



**PROCUREMENT STRATEGY**

**2005-2008**

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## **Foreword by the Leader of the Council**

Lancaster City Council recognises that procurement is pivotal to everything that we do as an organisation. Every service provided by the Council procures goods, works and services both internally and externally and we must take every opportunity to examine all of the possible alternative methods of service delivery.

Traditionally, Lancaster City Council has not taken a strategic approach to procurement but we must recognise its position in the organisation and rise to the challenge of continuous improvement. This strategy aims to focus our thinking and details how the Council will continue to develop and deliver best value through strategic procurement.

Elected members and officers support procurement as a strategic, corporate priority and are committed to the delivery of effective, economic and efficient procurement.

**Councillor Ian Barker**

**Leader of the Council and Member Procurement Champion**

# 1 The Procurement Strategy

## 1.1 Background to the Procurement Strategy

### **Best Value**

One of the key drivers behind this strategy is 'Best Value', which is a major element of the Government's plan for improving local government services. Best value imposes a legal duty on all local authorities:

**'...to continuously improve the services they provide having regard to a combination of economy, efficiency and effectiveness'.**

The Local Government Act 1999 places the duty of Best Value on us. Best Value requires every local authority to consider all relevant options for future delivery of a service and to choose the option that produces the best value for money, based on an appropriate combination of both price and quality. This puts procurement at the heart of Best Value and continuous improvement and this strategy has been produced in line with statutory guidance on best value (DETR circular 10/99), which specifically states that each Council should have **'a clear procurement strategy at a corporate level'**.

### **National Procurement Strategy for Local Government**

The report *Delivering Better Services for Citizens* (the 'Byatt report') was produced in June 2001. The report made thirty-nine recommendations to improve procurement in local authorities. The Government issued their initial response in July 2002, setting out a number of ways in which the Government would support the proposals, culminating in the [National Procurement Strategy](#) launched jointly in October 2003 by the Office of the Deputy Prime Minister (ODPM) and the Local Government Association (LGA). This strategy links to other Government initiatives such as *Implementing Electronic Government* and *Rethinking Construction* and sets procurement milestones that all Council's are expected to achieve between 2004 and 2006.

### **The Efficiency Review**

In 2003 the Government announced that there would be a review of efficiency in the public sector. This review, informally known as the 'Gershon Review', drew on existing best practice to identify sustainable efficiencies in public sector procurement, policymaking and corporate and transactional functions. It also developed recommendations to raise the productive time of professionals in the public sector. The review culminated in *'Releasing resources to the frontline'*, which was published alongside the Chancellor's Spending Review in 2004.

Collaboration within the public sector to aggregate requirements, the creation of shared procurement services and the streamlining of procurement processes, implementation of e-Procurement solutions and further partnering arrangements (particularly in construction and service delivery) are all seen as critical to the efficiency programme.

Essentially, the efficiency review is about improving productivity – getting more from the same resource or achieving the same results for less resource. The 2004 spending review placed an obligation on the public sector to achieve 2.5% per annum efficiency gains over the spending period to 2007/08.

## ***Local:vision – the ten year strategy***

The Office of the Deputy Prime Minister (ODPM) is developing a 10 year strategy for local government which, following consultation may culminate in the publication of a White Paper that will require a more diverse market for local government services and a sophisticated approach to procurement that will require a competitive supply base and opportunities for greater innovation, efficiencies and higher quality services.

### **1.2 Aims and Purposes of this Strategy**

The first of the Council's procurement strategies was approved in January 2003 following a detailed review of corporate procurement in 2002. This original strategy was structured to support the recommendations made in the Byatt report and has since been revised several times to reflect developments made in procurement.

The specific aim of *this* document is to outline a clear strategy for procurement throughout the Council. A strategy that reflects the Lancaster District Community Strategy – A Vision for 2020 and the Councils Corporate Plan and provides a framework for best value which stands alongside the Council's Constitution (which incorporates the Council's financial regulations and contract procedure rules).

The Strategy sets out an improvement and development plan aimed at achieving a corporate and holistic approach to procurement. This procurement strategy will be subject to an annual review of progress against targets set and will also be 'benchmarked' against the National Procurement Strategy for Local Government. Progress reports on the practical delivery of this strategy will be submitted to the Leader of the Council, who is the Council's portfolio holder with responsibility for procurement, and to Performance Review Committee, annually commencing in July 2005.

The main purpose of the Strategy is to communicate clearly to all stakeholders, including Council members, chief officers and Council staff, partners and suppliers, consultants and contractors, the Council's 'vision' for the way forward in procuring its goods, works and services so that all may play a meaningful role in achieving that 'vision'.

The document seeks to set out the Council's high level, strategic plans for how procurement will be organised and managed in support of that 'vision'. It is aimed at promoting effective procurement across the whole of the organisation and strikes a balance between setting out a blue print for modernising procurement activity with specific targets, and setting a flexible framework within which further procurement development can take place.

This flexibility is required to give the Council the ability to respond to the rapidly changing environment surrounding public sector procurement, to take account of our own experiences and those of others and to integrate improvements into our processes and systems. Such flexibility is essential, for example, in allowing the Council to adapt to, and fully exploit, the requirements and benefits of e-procurement.

The overall aims and purposes of this Procurement Strategy are:

- To ensure an effective and corporate approach is taken to procurement, which maximises the contribution it makes to achieving community, corporate, financial and service specific objectives.
- To secure commitment to effective procurement from Members and officers at all levels throughout the organisation
- To supplement the Medium Term Financial Strategy (2005/06 – 2007/08) and the Council's strategy for achieving efficiency gains to 2007/08
- To provide a corporate focus on procurement that assists in co-ordinating procurement activity and helps to achieve optimum resource allocation and avoids duplication
- To plan the way forward for modernisation and continuous improvement in procurement and encourage long-term thinking and commitment to strategic procurement issues
- To 'join up' in a single document a corporate procurement strategy which identifies and promotes the benefits of strategic procurement

In short, this strategy (which replaces previous versions) aims to bring together the already existing examples of good procurement practice throughout the Council and will provide the framework for the development and modernisation of procurement across all areas of Council operation. It provides opportunities for businesses, both local and further afield, to assist the Council in delivering its corporate priorities and objectives. **This document is not a procurement manual and does not set out to be prescriptive.**

This strategy has been produced by the Procurement & Efficiency Management Group, made up of senior officers led by the Corporate Director (Central Services). Copies of the strategy are available directly from the Council's Procurement Officer (details below) or electronically via the Council's Intranet or Web-site.

Your comments and views on this strategy are welcomed so that together we may continue to develop our approach to procurement for future years. If you wish to comment on this strategy or require further information please contact:

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### 1.3 Why we need a Procurement Strategy

Procurement is about making choices and can be defined as ***'The process by which an organisation acquires the goods, works and services needed to achieve its objectives'***. This process must cover the 'whole life' of the asset or contract, from the initial definition of the business need right through to the end of the useful life of the asset or service contract.

The term 'procurement' has, therefore, a much broader meaning than that of simply purchasing in that it includes the acquisition of goods, works and services which best meets the needs of users and the local community.

All areas of the Council's operations to some extent involve procurement and, through necessity, the Council depends on the external provision of goods, works and services in order to deliver its objectives and so it is essential that we have a clear strategy of how these externally provided resources will be selected, acquired and managed.

## 1.4 Strategic context

Procurement should be seen in the context of the Lancaster District Community Strategy – A Vision for 2020 and the Council's overall priorities and objectives within its Corporate Plan.

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's Corporate Plan and its Service Business Plans underpin the shared vision of the Lancaster District Community Strategy and its 10 themes aimed at achieving this vision by the year 2020.

The Council's district wide aim, as set out in the Corporate Plan, is that by:

***'Promoting city, coast and countryside, we will achieve lasting opportunities for all in a safe and healthy district that's proud of its natural and cultural assets'***

The Council is a large organisation with an immense range of activity. To support the corporate aim the Council has developed six key priorities which help us to focus on the things we need to do to deliver real and lasting achievements. These priorities will guide our investment and work over the next three years (2005-2008).

Our priorities are:

- 1. Leading the social, physical and economic regeneration of the whole District, building on our cultural wealth and narrowing the gap between our most deprived areas and the rest.**
- 2. Working with our partners to deliver strong, stable, sustainable communities with a decent home for everyone.**
- 3. Making our environment cleaner and healthier including managing transport and parking.**
- 4. Working with our partners to reduce crime and the fear of crime and making our streets safer.**
- 5. Delivering modern, high performing services, that are accessible, cost effective and of a quality that reflect what people want and need.**
- 6. Striving to improve as a forward thinking Council with a skilled, knowledgeable and motivated workforce.**

The Council's Medium Term Financial Strategy outlines the key financial principles and targets that the Council is seeking to achieve and sets out the processes designed to ensure that policy objectives and spending demands are balanced against available resources and the needs of the community. Overall, the strategy supports the achievement of best value and sets out how the Council will achieve the efficiency gains required by the Governments' Efficiency Review.

In managing our services and working towards achieving our corporate aim the Council has established an explicit and shared set of core values which support everything that we do.

Our values are:

<b>Putting The Needs Of The Public First</b>	We will treat everyone respectfully and professionally and provide services that respond to our changing needs
<b>Community Leadership and Partnership</b>	We will bring the community together to deal with the major issues facing our District and work with our Partners to deliver real improvement
<b>Improving Services</b>	We will constantly seek to improve the services that we provide to our community
<b>Equality of Opportunity</b>	We are committed to treating everyone equally and providing services which recognise different needs within our community and aim to reduce inequalities
<b>Open, Responsive &amp; Accountable Government &amp; Sound Decision Making</b>	We want transparent decision-making, public consultation, two-way communication and public involvement so our services meet the needs of our citizens
<b>Sustainable Development</b>	We consider the long-term impact of our decisions on the environmental, social and economic make-up of our district
<b>Sound Financial Management</b>	We are committed to effective, efficient and prudent management of the Council's financial affairs
<b>Good Employment Practice</b>	We are committed to high standards of employment practice

Collectively, the Council's corporate aim, together with its priorities and core values act as a focus for all the activities of the Council, including this procurement strategy and other corporate and service strategies, which have been, or are in the process of being, aligned with them.



## 1.5 Procurement Vision

In support of best value and the wider community and corporate objectives and priorities, the following procurement vision has been developed:

***‘To achieve best value through planned, responsive, professional, well-managed and sustainable procurement that contributes to the Council’s priorities and meets the needs of the community’***

## 2 Current Arrangements

### 2.1 How procurement is currently organised

Within the Council’s Constitution the procurement of goods, works and services is regulated by the contract procedure rules and financial regulations. Developments in best value procurement required a wholesale review of the Contract Procedure Rules, which were formally adopted by the Council in February 2005.

The revised Contract Procedure Rules fully support this Procurement Strategy and clearly set out officer responsibilities and accountabilities when procuring works, goods and services on behalf of the Council. Through compliance with the Contract Procedure Rules and Financial Regulations the Council maintains the highest standards of integrity, fairness and consistency in all its procurement activity.

The Council largely operates a devolved organisational approach to procurement with budget holders responsible for procuring supplies and works in accordance with the Constitution, with support from a professionally qualified Procurement Officer. Other specialist legal, financial and audit support is provided as appropriate.

This structure supports the Council’s operational style and means that procurement decisions can benefit from expertise and knowledge within the procuring Service. It can, however, lead to ‘silo thinking’ with good practice in procurement not being shared resulting in duplication, a lack of consistency and a failure to take advantage of economies of scale.

The Council has a number of sound arrangements in place to manage medium and high risk/value procurements but there is a need to build upon these with a view to adopting a co-ordinated and structured approach based upon the core principles of project management.

The Council has a good track record of working creatively with partners in the private, voluntary and other sectors to deliver better services, including construction and we are currently working with, and exploring opportunities for, working collaboratively with other public sector bodies.

Our approach to working in partnership was formally recognised in the Audit Commission’s Comprehensive Performance Assessment (CPA) of the Council undertaken in 2004, although we acknowledge that more can be done in order to take full advantage of shared procurement resources and service delivery.

Whilst the Council makes good use of electronically ordering from, and making payments to, its suppliers, other elements of *‘delivering business electronically’* are not yet well developed; a position that the Council is seeking to address.

The experience, skills and knowledge of elected Members and Council officers in relation to procurement varies considerably throughout the Council, although there is, as yet, no structured approach to procurement training and development.

Responsibility for delivering changes identified in this strategy is the responsibility of the Procurement and Efficiency Management Group who produce an *Improvement and Development Plan* to underpin the practical delivery of the strategy. Ongoing progress will be reported to the Leader of the Council, who is the Member Procurement Champion and on a regular basis to the Performance Review Committee who have responsibility for monitoring the implementation process.

## 2.2 What the Council spends on procurement and how we spend it

During the financial year 2004/05 of the Council's overall budget over £30m was spent on goods, works and services. A broad analysis of expenditure on the procurement of good and services reveals that during the year 3,635 purchase orders were placed and 38,276 transactions (invoices) processed. The total number of suppliers relating to these transactions was 9,563.

The tables and graphs below set the results of the analysis of the Council's payments and transaction profile for 2004/05.

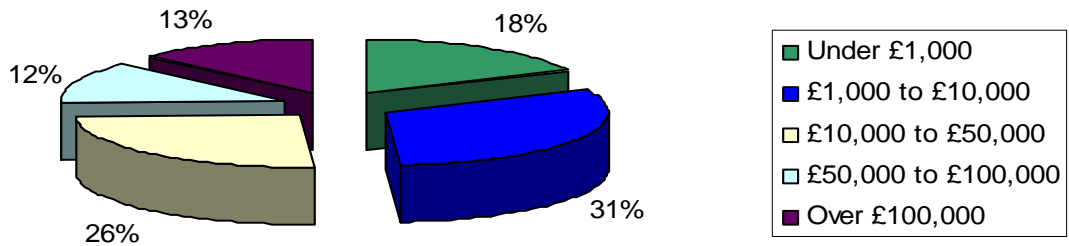
### **Payments Profile**

Examples of Major Areas of Expenditure	Value (£)
<i>Capital contractor payments</i>	<b>8,339,634</b>
<i>Consultancy</i>	<b>328,437</b>
<i>Waste collection/disposal</i>	<b>716,348</b>
<i>Vehicle maintenance</i>	<b>1,138,615</b>
<i>Computer hardware/software</i>	<b>64,825</b>

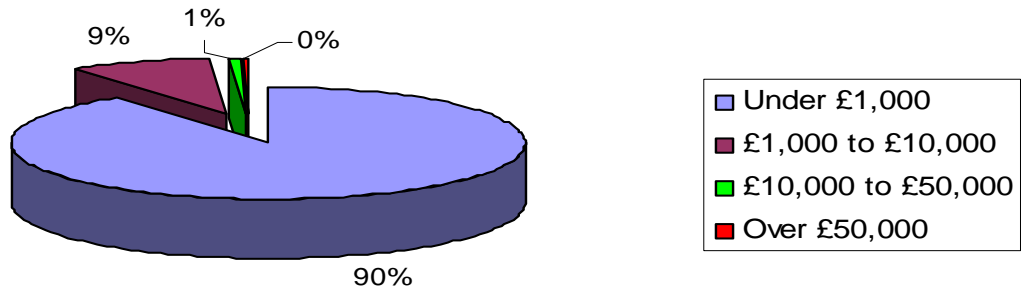
### **Transactions profile**

Value of Payment (£)	Total £m	%	Number of Transactions	%	Average Value (£)	Number of Suppliers
<i>Under 1,000</i>	<b>5,418,250</b>	<b>18</b>	<b>34,464</b>	<b>90</b>	<b>157</b>	<b>8,373</b>
<i>1,000 to 10,000</i>	<b>9,359,288</b>	<b>31</b>	<b>3,346</b>	<b>9</b>	<b>2,797</b>	<b>990</b>
<i>10,000 to 50,000</i>	<b>7,740,037</b>	<b>26</b>	<b>390</b>	<b>1</b>	<b>19,846</b>	<b>162</b>
<i>50,000 to 100,000</i>	<b>3,737,804</b>	<b>12</b>	<b>55</b>		<b>67,960</b>	<b>25</b>
<i>Over £100,000</i>	<b>3,967,439</b>	<b>13</b>	<b>21</b>		<b>188,925</b>	<b>13</b>
<b>TOTALS</b>	<b>30,222,818</b>		<b>38,276</b>		<b>790</b>	<b>9,563</b>

### Procurement Expenditure per Value 2004/05



### Procurement Expenditure per Number of Transactions 2004/05

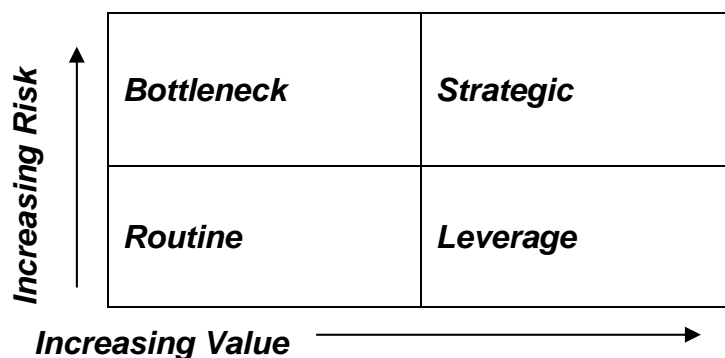


This analysis shows that:

- 99% of all transactions account for 49% of expenditure.
- ¾ of the Council's expenditure is below £50,000
- 98% of the Council's suppliers provide goods, works and services up to a value of £10,000

It is recognised that further development of the procurement strategy will depend on a more robust analysis of spend patterns and the mapping of requirements of the Council's procurement portfolio.

This more detailed analysis will provide for risk-based strategies to be developed for the various requirements in the portfolio categorised into areas of procurement as set out in the National Procurement Strategy:



Whereby:

- For ***routine*** (low value/low risk) purchases the Council may look at ways of reducing the number of suppliers used and the possible further aggregation of contracts and framework agreements (call-off contracts) to maximise purchasing leverage
- For ***leverage*** (high value/low risk) purchases there may be the opportunity to consider collaboration with other local authorities and partners ( e.g. in purchasing consortia or joint procurement projects) or the use of national framework agreements such as those put in place by the Office of Government Commerce (OGC)
- For ***bottleneck*** (low value/high risk) items multiple suppliers, contractors and partnering may be the best approach, whilst:
- For ***strategic*** (high value/high risk) procurements the Council will need to look at developing strategic partnerships for service delivery and investigate partnering arrangements as a contracting activity under the Government’s principles for *Rethinking Construction*.

### 3 Procurement Principles, Standards and Procedures

The key procurement principles, standards and procedures set out below have been established to support the Council’s strategic objectives and core values and the procurement vision.

#### 3.1 Best Value for money

**The Council is committed to ensuring value for money across all services by meeting the needs of local people in cost effective and efficient ways**

Procurement has traditionally been focused on economy (lowest price), and whilst this remains an important ingredient of best value it is also essential that procurement decisions are taken in light of the broader outcomes that the Council is seeking to achieve. It is inevitable that as a public body, the effectiveness of the Council’s procurement arrangements must be measured as much on quality and social outcomes and the community benefits that result, as by financial gains. Balancing these is at the heart of best value procurement.

Through the Contract Procedure Rules, adopted in February 2005, the Council has a policy of making procurement decisions on the basis of best value for money (referred to as '*most economically advantageous offer*' in EU Procurement Directives). Best value for money is defined as:

***'...the optimum combination of whole life costs and benefits to meet the customers requirement'***

In this context the majority of contracts should be awarded on the basis of a robust assessment of quality, as well as cost, which will be incurred **throughout the life** of the asset or contract period. To this end a tender evaluation model, including objective criteria for the assessment of cost and quality, should be prepared in **advance** of the procurement and the evaluation criteria published in contract notices and the invitation to tender. To ensure fairness, the published criteria must not be changed during the procurement process.

In practice, it would be unrealistic to determine the whole of life cost assessments for small value contracts or purchases, although, as a guide, whole life costs should be calculated for high value procurements (those in excess of £50,000) or where there is likely to be a significant environmental impact.

### **3.2 High professional standards and probity**

**The Council requires that all procurement procedures are operated in a professional manner to ensure the highest standards of probity, openness and accountability.**

#### ***Member and Employees Codes of Conduct***

The Council's commitment to high standards of conduct and integrity is supported by its established codes of conduct for employees and elected Members. These codes set the standards that Members and officers must adhere to in any activity undertaken as representatives of the Council, membership of companies, voluntary organisations, or any other body and in their personal lives generally.

Both these mandatory codes of conduct emphasise that it is the duty of all employees and Members involved in procurement (as well as other activities) to behave in a professional and honest manner (including adherence to rules on the acceptance of gifts and hospitality) and to treat all suppliers equally.

These codes, together with the Council's Anti-Fraud and Corruption Strategy and Whistle-blowing Policy, make it a requirement for officers and Members to report any conflicts of interest or breaches of procurement procedures.

#### ***Council's Constitution***

Lancaster City Council's recently revised Constitution incorporates the approved [Contract Procedure Rules](#) and Financial Regulations which together form the core of the Council's procurement procedures. These are the **mandatory** rules that all officers of the Council and elected Members must comply with in order to protect the Council's interests and those of its Members and officers.

The Contract Procedure Rules include various value threshold levels where the Council is required to procure supplies, services or works through competition. These documents are an essential component of the Council's system of internal control and are available on the Council's intranet and website.

Transparency in procurement is maintained through the publication of a 'Selling to the Council' guide on the Council's website together with details of opportunities for bidding for our contracts.

Further developments necessary to improve our requirements for transparency have been identified within the Contract Procedure Rules and through the work of the officer Procurement and Efficiency Management Group including the need for:

- a procurement plan to be published setting out information on all the major procurement projects (medium and high risk) planned for the forthcoming three years, with estimated overall spend and resource requirements
- carrying out a review of the current arrangements for publishing prior information, contract award notices and completing statistical returns as required under the EU public procurement regulations
- an updated and more corporately maintained register of contracts providing contractual and financial information which will assist with the compilation of the EU statistical returns and help to identify, for example, an existing framework agreement or contract that can be used instead of letting a new one.

The Council's Procurement Officer works closely with Internal Audit and Legal Services to ensure that there is compliance with mandatory procurement policies and procedures and our legal obligations.

### ***UK Legislation***

Local authorities are governed by the UK Acts of Parliament and regulations and guidance issued by the Government and, as such, may not act outside the powers given to them under such legislation.

The main governing Acts of Parliament in respect of local authority contracting and procurement include:

- Part I of the Local Government Act 1999, which contains Best Value duties (supplemented by DTLR Circular 10/99)
- The Local Government Act 2000, which required Councils to produce a community plan and promote the economic, social and environmental well-being of the community
- Part IV and V of the Local Government and Housing Act 1989, which contains provisions for local authority involvement in companies
- The Local Authorities (Goods & Services) Act 1970, which enables local authorities to make an agreement with certain other public bodies for the supply of goods, materials and services
- The Local Government Act 1972, which contains section 151 powers and requirements for contract standing orders (Lancaster City Council refers to these as contract procedure rules).

- The Local Government (Contracts) Act 1997, which contains powers to enter into contracts
- The Local Government Act 1988, which precludes the consideration of 'non-commercial matters' when awarding contracts
- The Local Government Act 2003 which helped to move the policy context for procurement forward and provided new opportunities in partnering as a means of achieving service improvement and better value for money.
- Regulations and guidance made pursuant to these Acts of Parliament provide specific requirements and/or limitations on the Council. One example of this is the Code of Practice on Workforce matters in Local Authority Service Contracts.

### ***EU Regulations<sup>1</sup>***

In addition to the UK local government legislation mentioned above, there are legal requirements that govern procurement by public authorities, including Councils, right across the European Union. In the UK these are set out in the public procurement regulations which support the EU directives on supplies, services and works.

The public procurement directives provide detailed rules to ensure that:

- Contacts are advertised in the EU Members states to give all companies an opportunity for submitting tenders
- Technical specifications do not discriminate against any potential tenderers
- The award procedures for public procurement contracts are conducted in an open and non-discriminatory way.

Where the estimated value of any procurement exceeds the EU threshold current at the time<sup>2</sup>, the contract must be tendered in accordance with the relevant EU Directive.

The regulations provide remedies for aggrieved suppliers if the rules are flouted, including, redress in UK courts; intervention by the European Commission and the withholding of community finance.

EU member states recently agreed a package of changes to the public procurement directives aimed at modernising and simplifying the rules. This resulted in Directive 2004/18/EC which consolidates the three directives for public works, supplies and services contracts into a single text.

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<sup>1</sup> Further information and guidance on implementing the EU Directives is contained within the Council's Contract Procedure Rules and associated contract guidance (available on the Intranet) and '*How to do Business with the Council – A Guide for Suppliers and Contractors*', available on the Council's website.

<sup>2</sup> Current EU Thresholds until 31<sup>st</sup> December 2005 are £3,834,411 for works contracts and £153,376 for supplies and services contracts. See Appendix B

### 3.3 Equal Opportunities and Diversity in Procurement

**The Council is committed to its responsibilities under the Race Relations Act and to encouraging equality of opportunity to those who provide us with works, goods and services.**

The Race Relations Act 1976 as amended by the Race Relations (Amendment) Act 2000 made it a legal duty for Councils to have due regard to the need to 'eliminate unlawful discrimination' and to 'promote equality of opportunity and good relations between people of different racial groups'.

This duty applies to procurement delivered by private or voluntary sector firms through contractual arrangements and it is the responsibility of the Council to ensure that these duties are met regardless of the provider.

The Council's commitment to race equality and equal opportunity is set out in our policy documents and in order to fulfil our statutory duties, suppliers will be required to demonstrate compliance with current legislation, particularly, the Race Relations Acts, the Sex Discrimination Act 1975, Disability Discrimination Act 1995 and Codes of Practice issued by the equality commissions.

### 3.4 Partnerships and Collaboration

**The Council recognises the strategic benefits of working in partnership and collaboratively with others to successfully carry out major projects and to deliver better services for our citizens.**

#### ***Partnering***

*The strategic objective of partnering is the delivery of better services to citizens through the creation of sustainable partnerships between councils and suppliers in the public, private, social enterprise and voluntary sectors for the delivery of services and the carrying out of major projects, including construction.*<sup>3</sup>

The benefits of the partnering approach include:

- Better designed solutions
- Integration of services for customers
- Access to new and scarce skills
- Economies of scale and scope
- Investment
- Community benefits (including jobs and local economic effects)

A key milestone of the *National Procurement Strategy* was that, by December 2004, every Council should have set out its approach to partnering in service delivery and in construction projects. This target was successfully achieved through publication, in November 2004, of the Council's [Framework for Partnership Working](#) and the [Procurement through Partnering Guidelines](#)

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<sup>3</sup> Source: *National Procurement Strategy for Local Government October 2003*



These documents set out clear guidance on how the Council will meet the strategic objective of partnering through service delivery and construction contracts. The *Framework for Partnership Working* supports our strong commitment to working in partnership as identified within the Community Strategy and our key priorities in the Corporate Plan and demonstrates how this will be achieved.

Specifically, the Framework defines what are considered to be the main policy drivers, types of partnership and service delivery models that will be subject to the framework and explains the main reasons for, and benefits of, working with strategic partners. It also sets out the essential elements and features of setting up and sustaining a successful partnership arrangement in checklist form and incorporates a Partnership Assessment Tool aimed at providing a simple, quick and cost effective way of assessing the effectiveness of partnership working.

The *Procurement through Partnering Guidelines* provides more detailed guidance on partnering in construction projects based on the Governments '*Rethinking Construction*' Agenda (the Egan Report)<sup>4</sup>, whereby the Council and the preferred supplier work in an open and joint relationship to achieve common objectives, with defined performance targets.

A partnering approach is increasingly being considered for high value, high risk procurements with the principal benefit that the relationships with the supplier are strengthened and risks and benefits are shared in a previously agreed and quantifiable manner. In recent years, the Council has entered into a number of partnering arrangements that have been reasonably successful in improving customer service and contract performance. We acknowledge, however, that more needs to be done in order that we may fully adopt a structured approach to procurement based on the core principles of project management, including the application of risk management techniques to projects and programmes and the implementation of gateway reviews<sup>5</sup> for strategic projects.

The Council's approach to working in partnership was recognised in the Audit Commission's Comprehensive Performance Assessment (CPA) of the Council (and before that the IDeA's Peer Challenge), which noted that we had begun to work creatively and effectively with our partners.

### **Collaboration**

*The strategic objective of collaboration is to obtain better value by bringing councils and other public bodies together at local, regional and national levels to combine their buying power and create shared services.*

'Collaboration' describes the various ways in which councils and other public bodies come together to combine their buying power, to procure or commission goods, works or services jointly or to create shared services. Collaboration is a form of public-public partnership, its major benefits being the achievement of economies of scale and accelerated learning and sharing of best practice.

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<sup>4</sup> Report commissioned by Central Government in 1998 aimed at achieving radical improvements in the construction industry

<sup>5</sup> This comprises reviewing the project at key decision-making points by a peer review team that is independent of the project team to ensure that the project can proceed successfully to the next project stage. This process is particularly valuable for managing high-risk projects.

The Council's Contract Procedure Rules provides for the Council to enter into **joint procurement** (or collaboration) with other local authorities and/or public bodies and partners to benefit from savings on procurement resources (i.e. time and cost involved in tendering individual contracts) and to take advantage of increased purchasing power through the aggregation of requirements and shared services.

The Contract Procedure Rules also allow the Council to enter into **framework agreements**. These are flexible arrangements that enable the Council to procure supplies, works and services that are relatively low value and low risk requirements. An example of these are the framework agreements and contracts put in place by local authority purchasing consortia and other public bodies, such as the Office of Government Commerce, whereby specific purchases (call-offs) can be made throughout the term of the agreement taking advantage of best value for money and without the need to conduct a separate tendering exercise.

Although in the relatively early stages, the Council is actively encouraging the development of new methods and approaches to procurement that will deliver services more efficiently, effectively and economically. We have begun the process of challenging service delivery by identifying *Marketing, advertising and promotional material* and *Print design and distribution* as potential service areas where efficiencies through procurement can be achieved.

### 3.5 Doing Business Electronically

**The Council recognises that to achieve efficiencies in the procurement process and to reduce transaction costs it will need to implement an e-procurement solution as part of its e-government programme.**

'e-Procurement' describes the use of an electronic system to acquire goods, works and services, and to receive payments from third parties.

The Council has made significant progress towards meeting the objective of the *National Strategy for Local e-Government* of achieving 100% capability in electronic delivery of priority services by December 2005. This objective is supported by milestones within the *National Procurement Strategy*, including a specific requirement that by 2005 *'Every council should have implemented an appropriate e-Procurement solution as part of its e-Government programme'*.

With this deadline in mind, the Council is in the process of considering the options available with a view to implementing a solution that is right for us, from the number of solutions currently available on the market. These include:

- Complete 'end-to-end' procurement systems that are integrated with financial back-office systems
- Stand alone modules used to seek tenders or quotations (known as e-Sourcing)
- Web-based systems that enable ordering from approved catalogues (e-Marketplaces)
- Other web-based systems such as e-Auctions
- Procurement cards for ordering and payment
- Payment through BACS and CHAPS

A pilot scheme on the use of procurement cards has recently been completed and another covering the electronic receipt of quotations and tenders is ongoing. The proper internal controls needed to accompany the introduction of these systems are currently being considered with a view to them being introduced throughout the Council by December 2005.

It is recognised that as part of the overall e-Procurement solution a strong business case needs to be developed which highlights the benefits that e-Procurement will bring, as well as;

- The level of investment available to implement a solution
- The level of risk associated with procuring and implementing a solution
- The capacity within the Council to implement solutions, and;
- How the implementation of e-Procurement fits with the overall objectives of the Council.

In order to successfully deliver an effective e-procurement solution the Council will be relying on all our suppliers embracing new ways of working, with the end goal being to eliminate paper based information and the associated costs, material, time and postage.

These innovative ways of working will include:

- Receiving orders via e-mail, fax and web
- Processing quotes, tenders and auctions electronically
- Supplying electronic catalogues
- Integrating their websites with the Council (e-Marketplaces)
- Electronic billing
- Automating accounts

There are distinct advantages to small and medium sized enterprises (SME's) doing business electronically with the Council, but it is recognised that they may be slower to adapt to technical innovation than some larger firms. In implementing an e-procurement solution the Council will consider methods, such as those described within the following section of this strategy, to ensure that SME's can do business with us electronically.

### **3.6 Stimulating markets and achieving community benefits**

**The Council aims to encourage a mixed range of suppliers to help stimulate a varied and competitive market place and will promote the economic, social and environmental well-being of our community.**

The Council recognises the need to develop diverse and competitive sources of supply, including procurement from small firms, ethnic minority businesses, social enterprises and voluntary and community organisations. We all also acknowledge the need to market ourselves to our suppliers and to understand how they view us.

Under the Local Government Act 2000, Council's were required to prepare a Community Strategy and given powers to promote the 'well-being' of their communities.

The Lancaster District Community Strategy – A Vision for 2020 was the product of a partnership known as the Lancaster District Strategic Partnership (LSP), made up of representatives from community groups, voluntary and business sectors and organisations in the public sector. This document sets out in detail the vision, objectives and targets for delivering on the overall aim of the Community Strategy to **‘...enhance the economic, social and environmental well-being of our area, based on the aspirations and needs of our varied communities’**

The following paragraphs set out how the Council will work with our suppliers to stimulate the market place and realise ‘community benefits’ through our procurement activities.

### ***Stimulating Markets***

#### **Concordat for small and medium sized enterprises in the community**

Following release of good practice guidance from the ODPM in March 2005, the Council has acted quickly to draft a *Procurement Concordat for Small and Medium Sized Enterprises (SME’s)*. This draft ‘small business friendly concordat’, which has received initial support from the local Chamber of Commerce, sets out procurement principles aimed at encouraging effective trade between the Council and small businesses, in line with the requirements of the *National Procurement Strategy*.

Further consultation and approval is needed before the Council can formally ‘sign up’ to the concordat, but once we have done so, it will clearly demonstrate our commitment to actively engage with small businesses to foster a professional approach to managing procurement that helps us to implement our key strategic objectives and the milestones set out in the *National Procurement Strategy*.

#### **‘Selling to the Council’ guide**

In line with one of the key milestones set out in the *National Procurement Strategy*, the Council has published guidance on the website on [‘How to do business with the Council’](#). This guide (last updated in May 2005) explains how the Council advertises and tenders for works, services and supplies, provides more detailed information on UK and EU procurement legislation and informs suppliers about the Council’s expectations of them.

Recently we have also posted details on our website of forthcoming bidding opportunities setting out information and contact details of contracts due to be let in the next twelve months and beyond. More development work is currently being undertaken to enhance this facility further and other procurement information has been published both on the website and the Intranet, including detailed information about Constructionline, the Government’s national database of pre-qualified contractors and suppliers, which is the Council’s preferred approach for selecting firms to be invited to tender for our projects.

## **Local Compact with the voluntary and community sector**

In February 2003, the Council and voluntary and community organisations signed up to a Local Compact which sets out '*...a commitment to work together more closely and effectively, respecting each others rights and responsibilities*'. This document, which will be reviewed in 2005, demonstrates the good working relations between the Council and local voluntary and community groups.

## ***Achieving Community benefits***

### **Fair Trade and Sustainable development**

Fair trade helps disadvantaged communities in the Third World by guaranteeing a fair price for their commodities such as tea, coffee, sugar, chocolate and bananas.

Lancaster District was only the second district in the country to accomplish fair trade status after the Lancaster and District Fair Trade Group (of which the Council is a member) achieved a number of goals set by the Fair Trade Foundation, including actively encouraging local organisations and businesses to sell fair trade products. The Council directly supports this initiative by serving fair trade tea and coffee at all its meetings.

The Council, together with its partners, in the Lancaster District Sustainability Partnership, has developed a comprehensive vision and strategy for sustainable development in the Lancaster District. This strategy, known as the **Agenda for Action** complements the Community Strategy through recognition that our economy, environment and social well-being are all connected and interdependent.

Sustainable development is now a statutory purpose of planning, and in order to deliver this and satisfy the European Directive on Strategic Environmental Assessment, the Council must subject all its new Local Development documents to a Sustainability appraisal. The Council's proposed sustainability appraisal document is currently out to consultation, with a view to responses being considered by the end of July 2005 for subsequent submission to the Secretary of State for approval.

In terms of procurement generally, the Council acknowledges that whilst sustainability is an intrinsic consideration, more needs to be done to co-ordinate our approach, and for ensuring that our suppliers are committed to more environmentally friendly procurement and purchasing activities.

To this end the Council will, as part of this Procurement Strategy, and in consultation with the Lancaster District Sustainability Partnership, establish a risk-based approach to assessing the relationship between procurement and sustainability.

In other areas the Council has started to address this through questions incorporated within pre-qualification questionnaires aimed at assessing the potential suppliers approach towards sustainable development and by making it a condition that they submit their environmental policy statement for evaluation.

## **Workforce matters and staff consultation**

Any procurement that potentially involves the transfer of staff currently employed by the Council shall comply with the [Code of Practice on Workforce Matters in Local Authority Service Contracts](#) issued by the Office of the Deputy Prime Minister (ODPM). This is to ensure that, as far as legally possible, the future terms and conditions of employment of staff are fully protected in order that they continue to enjoy the good employment practices of the Council.

The Council will ensure that staff are consulted at all relevant stages of a procurement project and particularly in situations that may give rise to a transfer of existing staff. The Council publishes details of any such transfers in its annual Corporate Performance Plan for information.

## **Project Management**

The Council recognises that an effective and structured approach to project management is an essential factor in achieving service delivery on time, within budget and in accordance with the specification.

The principles for successful procurement and project management are set out in the Council's recently revised Contract Procedure Rule and in our Project Management Guide (first issued in February 2001) and subsequent user guides covering contract management, monitoring and control.

The Council already has a number of sound project management arrangements in place but there is a need to build upon these with a view to adopting a co-ordinated and structured approach based upon the core principles of project management, including the application of risk management techniques and the implementation of gateway reviews.

With this in mind, two major pieces of work have been commissioned during 2005, namely a review of the Council's project management arrangements by Internal Audit and consideration of project and programme management techniques using the Prince 2 methodology developed by the Office of Government Commerce.

## **Continuous improvement**

The Council acknowledges the need to continuously improve its approach to procurement and to monitor performance and progress.

Since the introduction of the National Procurement Strategy for local government (and its predecessor the Byatt report) in October 2003 the Council has had an Improvement and Development Plan in place aimed at achieving the national milestones set by the Government. Good progress has so far been made and a number of targets have already been achieved.

There is now a need to introduce relevant local performance indicators<sup>6</sup> designed to help us to improve our procurement practices and ultimately deliver better services to our citizens. A number of these, aimed at supporting targets in our Community Strategy and Corporate plan and procurement practice generally, are currently being considered with a view to them being introduced in the near future. These indicators will allow us to monitor our progress over time and ultimately allow us to compare our performance with other local authorities.

In respect of individual projects and contracts, mechanisms are being introduced to structure incentives for continuous improvement, including linking payment for performance against key performance indicators. Also, the revised Contract Procedure Rules draws attention to the fact that the optimum combination of whole life costs and benefits aimed at meeting customer requirements should be established as part of the contract award criteria for contracts run for a number of years.

### **Procurement Training and Development**

The Council's Procurement Officer is professionally qualified and there is a wide range of skills and knowledge available throughout the Council in relation to various procurement functions. The skills necessary for both elected Members and officers to fulfil their roles in the procurement of projects and the management of contracts and relationships are being developed through participation partnering contracts and other similar arrangements.

Best practice guidance and other information on procurement are readily available on the Council's intranet and website and some training and development in procurement skills has been provided in workshops, networking with other local authorities and through the North West Regional Centre of Excellence in procurement and other similar agencies.

More needs to be done, however, and future workforce planning reviews will consider options for carrying out a skills audit and training needs analysis and for relevant training in procurement to be provided in partnership with other local authorities and external consultants. Member training will be addressed through the Member Training Programme.

## **4 Conclusion**

It is clear that the Council has good procurement practices in place and has made significant strides to implement the milestones set out in the National Procurement Strategy for Local Government and other related government initiatives and policies.

The Council recognises that strategic procurement is at the centre of better local government and is a key driver for improving services covering all stages of managing service delivery, from the identification of needs to measuring the impact on service users.

Through the development of a *corporate* procurement strategy we can challenge existing practice and identify the best value way of delivering high quality services efficiently.

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<sup>6</sup> These are voluntary measures that local authorities may use to monitor performance and progress






# PROCUREMENT STRATEGY IMPROVEMENT & DEVELOPMENT PLAN




## Appendix A

**Procurement Vision:** To obtain best value through, responsive, professional, well managed, sustainable procurement that contributes to achieving the Council's priorities and meets the needs of the community

**Key National Theme: Providing Leadership and Building Capacity** The strategic objective is that there should be commitment from the top of each Council (leader, chief executive, procurement champion) to procurement excellence by managing it strategically and resourcing it adequately




Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Adopt a corporate strategy, based on a Best Value or other review. The strategy should be owned by Members and senior officers and its implementation monitored regularly	2004/05	Completed Jan 2003, but needs to be regularly reviewed to reflect advances in procurement	Procurement Group	Major review of the corporate procurement strategy completed and revised strategy for 2005-2008 adopted in July 2005. Member and officer Procurement champions and officer Procurement Group established.	Green 
Review and revise corporate procurement strategy, contract procedure rules and other associated guidance/procedures to ensure that they reflect best practice and national guidance on procurement		Completed – documents should be reviewed annually to reflect advances in procurement	Procurement Group & Internal Audit	Corporate Procurement Strategy and contract procedures rules revised in 2005 to reflect development in best value procurement and these will be regularly updated in line with the Council's governance arrangements.	Green 
Develop a 'procurement toolkit' to provide clear, user-friendly guidance on best practice, Council procedures and standard documentation		2006/07	Procurement Group	Various user-friendly guidance is available on the Council's intranet but these need to be updated in line with the corporate procurement strategy and brought together in a 'toolkit' aimed at achieving a consistent approach across the Council which reduces duplication of effort.	Amber 






Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Every Council should be involved with a regional centre of excellence (RCE) in procurement and project management	2006/07	Completed – The Council’s involvement will be ongoing	Procurement Officer	The Council is an active member of the North West Centre of Excellence (NWCE) and its Standards and Local Economies workstreams, as well as the NW e-procurement group (NweGG). Government have set RCE’s the task of developing greater interchange between procurement and programme and project management professionals in local government and other parts of the public sector.	<p><i>Green</i></p> 
Every district should have carried out a health check on progress against the National Procurement Strategy (NPS) and associated guidance as part of their corporate procurement strategy	2005/06	March 2006	Procurement Officer	The IDEA are to carry out a ‘challenge’ programme on the Council’s procurement arrangements on 29 March 2006, part of which will be an ‘efficiency health check’ as a means of providing external challenge to the Value for Money self-assessment under CPA	<p><i>Amber</i></p> 
Implement a corporate and structured approach to programme and project management including the application of risk management techniques and the introduction of ‘gateway reviews’ as a contribution to the successful outcome of high/value/high risk projects		2006/07	Programme/Project Management Group	On 03/02/06 the Performance Management Group (PMG) approved the adoption of a corporate project management methodology. A team of officers has been established, led by the Head of Financial Services, to develop and implement programme and project management as a vital contribution towards delivery of the efficiency programme.	<p><i>Amber</i></p> 

# PROCUREMENT STRATEGY IMPROVEMENT & DEVELOPMENT PLAN





## Appendix A


Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Issue guidance on project management and the conduct of 'gateway reviews' for high value/high risk projects		2006/07	Programme/Project Management Group	New guidance will be developed in line with the adoption of a corporate project management methodology.	Amber 
Adopt standard core terms and conditions of contract, common core specifications and model contract standing orders	New objective to be in place by 2007/08	2007/08	North West Centre of Excellence (NWCE) & Procurement Group	Office of Government Commerce (OGC) is working closely with the NWCE Standards workstream to develop model contract terms and conditions and contract standing orders to make it easier for small suppliers to tender for public sector contracts. As an active member of the Standards Workstream, Lancaster has contributed fully to this work, which is now nearing completion.	Amber 
Develop the Governments Rethinking Construction agenda and apply the principles to the Council's construction related procurements		2006/07	Procurement Group & Asset Management Working Group (AMWG)	The Contract Procedure Rules and corporate procurement strategy incorporate principles arising from the Rethinking Construction agenda. The Council has also worked with the Centre of Construction Innovation (CCI) on developing best practice procurement in construction projects. These principles now need to be further developed and established corporately within a 'procurement toolkit'.	Amber 

Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Develop a corporate tender evaluation model based on the assessment of quality and cost throughout the life of the asset or contract period		2006/07	Procurement Group & AMWG	A quality/price assessment mechanism has been drafted, based on the Centre of Construction Innovation (CCI) Model with a view to it being adopted as the corporate standard for assessing bids on a best value for money basis.	Amber 
Explore opportunities to aggregate common areas of procurement throughout the Council and, as appropriate, develop corporate framework agreements		2006/07	Procurement Group & NWCE	There is a need for improved procurement management information to inform procurement decisions and strategies. In light of this a service provider, Spikes Cavell & Co, has been commissioned to analyse the Council's expenditure and supplier data. Following successful application to the NWCE a grant of £2,000 has been awarded towards the cost of this systematic spend and supplier analysis that will facilitate comparison of public sector spend throughout the region.	Amber 
Establish and maintain a corporate project/contract database to help determine the most economic and efficient ways in which to 'package' the procurement of major areas of expenditure		March 2006	Procurement Officer & Internal Audit	A contracts register is maintained by Internal Audit but needs to be developed/replaced by a comprehensive database of all forthcoming projects and those extended or renewed during the financial year.	Amber 



# PROCUREMENT STRATEGY IMPROVEMENT & DEVELOPMENT PLAN




## Appendix A



Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Prepare a procurement plan (5 year forward programme) setting out information on all the major procurement projects (medium and high risk) with estimated overall spend and resource requirements and how projects will be prioritised		2006/07	Procurement Group & AMWG	No procurement plan, specifically in line with the requirements of the National Procurement Strategy and IDeA guidance is published as yet. The Council's Contract Procedure Rules now requires the publication of such a plan and this will be underpinned by a database of forthcoming projects.	Amber 
Carry out a review of current arrangements for publishing prior information and contract award notices and the completion of statistical returns as required by the EC public procurement regulations. This review should also ensure compliance with EC regulations		2006/07	Procurement Officer & Internal Audit	There is no structured approach to compiling and publishing information required by the EC procurement directives. A corporate contract register will assist in compiling such information and help compliance with EC regulations.	Amber 
Measure procurement performance against a local basket of measures derived from the Audit Commission (AC)/ IDeA Local Performance Indicators for Procurement and Construction KPI's	New objective to be in place by 2007/08	2007/08	Procurement Group & NWCE	The NWCE Local Economies Workstream has been tasked with developing standard procurement KPI's to enable effective procurement benchmarking throughout the region. Lancaster is actively contributing to this work.	Amber 
Develop a procurement and project management training and development programme for Members and Council officers. Consider the <i>Skills Framework for Procurement Projects</i> developed by the IDeA to establish whether members and officers have the skills needed for major procurement projects	New objective through to 2007/08	2007/08	Procurement Group & Learning & Development Officer; NWCE	Corporate training on strategic procurement and project management will be considered as arrangements develop, taking advantage of any training provided/procured by NWCE and other agencies, such as the IDeA. The Learning & Development Officer will be fully involved in the corporate training developments.	Amber 


Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Develop a 'Lunchtime Briefing' style training on specific procurement issues such as the corporate procurement strategy and sustainable and ethical purchasing		2006/07	Procurement Group	No lunchtime briefings given by the Procurement Group as yet. In November 2005 the Sustainability Group held a seminar on <i>Local Procurement in the Public Sector</i> .	Red 

**Key National Theme: Partnering and Collaboration** The strategic objective of partnering is the delivery of better services to citizens through the creation of sustainable partnerships between councils and suppliers in the public, private, social enterprise and voluntary sectors for the delivery of services and the carrying out of major projects, including construction. The strategic objective of collaboration is to obtain better value by bringing councils and other public bodies together at local, regional and national levels to combine their buying power and create shared services


Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Every Council's corporate procurement strategy should set out the Council's approach to partnering in service delivery and in construction projects	2004/05	Completed, but needs regular review to reflect advances in procurement	Procurement Group	The revised corporate procurement strategy sets out the strategic benefits of working in partnership with others. This strategic overview is supported by the Contract Procedure Rules and detailed guidance covering service delivery and partnering models that the Council may consider to deliver successful projects and better services.	Green 
Every Best value or strategic review of a service should include a robust and challenging appraisal of the different service delivery models available	2004/05	Completed in September 2003, but needs regular review to reflect advances in procurement	Procurement Group & Corporate Strategy Services	The Council's Best Value review toolkit - last updated in September 2003 - provides a mechanism for carrying out challenging appraisals of service delivery models identified within partnership guidance. The BV toolkit should be reviewed again in light of procurement initiatives since 2003.	Green 

Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Follow best practice in the partnership procurement process and build continuous improvement into projects		2007/08	Procurement Group & Corporate Strategy Services	The partnership guidance adopted by the Council is based on the Strategic Partnering Taskforce (SPT) best practice guidance <i>Rethinking Service Delivery</i> and the Council has received support in its approach to partnering from the Centre of Construction Innovation. There is a need to develop performance management arrangements within partnerships and to introduce a programme of assessing the effectiveness of individual partnerships.	Amber 
Every Council's corporate procurement strategy should set out the Council's approach to collaboration (including purchasing consortia, joint procurement and commissioning and shared services) and how it intends to use the new trading powers	2004/05	Completed, but needs regular review to reflect advances in procurement	Procurement Group	The procurement strategy, Contract Procedure Rules and guidance set out the strategic objective of working in collaboration. Guidance on trading powers under the terms of the Local Government Act 2003 are incorporated within the partnership guidance available on the Council's intranet	Green 
Councils should identify opportunities for collaboration with neighbouring councils for shared commissioning and/or delivery of services	2005/06	Completed and ongoing	Procurement Group & NWCE	The analysis to be provided by the SpikesCavell on-line database will provide a detailed comparison of spend and supplier profiles highlighting opportunities for collaborative working with other Council's and identifying areas with potential for further efficiency gains.	Amber 




Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
<p>Smaller district councils without dedicated procurement resources of their own, should be collaborating with others, through the regional centres of excellence, to create shared services for procurement and project management</p>	<p>2005/06</p>	<p>Completed but ongoing</p>	<p>Procurement Group &amp; NWCE</p>	<p>The Council has appointed a Procurement Officer to oversee the implementation of the corporate procurement strategy with support from the officer Procurement Group and other specialist (including financial and legal) advice. The Council has considered, and is still exploring, opportunities for, and the cost effectiveness of, working in collaboration (including shared procurement and project management) with other Councils.</p>	<p><i>Green</i></p> 
<p>Seek ways to make best use of purchasing consortia and open framework agreements</p>	<p>New objective through to 2007/08</p>	<p>2007/08</p>	<p>Procurement Group &amp; NWCE</p>	<p>This is an area of procurement that is being developed regionally through the Framework Agreements workstream of the NWCE. Their work should enable intelligent use to be made of framework agreements put in place by local authority purchasing consortia and other bodies, such as the OGC, where these offer best value for money. The OGC plans to work with the NWCE to produce model framework agreements that will be open to all RCE members with the aim of achieving cost savings. Further opportunities for corporate framework agreements will be informed by the analysis of the Council's supplier and expenditure data.</p>	<p><i>Amber</i></p> 


Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
The average time taken from OJEU notice to contract award in a project of more than one year's duration should be reduced by 10% on the 2003/04 base	2005/06	Completed	Procurement Group	The Council submits annual statistical returns to the ODPM on contracts awarded under the EC Procurement Regulations. No contracts awarded under the EC rules during 2003 were for more than one year duration. Guidance on how to comply with the new EC Public Procurement Directive 2004/18, which came into force on 31/01/06, has been provided on the Council's intranet.	<i>Green</i> 
The average time taken from OJEU notice to contract award in a project of more than one year's duration should be reduced by 25% on the 2003/04 base	2006/07	Completed			

**Key National Theme: Doing business electronically** The strategic objectives are: to achieve efficiencies in the procure-to-pay cycle including reduction in cycle time and reduction in transaction costs. This will free resources that can be directed into front line public services, and; to use e-Marketplaces to assist councils to access framework agreements and contracts


Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Every Council should have implemented an appropriate e-Procurement solution as part of its e-Government programme	2005/06	March 2006 – e-Procurement Strategy and business case. 2006/07 – Full implementation of an e-Procurement solution	Procurement Group	Implementation of an e-procurement solution forms part of the Council's e-Government programme. Elements are currently being developed or are under consideration i.e. the 'Authority Financials' modules (provided by the suppliers of the Council's Powersolve system), but a strategy needs to be formulated which supports a solution for the Council. The ODPM and IDeA acknowledge that outcomes from the National e-Procurement Project need to be taken forward beyond 2005 (see page 10).	<i>Amber</i> 








Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Work with suppliers to promote adoption of an e-Procurement solution		2006/07	Procurement Group	The NPS and the corporate procurement strategy recognises that a key element of successful e-procurement in local government is its supplier base. This Council will ensure that all its suppliers, both large and small, are considered when implementing an e-procurement solution.	Red 
Every Council should be using an appropriate e-Marketplace	2006/07	2006/07	Procurement Group & NWCE	Workstreams of the North West e-Government Group (NWeGG) are developing a number of e-procurement solutions including e-Auctions and the setting up of a regional e-Marketplace. Once in place, consideration will be given as to its suitability in relation to this Council's procurement needs.	Red 
Implement a 'procure-to-pay' e-Purchasing solution that can link to an e-Marketplace and make appropriate use of e-Auctions	New objective through to 2007/08	2007/08	Procurement Group & NWCE	The Authority Financials, currently under consideration, will link to e-marketplaces including the Roses and IDeA marketplaces that will enable purchases to be made over the internet from e-catalogues. Central Government are currently developing a national programme to provide financial incentives to Council's adopting e-Procurement tools and techniques that can deliver cashable savings, including e-Auctions and e-Marketplaces - this will be taken forward in conjunction with the NWCE.	Amber 




Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
For low value purchases, every council should be making appropriate use of a procurement card, the Government Procurement Card (GPC) or suitable electronic alternative	2005/06	March 2006	Procurement Group	A pilot on the use of procurement cards has been successfully undertaken involving six Council Services and will be available Council-wide once a solution for properly administering their use has been determined.	<i>Amber</i> 



**Key National Theme: Stimulating markets and achieving community benefits** The strategic objectives are that Councils should engage actively with suppliers, and use procurement to help deliver corporate objectives including the economic, social and environmental objectives set out in the community plan

Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Where relevant all councils shall consult staff during procurement projects and build employment considerations into procurement processes and contracts, including compliance with the Local Government Act 2003, circular 03/2003 and the associated code of practice	From 2003	Completed – advantage will be taken of the training programme currently being developed	Procurement Group & NWCE	The procurement strategy recognises the importance of consulting staff at relevant project stages and requires compliance with the ODPM's <i>Code of Practice on Workforce Matters</i> where procurement potentially involves the transfer of Council staff. The Council publishes details of any such transfers in the Corporate Performance Plan. A developing role for all RCE's will be to roll out a training programme on ensuring compliance with the Local Government Act 2003 and the Code of Practice on Workforce Matters which the Council will need to be cognisant of.	<i>Green</i> 

Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Every council should publish a 'Selling to the Council' guide on its corporate website together with details of bidding opportunities and contact details for each contract.	2004/05	Completed November 2004 and last updated May 2005. Bidding opportunities and contact details need to be continually updated	Procurement Group & All Service Heads	The Council has published guidance on its website for suppliers on 'How to do business with the Council' and is compiling details of forthcoming bidding opportunities and contact details. Further work will include looking at effective ways in which to advertise procurement requirements to encourage greater diversity and competition.	Green 
Consider arrangements for proactively marketing the Council to suppliers		2006/07	Procurement Group & NWCE	A 'procurement event', in conjunction with the Chamber of Commerce, has been arranged for 09/05/06 to explain how the Council is supporting SME's through its adopted SME Friendly Concordat; bidding opportunities and other procurement developments. Plans are also in the early stages of development for a 'meet the buyer' event to be held during 2006/07 aimed at marketing the Council and developing links with suppliers.	Amber 
Develop suppliers and use buying powers to stimulate innovation		2006/07	Procurement Group & NWCE	This will be taken forward in conjunction with the developing work of the NWCE Local Economies Workstream to encourage existing suppliers to enter new markets (e.g. by encouraging consortium bids) and to develop new suppliers (e.g. by working with the voluntary or community sector).	Amber 



Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
<p>All corporate procurement strategies should address:</p> <ul style="list-style-type: none"> <li>the relationship of procurement to the community plan, workforce issues, diversity and equality and sustainability.</li> <li>how the council will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.</li> </ul>	2004/05	Completed, but needs regular review to reflect advances in procurement	Procurement Group	The procurement strategy adopted in July 2005 established a direct link with the Community Plan and sets 'where we are' and 'where we want to be' in relation to equality, diversity, sustainability and fair trade. Further work will involve developing diverse and competitive sources of supply, including procurement from small firms, ethnic minority businesses, social enterprises and voluntary and community organisations. Parts of this will be achieved in conjunction with the developing work of the Local Economies workstream of the NWCE.	<p>Green</p> 
<p>Every council should build sustainability into its procurement strategy, processes and contracts.</p>	2004/05	Completed, but needs regular review to reflect advances in procurement	Procurement Group	The Procurement Strategy establishes a link with the Council's 'Agenda for Action' Strategy whilst recognising that sustainability in design and procurement should be addressed in risk-based strategies that complement the corporate procurement strategy and the community plan. Appraisal guidance approved by Cabinet in June 2005 will ensure that sustainable development is built into future planning requirements.	<p>Green</p> 

Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Consider ways in which the Council can co-ordinate and develop its own, and its suppliers approach and commitment to social, environmental ('green') and sustainable procurement activities		2007/08	Procurement Group	There is currently no structured and co-ordinated approach to ensure that officers of the Council and our suppliers understand and deliver social, environmental and sustainable objectives and standards. Ways to address this include raising awareness of policies in place and including links within the 'procurement toolkit' on sustainability issues and signposting to sustainable procurement information.	Amber 
Every council should conclude a compact with the local voluntary and community sector.	2004/05	Completed 2003 - Compact is planned to be reviewed/updated by March 2006	Procurement Group & Administration Services	The Council and voluntary and community sector organisations signed up to a local compact in 2003 which sets out ' <i>...a commitment to work together more closely and effectively..</i> ' Plans are in place to review this document.	Green 
Every Council should have signed up to the national concordat for Small and Medium sized Enterprises (SME's)	2005/06	Completed December 2005	Procurement Group	The Council formally 'signed-up' to the SME friendly concordat in December 2005, following consultation and positive feedback from the the local Chambers of Commerce. The Concordat sets out the Council's committment to assist SME's in their procurement with the Council.	Green 

Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Examine ways to develop local/regional procurement activity and to engage SME's, whilst having due regard to appropriate rules and regulations	New objective through to 2007/08	2007/08	Procurement Group & NWCE	Whilst some analysis has been undertaken, this has not yet involved a detailed analysis of local spend. Commissioning of the detailed spend analysis will inform the formulation of plans aimed at engaging with local suppliers/SME's. In addition a developing role of the NWCE will be to provide training to SME's and public sector clients on 'SME friendly-procurement processes' including providing data on spend and suppliers aimed at identifying opportunities for efficiency gains.	Amber 
Procurement processes for partnerships should include: <ul style="list-style-type: none"> <li>Issuing of information memorandum to prospective bidders setting out the background to the project, the council's objectives and an outline of the procurement process and timetable, with roles and responsibilities made clear.</li> <li>Inviting bidders to demonstrate their track record in achieving value for money through effective use of their supply chain, including the use of small firms; this should continue to be examined as part of contract management.</li> </ul>	2004/05	Completed, but needs regular review to reflect advances in procurement	Procurement Group	Procurement processes in relation to partnerships were formalised through the publication of guidance on working in partnerships which, amongst other things, recognises the importance of effective supply chain management by invited bidders. Further work will involve developing the partnering approach in practice and working more closely with strategic partners to establish the contribution that small firms, ethnic minority businesses, social enterprises and voluntary and community sector suppliers can play in the supply chain.	Green 

# PROCUREMENT STRATEGY IMPROVEMENT & DEVELOPMENT PLAN

## Appendix A

Action(s) Required	National Timescale	Local Timescale	By whom?	Current Status	Traffic light
Every Council should include in invitations to tender/negotiate for partnerships a requirement on bidders to submit optional, priced proposals for the delivery of specified community benefits, which are relevant to the contract and add value to the community plan.	2005/06	Completed, but needs regular review to reflect advances in procurement	Procurement Group & NWCE	Requests are made for bidders to include offers for specified community benefits, supported by the procurement strategy and there is a commitment to develop this further, but this is currently hampered because learning on this issue is not yet widely communicated nationally.	<i>Green</i> 
Publish guidance on best practice in the realisation of community benefits through procurement	New objective through to 2007/08	2007/08	Procurement Group & NWCE	It will be the role of the NWCE to publish guidance on best practice on the factors to be considered in achieving community benefits through procurement, and the Council will take advantage of this once in place.	<i>Red</i> 

## EU THRESHOLDS 2004 - 2005

The proposed tender will fall within the Regulations if its estimated value is greater than the prescribed thresholds. These have been summarised in Table 1 below.

**Table 1: Relevant Thresholds for Supply, Works and Services Regulations (net of VAT)**

Regulation Threshold	European Threshold	Equivalent UK*
Supply Contract	236,945 ECU	£144,459 <sup>1</sup>
Prior Information Notice	750,000 ECU	£513,166
Services Contract	236,945 ECU	£144,459 <sup>1</sup>
Prior Information Notice	750,000 ECU	£513,166
Works Contract		
Prior Information Notice**	5,923,624 ECU	£3,611,474 <sup>2</sup>

\* - Applying from 1 January 2006

\*\* - Must be published for each proposed contract

### Note

<sup>1</sup> With the exception of the following Services which have a threshold of £129,462 Euro 200,000):  
 Part B (residual services)  
 Research and Development Services (Category 8)  
 Some telecommunications services  
 Subsidised service contracts under Regulation 25 of the Public Services Contracts Regulations 1993.

<sup>2</sup> For subsidised service contracts under Regulation 25 of the Public Services Contracts Regulations 1991, the threshold is £3,421,105 (Euro 5,000,000)

The Regulations provide guidance on how to estimate the value of proposed tenders, and you should refer directly to the appropriate Regulations when calculating the total value of a proposed contract.

If, after calculation, the value of the contract exceeds the appropriate threshold, it will fall within the scope of the Regulations. The method of calculation used depends upon the type of purchase to be undertaken.



## EU TIMESCALES FROM DESPATCH TO OJEU

**Table 2: Summary of time periods prescribed for the Open, Restricted and Negotiated Procedures.**

Procedure	Expressions of Interest (No of Days)	Receipt of Tender (No of Days)
<b>SUPPLY CONTRACTS</b>		
Open	-	52
Restricted	37	40
Accelerated Restricted	15	10
Negotiated - with advert	37	-
Accelerated Negotiated	15	-
Negotiated - without advert	-	-
<b>SERVICES CONTRACTS</b>		
Open	-	52
<i>(with PIN)</i>	-	36
Restricted	37	40
<i>(with PIN)</i>	37	26
Accelerated Restricted	15	10
Negotiated- with advert	37	-
Accelerated Negotiated	15	-
Negotiated - without advert	-	-
<b>WORKS CONTRACTS</b>		
Open	-	52
<i>(with PIN)</i>	-	36
Restricted	37	40
<i>(with PIN)</i>	37	26
Accelerated Restricted	15	10
Negotiated- with advert	37	-
Accelerated Negotiated	15	-
Negotiated - without advert	-	-

**Notes:**

- The count starts on the day after the notice is despatched to the OJ. If the last day is a Saturday, Sunday or public holiday then the receipt or closing date will be the first ordinary working day.
- PIN - Prior Information Notice

**Extreme Urgency**

In cases of extreme urgency it is possible to use accelerated restricted or negotiated procedures. The use of the shortened time periods is strictly defined and their use must be justified. The cause of the 'cases of extreme urgency' must be outside the Council's control and should be unforeseeable. It should be noted, for example, that having to spend funds before a specific date would not be considered an appropriate reason.