

SOUTH STAFFORDSHIRE COUNCIL

CORPORATE PROCUREMENT STRATEGY 2004 - 2007

A. INTRODUCTION

1. In 2004/05 South Staffordshire Council will spend the £16 million it has, to provide a range of statutory and discretionary services to its residents, on two things:
 - Employees £6.5 million (40%)
 - Goods and services bought from suppliers £9.5 million (60%)
2. This only leaves two ways that the Council can get better value for money to meet its strategic objectives and support those of its partners, they are:
 - Greater productivity from employees, (which is being addressed in other ways and is not part of the procurement strategy)
 - Better procurement of goods and services where the value received can be influenced
3. The National Procurement Strategy defines procurement as: “the process of acquiring goods, works and services, covering both the acquisition from third parties and from in-house providers. The process spans the whole life cycle from **identification of need**, through to the **end of the useful life** of an asset. It involves option appraisal and critical “make or buy” decisions which may result in the provision of services in-house in appropriate circumstances”
4. This suggests that delivering more value from the money the Council spends is the collective responsibility of everybody involved and ultimately depends on the:
 - Priority and support Members and senior managers give to procurement activities
 - Level of procurement capability and capacity across the council
 - Degree of collaboration and coordination, internally and externally
 - Appetite the Council has for challenge and change
 - Efficiency with which the council manages its procurement activities
 - Accountability and responsibility for procurement performance

- Accuracy of the data people use to make valuable decisions
5. The purpose of this Strategy is to communicate clearly to all stakeholders, managers, and suppliers in the private and voluntary sectors the Council's vision for the way forward in its procurement of services, supplies and works so that they play a meaningful role in the implementation of that vision.

B. PROCUREMENT VISION

6. Our vision is the delivery of best value services by the most appropriate procurement route. The Council intends to develop and embed a consistent set of procurement practices across the organisation designed to deliver substantial additional value through both lower costs and higher quality of bought-in goods and services.

The aim of this procurement strategy is to set out a clear framework for procurement throughout the authority, which reflects the Council's corporate plan, provides a framework for best value and sits alongside the Council's Constitution, Standing Orders and Contracts Standing Orders.

C. BACKGROUND AND CURRENT SITUATION

7. Over the last few years there has been increasing emphasis on the importance of good procurement practice in local government. National initiatives include:

Best Value legislation	1999/2000
Byatt report	2001
CPA	2002
Local Government Act	2003
National Strategy for Procurement	2003
Gershon Review	2004

These various initiatives place specific responsibilities on councils to take action in the area of procurement practice as a means of achieving best value and corporate efficiency savings.

8. As a result of the Fundamental Best Value Review of Internal Administrative Support Services which commenced in May 2002 the Council recognized that a corporate review of procurement needed to be carried out as a high priority. This procurement review highlighted the need for major changes to improved overall efficiencies, summarized as follows:
- Need for greater coordination/higher profile of procurement activities
 - Need to provide high calibre procurement expertise
 - Need for essential training in procurement training

- Need to aim for, target and measure savings
9. In December 2002 the Council endorsed the Fundamental Review of Internal Administrative Support Services for 2003-08 and as part of the plan for continuous improvement, the following key improvements were highlighted for action:
- Appoint consultants to drive through the changes
 - Produce and publish a corporate procurement policy
 - Introduce new corporate practices and procedures to meet the recommendations of the Byatt report, including the revision of Standing Orders and Contracts Standing Orders
 - Designate staff responsible for corporate procurement activities
 - Introduce a procurement element in to all future Best Value Reviews
 - Train all key officers in the essentials of procurement
10. Consultants Qualitar were appointed in September 2003 for an initial 6 month period to introduce/assist with the above improvements which has lead to the following actions:
- Two 2-day workshops on the *Essentials of Procurement* aimed at managers, budget holders and key administrative staff were held in November 2003 and January 2004 by the consultancy firm. (This action also satisfied a requirement of the National Procurement Strategy)
 - A corporate contract for stationery was introduced in January 2004 involving trialling Internet ordering and consolidating invoicing. The principals behind this contract to be used for future establishment of corporate contracts and on-line ordering. The next step being the integration of invoices direct in to the Council' s purchase ordering system.
 - Purchasing Cards were been trialled as a pilot in one Service Unit in January 2004. A further pilot will be held from September to December 2004 in two different Units before being rolled out for use in all Service Units by 1st April 2005. (This action also satisfies a requirement of the National Procurement Strategy)
 - Appointment of a Member procurement "champion" (Deputy Leader-Support Services) and officer "champion"(Deputy Chief Executive) to help drive through the changes and keep procurement high profile and promote corporate procurement practices. (These two actions also satisfy requirements of the National Procurement Strategy)
 - Monthly supplier monitoring has been introduced for the Council's top 20 suppliers accounting for £3.3m per annum, approximately 60% of the Council's controllable revenue spend. The Council's officer procurement "champion" to report the aggregated scores to the Executive giving a picture of overall procurement performance as it changes on a quarterly basis.

- Various ad-hoc procurement support on specific contracts has also been provided.
- Overall there has been a demonstrable total saving of £60,000 (on-going savings). These savings are in addition to “process savings” due to:
 - Less invoices to process
 - Less time spent checking low value invoices (introduction of P-Cards)
 - Less purchase orders raised, and
 - Less time spent raising purchase orders (on-line ordering of stationery).

11. As a consequence of the above, the Council has considered the appointment of a procurement officer but in the short-term has retained the services of the consultant on a rolling 3-month contract basis to help the Council drive through the above changes and further embed procurement within the authority. The key role that best value now plays in the delivery of local services means that procurement has become high profile and is an integral part of service planning and best value reviews. As such, procurement is now everyone’s concern. In recognizing the increasing prominence of procurement, it is important to understand the role that performance plays in various aspects of the Council’s work and this has been reflected in the approach taken to this Strategy. The Council is establishing a corporate approach to procurement in order to modernise and monitor procurement across the authority.

D. PROCUREMENT STRATEGY

12. A key element of this strategy is that the Officer Procurement Champion, with support as necessary from the retained procurement consultant and the Head of Administrative Services, will be responsible for:

- Developing appropriate procurement policies, practices, guidance notes and templates for the Council
- Recommending those policies and practices to the Chief Executive and Heads of Service for adoption
- Disseminating agreed procurement policies and practices across the Council so that a consistent and co-ordinated approach to procurement takes place
- Keeping up to date with developing procurement initiatives and innovations nationally
- Targeting and monitoring procurement performance across the Council and reporting it quarterly to the senior management team
- Identifying procurement training needs for all staff who are “supplier touch points” and identifying suitable training events for such staff

- Recommending, from time to time, necessary changes to contract Standing Orders so that they reflect the Council's agreed procurement policies and practices
- Developing the content for a **"Selling to South Staffordshire Council"** page on the website which sets out guidelines about how to do business with the Council. (In fact such a 'Selling to the Council' guide on the council's website is a required part of the National Procurement Strategy)
- Being the Council's "centre of expertise" for all matters relating to procurement
- Setting up a **small** number of corporate contracts, covering categories such as office supplies, which will be mandatory for all staff
- Advising on the procurement aspects of other major contracts, being involved as appropriate, covering issues such as:
 - Sourcing and contracting strategy
 - Specification style and scope
 - Supplier pre-qualification and bid list selection
 - Bid evaluation methodology
 - Post tender negotiation
 - Contract management
- Helping the Council achieve its 2.5% per annum corporate efficiency savings from 2007, as stipulated by the Gershon Review which looked at potential organisational and administrative efficiencies in local government, particularly through e-government.
- Ensuring appropriate procurement practices relating to green procurement, equality and diversity, and supporting the local economy, are developed and embedded in the way the Council does business.
- Putting in place appropriate partnering arrangements on any major (PFI) construction contracts which the Council may undertake.

E. SUPPORTING COUNCIL OBJECTIVES

13. South Staffordshire Council's vision is well articulated by the Community Strategy, which is agreed by the South Staffordshire Local Strategic Partnership. We share the Vision and have adopted it as the Council Vision:

"As a well managed council, we will strive to make South Staffordshire a safe and healthy place to live, with prosperous villages and thriving communities where everyone can develop their abilities to the full and pass on to future generations a better environment."

To view the [Corporate Strategy 2003-2008](#) (199K)

Our Five Aims are:

- 1. TO BE A COUNCIL WHICH CELEBRATES AND IMPROVES SOUTH STAFFORDSHIRE'S DISTINCTIVE ENVIRONMENT**
- 2. TO BE A HEALTHY AND SAFE DISTRICT IN WHICH TO LIVE, WORK, AND VISIT**
- 3. TO BE A PROSPEROUS DISTRICT WITH THRIVING COMMUNITIES**
- 4. TO BE A DISTRICT WHICH ENCOURAGES AND PROMOTES LIFELONG LEARNING OPPORTUNITIES**
- 5. TO BE A WELL-MANAGED COUNCIL AND COMMUNITY LEADER**

Furthermore the relevant objectives under Aim 5 are:

- We will be viewed by residents and employees as an excellent, responsive, and accessible authority.
- We will plan and manage the Council's finances and resources with the aim of delivering best value for money to achieve high quality services in line with our stated ambitions and priorities.
- We will improve and review services in line with the aspiration of residents and stakeholders, delivering the national agenda in a local context.
- We will inform and monitor progress through a system of performance management.
- We will ensure that the Council has sufficient capacity to meet its priorities with a skilled and valued workforce.
- We will work to ensure all suitable services are available electronically by 2005.

14. This Procurement Strategy will help the Council meet its objectives by:

- Developing the capability of local organisations to do business with the Council
- Achieving cash and non-cash savings to invest in improved services
- Helping all service areas meet and exceed their objectives.

F. PROCUREMENT OBJECTIVES

15. The Council's procurement objectives for the next three years are to:

- Help and support the continuous improvement of service provision across the Council
- Increase council-wide procurement capability, capacity and expertise
- Prioritise professional procurement expertise on high value and high-risk projects
- Make cash and non-cash savings by maximising the Council's purchasing power
- Use eProcurement as appropriate (see below) to Improve the efficiency of the procurement process by:
 - Reducing the number of purchase orders and invoices
 - Automating and simplifying all low value & low risk procurements
- Mandate a corporate approach to procurement
- Become the customer of choice and increase competition amongst suppliers
- Develop, support and retain suppliers who offer the best value for money
- Meet the aims of the National Procurement Strategy and CPA
- Where appropriate collaborate with other councils, the West Midlands Centre for Excellence and other local public service and voluntary sector providers.

G. E-PROCUREMENT

16. The National Procurement Strategy, published in October 2003, places certain responsibilities on all councils. Among these are the following eProcurement requirements:

By 2005

- Every council should have implemented an appropriate e-Procurement solution as part of its e-Government programme
- For low value purchases, every council should be making appropriate use of a procurement card or a suitable electronic alternative.

By 2006

- Every council should be using an appropriate e-Marketplace.

The word "appropriate" is included to allow for the fact that councils vary considerably in terms of size, procurement complexity, resource available, and readiness.

17. South Staffordshire Council is more advanced than many. It has a robust Procurement Strategy which has been accepted by the management team. The council has looked at opportunities for more efficient procurement and have already introduced on-line ordering for office supplies. This contract, awarded to Banners for the next 12 months, was conducted in a paperless manner using electronic submission of quotes. The contract allows for paperless ordering of a wide range of office supplies, from one supplier's electronic marketplace. A similar contract for envelopes has been let electronically and awarded to another supplier, K&J Lockie, thus allowing consolidating invoicing and greater purchasing power to enable the Council to have greater cost control and lower prices.
18. The Council has been piloting p-cards since 2004. This is being done for good practical reasons and should lead to efficiency savings. However it also satisfies another requirement of the National Procurement Strategy.
19. Although Banners call their website a marketplace it is not a true marketplace where a wide range of different suppliers can all be accessed. Therefore the Council plans to explore other marketplaces during 2006, led by advice from the Regional Centre of Excellence, who should be conducting pilot assessments of different sites on behalf of their member councils.
20. Further advances in eProcurement are constrained by the fact that the Council has still not rolled out the purchase order-processing module of your accounts system, and all orders have to be raised manually. Until this has been completed and bedded in the council should not consider further eProcurement.
21. Therefore, to summarise the Council's progress against the requirements of the National Strategy:
- The Council has already implemented an appropriate e-procurement solution (namely the contract for office supplies and for envelopes), thus meeting that requirement one year early.
 - The Council has already started using p-cards in 2004, well before the deadline set by the National Procurement Strategy.
 - The Council will wait and see what work on full e-marketplaces is done by the Regional Centre for Excellence, and will make further decisions on this in 2006.

H. PROCUREMENT RESULTS

22. The level of results we will achieve depends on how quickly the Council improves and uses its procurement capacity and expertise. In this strategy by results we mean achieving cash releasing or non-cash (efficiency) savings. As the Council's procurement capability matures over the next 3 to 5 years it will, year-on-year, increase the results it delivers.

23. The following cash savings have been calculated using an estimated influencable spend of £8 million from the Council's actual spend in 2003/04.

The efficiency savings come from multiplying a transaction cost of £40 per invoice paid, by the percentage the Council can reduce the 8,000 actual invoices it paid in 2003/04.

All values in millions	Year 1	Year 2	Year 3	Year 4	Year 5
Annual % Procurement Saving	2%	1%	1%	0.5%	0.5%
Annual Procurement Saving	£160k	£80k	£80k	£40k	£40k
How much lower are costs than base year?	£160k	£240k	£320k	£360k	£400k
Cumulative Procurement Saving	£160k	£400k	£720k	£1,080k	£1,480k
% Efficiency Saving	5%	5%	5%	5%	-
Invoice reduction	400	400	400	400	
Efficiency Saving	£16k	£16k	£16k	£16k	-
Cumulative Efficiency Saving	£16k	£48k	£96k	£144k	£208k
Annual Total Savings	£176k	£96k	£96k	£56k	£40k
Cumulative Total Savings	£176k	£448k	£816k	£1,224k	£1,688k

24. For simplicity we have assumed that **cash saving** is when goods and services cost less than they did in a nominated base year, likely to be 2003/04 for most cases. **Efficiency savings** are when we reduce the number of purchase orders and invoices, and when we transact purchase orders (especially those with a low value and low risk) in a more efficient way.

I. PROCUREMENT ORGANISATION & STRUCTURE

25. Procurement performance is of vital importance to the Council. To deliver the results described above the Council must strengthen its procurement expertise and governance. However, South Staffordshire is a small council with limited

resources, and it finds it difficult to justify a fully staffed corporate procurement unit. Instead procurement responsibility remains devolved to department managers and budget holders. However procurement practices will be co-ordinated and monitored by the **Officer Procurement Champion**, where necessary supported by a new **Procurement Strategy Group**.

This Group consists of the following:

- Steve Winterflood – Deputy Chief Executive (Procurement Champion)
- Phil Hardy – Head of Administrative Services
- Phil Cooper – Head of Accountancy and Financial Services
- Will Parsons – Qualitar Consulting Ltd – retained procurement specialist
- Peter Faulkner – Head of Internal Audit
- Barbara Juniper – Head of Architectural & Landscape Services
- Deb Poole – Head of IT

26. The new procurement organisation includes:

- The Deputy Leader (Support Services) who is also the “Member Procurement Champion” to be specified as the lead Member of the Council to be responsible for procurement performance (this is a recommendation of the National Procurement Strategy).
- Establishing a **Procurement Strategy Group** (see above) to strengthen corporate procurement governance by managing a procurement “gateway process” for all procurement projects with a total contractual cost of more than £50,000
- Providing expert procurement assistance to the Council through the use of a retained procurement consultant on a rolling 3-monthly contract
- Identifying procurement experts throughout the organisation to co-ordinate procurement activities to meet the objectives of this corporate Procurement Strategy.

27. Procurement training will be required for three separate groups of staff:

- The Service Unit procurement experts and the members of the Procurement Strategy Group
- Budget holders and contract managers
- Other staff, at more junior levels, who are “supplier touch points”

J. LEADERSHIP, RESPONSIBILITY AND ACCOUNTABILITY

28. The “Officer Procurement Champion”, supported as appropriate by the retained procurement consultant and Head of Administrative Services, will be responsible and accountable for:

- Developing and applying professional procurement capacity and expertise
- Awarding, communicating and managing a small number of corporate contracts covering categories such as office supplies and IT consumables.
- Providing procurement expertise for specific procurement projects
- Providing procurement expertise to take part in best value reviews which have a potential out-sourcing element
- Monitoring and reporting procurement performance
- Finding and communicating opportunities where the Council could make savings
- **Heads of Service** are responsible and accountable for the procurement performance of their Units:
 - Spending relevant budgets via corporate contracts
 - Using corporate procurement expertise for all procurement projects over £50,000 (if appropriate) using a “gateway approach” (**see Appendix 1**)
 - Providing information to the “Officer Procurement Champion” to help the Council make better procurement decisions

K. PERFORMANCE MEASURES AND TARGETS

29. The Procurement Strategy Group will develop a procurement performance management framework, reporting progress quarterly and annually to the Executive. This will include a range of measures and targets that aim to change the behaviour of those that are involved in procurement activities to become more focused on collaborating to achieve corporate benefits and to deliver more value for money. This will also include measuring the Council’s procurement progress against the recommendations and expectations of the National Procurement Strategy and the Council’s Corporate Improvement Plan.

L. THE CHANGES WE WANT TO ACHIEVE

30. Over the next 3 years we want this Strategy and the above performance management framework to achieve the following behavioural changes:

- Service Units procure most of their indirect goods and services using corporate contracts
- Council Members and Senior Managers give priority and support to the Council's procurement activities
- Service Units use professional procurement expertise starting at the time they think they have a need to procure goods and / or services
- Greater collaboration between Service Units and external partners, especially with regard to shared services
- Continuous improvements in value for money the Council achieves
- The Council is aware of and influences how current and potential suppliers regard it as a professional and competitive procurer
- More goods and services are procured from local suppliers.

M. IMPLEMENTATION

31. In 2004/05 we will concentrate on building the Council's procurement capability and delivering cash and efficiency savings by:

- Communicating this Strategy and its implications
- Strengthening corporate & procurement governance, including a corporate contract register
- Making quick win savings from setting up corporate contracts for office supplies, envelopes, paper & IT consumables and the re-negotiation of existing contracts wherever savings are possible
- Providing advice and support for procurement projects with a total contractual cost of more than £100,000 (using the "gateway approach"- this reduces to £50,000 from 2005/6)
- Developing a series of guidance notes covering issues such as bid evaluation, specification writing, negotiation, and supplier performance monitoring
- Developing a Council-wide procurement performance management framework
- Creating a "***Selling to South Staffordshire***" page for the Council website
- Piloting P-cards in a suitable area
- Developing an e-Procurement Strategy
- Integrating officer and member training in to the Council's annual training programme

32. In 2005/06 we will concentrate on **delivering cash and non-cash savings** from procurement activities by:

- Reviewing progress against this strategy and the National Procurement Strategy
- Continuing to make savings using corporate contracts and re-negotiating existing contracts
- Implementing the e-Procurement Strategy
- Continuing training for key officers and Members as appropriate
- Providing advice and support for procurement projects with a total contractual cost of more than £50,000 (using the “gateway approach”)
- Using the performance framework to drive continuous improvement

33. In 2006/07 we will concentrate on **delivering valuable strategic benefits** by:

- Reviewing progress against this Strategy and the National Procurement Strategy
- Develop a new 3-year Procurement Strategy
- Continuing to implement service area specific procurement strategies
- Continuing to make savings using corporate contracts and re-negotiating existing contracts
- Providing advice and support for procurement projects with a cost of more than £50,000
- Continuing to provide training where appropriate
- Managing value-for-money reviews on high value and high risk contracts
- Using the performance framework to drive **continuous improvement**.

34. Attached as **Appendix 2** is the Council’s progress plotted against the National Procurement Strategy milestones under the four themes and this will be closely monitored and reviewed along with the rest of this Strategy on an annual basis.

N. IMPLEMENTATION RISKS

35. The risks that may prevent us meeting our objectives and achieving the forecast results are:

- Lack of support/commitment from Members and senior managers
- Lack of support from others within Service Units

- Poor data on which to make valuable procurement decisions
- Cash savings are not ring-fenced and re-deployed to meet corporate priorities

O. THE NEXT THREE MONTHS

36. More immediately over the next 3-months (by the end of March 2005) we will:

- Start work on a corporate contract register
- Consult, modify and develop this Procurement Strategy with an agreed implementation plan
- Disseminate the importance of procurement and some key messages through a procurement awareness session for members
- Put in place a new envelopes contract
- Finalise the re-tendering process for the grounds maintenance contract
- Assist with the initial works associated with the re-negotiation of the refuse collection contract
- Consider a corporate policy for the procurement of temporary staff
- Finalise the arrangements for the purchase of new copiers and printers
- Start to develop “useful procurement guidelines”
- Develop the procurement performance monitoring and reporting framework
- Produce a list a current and expected corporate contracts the Service Units should use

February 2005

A methodology adopted by the Office of Government Commerce and the Ministry of Defence has been widely recognised as a sound way of conducting major procurements and is now recommended for all councils as part of the *National Procurement Strategy for Local Government*. The methodology is called a “Gateway Approach” and its use by South Staffordshire Council is proposed. It supports one of the Council’s core objectives: ***Making the best use of the Council’s resources and improving our efficiency.***

This model seeks to ensure the appropriate involvement of multi-disciplinary teams of officers at key stages in the procurement process to act in the “critical friend” role and bring broad officer support to the progress and outcomes of each project. The team will share their knowledge; experience and lessons learned from previous projects and also seek to ensure that appropriately trained and experienced resource is available to the project manager.

This approach does not seek to remove responsibility from service managers, obviate the need for consistent and robust project management of major procurements or the need for communications with and approvals from members, by Service Groups. This approach will apply to projects over the Key Decision threshold of £50,000.

The Procurement Strategy Group, whose membership is drawn from senior staff across the authority and is chaired by Steve Winterflood, (Deputy Chief Executive and officer “procurement champion”) will manage the approach.

Procurement Strategy Group

- Steve Winterflood
- Phil Hardy
- Phil Cooper
- Will Parsons
- Peter Faulkner
- Barbara Juniper
- Deb Poole

Links will be maintained with IT, Personnel and Legal so that their expertise can be fed in to the process on individual projects.

The model comprises four “gates”:

- Gate 1 – Project Feasibility
- Gate 2 - Outline Business Case & Procurement Plan
- Gate 3 – Contract Recommendation & Award
- Gate 4 – Contract Management & Annual Review

Gate 1- Project Feasibility

The purpose of this Gate is to ensure that there has been preliminary consultation with a multi disciplinary team and that the proposals will be able to “fly”. The Procurement Strategy Group will supply advice and support to the proposals outlined in the Project Initiation Document and ensure awareness of linkages to other procurements/projects as appropriate. It will also identify whether there is likely to be any potential conflict over the use of resources in relation to the Council’s overall procurement plan.

- Have the end users’ needs (as opposed to their “wants”) been assessed?
- Have options other than procurement been considered properly (such as in-house provision, an alternative product or service, or partial supply to meet only part of the need)?
- Is it likely that the supply market can provide a suitable solution and is there a reasonable idea of the costs involved?
- Is the procurement likely to be worthwhile, will it provide benefits greater than its costs?
- Is it clear from which budget the procurement will be funded?
- Is there likely to be competition for these funds?
 - Are there other possible projects which might be more worthwhile?

Gate 2 Outline Business Case & Procurement Plan

The Procurement Strategy Group will consider the Business Case and Procurement Plan offering support, advice and lessons learned from previous projects to ensure that optimum solutions are achieved to support the Council’s objectives via the principals of strategic procurement.

- Has there been an assessment of the appropriate supply market and have the key issues been summarised?
- What considerations have been taken into account in determine –
 - Whether to split the business between two or more suppliers rather than seek one preferred supplier?
 - How long the contract should be?

Note:

*The more complex the product or service, the longer the development time involved, and the more difficult it is to switch suppliers should anything go wrong with the current supplier then the **longer** the contract should be, and the more collaborative in nature.*

The more straightforward the product or service, the easier it is to switch suppliers, and the shorter the bedding in time for new contractors or suppliers, then the shorter the contract period should be and the more competitive the relationship can be.

- Has consideration been given to approaching the better suppliers in the market with a view to
 - Possibly learning from them about different (and better) ways of dealing with the current requirement
 - Encouraging them to respond to the council's invitations to tender?
- Has appropriate research been done to ensure that the specification is properly sized and scoped and is written in a way which encourages innovation?
 - Have suppliers been involved in pre-specification discussions?
 - Have any of their ideas been incorporated?
- Has an appropriate procurement risk assessment been carried out and have its results influenced the procurement plan?
- Has internal demand for the requirement been robustly forecast, and has “what-if” sensitivity modelling been undertaken to assess the potential impact of changes in demand to the procurement?
- If expressions of interest are to be pre-qualified in order to produce a short list of “approved” companies who will be asked to submit full bids, has consideration been given to the criteria which will be used to pre-qualify them?
- Has preliminary thought been given to listing the evaluation criteria which will subsequently be used to assess the bids that are received.

Gate 3 Contract Recommendation & Award

The purpose of this Gate would be to ensure that a multi-disciplinary team has examined the recommendations, the financial criteria, qualitative assessments and formal requirements of the proposed contract and to give broad officer support to the recommendations for award.

- How has the capability of each bidder been checked?
 - Verbal references?
 - Visits to reference sites?
 - Visits to bidder's offices and/or plant?
 - Pilot studies?
- Has a robust bid evaluation model been used to assess and score non-cost, as well as cost aspects of each bid?

- Have “whole life costs” rather than bid price been used?
- If the preferred bidder is not the cheapest has post tender negotiation been considered to try and bring down the costs?

Gate 4 – Contract Management & Review

A key aspect of any procurement and commissioning activity is to ensure that contractual arrangements continue to deliver outcomes, key performance indicators and meet the needs of the Council whilst delivering continuous improvement. This Gate will therefore re-occur annually for the life of the contract. Again, as a “critical friend” the Procurement Strategy Group will offer help and advice in support of these aims. It will also identify areas of best practice and disseminate this across the authority.

- Has the supplier’s service been regularly monitored – and are the charts available?
 - If service has been flat (or even declining) what actions have been taken to improve matters?
 - What improvement actions are planned?
 - Is there evidence that supplier and contract manager have worked together to seek service improvements and cost downs
- Is there a register of high-priority procurement risks?
 - Have these been re-assessed this year, if not what plans are in place to re-assess and revisit the risk management strategies for these key risks.
- Have latest financial accounts (preferably management accounts) been collected and assessed – do they indicate any concerns? [**Not:** this is only necessary with complex service contracts where it would be difficult to switch suppliers should this one fail]

Criteria

This approach will apply to projects over the Key Decision threshold of £50,000.

Those procurement projects that are **high risk/high value** will be subject to all 4 Gates. For example (this is not an exhaustive list):

- New contracting activity
- Discontinuation of existing contracting activity
- Changes in strategic approach to existing contracting activity including material extension or reduction.
- Contracting activity where previous supplier/provider performance has been poor
- Contracting activity where the market place is narrowly defined or under developed.

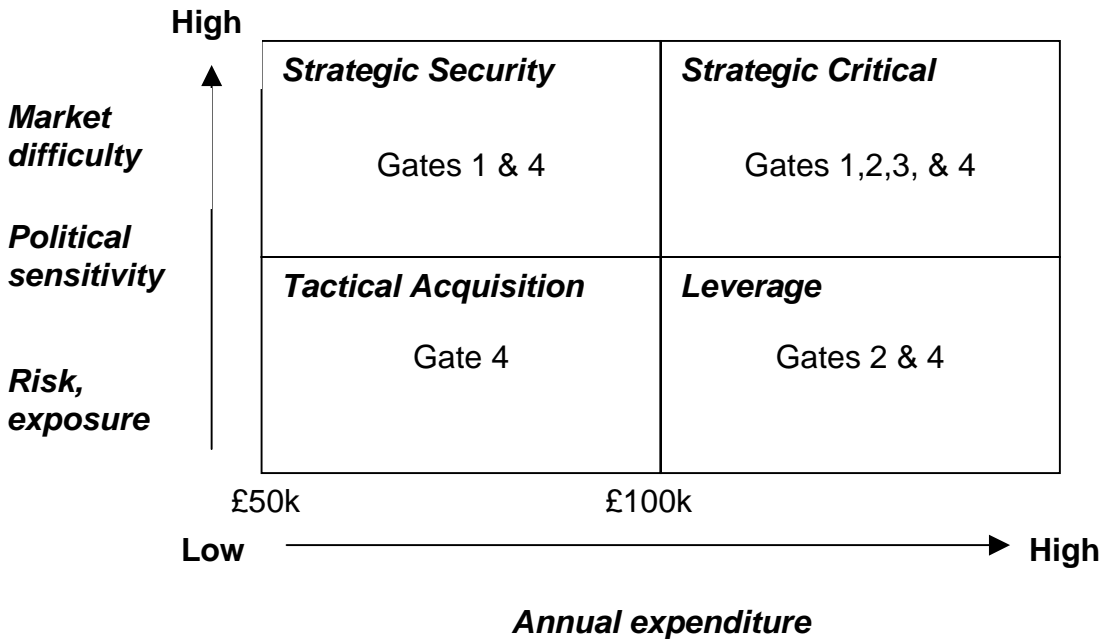
Those procurement projects that are **low risk/high value** will be subject, as a minimum, to Gates 2 and 4. For example (this is not an exhaustive list):

- Continuation of existing contracting activity where performance and improvement targets are being met.
- Contracting activity where the market place is broad and fully developed such that quality and competition requirements can be fully met.

Those procurement projects that are **high risk/low value** will be subject, as a minimum, to Gates 1 and 4 and PSG will decide on an individual project by project basis whether Gates 2 and 3 should apply.

Those procurement projects that are **low risk/low value** will be subject as a minimum to Gate 4.

Supply Positioning Matrix



The Review Process

The process is not intended to be overly bureaucratic or to impede the progress of major procurement projects. The documents required by the Procurement Strategy Group will be those that would be produced as part of any robust project management process.

- Project Initiation Document – **Gate 1**
- Outline Business Case & Procurement Plan – **Gate 2**
- Contract Recommendation & Award Report including quality and financial evaluation models – **Gate 3**
- Contract Management & Review Report including process review, KPI analysis, year on year comparison and benchmarking – **Gate 4**

The review at each of the Gates would be conducted electronically using the above documents and a set of “aide memoir” templates wherever possible, with the Procurement Strategy Group only coming together if significant issues arose. Any comments or advice would be fed back to service groups for incorporation into the project so that communications with or reports to Members would have broad officer support from across the authority.

1. National Procurement Actions

Appendix 2

1.1 Theme	Providing leadership and building capacity	Partnering and Collaboration	Doing business electronically	Stimulating markets and achieving community benefits
Strategic Objectives	There should be a commitment from the top of each council (leader, chief executive, procurement champion) to procurement excellence by managing it strategically and resourcing it adequately	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.	<ul style="list-style-type: none"> 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. To use e-Marketplaces to assist councils to access framework agreements and contracts. 	<ul style="list-style-type: none"> Engage actively with suppliers Use procurement to help deliver corporate objectives including the economic, social and environmental objectives set out in the community plan.
From 2003 (One action)				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
By 2004 (Nine actions)	<ul style="list-style-type: none"> Every council should adopt a corporate procurement strategy, based on a Best Value or other review. The strategy should be owned by members and senior managers and its implementation monitored regularly. 	<ul style="list-style-type: none"> Every council's corporate procurement strategy should set out the council's approach to partnering in service delivery and in construction projects. Every council's corporate procurement strategy should set out the council's approach to collaboration (including 		<ul style="list-style-type: none"> 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. All corporate procurement strategies should address <ul style="list-style-type: none"> the relationship of procurement to the community plan, workforce

		<p>purchasing consortia, joint procurement and commissioning and shared services), and how it intends to use the new trading powers.</p> <ul style="list-style-type: none"> • Every Best Value or strategic review of a service should include a robust and challenging appraisal of the different service delivery models available. 		<p>issues, diversity and equality and sustainability</p> <ul style="list-style-type: none"> ○ 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. • Every council should build sustainability into its procurement strategy, processes and contracts. • Every council should conclude a compact with the local voluntary and community sector • Procurement processes for partnerships should include: <ul style="list-style-type: none"> ○ Issuing an 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 ○ 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.
<p>By 2005 (Nine actions)</p>	<ul style="list-style-type: none"> • Every single tier and county council should carry out a health check on progress against this National Strategy and the associated guidance as part of their corporate procurement strategy. • Every council should be involved with a regional centre of excellence in procurement and project 	<ul style="list-style-type: none"> • 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 per cent* on the 2003 base. • Smaller district councils without dedicated procurement resources of their own, should 	<ul style="list-style-type: none"> • Every council should have implemented an appropriate e-Procurement solution as part of its e-Government programme. • For low value purchases, every council should be making appropriate use of a procurement card, the Government Procurement Card 	<ul style="list-style-type: none"> • 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. • Every council should have signed

	management.	<p>be collaborating with others, through the regional centres of excellence, to create shared services for procurement and project management.</p> <ul style="list-style-type: none"> Councils should identify opportunities for collaboration with neighbouring councils for shared commissioning and/or delivery of services 	(GPC) or a suitable electronic alternative	up to the national concordat for SMEs.
By 2006 (Three actions)	<ul style="list-style-type: none"> Every district council should have carried out a health check on progress against this National Strategy and the guidance endorsed as part of their corporate strategy. 	<ul style="list-style-type: none"> 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 per cent on the 2003 base. <p>* OJEU notice to signature as a target has been tested in pathfinders</p>	<ul style="list-style-type: none"> Every council should be using an appropriate e-Marketplace. <p>Progress will be monitored by means of BVPI 157 which includes e-Procurement as one the transaction types that should be carried out electronically by 2005. Take up of National e-Procurement Project deliverables will be measured through the Implementing Electronic Government process.</p>	

KEY – Highlighted already achieved by February 2005