



**Hertsmere Borough Council**

**Corporate  
Procurement  
Strategy**

**2007 - 2010**

# 1. Introduction

Hertsmere Borough Council (“the Council”) published its first Corporate Procurement Strategy in 2003. This was in response to the Byatt report ‘Towards a National Strategy for Local Government Procurement’ and the introduction of the National Procurement Strategy.

The 2003 Corporate Procurement Strategy was focused on the targets set by the National Procurement Strategy during its three-year life 2003-2006.

Since the end of the National Procurement Strategy the challenge for local government has been on securing value for money and the efficiency agenda, including the yet to be published Comprehensive Spending Review of 2007.

This revised strategy builds on the original but also encapsulates the requirements of the National Procurement Strategy, e-procurement, and the challenges facing local government. This overarching Corporate Procurement Strategy sets out the framework within which all procurement is to be conducted throughout the Council.

The Corporate Procurement Strategy will be reviewed annually, and updated every three years to reflect any changes in the wider local government context and procurement legislation and regulation.

## **What is Procurement?**

Procurement is the process by which the Council contracts with third parties to obtain the goods, services and works required to fulfil its numerous business requirements in the most effective manner that achieves best value for money. This means choosing the option that offers the optimum combination of whole life costs and benefits to meet customer requirements – a balance of cost, quality and service level.

## **Who does the Procurement Strategy apply to?**

The strategy applies to all Members and officers who are involved in any decision-making process or activity relating to procurement. It also informs all of our partners and people wishing to do business with us of our approach to procurement.

## **Regulatory Framework**

Legal aspects form an important part of the procurement process, and all procurement activities need to comply with the relevant legislation. Some of the key legislation and regulations that are applicable to procurement includes:

- European Procurement Directives
- Public Contract Regulations 2006

- Transfer of Undertakings (Protection of Employment) Regulations 1981
- Local Authorities (Goods and Services) Act 1970
- The Local Government Act 2000
- The Local Government (Contracts) Act
- Competition Act 1998
- Race Relations Act 1976 and 2000

This strategy forms an integral part of the Council's Procurement framework. The other elements of this framework are:

- Financial Procedure Rules
- Contract Procedure Rules
- Financial Strategy
- Risk Management Strategy

## **2. Strategic Importance**

The Council also recognises that the achievement of its vision and priorities together with working more in partnership with others will mean that significant changes will need to take place and that procurement has a major role to play in the delivery of that change. The Corporate Procurement Strategy supports the achievement of these Corporate Goals through the policy statements set out below.

The Council acknowledges that procurement has a major role to play in delivering efficient, effective and high quality front-line services. It also endorses the potential of partnership working with other public bodies and voluntary organisations to deliver services, and as such, will actively seek to work in partnership and promote partnership where it is feasible, supports the Corporate Goals and offers more advantageous pricing.

### **Strategic Objectives for Procurement**

The Council's strategic objectives for procurement are to:

- Contribute to the realisation of the Council's Corporate Goals and support the achievement of the key objectives.
- Obtain best value from the Council's procurement spend which requires the procurement process to result in the selection of the delivery options that achieve best value for the community and strive for continuous improvement in service delivery.
- Conduct procurement activities on the basis of the whole life cost of the project and not on the initial cost of the product / service.
- Manage procurement projects robustly so that they are successful and the intended benefits are realised.
- Adopt partnering as the preferred procurement strategy for all major projects.
- Ensure the effective use of technology to support the successful transition to e-commerce.

The Council will:

1. Consider the impact on the community and community projects as part of any relevant tender evaluation process.
2. Ensure goods and services are purchased on the basis of whole-life-cost and fitness for purpose and not cheapest cost.
3. Support and encourage innovative approaches to procuring goods and services within the relevant regulatory framework.
4. Include challenging Key Performance Indicators (KPIs) in all relevant contracts.
5. Promote a mixed portfolio of service providers, including the voluntary sector.
6. Promote its 'Selling to the Council' Guide.
7. Recognise the benefits that local Small Medium Sized Enterprises can bring as part of the procurement process.
8. Ensure that all tender opportunities are advertised on the Council's website and that local businesses are aware of this.
9. Support sustainable procurement where available.

The Corporate Procurement Strategy will be a key driving force behind Value for Money, and promote good procurement practice across the Council. The Strategy will complement the Council's Contract Procedure Rules, which are the probity behind the procurement process.

This Corporate Procurement Strategy is aligned with the strategic aims and objectives set out in the Council's Corporate Plan and with the other corporate, performance and service strategies, plans and procedures forming part of the Council's Budget and Policy Framework.

### **3. Position Statement**

The Council's procurement model is a mix of centralised and decentralised procurement.

The procurement section reports to the Director of Resources and is responsible for the procurement strategy, policies, and issuing advice on procurement. The procurement section is also responsible for project managing the larger procurement exercises with the smaller procurements being devolved to the service areas. The procurement group meets on a regular basis to discuss procurement related issues.

A procurement handbook along with tender and contract templates are provided electronically on the intranet to allow the service areas to conduct their own procurement projects.

## **4 Procurement Themes**

For procurement to deliver the most impact to the organisation, there needs to be a clear procurement framework with key themes. These are set out below:

### **4.1. Best Value**

This Corporate Procurement Strategy forms part of the arrangements the Council has made under Part I of the Local Government Act 1999 (Best Value) to secure continuous improvement in the performance of its services in terms of economy, efficiency and effectiveness.

All procurement of goods, works and services is to be based on best value, having due regard to propriety, regularity and the Council's legal obligations.

Best value as a contract award criterion will be defined for the purposes of Contract Procedure Rules as "the optimum combination of whole life cost and quality (or fitness for purpose) to meet the customer's requirement". The Council values its customers, and will work towards ensuring that all service developments are influenced and targeted towards delivering high quality services to meet customer needs within the policy framework.

When undertaking a best value review of a service the Council will wish to form a rounded, evidence-based view of the performance of that service in terms of the 4Cs (comparison, consultation, competitiveness and challenge). The Council recognises that the competitiveness of its services is a key dimension to be addressed in reviews.

In so far as practicable the reviews will consider competitiveness in terms of cost, quality, customer satisfaction and added value. The assessment of competitiveness will be carried out in a fair, auditable and transparent manner and in full compliance with the rules set out in the Council's Procurement Handbook.

If challenge to the existing model of service delivery suggests that significant change is required, an options appraisal will be carried out culminating in the preparation of a business case. This will identify whether a procurement project is required to deliver the solution.

### **4.2. Ethics and Probity, Code of Practice**

In all their dealings, members and officers must act with the highest standards of honesty, integrity, impartiality and objectivity. This includes compliance with the Council's Contract Procedure Rules, Financial Procedure Rules, the Members Code of Conduct and the Officers Code of Conduct. In addition, any officer undertaking a procurement activity shall comply with the substance of the Personal Code of Ethics of the Chartered Institute of Purchasing and Supply and the Code of Good Customer Practice of the Office of Government Commerce.

The Council will also conduct its procurement activities in an ethical way and will:

- Ensure equal opportunities of services and employees.
- Ensure compliance with regulatory requirements such as health and safety regulations.
- Ensure an open and transparent tender process.
- Ensure fair and equitable standards for awarding contracts.
- Ensure prompt and fair payment to suppliers.

The Council will ensure that its trading practises respect human rights by having fair pay, avoiding exploitation, child and slave labour, respecting animal rights and being fair, honest and accountable in its business approach.

#### **4.3. Procurement Planning and Monitoring**

The Council maintains a register of all current contracts and a procurement plan setting out details of all major contracts to be awarded over the coming three-year period. The register and procurement plan are continuously updated and published on the Council's website.

#### **4.4. Competitive Procurement / Mixed Economy**

The Council's Contract Procedure Rules detail how the competitive tendering process works. Competitive procurement promotes economy, efficiency and effectiveness in Council expenditure. Competition will also contribute to the competitiveness of suppliers, contractors and service providers.

The Council is committed to the promotion of a mixed economy of service provision on the basis that this is most likely to deliver best value for the citizens of the Borough. For example: part direct provision and part contracted out or delivered in partnership, or joint Local Authority provision or shared service.

This means that the basis for commissioning service providers in the public, private, voluntary and community sectors is best value to the customer (see 4.1).

#### **4.5. Competency Framework and Training Requirements**

The Council shall establish standards of competency in procurement and contract management, shall take steps to ensure a structured approach to learning, training and development of officers and Members across the Council who have procurement related responsibilities. Underpinning the standards will be compliance with the relevant codes of conduct and established procedures as set out in 4.2.

#### 4.6. Business Case and Options Appraisal

A business case will be prepared for consideration before embarking on any project designed to introduce a new model of service delivery (including but not limited to, projects flowing from a Best Value Review).

The Council will additionally consider whether better value can be obtained under any of these models by jointly commissioning or collaborating delivery with other bodies.

The option recommended to in the business case or options appraisal will be the one that demonstrates the highest score against the criteria set out below:

<b>Strategic fit</b>	Business need / contribution to corporate goals / key objectives
<b>Best Value</b>	Demonstrate options – value for money, etc
<b>Affordability</b>	Funding available?
<b>Achievability</b>	Realistic and timescales
<b>Commercial viability</b>	Marketability, commercially sound, robust
<b>Risk management</b>	Identified and managed
<b>Environmental sensitivity</b>	Sustainability, meeting the objectives in 4.15

The Council's Risk Management Policy supports the identification, analysis and management of risk across the Council's activities, including procurement.

High expenditure, high risk items are strategic projects and for these the Council will adopt the partnering approach where possible, and appropriate. This will involve a sound business case, proper planning and resourcing, effective project and risk management and gateway reviews.

For low expenditure, low risk items the Council will leverage the collective buying power of the various service areas of the Council and will result in the letting of framework contracts or working with other organisations on a consortia basis.

#### 4.7. Relationships and Partnering

The Council acknowledges the critical importance of partnerships and building relationships ("partnering") in delivering best value solutions with the private and voluntary sectors, with other public bodies and with central government.

For major, high value or complex projects with potential high risks, and regardless of the procurement or contracting model chosen, the Council's objectives will always be to create a long term mutually beneficial relationship ("partnering") with the supplier, contractor or service provider (and this equally applies to internal providers).

In addition to the legal formalities required in any contractual situation, in a partnering arrangement the Council and its partner invest in building and sustaining an excellent working relationship underpinned by openness and constructive dialogue.

Whatever the chosen vehicle for the partnership, it is essential to choose a partner who shares similar values and has a compatible culture. For example, voluntary organisations with a charitable or philanthropic mission may be preferred to for-profit organisations for the delivery of personal social services. This is because the quality of the service provided may depend as much on the values of the organisation and its staff as on the performance and standards written into the contract.

Commercial Partnering Contracts will also move to open book accounting methods of payment and include a series of Key Performance Indicators and methods of incentivisation.

#### **4.8. Performance Management, Quality Assurance and Continuous Improvement**

Procurement shall be used intelligently to incentivize contractors, service providers and suppliers (supply chains) to reduce costs and continuously improve performance. Performance management is also fundamental to achieving best value and can be a means of assuring quality improvement, demonstrating benefits achieved, highlighting areas of weakness and improvement and reporting and communicating on performance.

Appropriate standards and targets will be included in contracts.

#### **4.9. Project and Risk Management**

Effective project management is critical to procurement. The circumstances and context of the project, its size, complexity and sensitivity as well as cost will influence the process of formal decision-making and the manner in which it should be managed.

All major procurement projects are to be managed according to a structured project management method, scaled to fit the project, and incorporating standard gateway reviews and best practices in risk management as set out in the Procurement Handbook.

#### **4.10. Electronic Commerce (E-procurement)**



The term 'e-procurement' is rather broad: it describes the use of an electronic system to acquire goods, works and services, including the sourcing of suppliers and attracting and evaluating bids. It can also include invoice receipt and making payments to suppliers. The Council will seek to achieve efficiencies in the procure-to-pay cycle, including reduction in the cycle time and reduction in transaction costs. Additionally, modern methods enhance the image of the Council with suppliers and make it easier for the Council to attract bids.

Although e-procurement has been in existence for a few years now, this is still a relatively fast changing market and there is a need to keep abreast of new solutions that are appearing, and exchange ideas and best practice with other organisations, both in the private and public sectors. There is also a need to be 'outcome focused' to ensure implementation achieves tangible benefits as it is easy to be swept along by the tide of technology without reaping rewards.

The Council is committed to a modular approach to the introduction of electronic commerce and e-Procurement, including optimising use of BACS and CHAPS payments, developing the Hertfordshire E-Marketplace and appropriate use of procurement cards and electronic tendering.

#### **4.11. Workforce Issues, Staff Involvement and Equal Opportunities (internal)**

The Council is committed to being a good employer and to a quality, well-motivated workforce fully enabled to deliver effective services to the customer. Staff will be consulted at all relevant stages of a procurement project and especially in situations likely to involve a transfer of staff.

The TUPE Regulations apply to transfer situations and in such situations the Council will use its best endeavours to facilitate the admission of the service provider or contractor to the local government pension scheme.

#### **4.12. Social and Economic Development**

The Council is committed to promoting a strong local economy by providing high quality information and advice to local businesses (and small and medium- sized enterprises (SMEs) in particular), social enterprises and voluntary and community organisations, to support their capacity to win and retain public contracts. This includes using new technologies such as the internet to make this information available. The Council recognises that SMEs in the right circumstances offer better value for money than larger suppliers. For instance they may bring greater competition to the market place, have smaller administration overheads and management costs, bring innovation, respond quickly to changing requirements, be flexible and willing to tailor a product or service to meet specific customer needs,

offer high quality and personal levels of service or supply specialist products and services.

SMEs may be social enterprises, that is, businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. The Council acknowledges that their social, and often environmental, objectives combined with their entrepreneurial flair, can provide an excellent basis for the delivery of public services to their local community.

Furthermore the Council recognises that many voluntary and community sector organisations have certain characteristics which make them potentially better able to deliver services than either their public or private sector counterparts. These characteristics include the ability to draw on specialist knowledge and experience, unique access to the wider community and freedom and flexibility from institutional pressures.

#### **4.13 Equality and Diversity**

The Council has legal responsibilities to eliminate unlawful discrimination and promote equal opportunities through a range of national and European legislation. The Equalities and Diversity Policy sets out how the Council intends to meet its general and specific duties.

Individuals and organisations such as consultants, contractors, and agencies working for the Council have a responsibility to abide by this policy in the work they carry out for us. An equal opportunities assessment will take place as part of the application process on contracts. The Council will ensure all contracts and work specifications include equality and diversity principles and that performance against these are monitored.

Safeguards will be built into relationships with contractors and service providers to ensure good practice as regards race, sex and disability discrimination and in particular to ensure that the Council fulfils its duties under the Race Relations Amendment Act 2000 and other legislation or guidance relating to equalities issues. To this end the Council will promote equality of opportunity for businesses regardless of the ethnicity of ownership.

#### **4.14 Sustainable Procurement**

Sustainable procurement is purchasing goods and services that have the most beneficial environmental, social and economic impact and which avoids compromising future generations. Local Authorities are large consumers and purchasers with significant purchasing power. We can have a real impact by purchasing responsibly by opting for goods with higher sustainability credentials through clear specifications.

Procurement specifications should consider not only the source of the materials the product is made from and its longevity in the work place, but also its eventual redundancy and disposal.

To support sustainable procurement the Council will:

- Purchase recycled office paper with at least 70% of its content from post consumer waste.
- Send all toner cartridges for recycling.
- Recycle or reuse all obsolete mobile phones.
- Purchase printers with double sided functionality where possible.
- Purchase timber and timber products from sustainable sources where available.
- Make office paper recycling available for staff.
- Include within tender specifications the eventual redundancy implications of products purchased.
- Where possible purchase office equipment such as printers, fax machines, copiers and scanners with the Energy Star Label (machinery that meets or exceeds energy efficiency guidelines).

## 5. Review

The Council recognises the importance of reviewing its strategies, policies and practices to ensure that they continue to reflect the Council's vision, corporate goals, and key objectives. This strategy will be reviewed annually to ensure it remains effective and takes account of changes in legislation and best practice. A revised strategy will be published every three years.

## 6. Action Plan

<b>Action</b>	<b>Responsibility</b>	<b>Target Date</b>
Review of Contracts Register	Procurement Officer	Every 3 months
Review of selling to the Council guide.	Head of Procurement	October 2008
Review training needs for Officers and Elected Members	Head of Procurement	April 2008
Review of Key Performance Indicators in contracts and reporting on contract performance to the relevant committee	Head of Procurement	June 2008
Roll out of Procurement Cards	Head of Procurement	April 2008
Sustainability – develop the sustainability section of this Strategy and ongoing contribution to the Council's	Head of Procurement	October 2008

Sustainability group		
Review of Corporate Procurement Strategy	Head of Procurement	October 2008 and October 2009