Service head where service delivery can be improved through procurement.
- To adopt Whole Life Costing for the appraisal of tenders and through out the life of contracts.
- To monitor performance of suppliers through Contract Performance Reports
- To identify, manage and where possible mitigate risks within contracts by working with suppliers and partners to ensure that the authority is not exposed to adverse risk.

Procurement Principles, Standards, Policy and Procedures

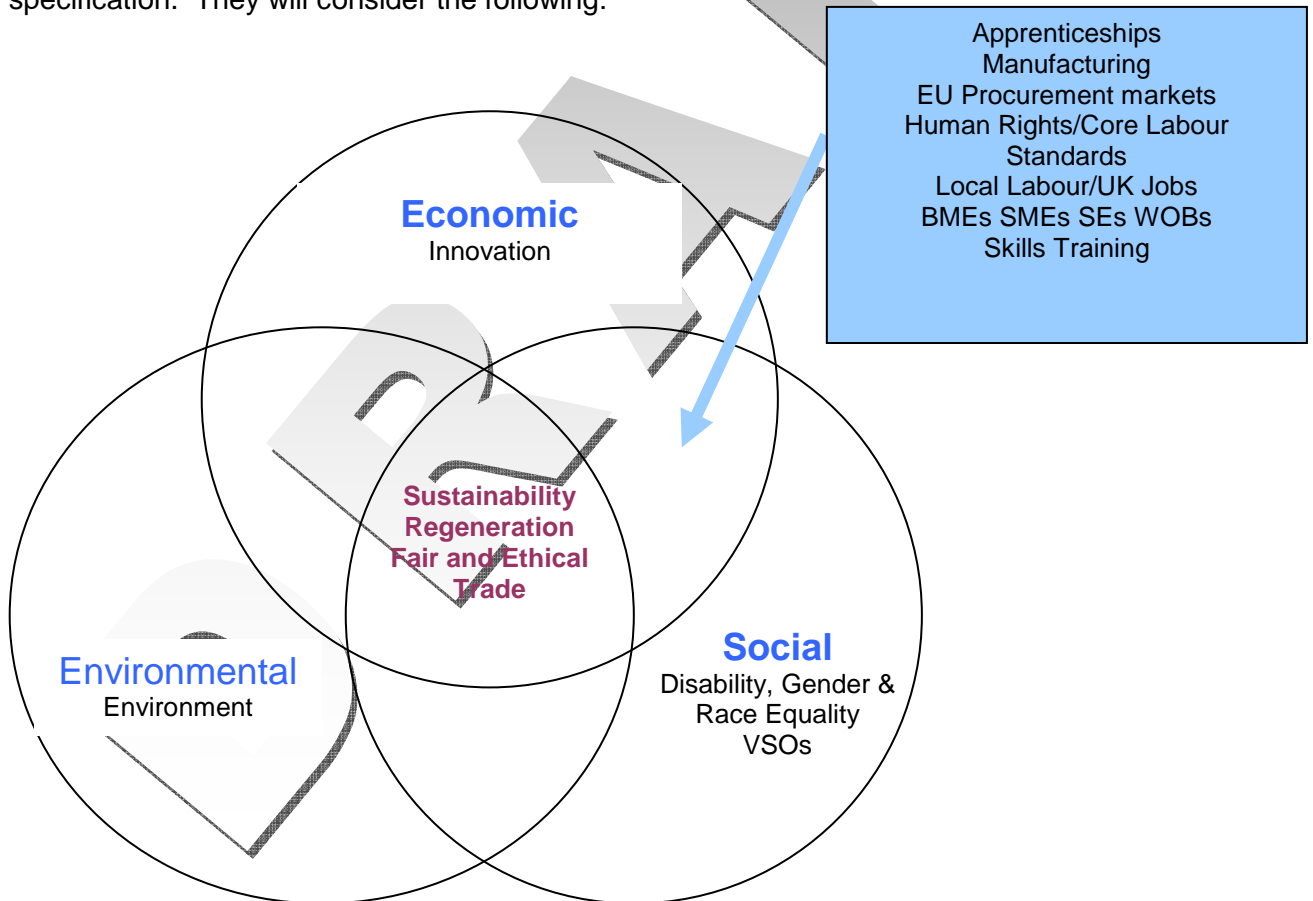
Lancaster City Council has a number of documents aimed at explaining the wider practices of procurement and the current policy, procedures and practices that are to be followed.

Sustainable Procurement Policy

Leadership on sustainable development sets an example to both the public and to partner organisations. Lancaster City Council will contribute to a sustainable way of life by adopting the principles set out in the Sustainable Procurement Policy.

Cabinet approved the Sustainable Procurement Policy in 2007 committing the authority to use its purchasing power to promote sustainability, in its widest sense, when choosing products and contracting services, to optimise the sustainable benefits of procurement decisions, in accordance with the principle of best value.

Officers will set clear priorities when determining the sustainable criteria of a contracts specification. They will consider the following:



Lancaster's Approach to Project Management (LAMP)

Lancaster City Council is ambitious for its communities and is committed to improving on a continuing basis the services the Council provides. The change associated with improvement requires processes to manage it well and Project Management (PM) is a key tool to help us do this. To this end, a corporate PM methodology has been developed. Known as Lancaster City Council's Approach to Managing Projects (LAMP) the methodology, whilst based on the nationally recognized PM standard, PRINCE2, it recognises that the majority of our projects will not be complex enough to require the full PRINCE2 processes. The LAMP methodology is adaptable to any type or size of project proportionate to its significance to the success of the Council, its complexity and degree of risk. The corporate approach is supported by a LAMP Handbook; standard PM templates and formal training for all staff with an interest in project management. This new approach to project management came into operation from 01 April 2007.

Whole life Costing – *‘the systematic consideration of all relevant costs and revenues associated with the acquisition and ownership of an asset’.*

Lancaster City Council recognises that decisions based on long term vision form a fundamental component of the option appraisal. This will ensure that the assessment of ongoing revenue/resource costs together with the initial capital investment is taken into consideration when deciding on a preferred solution. A guide to whole life costing has been published on the intranet and should be used for procurements, especially when projects being delivered using Lancaster's Approach to Project Management (LAMP) is being followed.

Equality and Diversity

As a leader of the community Lancaster City Council has a responsibility to create a fairer society. Authorities also have a responsibility to use taxpayer's money wisely in public procurement. Officers within Lancaster City Council must ensure that they fulfil their legal obligations relating to equality, specifically the public sector equality duties. In addition, there is further scope to address equality related issues, where they are relevant to the procurement.

Equality issues will be addressed at the following stages of a procurement process:

- Pre-procurement – when identifying the need and considering the market;
- Specification stage – when deciding the requirement;
- Selection stage – when selecting suppliers to invite to tender;
- Award stage – when awarding the contract;
- Contract conditions – in the performance of a contract;
- Relationship management – on an informal basis, outside procurement and contract management.

Doing Business Electronically

Electronic Procure to Pay functionality enables organisations to automate procurement activities, including sourcing, ordering and commissioning, receipting and making payments for the whole spectrum of goods and services that they purchase. E-Procurement matters to Councils because of the benefits that are available – better value for money from less resource, more outcomes from the same resource, and the generation of cost and efficiency savings that can be redirected into priority services.

Lancaster City Council has invested heavily in information technology and a solution to electronically carry out some procurement processes is embedded. The software – Authority Financials from Civica, is currently used by 11 other authorities in the Northwest and the sharing of information is common practice, this collaboration will continue through Team Lancashire forums with the shared interest of generating common information to carry out benchmarking and collaborative procurements.

In 2007 the council set out a 'Vision for E-Procurement' within its E-Procurement Strategy. By implementing the strategy the Authority will achieve efficiencies in the reduction of: cycle times, transaction costs, resources, will provide more accurate and easily reported management information allowing more informed decisions to be made, adherence to Contract Procedure rules and attain targets set by the National Procurement Strategy. The strategy is being delivered on a modular basis, using the LAMP methodology with a cross service project board; implementing the initiatives where a business case exists and those appropriate to its infrastructure and needs. Areas that are to be investigated are listed below,

Sourcing and Tendering

The Council advertises potential tender opportunities to the business community on its website; publishes information on how suppliers can do business with the Council and provides links to Constructionline (a database of prequalified contractors), the Council's preferred method of selecting firms to be invited to tender for works goods and services. There is also an opportunity to use a third party facility to advertise opportunities, the regional improvement and efficiency partnership has endorsed a supplier and may be used where resources allow. This is expected to encourage greater competition and interest from potential suppliers and will make information on opportunities for the business community more accessible

An e-tendering solution would enable the council to undertake the advertising, issuing and receipting of tender documents via the internet, saving the council time and overhead costs compared to current paper tender process. E-tendering can also reduce bureaucracy and duplication, simplify procedures and make procurement process more transparent. A regional solution is available and will be examined as part of the work under taken with the Lancashire Procurement Hub e-procurement group.

Alternatively Authority Financials are exploring the market to find a partner whose product would complement their current suite of applications. Authority Financials has the functionality to carry out Requests for Quotation; however this is not integrated into the purchasing module and has limitations.

E-Auctions

Lancaster City Council is committed to exploring the benefits of e-auctions in the longer-term and to identify areas for which this process would be most suitable. It is recognised that the resources involved in running an e-auction

<p>may require collaboration or partnership with other public or private bodies.</p>
<p>Catalogue Management</p>
<p>The purchasing functionality within the authority's financial systems facilitates the use of electronic catalogues. It is anticipated that as framework agreements are adopted by the authority the provision of an electronic catalogue will be explicit in the agreement.</p>
<p>Payment</p>
<p>The Corporate Procurement function is proactively supporting Exchequer officers in collating payment information to allow payment to be made by BACS. Some progress has been made towards the full implementation of BACS IP for the payment of suppliers. Work is continuing to extend the number of suppliers who are capable of being paid by BACS and a process where suppliers will not be approved if the Bank details are not available is to be introduced. Details of e-mail addresses for remittances are being collated and when functionality is applied this will reduce the number of remittances send in the post.</p>
<p>E-Invoicing</p>
<p>The current financial system, Authority Financials has the functionality to receive invoices electronically. Work is commencing on identification of suppliers with whom the Council would want to introduce this facility.</p>
<p>Purchase Orders</p>
<p>All purchase orders are currently produced electronically. The method of delivery for the purchase order will be migrated to e-mail, reducing costs associated with printing, and postage. The facility to import purchase orders raised on other systems used by the authority ie. Task and Technology Forge, into Authority Financials will be explored and when adopted, this will ensure all purchase orders are available within the purchasing module, allowing better reporting.</p> <p>Internal Trading – the ability to raise a purchase order against another service within the Council will be implemented for items such as copy paper and envelopes the use of a purchase order will remove the need for an internal recharge to be performed. If other opportunities to use this functionality arise they will be explored.</p>
<p>Purchasing Cards</p>
<p>Procurement cards have been used within the authority since 2004, to improve services and /or reduce the administrative costs of low-value ad-hoc purchases. The number of cards has steadily increased and currently stands at 60. At least one Officer within each service has been issued with a procurement card. This is now the favoured payment method for goods or services that are bought over the internet, training and where the use of the supplier will be a one off. The introduction of the new financial system has allowed for the automatic input of commitment against a procurement card and electronic authorisation.</p>

The Council has dedicated a specific part of its website, www.lancaster.gov.uk, to procurement issues. This contains details of forthcoming tendering opportunities and information on how to do business with the council, giving contact details including an e-mail

address for procurement. The procurement information on the internet will be enhanced throughout the period of this strategy and will include the publication of updated publications.

Monitoring and Review

The Procurement Strategy Group of Lancaster City Council will review the Procurement Strategy on an annual basis. The group will ensure that all relevant and newly introduced legislation is taken into account. Any new developments in the purchasing arena will be evaluated and if appropriate incorporated into the strategy. Any changes to the Strategy will be a matter for the Member Champion to agree as an individual cabinet member decision.

The Procurement Strategy group shall meet quarterly, with regular monitoring and efficiency reports circulated to the group from the Procurement Manager detailing procurement progress and initiatives that are being developed and progressed through Team Lancashire and the Lancashire Procurement Hub.

Procurement efficiencies and a system of monitoring and reporting Key Procurement Performance Indicators will be developed and used to report to the Officer Group and Member Procurement Champion on a quarterly basis.

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Risk Management

Effective use of procurement strengthens the Council's overall management of the organisation, complementing and supporting other areas such as Risk Management. Risk Management Procedures identify specific risks to the Council and the delivery of its services and consequently the Council will take specific procurement decisions as part of its mitigation and handling of the identified risks.

Forward Planning

To ensure the effective use of procurement the Council will create one single register for the whole Council. This Contracts Register will cover all procurements and contracts to be tendered and/or awarded by the council over £30,000.

The Contracts register will include all future known procurements – both for the renewal of existing period based contracts and for new projects/requirements. To achieve this, close linkages will be made with the Asset Management working group, the Council's Medium Term Financial Strategy and Service Plans.

Contract Management

Effective procurement is measured by the outcomes and not by completion of the process. Contracts must be managed throughout their life to ensure that the benefits identified in the business case are delivered. The Council will adopt the use of contract management, building on the areas of current best practice.

The councils current procurement related policies are published in a number of separate documents. No single document contains them all. A comprehensive document will be compiled for officers giving a clear reference document on legislation, rules and guidance on good practice and examples of pitfalls.

Training

With the wider view on the definition of 'procurement' and its use throughout the Council it is important that the skills base of Council staff is understood and effective steps taken where it needs to be re-aligned.

The corporate Procurement function will work with The Learning and Development Officer to ensure that procurement is seen by service heads as a core competence for their staff and that adequate training opportunities are available. Procurement training will also be built into the Member Development Programme.

Efficient Working

Development of the procedures and functionality within the electronic financial system will be expanded to release efficiencies from within the system, delivering commitment

accounting and providing consistent and accurate information from which to make more informed procurement decisions. These will include but are not limited to:

- Contract Monitoring
- Internal Trading
- Electronic communications
 - Requests for Quotations
 - Purchase orders
 - Creditor BACS remittances.

As part of the ongoing commitment to the Lancashire Procurement Hub and Team Lancashire, Lancaster City Council will adopt a number of KPI's, to be agreed by the Procurement Hub's Performance Management group. These KPI's will provide a comparison between the authorities and highlight where good practice is taking place and may be replicated.

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