

# **Corporate Procurement Strategy**

2008 – 2011

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**Contents**

**1 INTRODUCTION & SUMMARY .....3**

**2 BACKGROUND .....4**

    2.1 DEFINITION OF PROCUREMENT .....4

    2.2 PROCUREMENT MISSION STATEMENT .....4

    2.3 PROCUREMENT ACTIVITY .....5

**3 CURRENT ARRANGEMENTS 2006/07 .....6**

**4 PROCUREMENT ARRANGEMENTS & STRUCTURE 2008/11 .....6**

    4.1 ORGANISATION AND MANAGEMENT OF PROCUREMENT AND CONTRACTS .....6

        4.1.1 *Procurement Structure* .....6

        4.1.2 *Corporate Management Group*..... **Error! Bookmark not defined.**

        4.1.3 *Service Units will* .....7

**5 FUTURE CHALLENGES .....7**

    5.1 WORKSTREAMS .....7

**6 CORPORATE PROCUREMENT STRATEGY 2008 – 2011 .....8**

    6.1 NATIONAL PROCUREMENT STRATEGY, GERSHON AND BYATT REPORTS .....8

    6.2 THE APPROACH TO CORPORATE PROCUREMENT. ....8

**7 THE APPROACH ~ EFFICIENCY .....9**

    7.1 BUSINESS EFFICIENCY .....9

        7.1.1 *Systems*.....9

        7.1.2 *Best Value*.....9

        7.1.3 *Contract management*.....10

        7.1.4 *Collaboration and partnering*.....10

        7.1.5 *Monitoring and measurement*.....11

    7.2 LEADERSHIP .....11

        7.2.1 *Customer focus*.....11

        7.2.2 *Communication* .....12

        7.2.3 *Guidance*.....12

**8 THE APPROACH ~ RESPONSIBILITY .....13**

    8.1 SOCIALLY RESPONSIBLE PROCUREMENT .....13

        8.1.1 *Sustainability* .....13

        8.1.2 *Ethical Purchasing*.....13

    8.2 DEVELOPMENT.....15

        8.2.1 *Training* .....15

        8.2.2 *Economic Development*.....15

**9 RISK MANAGEMENT .....15**

**10 SUMMARY.....16**

    10.1 STRATEGIC OBJECTIVES .....16



# 1 Introduction & Summary

In developing a Corporate Procurement Strategy for 2008-2011, it is not the intention to produce an extensive document full of jargon, which will simply be noted and filed. Rather, it is hoped that the format of publishing short statements of commitments designed to move the procurement function on to the next stage of its development, will be more appropriate and easier to understand.

The first section of this document therefore includes a review of previous activities and considers the factors, which now influence the future role and requirements of the procurement function over the next three years.

Implementation of the Corporate Procurement Strategy will lead to:

- Enhanced profile and supply chain influence of the procurement of works, goods and services for Great Yarmouth BC
- The implementation of “Best Practice” procurement
- The development of a corporate procurement and procedures plan to support the Council’s requirements
- Development of an e-procurement platform for all aspects of sustainable procurement activities, standardised systems and processes

Supplier relationships, partnerships, framework contracts, and best value for money are fundamental to the procurement strategy and the delivery of a cost effective procurement process.



## 2 Background

### 2.1 Corporate Plan

One of the stated strategic objectives of Great Yarmouth Borough Council is to “manage resources for the whole Council efficiently and effectively”. As part of this objective, the Council has a commitment to improving financial management including our approach to offering value for money.

The Corporate Procurement Strategy has a key role to play in enabling the Council to deliver this key strategic objective.

### 2.2 Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) sets out how the Council will deliver its medium term financial objectives, within the framework set by the Community Strategy (2020 vision) and the corporate plan.

One of the key building blocks of this financial vision is the increased emphasis on delivering value for money. As part of the Comprehensive Spending Review 2007 (CSR07), there is a new requirement for 3% annual cash releasing value for money gains from all parts of the public sector. Value for money expectations are based around three workstreams

- Business Process Improvement and Collaboration
- Asset Management
- Procurement

The MTFS commits to improving procurement processes and procurement expertise, with this revised procurement strategy being implemented, and resources being targeted towards procurement to drive out efficiencies in this area.

### 2.3 Definition of Procurement

*‘the process of obtaining goods, supplies, services and construction works spanning the life cycle of the asset or service contract – ‘life cycle’ is defined as being from the initial conception of the business need through to the end of the useful life of the asset or service contract’.*

### 2.4 Procurement Mission Statement

Great Yarmouth BC will undertake to deliver a fair and transparent procurement service, which is both efficient and effective for the benefit of the Council, it’s suppliers and other stakeholders.



2.5

2.6

### **Procurement Activity**

In the financial year 2006 – 2007, Great Yarmouth BC made payments, totalling **approximately £65** million. A significant proportion of this spend is on expenditure such as salaries, pension contributions etc and it is more realistic to consider a total “in scope” spend of approximately £11 million, spent with over 2300 suppliers, which can be directly influenced by professional procurement practices.



### 3 Current Arrangements 2006/07

Procurement in the Authority is currently undertaken within service units, where the technical specialists are located, with some centralised arrangements for commonly used goods and services, which is administered by the Customer Services department.

### 4 Procurement Arrangements & Structure 2008/11

This strategy will introduce a new structure for procurement that will give a strong platform of accountability, providing for much-improved outcomes in service, efficiency, sustainability, risks and financial performance.

The central facet to this structure is to give Strategic Procurement responsibility to the Corporate Management Group.

#### 4.1 Organisation and Management of Procurement and Contracts

##### 4.1.1 Procurement Structure

- Members
- Executive Board of Directors
- Corporate Management Group
- Service unit/work groups

##### 4.1.2 Corporate Management Group

- Take a lead in the development, implementation and monitoring of the procurement strategy, reporting progress to the Customer and Resources Advisory Group
- Provide support, guidance and advice on procurement practice and assistance on major procurement exercises to all of the Council's service units
- Become a focal point for sharing good practice across the Council
- Ensure that procurement training is widely available
- Effect contracts for authority-wide goods and services and make sure that they are consistently applied
- Undertake a spend analysis on the Council's expenditure to highlight areas for potential savings/benefits to the authority
- Maintain and develop the e-procurement system



#### 4.1.3 *Service Units will*

- Be responsible for procurement activity in their respective areas
- Provide updates to the Contracts Register and information on anticipated future procurement activity (Procurement Plan)
- Provide information on the outcome of procurement exercises and contract performance
- Utilise framework contracts for goods, services and works administered by the authority, consortia (e.g. ESPO ), central government (e.g. OGC) and other public bodies

## 5 Future Challenges

### 5.1

In achieving the principle objectives of the Comprehensive Spending Review 2007 it is considered that the Corporate Management Group is well positioned to meet the challenges of the next three years until 2011, which are likely to fall within four main areas;

### 5.2 Workstreams

- Shared services/collaboration
- .e-Procurement/Invoicing/Tendering/Auctions/contract management etc.
- Improved efficiency in all aspects of procurement delivering cashable and non-cashable gains
- Sustainable procurement objectives both regional and ethical



## 6 Corporate Procurement Strategy 2008 – 2011

As stated in the introduction to this document, the content of the Corporate Procurement Strategy for the next three years is designed to be as ‘jargon’ free as possible and consisting of a number of short pledges under the headings of efficiency and responsibility.

### 6.1 **Comprehensive Spending Review 2007, National Procurement Strategy, Gershon and Byatt Reports**

In compiling a corporate procurement strategy for the next three years until 2011, cognisance must be given to underlying objectives of the 2007 Comprehensive Spending Review, National Procurement Strategy, Gershon and Byatt Reports.

These reports have brought procurement in to focus; they are still the subject of ongoing refinement and implementation by Local Authorities. There are five main themes into which the various recommendations can be categorised:

- Value for Money
- Collaboration
- Systems
- Measurement
- Learning and Development

Consequently, in compiling Great Yarmouth BC’s corporate procurement strategy for the next three years, consideration has been given not only as to how it provides a road map for the development of the procurement function within the Council, but also as a response to the requirements of best practice procurement.

### 6.2 **The Approach to Corporate Procurement.**

It is accepted that the Council will strive, at all times, to achieve best value and efficiency in its procurement of goods, materials and services but in doing so within an environment of transparency and fairness. However, there is increasing recognition that the Council must achieve such efficiencies whilst taking into account its responsibilities for the environmental impact of any procurement decisions made, in terms of sustainability, equality, diversity and other social implications.

The first part of the strategy relating to efficiency has been subdivided into business efficiency and leadership with specific commitments and priorities related to each.



## 7 The Approach ~ Efficiency

### 7.1 Business efficiency

#### 7.1.1 Systems

Great Yarmouth BC will implement a process of replacing all paper based ordering systems with a modern e-Procurement system.

#### **Commitment**

- To take the advantages of extending the corporate procurement card process to other areas of payment.
- To complete the development of an e-Procurement system.
- To complete the full electronic purchase to payment process.
- To implement, where appropriate, e-Tendering and Contract Management process improvements to replace the manual systems adopted by the Council.

#### 7.1.2 Best Value

Local Government is often criticised for 'accepting the lowest price'. However, the ultimate aim is always to secure best value for the Council and it's stakeholders in the procurement process.

The principles of Best Value lie at the heart of the procurement process, including options for whether service delivery should be provided internally or outsourced, and measured against any of the recognised options for service delivery.

- Cessation of a service in part or whole
- Creation of a public-private partnership
- Market testing
- Transfer of a service to another provider
- Re-negotiation of existing arrangements
- Quality requirements

#### **Commitment**

It is intended to further develop the evaluation procedures adopted by the Council in order to ensure that any offer accepted by the Council, represents the best value, taking price, quality and sustainability into consideration. It is therefore, not just the lowest priced offer. This policy will be fully communicated to the wider business community.



### 7.1.3 *Contract management*

It is recognised that a potential risk has been that following the completion of a tender exercise, not enough is done to manage the contract through to its completion often through lack of information being derived from the contract data and resources to fully manage a manual system.

#### **Commitment**

It is intended to strengthen contract management procedures by holding regular meetings with major contractors to review performance and to improve partnership working.

### 7.1.4 *Collaboration and partnering*

A major aspect of the Gershon Report was that there should be improved collaboration between parties within the public sector with similar requirements. Whether this is within the local government sector or in some other area of the public sector (such as National Government, the NHS or other similar bodies), in order to improve contract terms and conditions through an aggregation of demand or by reduced administration.

This will necessitate the development of a range of relationships both internally with procurement's customers to ensure the diverse needs of the Council are met, and externally with third party suppliers and contractors. This will require developing a range of relationships to reflect the strategic importance to supporting the Council's strategic plans

#### **Commitment**

Where such arrangements represent a clear benefit to Great Yarmouth BC, it will seek to strengthen collaborative and partnering relationships typically with the Office of Government Commerce, regional procurement consortiums (Norfolk, ESPO) and other centres of expertise in a bid to secure best value for the Council. Contracts will be monitored to ensure that there is full contract compliance and any incidents of off-contract buying, which are brought to the attention of the Corporate Management Group, will be investigated.



### 7.1.5 *Monitoring and measurement*

It is recognised that there is an absence of performance measurement within the public procurement sector and in order to measure improved efficiencies and performance it is important that an agreed set of standard indicators are compiled and implemented across the public procurement sector.

#### **Commitment**

The Corporate Management Group will adopt as standard, the core key performance indicators recommended by the Public Procurement Reform Board, as a means of measuring efficiencies, which include:

- Total procurement expenditure
- Total number of procurement transactions.
- Total cost of resources for procurement.
- Procure to pay cost per £,000 of expenditure.
- Average costs of procure to pay per transaction.
- Savings achieved.
- Suppliers spend analysis.
- Average spend per supplier.
- Average spend per order.
- Spend per SMEs/local SMEs.

## **7.2 Leadership**

### *7.2.1 Customer focus*

It is recognised that there is a popular misconception amongst companies' particularly small companies that local government is difficult to deal with and that communications are poor.

#### **Commitment**

The Corporate Management Group will, at all times, adopt a professional approach in all its business undertakings both with suppliers and the service departments. Where decisions are made, every attempt will be made, within the limits of existing legislation, to provide as full an explanation as possible of the reasoning behind the decision making process.



### 7.2.2 Communication

It is recognised that, key to the implementation of any new systems or policy, there has to be an understanding amongst stakeholders of the reasoning behind such action.

#### **Commitment**

The Corporate Management Group will endeavour to communicate with and inform and advise it's stakeholders by means of:

- Regular e-newsletters to users of the e-Procurement system.
- Regular procurement user group meetings.
- Increased use of the Council's intranet.
- Increased scope of the Procurement Section of the Council's website.
- Attendance at 'meet the buyer' and other events organised by the local Chamber of Commerce, the Federation of Small Businesses, etc.
- Publication of a 'How to do Business with GYBC Guide' aimed at encouraging SMEs' to find it easy to work with the Council

### 7.2.3 Guidance

It is recognised that an important aspect of the role of the Corporate Management Group is to provide guidance and advice to both client departments and to all stakeholders.

#### **Commitment**

The Corporate Management Group will continue to develop a toolkit of informative guidance as follows:

- The updating of the Purchasing Procedures Manual.
- The distribution of the Tender Evaluation Procedures Guidance Note.
- The development of a purchasing guide for those involved in the daily ordering of goods, materials and services.



## 8 The Approach ~ Responsibility

The second part of the strategy relates to responsibility and has been subdivided into socially responsible procurement and development, with specific objectives and priorities again related to each.

Great Yarmouth BC recognises that its activities have an impact on the economic, social and environmental aspects of the community in which it exists and in the wider context. Therefore it is required to take account of these factors in the acquisition of goods, materials and services.

### 8.1 Socially responsible procurement

#### 8.1.1 Sustainability

As part of the Council's commitment to the Nottingham Declaration the Corporate Management Group is conscious that its decisions must take into account the social, economic and environmental impact that the procurement of goods, materials and services has on people and communities, including taking into account what products are made of, where they have come from, who has made them, how they are transported and how they are eventually disposed of. Consideration should even be given as to whether the purchase requires to be made at all.

Where appropriate the procurement activity will follow achievable guidelines regarding sustainable development, recognising the following:

- Social progress
- Effective protection of the environment
- Prudent use of natural resources
- Maintenance of high and stable levels of economic growth and development

#### **Commitment**

The Corporate Management Group will demonstrate sound environmental management in the acquisition of goods and services so as to ensure that such acquisitions have the minimum impact on our environment.

#### 8.1.2 Ethical Purchasing

Procurement will support the aims and objectives of *Fairtrade* and its commitment to that objective by promoting *Fairtrade* products by increasing awareness amongst users.



However, ethical purchasing is a much wider subject than simply using *Fairtrade* products. In its truest sense, it means without harm to, or exploitation of humans, animals or the environment.

Procurement whether it is in house, external or through partnerships will be operated in a professional manner to ensure the highest standards of openness and exclusivity, transparency, probity, integrity and accountability.

Procurement decisions will be fair, legal and consistent and major procurement will be on a project basis to include risk controls, assured quality.

### **Commitment**

The Corporate Management Group will take into account ethical considerations in the procurement of goods and services on behalf of the Council.

Ethical purchasing must also take into consideration:

- Human – human rights, worker rights, responsible marketing, health and safety and issues relating to race relations, equal opportunities and disability discrimination. The promotion of equality and good relations between people of different ethnic and social groups.
- Environment – climate change, pollution and toxins, habitats and resources.
- Animal – testing, factory farming, animal rights.
- Politics – anti-social finance, boycotts, genetic engineering, political activity.
- Product sustainability – organic products, fair-trade products, energy efficient products.

Suppliers to the Council will be expected to share their ethical sourcing policies and to maintain standards throughout their supply chain that promote appropriate standards regarding legal, ethical and social issues including, for example, health and safety, security of employment rights, equality, corruption and fair trade.



## 8.2 Development

### 8.2.1 Training

It is recognised that ongoing training and development is essential to an efficient procurement process and that this is a key element of the National Procurement Strategy.

#### **Commitment**

The Corporate Management Group will ensure that have access to appropriate opportunities for personal training and development. In addition, training for those members of staff engaged in the supply chain will be delivered in order to develop an awareness of their responsibilities and to encourage ownership of the procurement process.

### 8.2.2 Economic Development

Previously in this document, it is noted that the volume of business transacted with local companies is not particularly high and while it is not possible to provide any advantage based on geographical consideration in the tendering process, efforts will be made to engage with the local business community to ensure that they are at least aware of any tendering opportunities and have an understanding of how the tendering process works.

#### **Commitment**

The Corporate Management Group will engage with the business community and organisations such as the Federation of Small Businesses, Regional Chambers of Commerce and publish a '*How to do Business with GYBC*' guide.

## 9 Risk management

Risk management is an integral part of the procurement process, as all elements of procurement are susceptible to risk.

The risk associated with all procurement decisions will be identified, assessed and managed accordingly, by the lead buyers involved, at an early part of the



procurement process. Their decisions will be supported by information provided by the e-Procurement solutions and on-going annual training.

All decisions relating to procurement will be taken having due regard to the risks which have been identified and subsequently evaluated within the new governance structure.

## 10 Summary

When meeting its current aims and objectives, the 2008/11 Procurement Strategy will deliver a firm foundation on which to build and through which, the Council can meet its obligations towards the recommendations contained within the Gershon Report and best practice guidelines.

### 10.1 Strategic Objectives

The Council's strategic objectives are as follows

- Procurement must contribute to the realisation of the Council's Community Strategy and support the achievement of Council Priorities, Corporate Plan and medium term financial strategy
- Best value must be obtained from the Council's procurement spend in achieving efficiency, effectiveness and value for money
- All procurement projects must be professionally managed so that they are successful and the intended benefits are realised
- Partnering will be examined as one of the preferred procurement strategies for all major projects, to gain mutual advantage through longer term relationships and continuous improvement
- There must be a successful transition to e-commerce as part of the Council's local e-government strategy
- Consideration to be given to the impact on the economic well-being of the local area of procurement decisions
- The maximisation of the purchasing power of the authority
- To reducing the overall cost of purchasing across the authority

The 2008 – 2011 corporate procurement strategy is an opportunity to build upon strong foundations and in doing so to meet and deliver a best in class procurement function.



Appendix 1

Great Yarmouth BC – Corporate Procurement Strategy 2008 – 2011

<b>Efficiency</b>		Collaboration	Systems	Measurement	Learning & Dev.
<b>Business efficiency</b>	Systems	✓	✓	✓	✓
	Best Value	✓	✓	✓	
	Contract Management	✓	✓	✓	
	Collaboration and Partnering	✓	✓	✓	
	Measurement	✓		✓	
<b>Leadership</b>	Customer Focus	✓			✓
	Communication	✓	✓		✓
	Guidance	✓	✓		✓
<b>Responsibility</b>		Collaboration	Systems	Measurement	Learning & Dev.
<b>Socially responsible purchasing</b>	Sustainability				✓
	Ethical purchasing				✓
<b>Development</b>	Training				✓
	Economic Development	✓			